NIBC

CONDENSED INTERIM REPORT 2019

NIBC HOLDING N.V.

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The Condensed Consolidated Interim Financial Report in this Interim Report has been prepared in accordance with IAS 34 Interim Financial Statements as adopted by the European Union and 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 Bank Deutschland AG and NIBC Markets respectively, and more recently our steps into the fintech space by acquiring minority stakes in Ebury, FinLeap and OakNorth. 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.

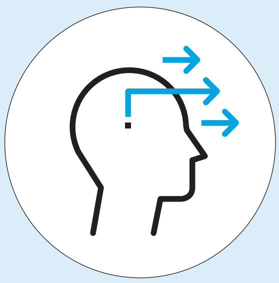
OUR PURPOSE

Making a difference
at decisive moments

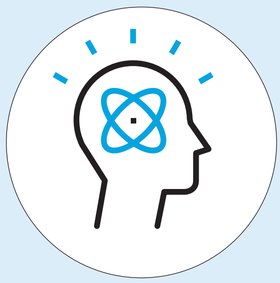
OUR VALUES

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 clients' needs. Structuring is part of our DNA. Our inventiveness ensures we can adapt to our fast-changing world and seize opportunities.

WHAT WE DO

OUR BUSINESS MODEL

We 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 payment 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 sectors and product solutions, ranging from advice and structuring to financing and investing

EUR 9.7 billion client assets

Typical ticket size: EUR 10 - 50 million

RETAIL CLIENT OFFERING

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

EUR 9.6 billion client assets

Typical ticket size: EUR 0.1 - 2.5 million

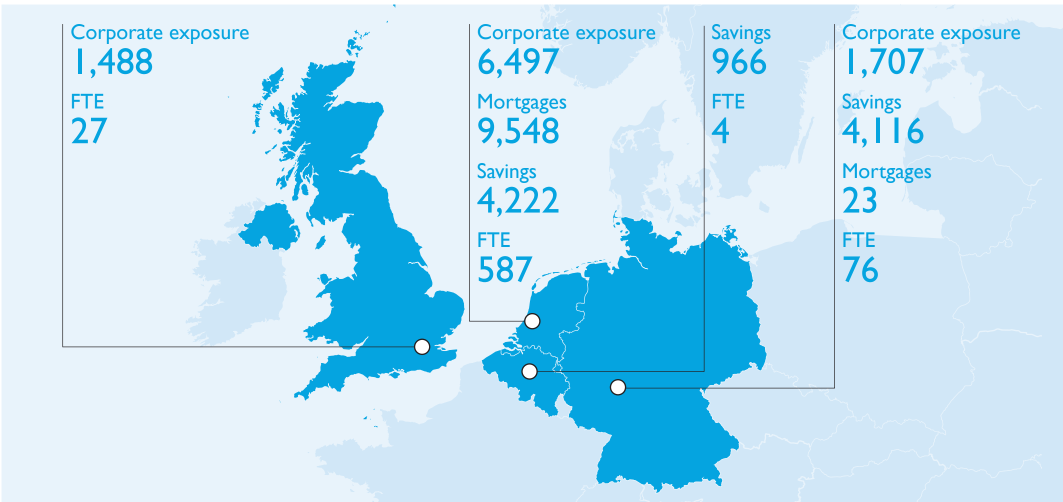
TREASURY & ASSET LIABILITY MANAGEMENT

RISK MANAGEMENT / CORPORATE CENTRE

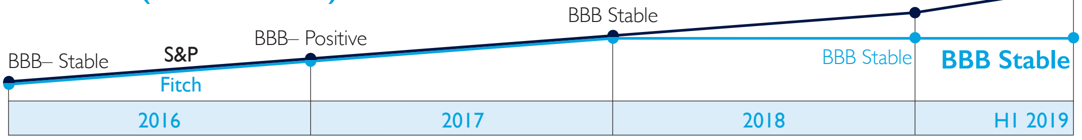
OUR MARKETS

Focus on north-western Europe

in EUR millions

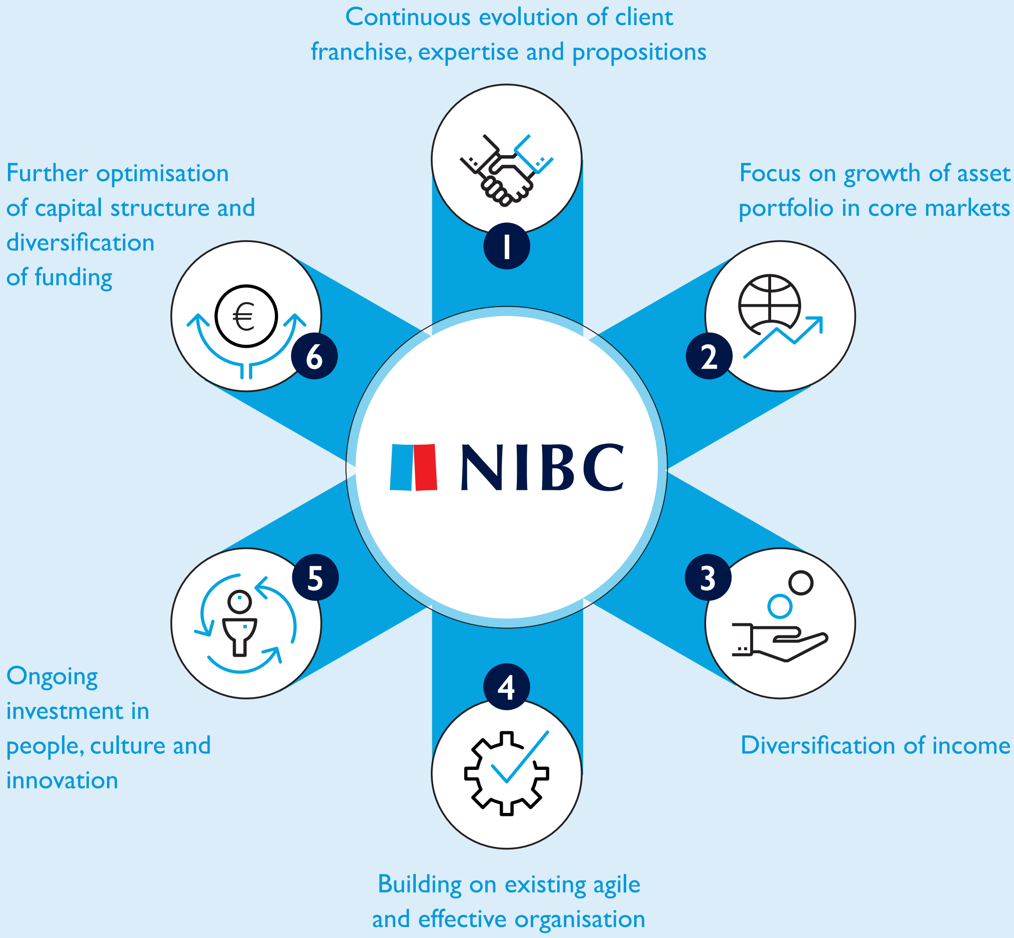


RATING (NIBC BANK)



OUR KEY STRATEGIC PRIORITIES

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



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

NON-FINANCIAL HIGHLIGHTS

Corporate lending NPS score

H1 2019

+47%

2018: +63% 2017: +64% 2016: +37%

NIBC Direct customer survey score

2018 (not updated for H1 2019)

7.7

2017: 7.9 2016: 7.6

Sustainability ratings

H1 2019

Oekom
C+
/Prime

Sustainalytics
22

RepRisk
AA
/AA

MSCI
BBB
/AA

Screening corporate loans

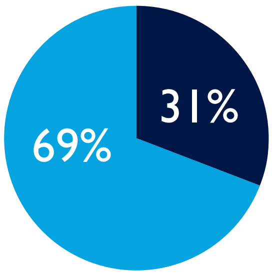
H1 2019

100%

2018: 100% 2017: 100% 2016: 100%

Male/female ratio

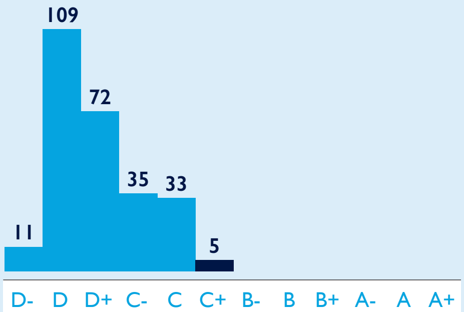
H1 2019



2018: 69% / 31% 2017: 70% / 30% 2016: 73% / 27%

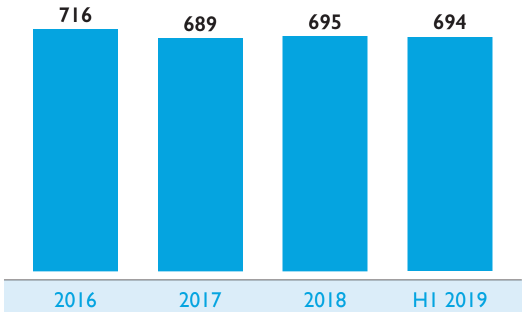
Distribution of Oekom rating

252 companies in the industry



Number of employees

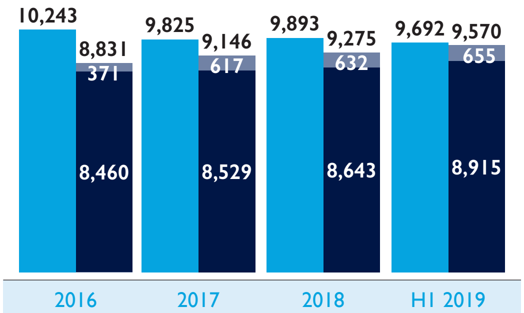
(FTEs)



FINANCIAL HIGHLIGHTS[1]

Client assets

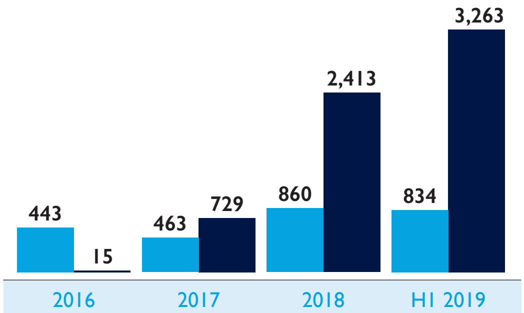
in EUR millions



Corporate client assets
Retail client assets Owner-occupied Buy-to-let

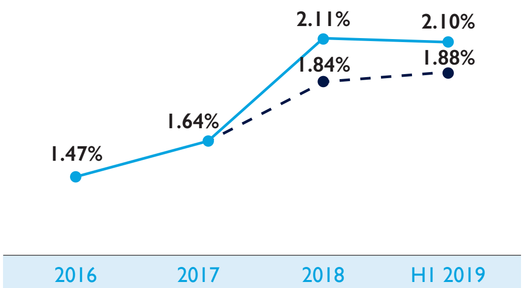
Originate-to-manage assets

in EUR millions



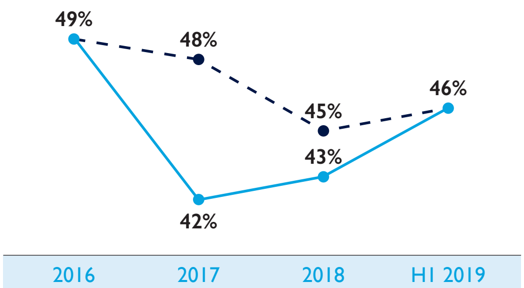
Corporate client assets Retail client assets

Net interest margin



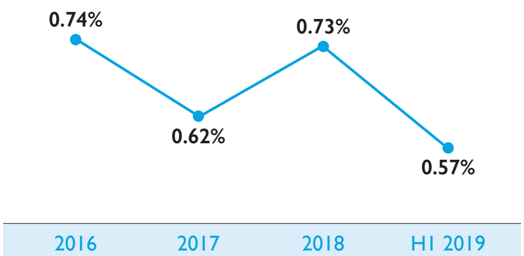
Net interest margin Net interest margin ex. IFRS 9

Cost/income ratio



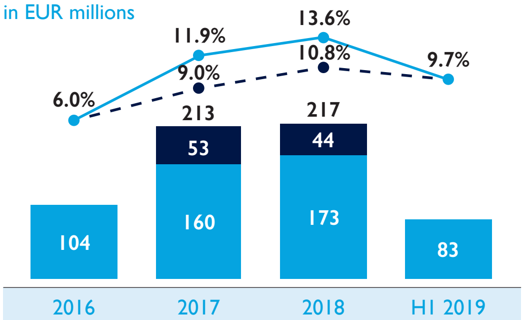
Cost/income ratio Cost/income ratio ex. non-recurring

Cost of risk



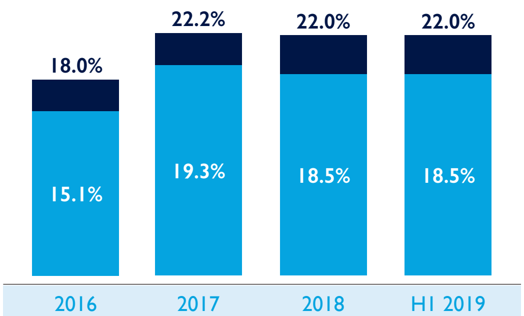
Profit after tax attributable to shareholders and return on equity

in EUR millions



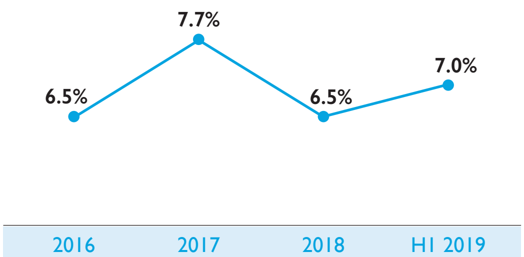
Profit after tax Non-recurring profit
Return on equity Return on equity ex. non-recurring

Solvency ratios[2]



CET 1 Total Capital ratio

Leverage ratio



[1] 2017 figures are based on application of IAS 39, 2018 and 2019 figures are based on application of IFRS 9.
[2] As from H1 2019, (interim) profits attributable to the shareholders are no longer added to regulatory capital.

KEY FIGURES

Earnings

	IFRS 9 H1 2019	IFRS 9 2018	IAS 39 2017	IAS 39 2016
Operating income	251	551	559	398
Operating expenses	116	239	233	197
Profit after tax	89	229	216	104
Profit after tax attributable to shareholders	83	217	213	104
Cost/income ratio[1]	46%	43%	42%	49%
Net interest margin[1]	2.10%	2.11%	1.60%	1.47%
Return on equity[1]	9.7%	13.6%	11.9%	6.0%
Return on assets[1]	0.77%	0.99%	0.91%	0.45%

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

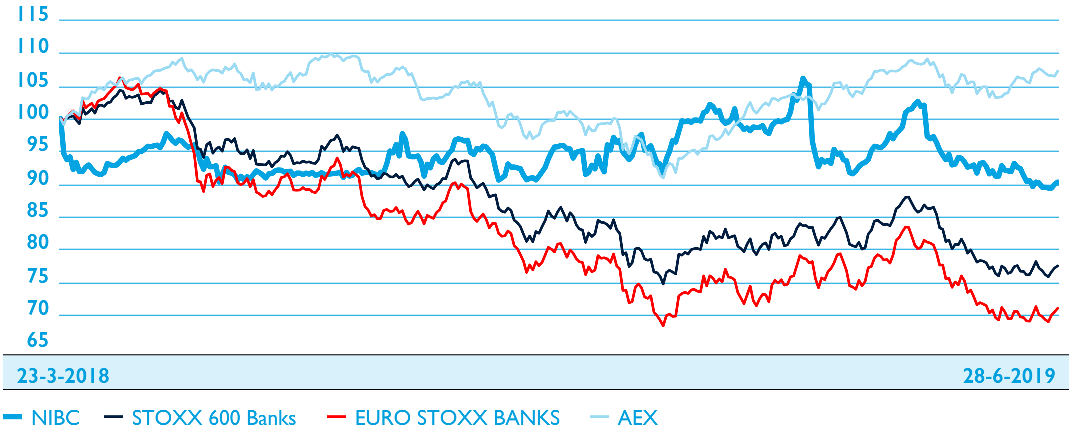
Share price

	IFRS 9 H1 2019	IFRS 9 2018	IAS 39 2017	IAS 39 2016
Number of shares outstanding	146	146	146	146
Number of diluted shares outstanding	146	146	146	146
Earnings per share basic – annualised	1.13	1.48	1.46	0.71
Earnings per share diluted – annualised	1.13	1.48	1.46	0.71
Dividend proposed	37	126	96	25
Dividend pay-out ratio[1]	44%	58%	45%	25%
Dividend per share[1]	0.25	0.86	0.66	0.17
Dividend yield	3%	10%		
Price/earnings ratio	6.99	5.59		
Price/book ratio	0.65	0.69		
Closing price	7.90	8.31		
Market capitalisation	1,156	1,216		

1 Ratios based on interim dividend pay-out proposal

Share price

Indexed share price



Portfolio

	IFRS 9 H1 2019	IFRS 9 2018	IAS 39 2017	IAS 39 2016
Corporate client assets (drawn & undrawn)				
Commercial Real Estate	1,269	1,307	1,264	1,042
Energy	798	841	869	1,160
Financial Sponsors & Leverage	1,262	1,353	1,596	1,682
Fintech & Structured Finance	1,083	1,028	832	730
Infrastructure	1,579	1,639	1,763	1,742
Mid Market Corporates	1,456	1,472	1,359	1,359
Shipping	1,300	1,370	1,297	1,512
Total corporate loans (drawn & undrawn)	**8,747**	**9,010**	**8,980**	**9,227**
Lease receivables	480	429	282	236
Investment loans	226	240	220	246
Equity investments	238	215	343	262
Investment property	-	-	-	271
Total corporate client assets (drawn & undrawn)	**9,692**	**9,893**	**9,825**	**10,243**
Retail client assets				
Owner-occupied mortgage loans – Netherlands	8,892	8,614	8,476	8,376
Buy-to-let mortgage loans	655	632	617	371
Owner-occupied mortgage loans – Germany	23	29	53	84
Total retail client assets	**9,570**	**9,275**	**9,146**	**8,831**
Originate-to-manage assets				
Corporate client assets	834	860	463	443
Retail client assets	3,263	2,413	729	15
Total originate-to-manage assets	**4,097**	**3,273**	**1,192**	**458**
Retail client savings				
Netherlands	4,222	3,909	3,871	3,950
Germany	4,116	4,072	4,407	4,542
Belgium	966	940	1,029	1,229
Total retail client savings	**9,305**	**8,921**	**9,307**	**9,721**
Asset quality				
Cost of risk[1]	0.57%	0.73%	0.62%	0.74%
Impairment ratio[1]	0.25%	0.33%	0.50%	0.76%
Impairment coverage ratio[1]	32%	31%	40%	37%
NPL ratio[1]	2.7%	2.8%	2.8%	3.0%
Top-20 exposure / Common Equity Tier 1	72%	77%	66%	78%
Exposure corporate arrears > 90 days	1.9%	2.7%	1.7%	2.1%
Exposure residential mortgage loans arrears > 90 days	0.1%	0.2%	0.5%	0.6%
Loan-to-value Dutch residential mortgage loans	69%	72%	75%	78%
Loan-to-value BTL mortgage loans	51%	52%	57%	59%

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

Solvency information

	IFRS 9 H1 2019	IFRS 9 2018	IAS 39 2017	IAS 39 2016
Equity attributable to shareholders of the company	1,782	1,755	1,918	1,819
AT1 and subordinated liabilities	477	478	483	398
Group capital base	2,260	2,233	2,401	2,217
Common Equity Tier 1 capital	1,451	1,444	1,653	1,504
Balance sheet total	21,519	21,550	22,148	23,495
Risk-weighted assets	7,844	7,805	8,584	9,930
Common Equity Tier 1 ratio[1]	18.5%	18.5%	19.3%	15.1%
Tier 1 ratio[1]	19.9%	19.9%	20.4%	15.1%
Total capital ratio[1]	22.0%	22.0%	22.2%	18.0%
Leverage ratio	7.0%	6.5%	7.7%	6.5%

1 As from H1 2019, (interim) profits attributable to the shareholders are no longer added to regulatory capital.

Funding & liquidity

	IFRS 9 H1 2019	IFRS 9 2018	IAS 39 2017	IAS 39 2016
LCR	212%	241%	196%	124%
NSFR	122%	123%	117%	112%
Loan-to-deposit ratio[1]	155%	152%	148%	145%
Asset encumbrance ratio	25%	26%	26%	29%
Retail savings / total funding	44%	42%	44%	46%
Secured funding / total funding	21%	21%	20%	23%
ESF / total funding	6%	7%	6%	6%

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

Non-financial key figures

	H1 2019	2018	2017	2016
NPS score corporate lending clients	+47%	+63%	+64%	+37%
NIBC Direct customer survey score	-	7.7	7.9	7.6
% of new corporate loans screened against sustainability policy	100%	100%	100%	100%
Number of new corporate clients with increased sustainability risk assessment	6	25	23	28
Fines or sanctions for non-compliance with laws and regulations	-	1	1	0
Total number of FTEs end of financial period	694	695	689	716
Male / female ratio	69%/31%	69%/31%	70%/30%	73%/27%
Male / female ratio top management	85%/15%	85%/15%	88%/12%	91%/9%
Training expenses per employee (EUR)	1,478	3,101	2,318	2,041
Absenteeism (trend total)	1.8%	2.1%	2.2%	2.4%
Employee turnover (employees started)	10.9%	19.2%	16.5%	25.2%
Employee turnover (employees left)	10.9%	18.5%	20.5%	15.0%

A WORD FROM THE CEO

Dear reader,

Looking back at the first half of 2019, I am pleased to announce that NIBC has been able to report a steady performance. Despite the volatile and rapidly changing environment in which we operate, we continue to deliver upon our promises with today's results in line with last year and well on track to again achieve our medium-term objectives by the end of this year.

Influenced by the increasing global uncertainty on a macro-economic and geopolitical level, markets continue to be challenging. This means that we continuously and with great caution look at how the markets in which we operate develop, and focus on those transactions that fit our franchise and our risk parameters. Despite low-for-longer interest rates becoming a reality, the abundance of liquidity and related high levels of pre- and repayments, we have seen a renewed inflow of savings and strong mortgage origination levels in the first half of 2019. At the same time, we have made good progress with the rebalancing of our corporate portfolios and still see favourable markets for our equity portfolio in the second half of 2019.

Benefitting from the solid Dutch economy, we realised steady results in H1 2019, with a profit after tax at EUR 83 million and return on equity (ROE) of 9.7%. Our CET 1 ratio was 18.5% excluding the result of H1 2019. As we continue to invest in the NIBC organisation, ranging from our IT transition to regulatory projects, we are able to keep costs tightly under control reflecting our agile organisation. At the end of June 2019, the fully loaded cost/income ratio was 46%.

Driven by our 'Think Yes' mentality and the entrepreneurial spirit of our people, we are able to report healthy growth. The ability to rebalance and develop new activities is at the core of our business.

On the retail client side origination continued to be strong in the first half of 2019, with total origination of EUR 1.8 billion, resulting in a market share of just above 4%. Our mortgage portfolio for own book grew with EUR 300 million (+3%) to EUR 8.9 billion. The originate-to-manage (OTM) portfolio grew even more by adding EUR 900 million (+35%) of mortgages to EUR 3.3 billion. To continue the ability to also offer the longer tenors to our clients as well as attract new clients, we increased our existing mandate and secured a second mandate with a new institutional investor, totalling the OTM mandates at EUR 4.5 billion at the end of June 2019. In Buy-to-Let, we are seeing renewed signs of growth (+3.6%), after having finalised the first phase of our KYC enhancement program in the first months of 2019.

On the corporate client side we reported growth in chosen sectors like Receivable Finance and Structuring. In Leasing, Beequip is also showing anticipated growth as the portfolio grew from EUR 368 million at the end of 2018 to EUR 440 million at the end of June 2019.

As we initiated project CARE on the corporate client side to address the KYC and AML requirements, our people have, together and with the help of our clients, pro-actively been committed to improving the processes that are necessary to continue to comply with the changing regulatory demands. Our approach should enable us to adapt faster to changes and for our clients to have an in-depth understanding of the changing environment. Having said that, the increased focus on KYC and AML processes has had an impact on our origination levels and the Net Promotor Score (NPS), as well as on the overall costs related to our licence to operate. As such, efficiency improvements are vital in order to manage our operating expenses actively. The partnering with fintechs like OakNorth will support us to further improve our operational processes going forward, increase our efficiency, and in the longer term, change the way we conduct our business.

We continue to focus on asset quality and a further rebalancing of our exposures, as evidenced by the active reduction of our portfolios in the selected sectors being Leveraged Finance, Shipping and Energy. Seeking diversification in terms of products and actively managing our risk weighted assets resulted in healthier risk metrics in the first half of 2019. The level of impairments remained stable compared to the first half of last year. We are proud of the announcement by S&P in May of this year as they upgraded our credit rating to BBB+ with a stable outlook, underpinning our strong capital position, stable funding profile and our continued focus on managing and reducing higher risk exposures.

In June, we announced the outcomes of an internal model investigation (IMI) as part of ongoing supervision by DNB. The IMI, which was performed on the basis of the ECB TRIM framework, has resulted in 30% additional RWAs for our corporate loan portfolios. We disclosed that the potential remaining Basel IV impact will be consequently lower. The new solvency ratios continue to be comfortably above our SREP levels and provide us with sufficient buffers to comply with Basel IV regulations, as also reflected by our leverage ratio of 7.0% at the end of June 2019. NIBC will continue to proactively adjust to the changing world around us to stay ahead of the curve, including the continued improvements of the business and our internal processes. With the regulatory environment subsequently adapting and changing quickly, the outcome of our IMI has given us clarity to outcome and effect. We will actively work to address the observations made by our regulator, as we continue to move ahead.

As a newly listed company we hosted our first public Annual General Meeting of shareholders (AGM) in April of this year, which also marked the last day of Wim van den Goorbergh as our Chairman of the Supervisory Board. I am grateful for Wim's leadership and thoughtful guidance and thank him for his contribution and support over the many past years. For the purpose of appointing Jeroen Kremers as a new member of the Supervisory Board, we will host an Extraordinary General Meeting of shareholders (EGM) on 29 August 2019 at our offices in The Hague, followed by an update for our retail investors.

In line with previous statements and underpinning the steady performance in the first half of 2019, we reconfirm an interim dividend pay-out of EUR 0.25 per share (H1 2018: EUR 0.25 per share).

I am grateful for the commitment and dedication of our people towards their work and our clients. The past months have been demanding for both our people as well as our clients, and I do not underestimate the role our people played in ensuring the increasing KYC requirements are looked after. With the bulk of the work behind us, we have started to send the first 'Thank you'-letters to our clients for their support and commitment. Supported by today's results, we are moving ahead with confidence towards the second half of 2019. By employing our key values of Professional, Entrepreneurial and Inventive, we will continue to be there on the decisive moments of our clients, now and in the future.

The Hague, 28 August 2019

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

FINANCIAL REVIEW

in EUR millions	H1 2019	H1 2018	H1 2018 vs. H1 2019
Net interest income	209	207	1%
Net fee and commission income	19	21	-7%
Investment income	16	21	-24%
Other income	7	5	37%
Operating income	**251**	**254**	**-1%**
Personnel expenses	57	55	3%
Other operating expenses	47	53	-12%
Depreciation and amortisation	3	3	8%
Regulatory charges and levies	9	9	-2%
Operating expenses	**116**	**120**	**-4%**
Net operating income	**135**	**134**	**1%**
Credit loss expense / (recovery)	21	21	3%
Tax	25	23	9%
Profit after tax	**89**	**90**	**-2%**
Profit attributable to non-controlling shareholders	6	6	0%
Profit after tax attributable to shareholders of the company	**83**	**84**	**-1%**

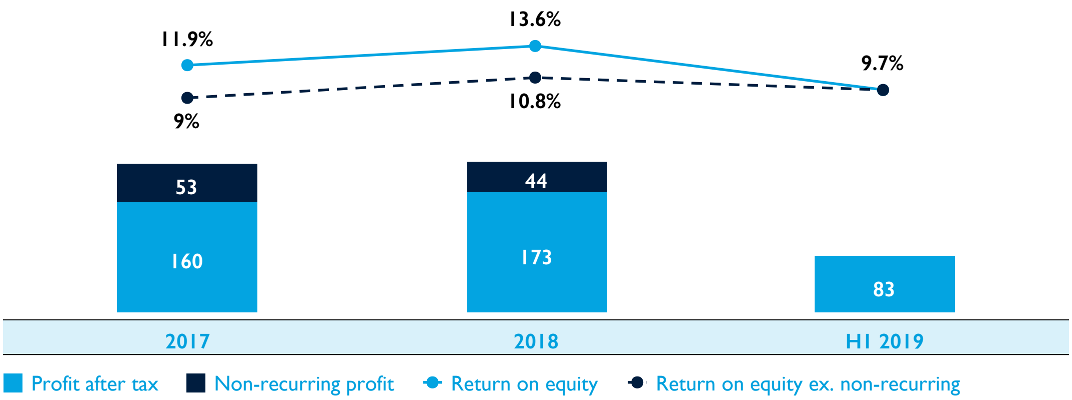
Financial overview

	H1 2019	2018	H1 2018
Earnings			
Return on equity	9.7%	13.6%	10.5%
Net interest margin	2.10%	2.11%	1.90%
Cost/income ratio[1]	46%	43%	47%
Fully loaded solvency ratios			
CET 1 ratio[2]	18.5%	18.5%	16.4%
Total capital ratio[2]	22.0%	22.0%	19.7%
Risk-weighted assets	7,844	7,805	8,676
Liquidity ratios			
LCR	212%	241%	160%
NSFR	122%	123%	115%
Other ratios			
Cost of risk	0.57%	0.73%	0.55%
Loan to deposit ratio	155%	152%	152%
Asset encumbrance ratio	25%	26%	26%
Rating NIBC Bank			
S&P rating and outlook	BBB+ / Stable	BBB / Positive	BBB / Stable
Fitch rating and outlook	BBB / Stable	BBB / Stable	BBB / Stable

1 Cost/income ratio including non-recurring items.
2 As from H1 2019, (interim) profits attributable to the shareholders are no longer added to regulatory capital.

Profitability remained stable in H1 2019, with a profit after tax attributable to shareholders of EUR 83 million, compared to EUR 84 million in H1 2018. We note that as from 2019 the interest paid on our AT1 instrument (EUR 12 million annually) is no longer tax deductable. Although the profit after tax remained stable, the return on equity slightly declined to 9.7% (H1 2018: 10.5%) due to the higher equity base at 1 January 2019 compared to 1 January 2018 (+ EUR 106 million).

Profit after tax attributable to shareholders and return on equity



In the first half of 2019 the corporate client offering focused on rebalancing the portfolio as part of NIBC's strategy. As per 30 June corporate client exposures amounted to EUR 9.7 billion, which is EUR 0.2 billion lower than year-end 2018 and reflects a faster execution of our rebalancing strategy. Client assets in relatively new and more granular initiatives such as receivables finance and leasing (through our subsidiary Beequip) increased with more than EUR 0.1 billion. Furthermore we could further grow our CRE franchise especially with selected construction development. In line with strategy as disclosed in our Capital Markets Update and 2018 Annual Report, we actively reduced our Energy, Shipping and Financial Sponsors & Leveraged Finance portfolios by EUR 0.2 billion. Markets continue to be challenging, with low yields and continued uncertainty resulting from a looming hard Brexit, geo-political tensions and associated trade conflicts.

Following our strategy to serve our clients, also on the longer tenors of the mortgage market, NIBC has continued to increase the originate-to-manage (**OTM**) mandates in 2019. This resulted in a total mandate of EUR 4.5 billion at 30 June 2019, for which we will strive to diversify the number of counterparties as much as possible. Next to AXA we have also engaged with other parties. Total mortgage loan origination volumes reached EUR 1.8 billion in H1 2019 (H1 2018: EUR 1.9 billion) of which EUR 0.9 billion relates to the OTM mandate, EUR 0.8 billion owner-occupied for own book and EUR 0.1 billion buy-to-let (**BtL**) for own book:

- Including pre- and repayments, the total mortgage portfolio in OTM increased in H1 2019 by EUR 0.9 billion to more than EUR 3.3 billion. Furthermore in the first half year of 2019 we signed new OTM mandates of EUR 1.0 billion;
- The owner-occupied mortgage loan portfolio for own book increased by 3% in H1 2019 from EUR 8.6 billion to EUR 8.9 billion, with origination of EUR 0.8 billion being partially compensated by pre- and repayments;
- The buy-to-let portfolio for own book slightly increased in H1 2019 to EUR 0.7 billion.

Despite pressure on margin and a declining interest rate curve the owner-occupied mortgage loan origination spread for own book improved in H1, with an own book origination spread of 1.76% versus 1.53% in 2018 (excl BtL).

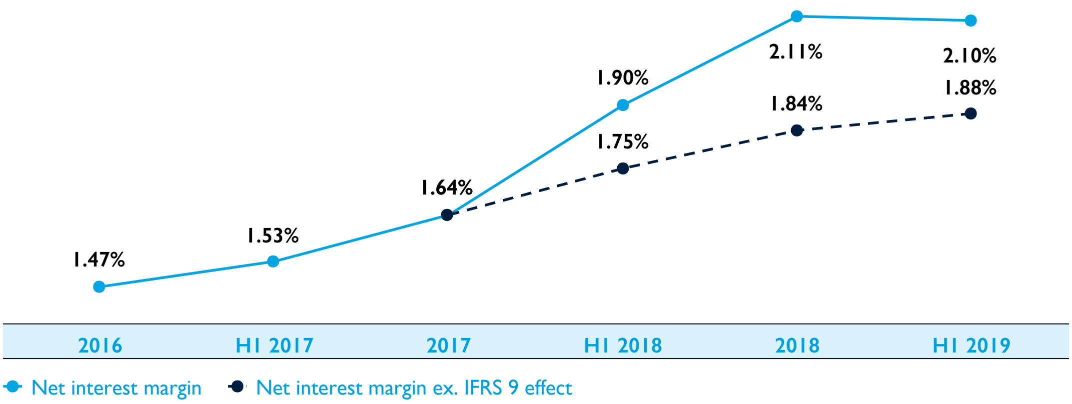
The average funding spread slightly declined in H1 2019, compared to year-end 2018, while we were also able to benefit from favourable market circumstances to further increase the average maturity in our wholesale funding. In April 2019, we issued our inaugural senior non-preferred bond (EUR 300 million), which further improved our funding mix and supported rating upgrades of our long-term issuer credit rating at S&P from BBB Positive to BBB+ Stable and our senior preferred debt long-term rating at Fitch from BBB to BBB+. Furthermore, the solvency (CET1) ratio per mid-year 2019 remains strong at 18.5%. This ratio excludes the outcome of the DNB on-site inspection related to Internal Model Investigation (IMI). Including this outcome, the proforma ratio would decrease to 16.1%, which is still well above NIBC's medium-term objective of 14%, and well above the minimum SREP-requirement. Please refer to the Internal Model Investigation section for additional information.

The following section describes the financial developments and analysis of the performance of NIBC in the first half year of 2019. For the income statement the analysis compares the first half year of 2019 to the first half year of 2018. For balance sheet items, the analysis compares 30 June 2019 to 31 December 2018.

Operating income

Operating income decreased slightly to EUR 251 million in H1 2019 from EUR 254 million in H1 2018. The decrease of operating income was driven by a decrease in both net fee and commission income and investment income. This decrease was partially compensated by an increase in net interest income and other income.

Net interest margin



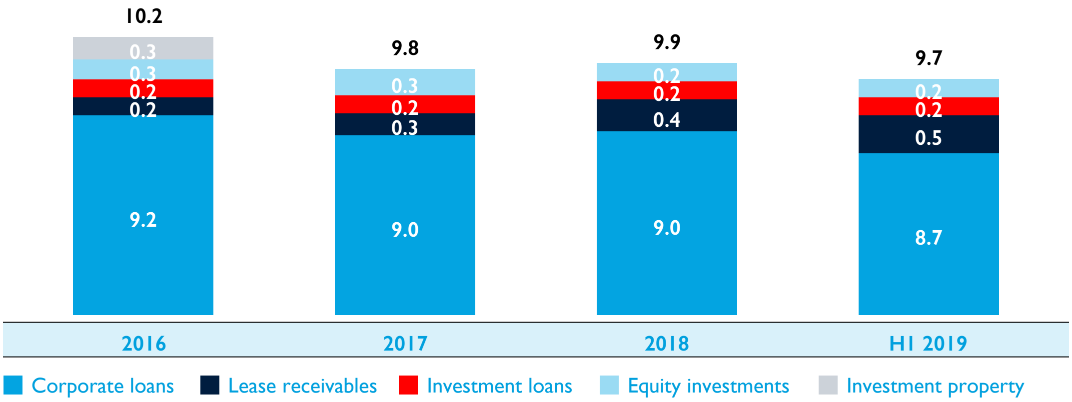
Net interest income

Net interest income remained relatively stable with a 1% increase to EUR 209 million in H1 2019 compared to EUR 207 million in H1 2018. Net interest income continues to be affected by the adoption of IFRS 9 in combination with the revision of NIBC's hedging framework. In 2017 and 2018 the old hedging portfolio (with relatively high interest rates) was unwound and replaced with new swaps at current (low)interest rates. As a result, the gain until maturity is recognised in net interest income, due to the lower coupon that NIBC pays on the hedging derivatives. The effect on net interest income in H1 2019 is estimated at EUR 19 million (H1 2018: EUR 28 million).

The effects of our rebalancing strategy for the corporate loan portfolio are reflected in the 2019 year-to-date origination spread, which decreased from 2.99% in 2018 to 2.54% in H1 2019. This is partially explained by the fact that lower and more granular risk, and therefore lower yield, loans are originated, resulting in a transition to a lower risk profile of the portfolio, and consequently lower spreads. Other relevant components impacting the origination spread are the continued strong competition driven by the available liquidity, the low interest environment and the continued trend of shorter maturities. Offsetting this development in the corporate loan portfolio, and another reflection of our rebalancing strategy, is the growth in the lease receivables portfolio of Beequip, which reports a portfolio spread of 4.9% above base per H1 2019.

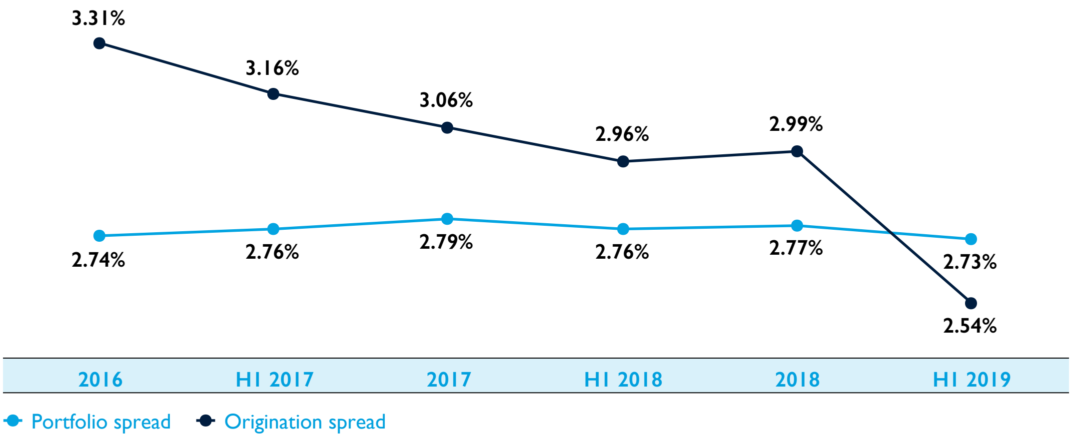
Volume of corporate client assets

in EUR billions



Corporate loan portfolio spreads

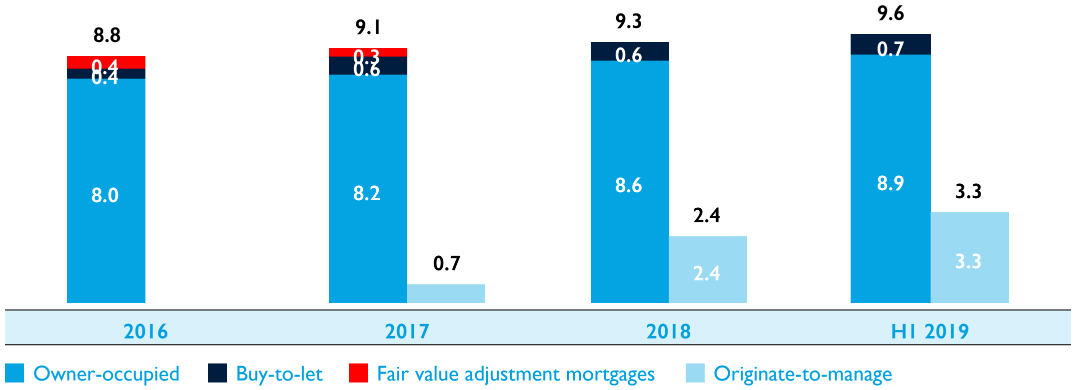
in %



In H1 2019, the average size of the mortgage loan portfolio for own book (owner-occupied and buy-to-let) was EUR 0.3 billion higher than in H1 2018. Combined with a decrease in the portfolio spread of 9 basis points, this resulted in stable margin income from the retail portfolio compared to H1 2018. During H1 2019, origination spreads have again improved.

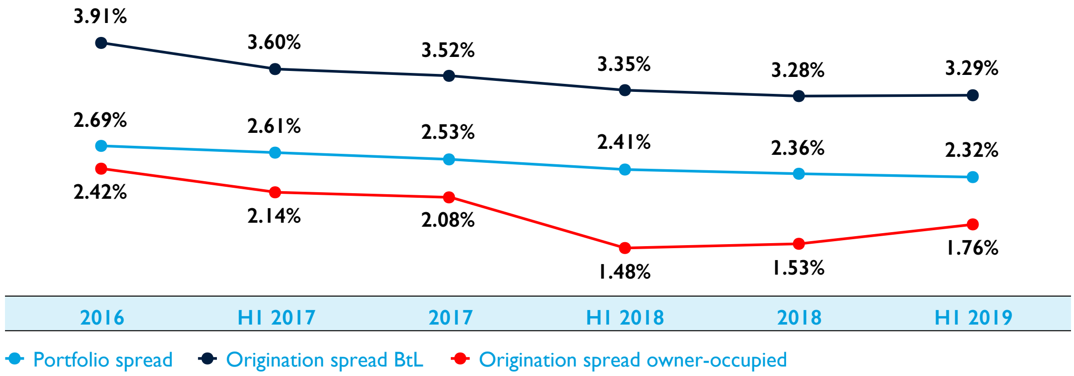
Volume of retail client assets

in EUR billions



Retail assets spreads above base

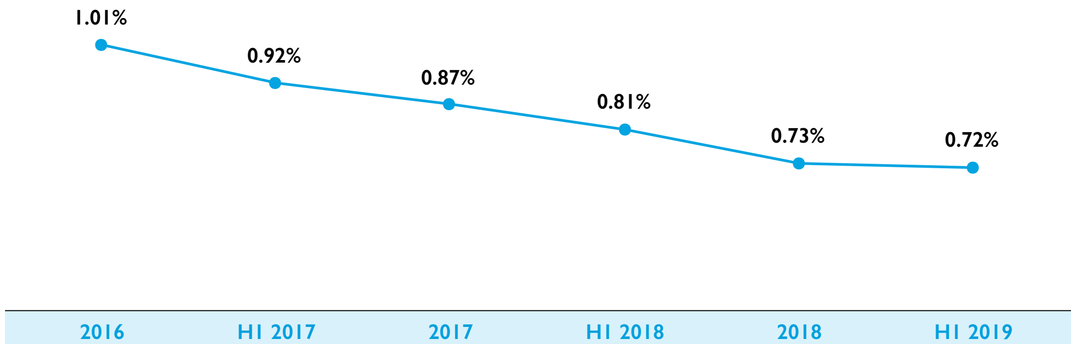
in %



Active management of NIBC's funding profile, making use of the available instruments, combined with positive developments in the wholesale market have led to a further decrease in the average funding spread. The funding spread above base decreased by 9 basis points in H1 2019 in comparison to H1 2018, supporting the further increase in net interest margin in H1 2019 compared to H1 2018.

Funding spread

in %



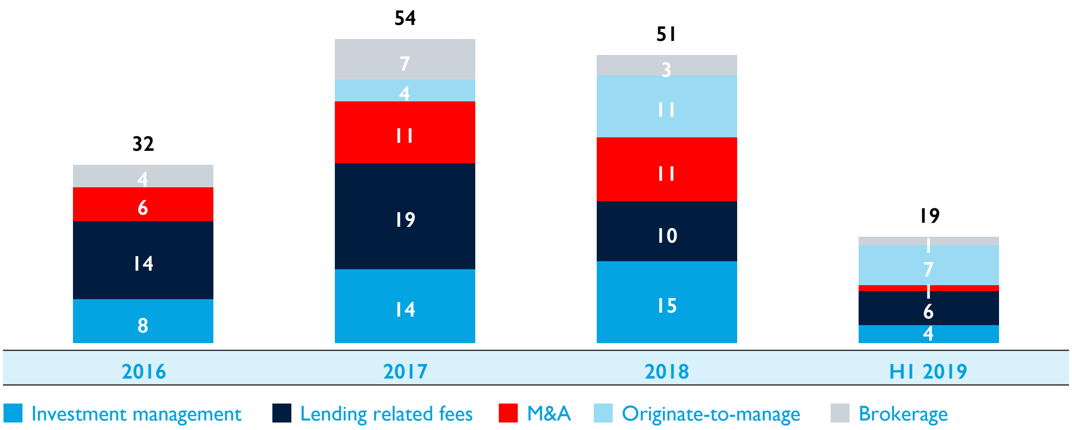
During the first half of 2019, positive developments were reported on the insolvency of DSB. Following these developments, NIBC has reviewed its position, based on the publicly available information. Although the probability of a settlement has increased, the timing and magnitude of the settlement are dependent on further developments of the insolvency file. Consequently, the interest claim is considered a contingent asset, which has not yet been recognised.

Net fee and commission income

Although the end of 2018 was marked by the sale and exits of a significant part of our fund investments, resulting in lower investment management fees in H1 2019, we were able to keep the decrease of total net fee and commission income in H1 2019 (EUR 19 million) limited compared to H1 2018.

Net fee and commission income

in EUR millions



- Owner-occupied mortgage loans under management continued to grow, which is reflected in OTM fees increasing from EUR 5 million in H1 2018 to EUR 7 million in H1 2019;
- Following the decrease of NIBC's fund investments, investment management fees decreased in H1 2019 to EUR 4 million (H1 2018: EUR 8 million);
- Lending related fees increased in H1 2019 to EUR 6 million, compared to EUR 4 million in H1 2018. This development mainly relates to higher structuring, underwriting and arrangement fees;
- M&A fees declined in H1 2019 to EUR 1 million (H1 2018: EUR 2 million).

Investment income

Investment income is sensitive to the sentiment in the equity markets and can therefore be volatile year on year. Developments in NIBC's equity portfolio remained positive, leading to investment income of EUR 16 million in H1 2019. The decrease compared to H1 2018 investment income (EUR 21 million) is mainly caused by the earlier mentioned significant exits in H2 2018, which have led to a substantial lower equity investment portfolio. In H1 2019, the equity investment portfolio increased by 11%, from EUR 215 million at year-end 2018 to EUR 238 million, driven by revaluations and new investments iwoca and Trymax.

H1 2019, investment income of EUR 16 million is fully related to revaluation adjustments of the equity investment portfolio. In H1 2018, EUR 21 million investment income was recognised, of which EUR 7 million (33% of total investment income) was cash and or dividend related.

The equity investment portfolio of EUR 238 million at 30 June 2019 can be specified in four types of investments:

- EUR 89 million relates to direct investments from transactions executed with corporate clients, which amounted to EUR 11 million of investment income in H1 2019;
- EUR 100 million relates to investments in equity funds in which NIBC is general partner (GP), co-founder, cornerstone investor or a combination of these roles. In H1 2019 investment income in these funds amounted to EUR 2 million, in addition to EUR 4 million of investment management fees included in net fee and commission income;
- EUR 34 million relates to NIBC's strategic investments in the fintech space. These investments mainly reflect NIBC's stakes in Ebury, FinLeap, iwoca and OakNorth. In H1 2019, investment income from these investments amounted to EUR 3 million;
- EUR 13 million relates to NIBC's real estate investments.

Other income

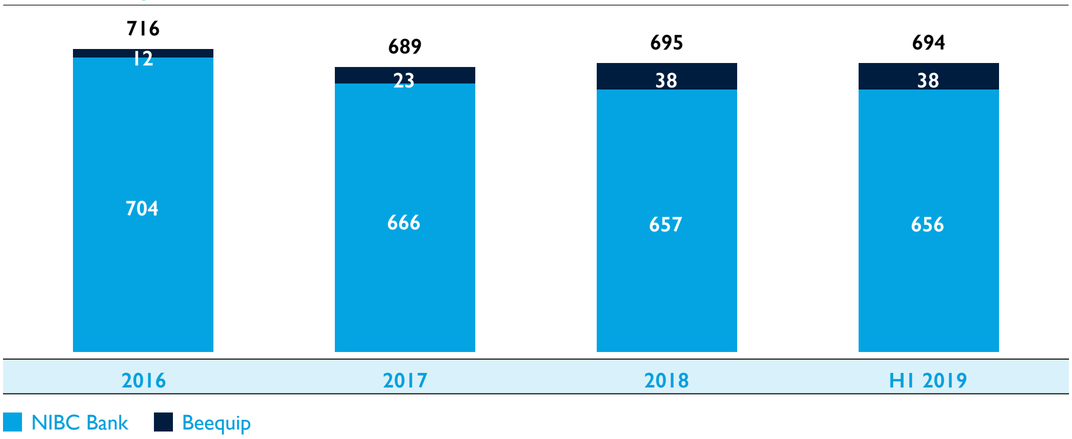
Other income amounted to EUR 7 million in H1 2019 compared to EUR 5 million in H1 2018. This result is based on the positive net trading income of EUR 4 million, EUR 1 million income from assets, liabilities at fair value through profit or loss and EUR 2 million other operating income.

Operating expenses

Operating expenses in H1 2019 of EUR 116 million decreased by EUR 4 million from EUR 120 million in H1 2018 (-3%). In 2019, we have allocated a part of the external hires to personnel expenses instead of other operating expenses. The comparative figures have been adjusted accordingly.

Personnel expenses increased slightly by 2% from EUR 56 million in H1 2018 to EUR 57 million in H1 2019. The H1 2018 personnel expenses included EUR 4 million relating to the IPO. The increase by EUR 1 million is mainly explained by higher personnel costs due to the IT transition project to our outsourcing partner Cegeka and additional resources required to address the increased focus on client due diligence and other regulatory requirements. The FTE base is expected to increase in the second half of 2019 in order to address regulatory attention in several departments and at the same time the need to ensure that commercial activities continue to develop.

FTE Development

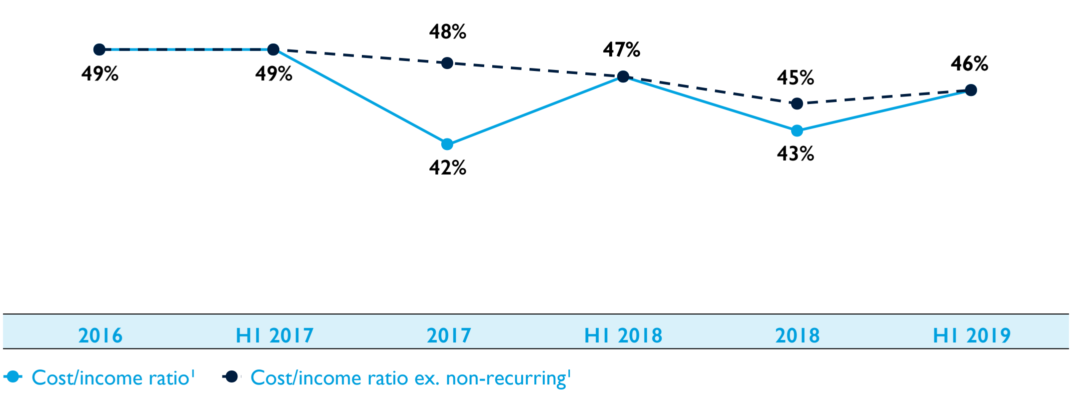


Other operating expenses decreased 10% to EUR 47 million (H1 2018: EUR 52 million). The decrease is explained by H1 2018 one-off expenses related to the IPO in March 2018 (EUR 4 million) and to exerting the property management and managing the legal and administrative structure with respect to Vijlma (EUR 4 million). Vijlma relates to a German commercial real estate legacy portfolio, which was sold in 2017. Settlement of the property sales was completed in 2018. This is partially offset by the H1 2019 one-off expenses related to the completion of several milestones in our IT transition programme and continuous investment in regulatory projects and investments made in our new ventures.

Compared to H1 2018, the cost/income ratio (including non-recurring items) improved slightly to 46% in H1 2019. This cost/income ratio reflects 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 %



1 Cost/income ratio including non-recurring items.

Credit loss expenses

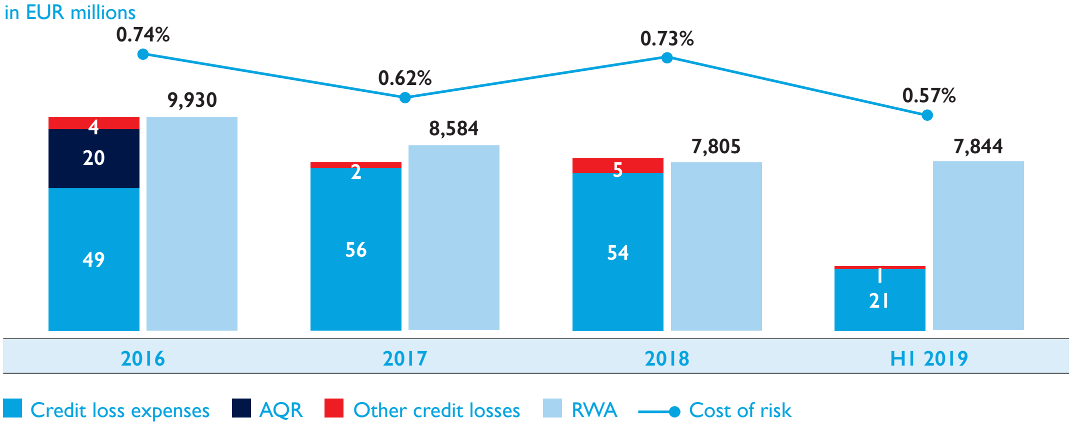
The credit loss expense in H1 2019 is at the same level as in H1 2018 at EUR 21 million. However, impairments in the corporate loan portfolio are still elevated as some challenges remain in certain portfolios, especially Leveraged Finance and to a lesser extent Energy, the overall development displays the stable average credit quality of the corporate loan portfolio as well as the strong performance of the mortgage portfolios.

On the back of a strong housing market in the Netherlands and low unemployment rates, probabilities of default and loss given default levels have continued to decrease in 2019. Furthermore, we observed lower arrears and higher cure-rates in our mortgage loan portfolio. These elements result in an ECL release for the mortgage portfolio amounting to EUR 4 million in H1 2019.

The (annualised) cost of risk in H1 2019 decreased to 0.57% compared to full year 2018 level of 0.73%. The absolute cost of risk level is within our through the cycle guidance, i.e. an annualised bandwidth of EUR 45-55 million.

Other credit losses in H1 2019 (EUR 1 million) relates to a loss on an investment loan accounted for at fair value through profit or loss.

Credit losses and RWA



Tax

Tax in H1 2019 amounts to EUR 25 million, implying an effective tax rate of 22% of profit before tax (H1 2018: EUR 21%). The effective tax rate is below the Dutch corporate tax rate of 25%. The lower effective tax rate mainly relates to tax exempted income from equity investments and investments in associates for which NIBC holds at least a 5% equity position.

Profit attributable to non-controlling interest

Our AT1 instrument, amounting to EUR 200 million, with a 6% coupon and a seven years non-call, results in annual coupon payments of EUR 12 million. Under IFRS, the AT1 instrument is classified as equity. The coupon paid on this AT1 instrument is accounted for as profit attributable to non-controlling shareholders. As of 2019 the coupon paid on the AT1 instrument is no longer eligible for tax deduction.

Net profit

NIBC's profit after tax attributable to the shareholders of the company remained stable in H1 2019 with EUR 83 million (H1 2018: EUR 84 million). Although profit remained nearly stable, the return on equity decreased from 10.5% in H1 2018 to 9.7% in H1 2019, mainly due to the higher equity base (+ EUR 106 million) at the start of the year. The ROE at 30 June 2019 is slightly below our medium-term objective of at least 10%, but we remain confident that we will meet this objective by end of 2019.

The stable profitability in H1 2019, in a turbulent period where we feel that risks are not always priced correctly, reflects the strong foundations of our client franchise, the continued reduction of NIBC's funding costs and our commitment to successfully rebalance our portfolios towards more granular asset classes.

Balance sheet
Assets

in EUR millions	IFRS 9 H1 2019	IFRS 9 2018	IAS 39 2017	IAS 39 2016
Cash and banks	2,247	2,631	2,569	2,386
Loans	7,134	7,201	7,372	7,818
Lease receivables	456	409	282	236
Mortgage loans	9,743	9,451	9,332	9,020
Debt investments	923	865	913	1,375
Equity investments	220	199	333	252
Derivatives	550	579	1,021	1,811
All other assets	248	215	326	597
Total assets	**21,519**	**21,550**	**22,148**	**23,495**

Liabilities and Equity

in EUR millions	IFRS 9 H1 2019	IFRS 9 2018	IAS 39 2017	IAS 39 2016
Retail funding	9,305	8,922	9,307	9,721
Funding from securitised mortgage loans	416	447	267	1,337
Covered bonds	2,500	2,510	2,008	2,028
ESF	1,382	1,522	1,350	1,230
All other senior funding	5,308	5,562	5,725	4,673
Tier 1 and subordinated funding	277	278	283	398
Derivatives	184	210	863	2,006
All other liabilities	165	141	225	281
Total liabilities	**19,537**	**19,592**	**20,027**	**21,675**
Equity attributable to shareholders of the company	1,782	1,755	1,915	1,817
Capital securities (non-controlling interest)	200	200	203	
Equity attributable to non-controlling interests	0	3	3	3
Total liabilities and shareholders equity	**21,519**	**21,550**	**22,148**	**23,495**

Assets

Total client assets increased to EUR 17.6 billion (2018: EUR 17.3 billion). The increase is mainly related to an increase in the mortgages loans portfolio, and is further supported by growth of the lease receivables.

For the retail client offering the on balance mortgage loan portfolio increased by 3% to EUR 9.6 billion (2018: EUR 9.3 billion), supported by origination for own book of EUR 0.9 billion (H2 2018: EUR 0.7 billion). The increase was driven by both the growth in the owner-occupied portfolio, as well as in the buy-to-let portfolio. In H1 2019 our retail franchise grew even more due to the significant increase of the OTM mandate from EUR 3.5 billion at year-end 2018 to EUR 4.5 billion in H1 2019. The drawn OTM portfolio of EUR 3.3 billion at H1 2019, related to this mandate, already reflects over 25% of NIBC's total mortgage client franchise.

In our corporate client offering we refined our strategy and have also continued our efforts on rebalancing the portfolio. We seek to originate in sectors, subsectors and products in which we want to expand, such as lease lending and receivables financing, while reducing our exposures in Energy, Shipping and Financial Sponsors & Leveraged Finance. In H1 2019 we reduced our exposures in the aforementioned product market combinations by a total of EUR 206 million. The overall drawn corporate loan portfolio (including lease receivables) remained stable in H1 2019 at EUR 7.6 billion, with new origination fully offset by pre- and repayments. Total origination in H1 2019 was significantly lower from EUR 1.5 billion in H1 2018 to EUR 1.0 billion in H1 2019. In our origination efforts we continue to focus on margin over volume. The current market circumstances in combination with our risk appetite make it challenging to find opportunities with the right risk and return. We continue to see relatively high levels of prepayment on our corporate loans.

Following the increase of NIBC's interest in its subsidiary Beequip B.V. from 75% to 100%, effective per 1 January 2019, Beequip is now fully owned by NIBC. Consequently a minority interest is no longer displayed on the balance sheet.

The table below displays the distribution of NIBC's balance sheet items at amortised cost and fair value through OCI over the different ECL stages.

30 June 2019		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost	Loans	5,935	790	256	18	6,999
	Lease receivables	416	34	6	-	456
	Mortgage loans	9,647	85	10	-	9,742
	Debt investments	-	-	-	-	-
Fair Value through OCI	Debt investments	826	4	-	-	830
Total		**16,824**	**913**	**272**	**18**	**18,027**

31 December 2018		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost	Loans	5,986	794	281	1	7,062
	Lease receivables	392	8	0	-	400
	Mortgage loans	9,352	83	17	-	9,452
	Debt investments	-	-	-	-	-
Fair Value through OCI	Debt investments	784	4	-	-	788
Total		**16,514**	**888**	**298**	**1**	**17,702**

As the tables above illustrate, stage 3 assets have decreased in H1 2019 by EUR 26 million. This decrease is mainly related to the loan portfolio. At the same time, the total assets classified as Stage 2 increased, which is primarily related to our lease receivables portfolio.

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 2019 displays a healthy balance between longer term wholesale and retail positions:

- Retail savings increased 4% to EUR 9.3 billion (from EUR 8.9 billion end of year 2018), with inflow in the Netherlands and Belgium of EUR 0.4 billion and EUR 0.1 billion respectively, and outflow in Germany. The share of retail savings in term deposits decreased to 35% (end of year 2018: 39%), reflecting the low for longer environment;

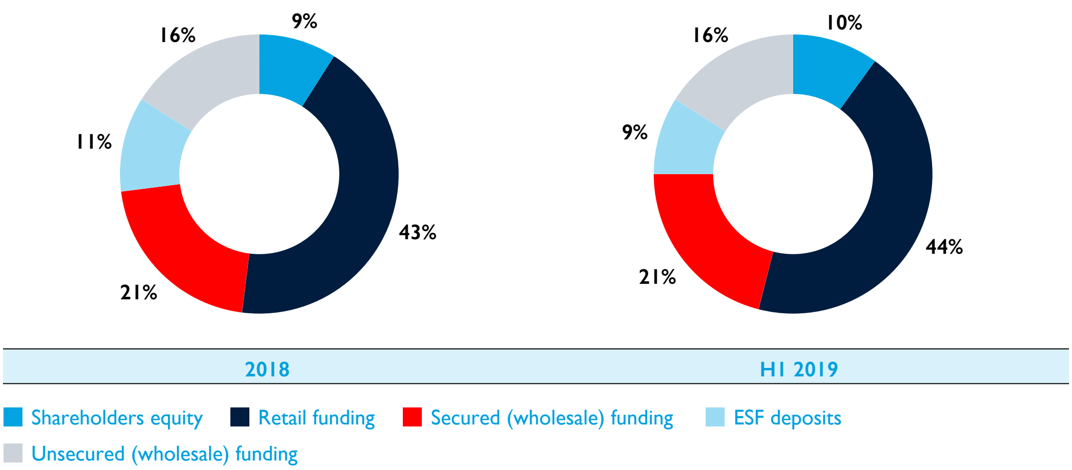
- NIBC was able to attract EUR 1 billion through issuances in the wholesale market in H1 2019:
  - In February 2019, NIBC's floating rate note with July 2020 maturity was tapped for an additional EUR 50m;

- In March 2019, a EUR 500 million 8-year public covered bond was issued, paying interest of 0.28% above the three months swap rate;
- In April 2019, a EUR 300 million 5-year public senior non-preferred bond was issued, paying interest of 2.05% above the three months swap rate;
- We raised an additional EUR 110 million in privately placed euro funding in different formats at various maturities during H1 2019;

- Institutional deposits attracted in Germany under the *Einlagensicherungsfonds* (**ESF**) decreased by 9% from EUR 1.5 billion to EUR 1.4 billion in H1 2019, 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 %



- The solid funding and liquidity position as at 30 June 2019 is evidenced by the following ratios:
  - A Liquidity Coverage Ratio of 212% (2018: 241%) and Net Stable Funding Ratio of 122% (2018: 123%);
  - An asset encumbrance ratio of 25% (2018: 26%), which meets our objective to maintain this ratio below 30%;
  - A loan-to-deposit ratio of 155% (2018: 152%), which is in line with our objective to maintain this ratio at a level between 140% and 160%.

Maturing funding

in EUR billion	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	≥2029
Covered bonds	-	-	-	0.5	-	-	-	0.5	0.5	1.0	-
Other secured funding	0.0	0.8	0.5	0.1	0.3	0.0	0.0	0.0	0.0	0.1	0.1
Senior unsecured	0.6	0.6	0.1	0.5	0.9	0.3	0.1	-	0.0	0.0	0.1
Subordinated	-	-	-	-	-	-	0.0	-	0.0	-	0.3
Total:	**0.6**	**1.4**	**0.6**	**1.1**	**1.2**	**0.3**	**0.2**	**0.5**	**0.6**	**1.1**	**0.5**

Another part of the Funding/ALM strategy is to manage NIBC's interest rate risk position.At 30 June 2019 the interest rate sensitivity of NIBC's balance sheet amounted to EUR 16 million (implying that a parallel upward shift of the yield curve of 100 basis points will lead to higher net interest income of EUR 16 million over a 12-month period). At year-end 2018 this sensitivity equalled EUR 13 million. In case of a non-parallel shift, this will lead to a different outcome in the short-term.

Solvency

Development in H1 2019

To align with regulatory treatment of (interim) profits, NIBC has adjusted the reported solvency ratios with effect from H1 2019. They continue to be based on the full implementation of CRR (fully loaded), but no longer include (interim) profits. Profits are added to regulatory capital after attribution to retained earnings or after NIBC has received the required approval to add interim results to regulatory capital. As from H1 2019, the reported ratios have been adjusted accordingly. This adjustment has no implications for NIBC's dividend policy.

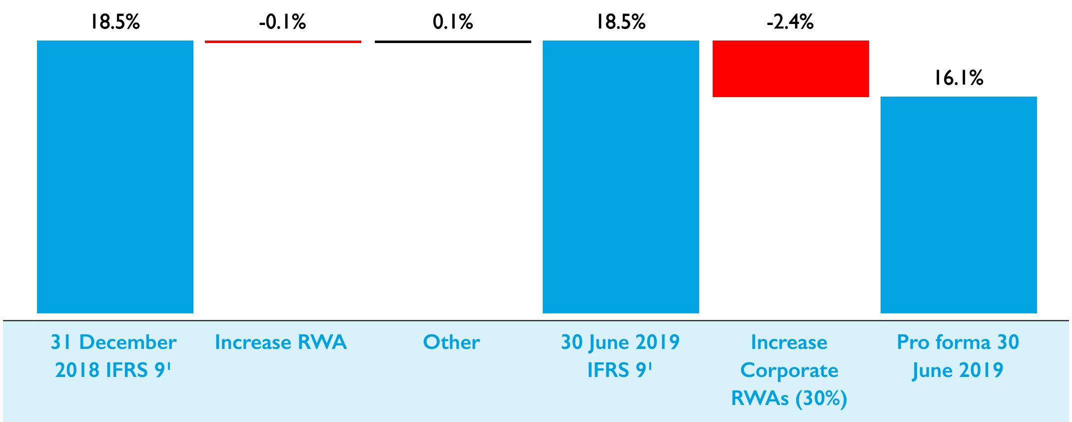
We expect our capital generation to continue in the coming periods, further strengthening our ability to pay out dividends at a level of at least 50%, in line with our medium-term objectives.

Internal Model Investigation

As disclosed in a press release on 26 June 2019, NIBC has been notified by De Nederlandsche Bank (DNB) on the final outcome of an internal model investigation (IMI) as part of ongoing supervision by DNB. The IMI, which was performed on the basis of the ECB TRIM framework, has resulted in 30% additional RWAs for our corporate loan portfolios. As a result our pro-forma CET 1 ratio at H1 2019 would decline to 16.1%, which continues to be well above our medium-term objective of at least 14%.

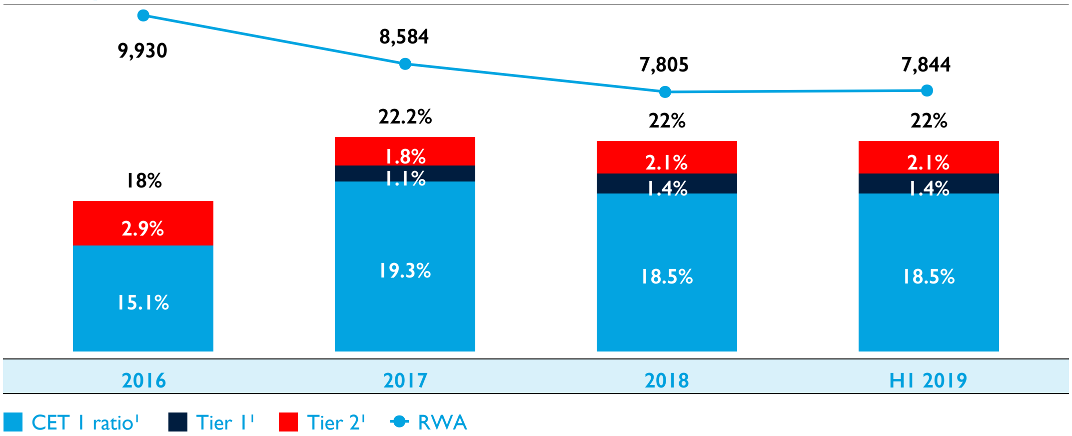
The IMI has also resulted in observations related to our internal model and data quality governance. In order to resolve these observations, NIBC is developing a remediation plan which will be completed in Q3 2019. The execution of the remediation will follow thereafter.

CET1 development



1 As from H1 2019, (interim) profits attributable to the shareholders are no longer added to regulatory capital.

Solvency ratios



1 As from H1 2019, (interim) profits attributable to the shareholders are no longer added to regulatory capital.

SREP requirements

The solvency ratios at 30 June 2019 are comfortably above the required SREP-levels set by DNB in 2018. Excluding the applicable combined buffer requirement (of 2.6% for 2019) 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 2018: 11.5%). 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 combined buffers, consisting of a Capital Conservation Buffer (2.5%) and a Countercyclical Capital Buffer (0.1%) relating to UK activities. This translates into an aggregate 10.6% CET 1 requirement for H1 2019. NIBC's near-term objective for its minimum CET 1 ratio is 14.0%, reflecting a sound management buffer.

The leverage ratio of NIBC Holding increased to 7.0% in H1 2019 (2018: 6.5%), comfortably meeting the requirement of at least 3%.

The Maximum Distributable Amount (MDA) trigger level for NIBC Holding is at 10.6% CET1 capital based on the SREP-level applicable on 30 June 2019. The CET 1 ratio is comfortably above the MDA trigger level.

Accounting for the impact of the IMI in terms of higher RWA for corporate loans in pillar 1 and consequently a lower pillar 2 requirement, the pro forma MDA trigger level is at 10.4% CET 1 capital based on the SREP level applicable as of August 2019. The pro forma CET 1 ratio is comfortably above the pro forma MDA trigger level.

NIBC's SREP levels compared to the actual solvency ratios at 30 June 2019 are displayed below.

SREP requirement

	30 June 2019			Pro forma ratios 2019		
	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%	3.3%	3.3%	3.3%
Subtotal	**8.0%**	**9.5%**	**11.5%**	**7.8%**	**9.3%**	**11.3%**
Capital Conservation Buffer (CCB)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical Capital Buffer (CCyB)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
SREP requirement	**10.6%**	**12.1%**	**14.1%**	**10.4%**	**11.9%**	**13.9%**
Pillar II guidance	*not disclosed*			*not disclosed*		
Actual[1]						
NIBC Holding transition	18.5%	20.1%	22.0%	16.1%	17.6%	19.5%
NIBC Holding fully loaded	18.5%	19.9%	22.0%	16.1%	17.4%	19.5%
Fully loaded capital (EUR)	1,451	1,559	1,727	1,451	1,570	1,756
Risk-weighted assets	7,844	7,844	7,844	9,020	9,020	9,020

1 As from H1 2019, (interim) profits attributable to the shareholders are no longer added to CET 1 capital.

Basel IV

An agreement was reached on the finalisatoin of the Basel III reforms ("Basel IV") in December 2017. While certain elements still require more clarification, based on our current assessment and interpretation of the Basel IV regulation, we still expect the impact to be in a range of 25–35% 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-2019) portfolio to be the same in 2027, as well as RWA based on the current economic environment.

The described impact excludes the IMI impact. Including the IMI impact, the RWA impact of Basel IV would decline to 10%–20%. In other words, the IMI impact can be viewed as a material step towards Basel IV. This is based on the assumption that NIBC will successfully implement the required improvements in its model landscape.

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 translation into 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.

Resolution

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 down the bank under normal insolvency proceedings or resolving it. If it is the latter, a preferred resolution strategy is developed, including the use of appropriate resolution tools and powers.

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

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.

With the senior non-preferred bond issuance of EUR 300 million in April 2019, we have taken a major step towards our MREL requirement. We observe that after Brexit and without additional measures taken by the EU, some of NIBC's Tier 2 instruments, issued under UK regulation, may no longer comply. NIBC is confident it will be able to meet the MREL requirement in line with the required schedule after it becomes 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 will be an 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.

Dividend pay-out H1 2019

The Managing Board proposes a 2019 interim dividend pay-out of EUR 0.25 per share which leads to a pay-out of EUR 37 million. The interim dividend proposal of EUR 0.25 per share compares to EUR 0.25 interim dividend per share at H1 2018.

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 Reports 2017 and 2018 are displayed below, compared to the actuals for full years 2017, 2018 and H1 2019. 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	IFRS 9 H1 2019	IFRS 9 2018	IAS 39 2017
Return on equity	>10-12%	9.7%	13.6%	11.9%
Cost/income ratio[1]	<45%	46%	43%	42%
CET 1[2]	>14%	18.5%	18.5%	19.3%
Rating Bank	BBB+	BBB+	BBB	BBB
Dividend pay-out ratio	>50%	44%	58%	45%

1 Cost/income ratio including non-recurring items.
2 As from H1 2019, (interim) profits attributable to the shareholders are no longer added to regulatory capital.

Other items and subsequent events

Regulatory environment
We note that regulatory attention for both financial and non-financial risk continues to increase, as we observe a higher number of on-site inspections from regulators. Expectations continue to increase in terms of response times and availability of resources and data. NIBC acknowledges the importance of all these elements and is fully committed to addressing all requests and observations. In order to be able to deliver on these commitments NIBC will increase its capabilities on both financial and non-financial risk management.

More specifically in the area of non-financial risks, client due diligence is an important topic, as banks fulfil an important role in the prevention of intentional and unintentional wrongdoing. *Know-your-customer* (**KYC**) and *Anti-Money Laundering* (**AML**) regulations are updated to meet today's challenges, and banks have to keep pace by adjusting their processes and procedures in order to address the risks effectively and processes to keep these in line with continuously evolving requirements.

Following the 2018 DNB on-site inspection, focusing on how NIBC incorporates systemic integrity risk analysis (SIRA), we have continued to address the observations communicated by the DNB inspection team. This has been a significant effort from primarily internal resources who have made sure that we are on track to resolving the observations, ensuring the satisfactory completion of client due diligence files. As also our clients play an instrumental part in this process, we are very grateful for all the work done to this point and are confident that we will successfully complete the process. We expect to continue the process in the second half of 2019.

In our retail client offering we are making an effort to resolve potential issues related to clients with interest-only mortgages. In accordance with the guidelines of the AFM, vulnerable customers with a partial or full interest only mortgage have been contacted, provided with insights and activated to reconsider their mortgage. Based on a risk assessment, clients will be contacted over the coming period. This process will continue throughout 2019.

In H1 2019, DNB completed an on-site inspection related to internal models investigation (IMI). As a result the risk weighted assets would increase by EUR 1,176 million per H1 2019. The IMI, which was performed on the basis of the ECB TRIM framework, has resulted in 30% additional RWAs for our corporate loan portfolios. As part of its annual Supervisory Review and Evaluation Process (SREP), DNB will adjust the SREP level going forward to 10.4% from 10.6%, excluding Pillar II guidance. DNB has also commented on model governance aspects. NIBC is developing a remediation plan after which implementation will commence. The project is expected to remediate DNB findings and to introduce the necessary strategic, operational and cultural changes.

Interbank Offered Rates

The Interbank Offered Rates (IBOR) used within NIBC include EONIA, EURIBOR and LIBOR. These rates are used in our loan agreements, derivative contracts, funding transactions and valuations. We have started preparations for the implementation of ESTER (replacement of EONIA) and the reform of EURIBOR and LIBOR. Affected applications and contracts have been identified and are actively monitored , while preparing for transition scenarios.

Brexit

With a branch office located in London and various activities carried out in the UK on a cross-border basis from the Netherlands and Germany, NIBC is exposed to the uncertainty surrounding Brexit. To the extent NIBC carries out regulated activities in (and into) the UK, it does so on the basis of its Dutch and/or German licences, as passported to the UK. Depending on the outcome of the UK/EU political negotiations, NIBC may be required to apply for a local licence in due course and, in the meantime, to enter into the *Temporary Permissions Regime* (**TPR**) as implemented by the *Financial Conduct Authority* (**FCA**, the UK regulator). The TPR (and its equivalent as implemented by the *Prudential Regulation Authority* (**PRA**) in the UK) will enable financial institutions to continue operating in the UK – post a hard Brexit – essentially on the same basis as before, under the supervision of the FCA and/or the PRA. To ensure continued access to the UK market we are continuing to implement all steps required for our transition into the TPR and are in close dialogue with the FCA and the DNB in relation to such matters. Brexit may negatively impact the macro economic climate in Europe. The impact that this may have on our clients and consequently on NIBC's positions remains difficult to assess.

Senior Unsecured bond

In July 2019, a EUR 500 million 6-year public senior preferred (senior unsecured) was issued, paying interest of 1.17% above the three months swap rate.

Lendex

In August 2019, NIBC signed a purchase agreement for 100% of the shares of Lendex Holding B.V.. This transaction fits our strategy to further strengthen and diversify our retail banking franchise, as we invest in a fintech-based approach to service customers in the consumer finance market. The consideration is not deemed to be material for NIBC.

NIBC BANK

in EUR millions	IFRS 9 H1 2019	IFRS 9 H1 2018	H1 2018 vs. H1 2019
Net interest income	205	215	-5%
Net fee and commission income	19	21	-10%
Investment income	16	21	-24%
Other income	5	1	400%
Operating income	**245**	**258**	**-5%**
Personnel expenses	55	53	4%
Other operating expenses	47	45	4%
Depreciation and amortisation	2	3	-33%
Regulatory charges	9	9	0%
Operating expenses	**113**	**110**	**3%**
Net operating income	**132**	**148**	**-11%**
Credit loss expense / (recovery)	21	21	0%
Tax	25	26	-4%
Profit after tax	**86**	**101**	**-15%**
Profit attributable to non-controlling interest	6	6	0%
Profit after tax attributable to shareholder of NIBC Bank	**81**	**95**	**-15%**

Net profit and return on equity

Profitability of NIBC Bank decreased in H1 2019, primarily driven by a 5% decrease of net interest income to EUR 205 million. The lower net interest income mainly relates to the loans from NIBC Bank to Vijlma, which have been repaid. The effect is EUR 8 million lower net interest income in H1 2019. Additionally, investment income has also decreased to EUR 16 million, from EUR 21 million.

The stabilisation of funding spreads and impairments supports the performance. The low interest environment and regulatory pressure are expected to continue to affect the profitability of NIBC Bank, which is also reflected in increases in both personnel expenses and other operating expenses.

Profit after tax attributable to the shareholders of the company in H1 2019 of NIBC Bank is EUR 2 million below that of NIBC Holding due to the H1 2019 result of Beequip, which is fully consolidated in NIBC Holding.

Solvency

NIBC Bank's solvency ratios further increased in H1 2019, with a fully loaded CET1 ratio at 21.0% mid-2019 and the fully loaded Total Capital ratio at 27.7% mid-2019, due to lower RWAs. These levels are comfortably above the required SREP-levels set by our regulator DNB in July 2018. For more information on the SREP-levels please refer to the Financial Review paragraph in this document.

The leverage ratio of NIBC Bank increased to 8.1% at H1 2019 (2018: 7.9%), comfortably meeting the requirement of at least 3%.

Key figures NIBC Bank

	IFRS 9 H1 2019	IFRS 9 2018	IFRS 9 H1 2018
Earnings			
Net interest margin	2.05%	2.10%	1.93%
Cost/income ratio[1]	46%	41%	43%
Return on equity	9.2%	13.2%	11.0%
Asset quality			
Risk-weighted assets	7,658	7,723	8,622
Cost of risk	0.57%	0.72%	0.55%
Impairment ratio	0.24%	0.32%	0.25%
Impairment coverage ratio	32%	31%	35%
NPL ratio	2.6%	2.8%	3.5%
Solvency			
Equity attributable to shareholder of the company	1,846	1,911	1,825
AT1 and Subordinated liabilities	477	479	488
Balance sheet total	21,615	21,716	21,928
Common Equity Tier 1 ratio[2]	21.0%	20.6%	19.2%
Tier 1 ratio[2]	23.6%	23.2%	21.6%
Total Capital ratio[2]	27.7%	27.2%	25.1%
Leverage ratio	8.1%	7.9%	8.1%
Funding & liquidity			
Loan-to-deposit ratio	156%	154%	154%
S&P rating and outlook	BBB+ / Stable	BBB / Positive	BBB / Stable
Fitch rating and outlook	BBB / Stable	BBB / Stable	BBB / Stable

1 Cost/income ratio including non-recurring items.
2 As from H1 2019, (interim) profits attributable to the shareholders are no longer added to regulatory capital.

Dividend pay-out

The Managing Board has proposed an interim dividend pay-out of EUR 1.29 per share for NIBC Bank, which amounts to a dividend pay-out of EUR 81 million and a pay-out ratio of 100% 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 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 us with sufficient head room to pay out this dividend.

BUSINESS REVIEW

In the first half of 2019 we have started to address the observations from DNB related to our client due diligence process and files. The refinement of the corporate client offering strategy was implemented and in our retail client offering the OTM proposition was strengthened by means of increased mandates.

General developments

In the first half of 2019 the fundamentals of North-western European economy continued to be favourable, which is reflected in continued increase of the Dutch house prices and lower unemployment. As a result we observed decreasing average probabilities of default and loss-given-default in our mortgage portfolios. On the contrary there are also market indicators implying an economic slow down, including deteriorating production and investor confidence indices. As a consequence there is an expectation that the low interest rate environment will persist for longer. On a macro economic level multi-front trade conflicts (China-US, US-Mexico), volatile global geo-political tensions and developments around Brexit lead to continued uncertainty in financial markets.

We continue to act on the current economic situation and to anticipate developments in the markets we operate in. Being a medium-sized bank with a strategic focus on niche markets enables us to reflect on the current circumstances and to make clear choices regarding the deployment of available resources. NIBC is not a market share player and this gives us the ability to consolidate or reduce our exposures in certain markets, and to expand into others. We remain cautious in the current uncertain and volatile environment and seek to grow in sectors and products where we see opportunities with attractive risk/reward characteristics. Opportunities typically are to be found in sectors and products with smaller individual exposures and increased diversification opportunities such as equipment leasing through Beequip and receivables financing in our Fintech & Structured Finance portfolio.

In 2019, the low interest environment continued to negatively impact the profitability of financial assets and positively impact the liquidity abundance in capital markets. The ability to further benefit from the liquidity abundance in capital markets in terms of lowering overall funding costs has diminished as most of the higher spread funding has already been replaced with new funding a lower spread levels. As a response to the continued low interest environment NIBC further developed its originate-to-manage proposition both on the corporate client offering and the retail client offering to increase the fee income base.

In the financial services industry we see fintechs becoming increasingly active, but also big technology companies finding their way to the financial services sector. Fintech start-ups are bringing innovative solutions to specific financial service products and often seek cooperation with incumbent financial institutions because they lack the scale and regulatory expertise to independently challenge the financial services industry. NIBC recognises the impact fintechs have on the banking industry and we are seeking cooperation with selected companies as evidenced by our collaboration with OakNorth.

From a regulatory perspective the entire financial services industry continues to increase capabilities to manage both financial and non-financial risks. Specific topics for the banking industry include internal models inspection, client due diligence, data privacy and transaction reporting. In the first half of 2019 NIBC continued to invest in its operations to further strenghten relevant processes and capabilities.

Corporate client offering

Income statement corporate client offering

in EUR millions	IFRS 9 H1 2019	IFRS 9 H1 2018
Net interest income	93	93
Net fee income	12	15
Investment income	16	21
Other income	7	7
Operating income	**128**	**136**
Other operating expenses	60	64
Regulatory charges and levies	-	-
Operating expenses	**60**	**64**
Net operating income	**68**	**72**
Credit loss expense / (recovery)	26	25
Profit before tax	**42**	**46**
Tax	7	7
Profit after tax	**35**	**40**

The Corporate client offering's profit after tax decreased in H1 2019 to EUR 35 million, mainly driven by lower net interest income and lower investment income. Net interest income remained stable compared to H1 2018. In line with expectations investment income has significantly decreased as the portfolio was significantly reduced by the successful exits in H2 2018.

Since 2019 the corporate client segment is organised along a number of product market combinations, focused on origination, execution and portfolio management of its core products, based on specific client needs. We aim to further rebalance activities and exposures, as we become more active in high growth areas acting as a growth enabler for our clients. The refined strategy addresses the fact that we operate in a world in which change is ever faster, impacted by continuous and accelerating developments in the areas of technological advancements, innovation, platformisation, the energy transformation, sustainability, consumer empowerment and ageing. In order to facilitate the continued growth dialogue with our clients, we have formulated a focused strategy and revised our commercial business model. Income diversification and a strong focus on productivity, will be drivers of future performance.

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 and market knowledge, enables us to provide solutions and advice for our clients, typically mid-sized businesses across various sectors, at decisive moments.

In H1 2019, a significant effort has been made to address Know-Your-Customer (KYC) and systemic integrity risk analysis (SIRA) findings by regulators. Both our staff and clients have been instrumental to the progress made on this matter. We note that it has significantly decreased the net promotor score we receive from clients to 47% (2018: 63%), which we fully understand and we are committed to increase this to previous levels. We are very gratefull that both our staff and clients are committed and we are therefore confident that we will be able to conclude these processes in a timely manner.

Product Market Combinations
The financial sector is changing at an increasing pace, with more and more fintechs and big technology companies entering the market, increasing regulation and the uncertain economic environment. To cope with all these (future) developments it becomes necessary for our corporate client offering to organise itself in a different way.

To create more focus on our strategic priorities we have organised our corporate banking teams into product market combinations (PMC). The PMC's will revolve around two main themes, Sustainability & Transformation and Growth & Innovation. These themes will provide us with a strong basis to increase focus and fully utilize our core competence of finding solutions for complex financial questions in specific underserved markets.

Sustainability & Transformation will focus on the more traditional PMC's: Mid Market Corporates, Shipping, Energy, Commercial Real Estate and Infrastructure. The focus on Sustainability & Transformation can be exemplified by the change in our Infrastructure team, for which the focus has changed from the traditional infrastructure market towards the rapidly growing digital infrastructure market. More specifically we are focusing on clients building, operating and investing in optic fibre networks and data centres.

Growth & Innovation will focus on the following PMC's; Fintech & Structured Finance, Financial Sponsors & Leveraged Finance, Mezzanine & Equity and Corporate Finance & Capital Markets. We focus on high growth sectors suchs as fintech, technology and life sciences.

The new PMC's are combined with the creation of two new corporate banking support teams; Corporate Banking Operations and Corporate Banking Portfolio Management. Corporate Banking Operations will focus on streamlining processes and operations to make the Coporate Bank more efficient and effective, while also strengthening our first line risk management tasks such as KYC. Corporate Banking Portfolio Management will centralize the portfolio management tasks creating a more consistent and independent evaluation of portfolios. The portfolio management team plays an instrumental part in the rebalancing of our portfolio.

Retail client offering
Income statement retail client offering

in EUR millions	IFRS 9 H1 2019	IFRS 9 H1 2018
Net interest income	66	65
Net fee income	7	5
Investment income	-	-
Other income	-	-
Operating income	**72**	**71**
Other operating expenses	28	26
Regulatory charges and levies	5	4
Operating expenses	**32**	**30**
Net operating income	**40**	**41**
Credit loss expense / (recovery)	(4)	(3)
Profit before tax	**45**	**44**
Tax	11	11
Profit after tax	**33**	**33**

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 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 2019 was another strong half year for our mortgage origination volume, with client assets growing to EUR 9.6 billion.

The low interest environment caused 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, low interest rates continue to play a role. In the first half of 2019 and as part of our balance sheet management, NIBC stabilised the deposit portfolio and grew moderately in the Netherlands.

The Retail client offering's profit after tax remained stable in H1 2019 at EUR 33 million. Credit loss recoveries of EUR 4 million are primarily associated with the decrease of average PD and LGD levels of the portfolio. These are primarily the effect of the continued improvement of the housing market.

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.

NIBC considers it imperative that customers with an interest-only mortgage are aware of the characteristics of their mortgage loan. Since the start of 2019, we approached specific segments of our clients and offered them a personal interview to talk about their personal financial situation. NIBC believes it is essential that a mortgage loan remains affordable in the future and that residual debts are prevented where possible and therefore we actively participate in the sector-wide initiative 'Aflossingsblij'. Active mortgage loan servicing is and will remain an important part of our service to customers.

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 billion to EUR 4.5 billion and increased the amount of assets under management from EUR 2.4 billion to EUR 3.2 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. 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 mortgage loans continues to be moderate as there is strong competition, offering higher loan-to-values at lower pricing.

Savings

On the savings side we have stabilised the portfolio and in the Netherlands increased the total client savings to EUR 4.2 billion (2018: EUR 3.9 billion), and at the same time we saw the share of on-demand savings increase from 61% to 65%, reflecting the low for longer environment. NIBC continues to develop new products to help increase the stickiness of the retail savings.

Treasury & Group functions

Income statement treasury & group functions

in EUR millions	IFRS 9 H1 2019	IFRS 9 H1 2018
Net interest income	50	49
Net fee income	-	-
Investment income	-	-
Other income	1	(2)
Operating income	**51**	**47**
Other operating expenses	19	22
Regulatory charges and levies	5	5
Operating expenses	**24**	**27**
Net operating income	**27**	**21**
Credit loss expense / (recovery)	-	(1)
Profit before tax	**27**	**21**
Tax	7	5
Profit after tax	**21**	**16**

Net profit after tax from Treasury & Group functions increased to EUR 21 million (H1 2018: EUR 16 million). This follows from the continued reduction of the funding spread, which has repriced faster than the funding provided to the other segments. This effect more than offsets the reduced combined effect of IFRS 9 and the revised hedging portfolio.

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 2019, all core milestones for the transition to Cegeka have been delivered, providing the bank with a reliable platform. The project will continue to ensure proper hand over to the line organisation and to properly decommission the old infrastructure. This transition, combined with the ambitious project calendar to address both business and regulatory requirements, increases pressure on the operating expenses, compensating part of the decrease related to the IPO related costs in H1 2018 (EUR 8 million).

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 generally pursue credit and investment risk while lowering our interest rate, currency, liquidity and operational risks to an acceptable level. This is all done while ensuring our solid capital and liquidity positions. Our risk appetite defines the scope and boundaries we strive to operate while our risk management framework provides us with a structured approach for managing the various risks on a daily basis. Sound risk management is rooted in our culture as it is the responsibility of all our people to service our clients over the long term in the way that they expect us to. This helps create relationships based on trust, transparency and reliability.

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. Risk management is not purely a sequential process where decisions are made on a daily basis and everyone understands the role they 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. It is vital that we have the room to be inventive in our approach in serving clients efficiently but 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.

In the first half of 2019 we experienced further intense interactions with regulators on various non-credit related topics where NIBC is taking an active and hands-on approach. We are addressing the requirements with regard to the (old) interest-only mortgages, reaching out specifically to clients that may be the most vulnerable over time. We continue to improve and enhanced our client due diligence process taking regulatory developments into consideration. We do this with a combined effort between front office and risk professionals. NIBC's size, which allows for good insight into and overview over its client base, as well as the fact that NIBC does not offer separate payment accounts, helps to efficiently manage and implement the ever increasing requirements.

The consequences of *De Nederlandsche Bank* (**DNB**) *internal model investigation* (**IMI)** have been announced to market in June by NIBC; following the observations by DNB, NIBC has embarked on a comprehensive process to remediate and address the topics. Also, Resolution planning for NIBC is part of Risk Management where we have intense interaction with both local and international bodies involving various internal workstreams.

Where needed NIBC is being supported by external advisors, teams and counsel to make sure it can keep delivering on the overall broad agenda.

Key developments in Risk Management

Increasing uncertainty resulting from geo-political tensions, including trade wars and a 'hard Brexit' as well as a softening of the global economy continue to potentially have an adverse effect on NIBC. We are constantly reflecting on our position in the financial industry and apply a careful approach to areas where we see an increased level of riskiness, while at the same time benefiting from identified opportunities in other sectors and products. We continue to reduce portfolios in segments where there are less favourable developments while focusing towards more positive areas. Key developments include:

- **Continued rebalancing and attention to developments and portfolio management in certain sectors**
  The Energy, Shipping and Financial Sponsors & Leveraged Finance segments have all seen portfolio reduction while non-performing exposures remained stable despite continued headwinds. We proactively address the situation with our clients and, where necessary, take pre-emptive measures.

- **Non-financial risks remain a priority**
  Together with external advisors, we have reviewed the corporate loan portfolios from a KYC and Client Due Diligence perspective where no material issues came to light. A similar process is underway for our buy-to-let clients.

- **Preparations in process for updating rating models**
  As previously announced, remediation work is underway following DNB feedback of an IMI. We continue to utilise our current models until the remediation project is completed and approved by DNB, and during such time a 30% increase in *risk weighted assets* (**RWA**) will be applied to our corporate (loan) portfolios. We note that the add-on is effective as of 8 August 2019 and therefore not included in the official 30 June 2019 capital ratios.

- **Improving risk awareness and strengthening of risk management processes**
  Ongoing regulatory changes means continued awareness and improvements to processes are vital. Industry-wide NPE guidance, the definition of default, draft guidelines on loan origination and monitoring as well as Basel IV continue to require attention to assess the impact and work towards successful implementation.

Risk profile

NIBC's risk profile of the performing corporate loan portfolio remained relatively stable at 33 bps in the first half of 2019 (31 bps in December 2018) showing a slight deterioration. We continue to focus on origination of corporate loans with lower expected loss. The watchlist of corporate exposure, i.e. performing loans with heightened credit risk and therefore intensified management, shows an increase to EUR 303 million compared to December 2018. There has been a decrease in both the impaired and non-performing loan portfolios where attention to certain challenging segments remains elevated.

The Investment Loan portfolio decreased by 6% H1 2019, as new loans were more than off set by changes in the existing portfolio. Exposure to equity investments increased slightly during the period, driven by both positive value developments in the existing portfolio and new investments.

In line with the Dutch housing market and economic trends, the residential mortgage portfolio also displayed a solid credit quality. During the period, the expected loss decreased further.

Overview of Risk types

Within its risk management framework, NIBC distinguishes the following key risk categories: credit risk, investment risk, interest rate risk, market risk, liquidity risk and operational risk. Our risk management policy is aimed at seeking an acceptable level of credit and investment risk, while minimising the other risk types. The risk appetite framework is set up to accommodate decision making.

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

Overview of main risk types

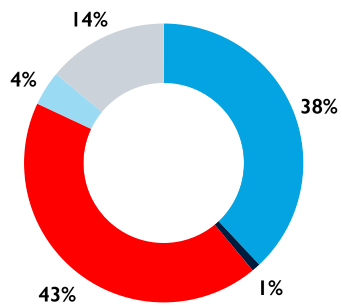
in EUR millions	Main risk types	H1 2019	2018
Corporate / investment loans		8,974	9,250
Corporate loans	Credit risk	8,747	9,010
Investment loans	Credit risk	226	240
Lease receivables	Credit risk	480	429
Mortgage loans	Credit risk	9,743	9,275
Equity investments	Investment risk	238	215
Debt investments		876	825
Debt from financial institutions and corporate entities	Credit risk / Market risk	297	248
Securitisations	Credit risk / Market risk	579	577
Cash management	Credit risk	2,232	2,601
Derivatives[1]	Credit risk / Market risk	579	579
Funding	Liquidity risk	21,520	21,550
Capital (Incl. Tier-2 as per Basel III)[2]	Capital Adequacy risk	1,727	1,720

1 Based on a combination of netting and positive replacement values.
2 As from H1 2019, (interim) profits attributable to the shareholders are no longer added to regulatory capital.

Credit Risk

Credit risk is one of the risks inherent to our business model. By lending to our clients we are exposed to the risk of the counterparty not being able to repay the loan. We continuously monitor our clients' financial performance and take remedial action if we believe the risk of a client defaulting on their obligation has increased. We mitigate credit risk by placing emphasis on the collateral pledged to us in the transactions we undertake. If a client defaults on its obligation, the option to collect and sell the collateral can be exercised as a last resort, thereby significantly reducing the amount of non-recoverable assets. Credit risk at NIBC is present in corporate loans and investment loans, lease receivables, mortgage loans, debt investments, cash management and derivatives.

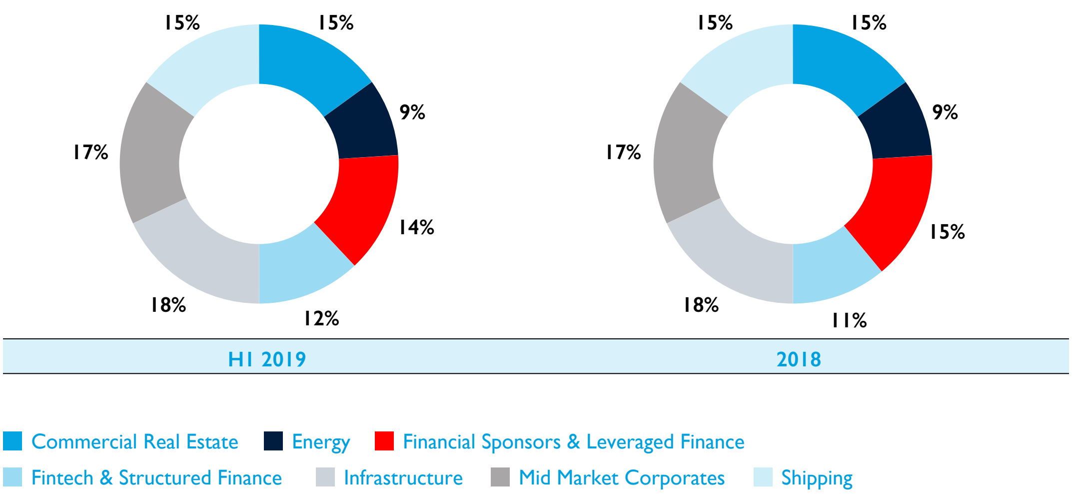
Credit risk exposure



H1 2019

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

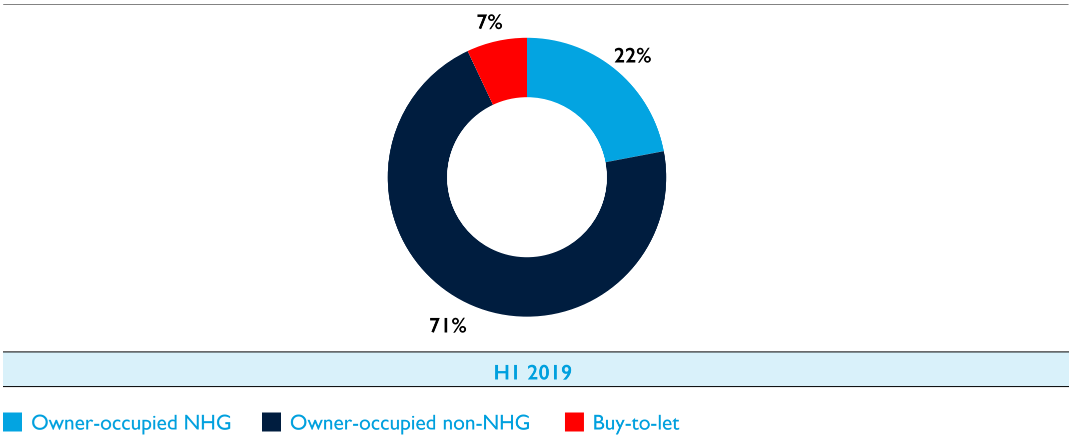
Corporate loan portfolio per sector



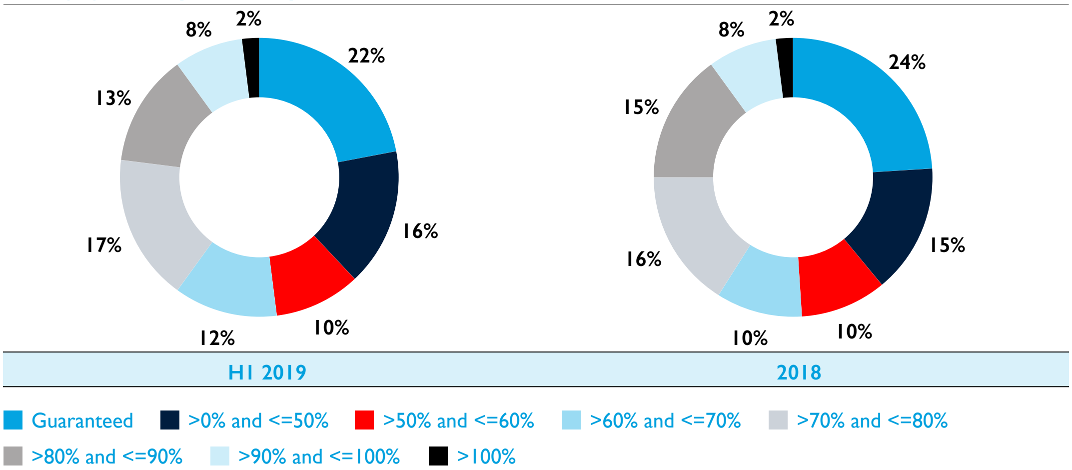
In the corporate client offering we mainly engage with clients rated a 5 or 6 on the internal credit risk scale, which corresponds to a BB and B in external rating agencies' scales. As the exposures are concentrated in the sub-investment grade category, we emphasise the collateral pledged to us. Collateral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

The Mortgage Loan portfolio can be divided into several sub-portfolios, with different product and risk characteristics . The graphs below 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:

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

Overview of credit quality measures

	H1 2019				2018			
in EUR millions	Corporate exposure	Retail exposure	Total exposure	% of total portfolio	Corporate exposure	Retail exposure	Total exposure	% of total portfolio
Defaulted exposure	468	13	481	2.6%	480	20	500	2.7%
Impaired exposure	419	11	429	2.3%	429	17	446	2.4%
Non-performing exposure	484	13	497	2.7%	503	20	523	2.8%
Forborne exposure	624	54	678	3.6%	683	50	733	4.0%

All of the credit quality measures report a slight improvement with the exception of Forborne retail exposure. 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.

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

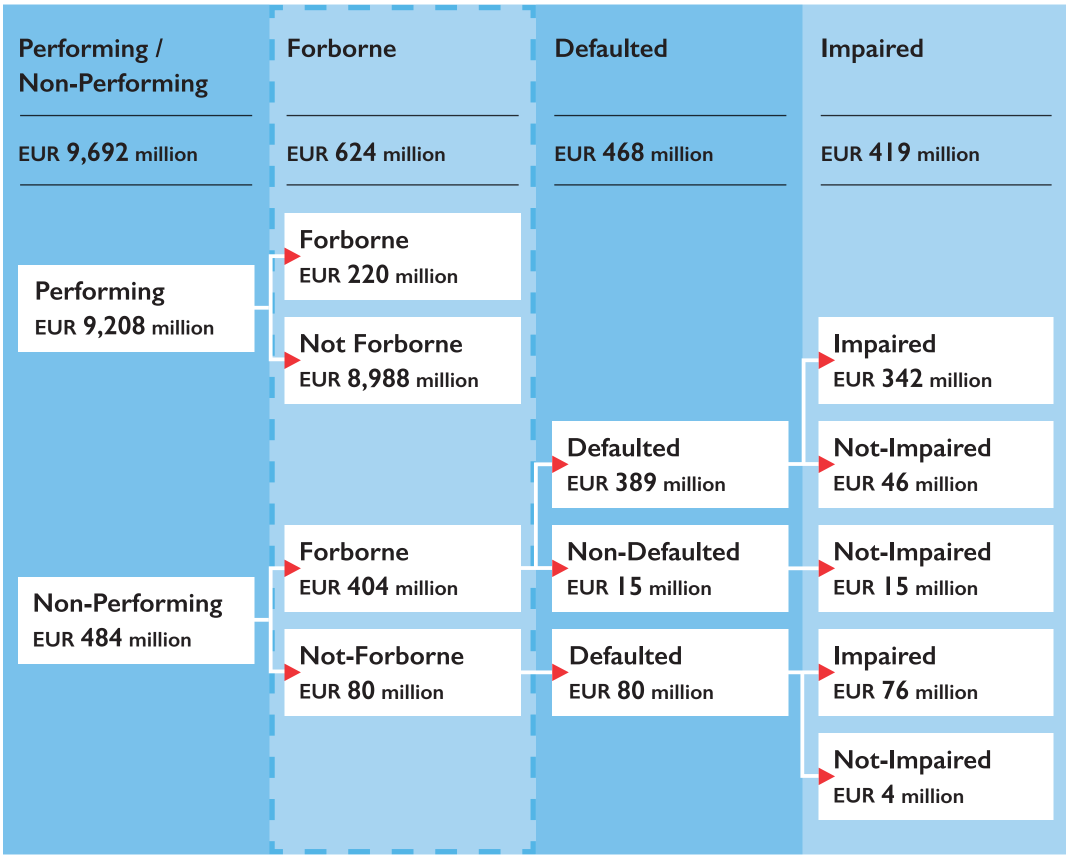
in EUR millions	H1 2019			2018		
	Non-performing exposure	Impaired exposure	Impairment coverage ratio[1]	Non-performing exposure	Impaired exposure	Impairment coverage ratio[1]
Corporate client exposures:						
Commercial Real Estate	65	65	24%	65	65	33%
Energy	115	115	25%	114	114	33%
Financial Sponsors & Leveraged Finance	97	93	68%	95	95	46%
Fintech & Structured Finance	2	2	89%	2	2	67%
Infrastructure	59	14	13%	57	11	13%
Mezzanine & Equity Partners	24	24	9%	33	29	29%
Mid Market Corporates	23	6	43%	26	2	100%
Shipping	98	98	21%	111	111	20%
Total corporate client exposures	**484**	**419**	**33%**	**503**	**429**	**32%**
Retail client exposures						
Mortgage loans	13	11	14%	20	16	9%
Buy-to-let mortgages						
Total retail client exposures	**13**	**11**	**14%**	**20**	**16**	**9%**
Total exposures	**497**	**429**	**46%**	**523**	**446**	**41%**

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

Total corporate client exposures report a decrease in both non-performing exposure and impaired exposure. The Mezzanine & Equity Partners portfolio as well as Shipping saw the largest reductions in non-performing exposure.

In 2019, the maximum LTV for new mortgages remained at 100% (106% for energy efficient measures). The maximum NHG guaranteed loan amount was increased to EUR 290,000 in 2019.

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



Investment Risk

For NIBC, investment risk arises when taking equity positions in other companies and the risk is that the value of the investment deteriorates. Within our equity portfolio we distinguish between direct and indirect investments. Direct investments are equity exposures with which NIBC has directly invested in one of its clients, whereas indirect investments are exposures to investment funds.

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 responsibility and customer due diligence as integral parts of the overall investment process.

Composition of investment exposure

The following tables show the total amount and the breakdown of the Equity Investment portfolio by region as well as by type of investment. NIBC's off-balance commitments amounted to EUR 19 million at 30 June 2019 (31 December 2018: EUR 20 million).

Breakdown of equity investments by region

	H1 2019	2018
The Netherlands	128	119
Germany	44	41
United Kingdom	21	26
Rest of Europe	16	4
North America	28	25
Total	**238**	**215**

Breakdown of equity investment by type

in EUR millions	H1 2019	2018
Direct investment	89	80
Investments in funds	100	97
Strategic investments	34	24
Real estate investments	13	11
Other	2	3
Total	**238**	**215**

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 1.0% 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 4.1 million at the end of June 2019.

Liquidity Risk

The risk of not being able to meet obligations as they become due is called liquidity risk. The aim is to maintain a comfortable liquidity position to enable ourselves to fund new client assets, as well as to repay our debts when they becomes due. Managing the maturity of both assets and liabilities is key in successful liquidity risk management and we maintain sufficient liquidity buffers to meet our obligations in a potential stress scenario.

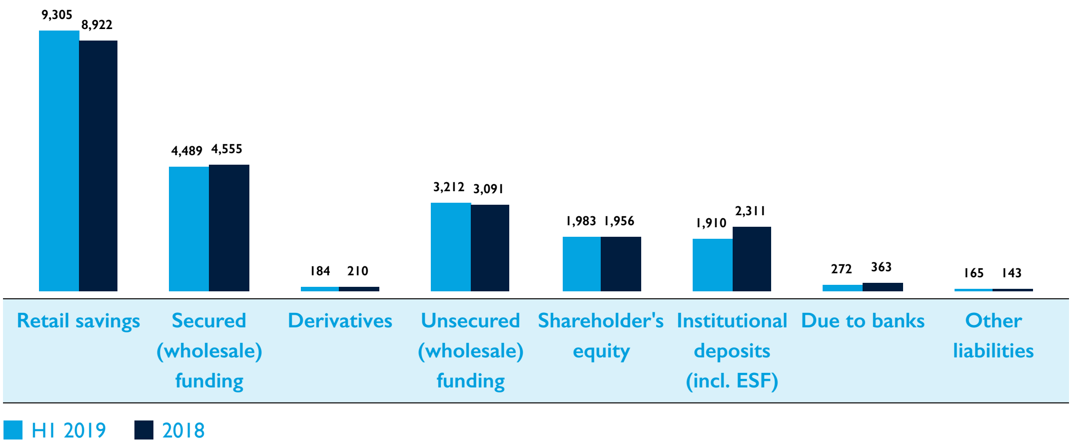
We manage the maturity profile of our liabilities in relation to our asset base and we maintain liquidity buffers which enable us to meet current and potential requirements at a consolidated, parent and subsidiary level.

Funding

NIBC actively managed its diversified funding base in H1 2019. In February 2019, NIBC's floating rate note with maturity July 2020 was tapped with EUR 50 million. In March 2019, a EUR 500 million 8-year public covered bond was issued. In April 2019, a EUR 300 million 5-year public senior non-preferred bond was issued, Additionally EUR 110 million was privately placed in different formats and at various maturities. Moreover, in July 2019, a EUR 500 million 6-year public senior preferred (senior unsecured) was issued. Retail savings increased with EUR 0.4 billion to a balance of EUR 9.3 billion. The ESF funding portfolio decreased slightly to a balance of EUR 1.4 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 2019 and 31 December 2018 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 the risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error, fraud, or external events including legal risk and compliance risk. Operational risk includes reputational risk; however strategic risks are not included.

NIBC strives for a 'no surprises' operating environment, i.e. a transparent and consistent way of effectively managing operational risk across all our business lines, banking activities and countries. *Operational Risk Management* (**ORM**) is embedded in day-to-day processes; NIBC business units and international offices (first line of defence) have an operational risk management 'Champion'. These employees assess their department's activities for potential operational risks, monitor the control mechanisms in place to mitigate, avoid, transfer or accept these, coordinate ways of resolving loss-making events and promote awareness for operational risks within their departments.

The central ORM function identifies, monitors, controls and reports on operational risk at group level, develops policies and processes and provides methodology and tools. The tools enable an assessment whether the operational risk profile of the bank fits within the operational risk appetite. They provide an integrated view of the operational *risk and control self-assessments* **(RCSA)** performed bottom-up by all BUs and countries, action planning, and event and loss registration and support the operational risk management process, including planning mitigation measures. Furthermore, the department also co-ordinates the development of periodic, forward-looking scenario analysis (hypothetical external or internal scenarios ensuring that a plan exists in case these events occur) and actively supports corporate social responsibility, business continuity management and information security professionals.

In 2019, NIBC continued enhancing its forward-looking and structured approach to managing operational risk across all three lines of defence and enhanced its reporting using dashboards generated by the ORM system. This also entails the analysis of new products and services that NIBC plans to launch for its customers, as well as the ongoing review of existing products and services. The central element in the *New Product Approval and Review Process* **(NPARP)** is the client's interest; i.e. determining how the product is suitable for its clients and how NIBC will ensure it can offer the product to its clients in a responsible and sustainable manner in the markets where NIBC is active.

The NPARP includes a mandatory and risk-based product review at a predefined period after launch. In addition to the NPARP, NIBC has implemented a revised Outsourcing Policy following the introduction of detailed EBA Guidelines on outsourcing and outsourcing to cloud service providers.

Operational risk in all its facets - including compliance and regulation, legal risk, dealing with integrity, change management, technology and IT risk, reputation and conduct risk - is a key part of a bank's overall risk management practice. Doing more business always means more risk: that is not negative in itself, but must be properly understood and managed. As such, NIBC's risk appetite framework also includes specific risk appetite statements for operational risk, as well as other non-financial risks, such as legal and compliance/conduct risks.

As part of the yearly cycle, NIBC uses the operational risk management process as a basis for the in control and responsibility statement of the Managing Board as included in NIBC's annual report.

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.

The capital ratios at H1 2019 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 as of year end 2018 and at H1 2019. NIBC actively manages its RWA position. Credit risk has increased slightly, reflecting portfolio movements and credit migration within the portfolio. Market risk decreased significantly, which is driven by smaller positions in the trading books and a low volatility environment in recent years that resulted in a lower Value at Risk (VaR). Operational risk relates, amongst others, to a moving average of the net result 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, 86% relates to credit risk, 13% to operational risk, 1% to market risk and 0.5% credit value adjustment.

Fully loaded capital ratios

	H1 2019	2018
Capital ratios (in %)		
Common Equity Tier 1 ratio[1]	18.5%	18.5%
Tier 1 ratio[1]	19.9%	19.9%
Total Capital ratio[1]	22.0%	22.0%
Risk-weighted assets (in EUR millions)		
Credit risk	6,737	6,593
Market risk	77	230
Operational risk	990	932
Credit value adjustment	40	49
Total RWA	**7,844**	**7,805**

1 As from H1 2019, (interim) profits attributable to the shareholders are no longer added to regulatory capital.

The figures above do not include the expected impact of the IMI nor the 30% increase in RWA for the corporate (loan) portfolios.

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, 27 August 2019

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. 2019

Small differences are possible due to rounding.

CONSOLIDATED INCOME STATEMENT

in EUR millions	note[1]	For the period ended 30 June 2019	For the period ended 30 June 2018
Interest income from financial instruments measured at amortised cost and fair value through other comprehensive income	2	296	283
Interest income from financial instruments measured at fair value through profit or loss	2	5	4
Interest expense from financial instruments measured at amortised cost	2	86	76
Interest expense from financial instruments measured at fair value through profit or loss	2	6	4
Net interest income		**209**	**207**
Fee income	3	19	21
Fee expense	3	-	-
Net fee income		**19**	**21**
Investment income	4	16	21
Net trading income	5	4	5
Net gains or (losses) from assets and liabilities at fair value through profit or loss	6	2	(2)
Net gains or (losses) on derecognition of financial assets measured at amortised cost	7	(1)	-
Other operating income	8	2	2
Operating income		**251**	**254**
Personnel expenses and share-based payments	9	57	55
Other operating expenses	10	47	53
Depreciation and amortisation		3	3
Regulatory charges and levies	11	9	9
Operating expenses		**116**	**120**
Credit loss expense / (recovery)	12	21	21
Profit before tax		**114**	**113**
Tax	13	25	23
Profit after tax		**89**	**90**
Attributable to:			
Shareholders of the company		83	84
Holders of capital securities (non-controlling interest)		6	6
Other non-controlling interests		-	-

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

Earnings per share

	note[1]	For the period ended 30 June 2019	For the period ended 30 June 2018
Weighted average number of ordinary shares (in EUR millions)	14	146	146
Basic earnings per share (in EUR)	14	0.57	0.57
Weighted average number of ordinary shares diluted (in EUR millions)	14	146	146
Diluted earnings per share (in EUR)	14	0.56	0.57

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR millions	note	For the period ended 30 June 2019 Before tax	For the period ended 30 June 2019 Tax charge/ (credit)	For the period ended 30 June 2019 After tax	For the period ended 30 June 2018 Before tax	For the period ended 30 June 2018 Tax charge/ (credit)	For the period ended 30 June 2018 After tax
Profit for the period		**114**	**25**	**89**	**113**	**23**	**90**
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Revaluation of property and equipment	23	7	-	7	-	-	-
Movement in the fair value of own credit risk of financial liabilities designated at fair value through profit or loss		(3)	-	(3)	2	1	1
Items that may be reclassified subsequently to profit or loss							
Net result on hedging instruments		(3)	(1)	(2)	(8)	(2)	(6)
Financial assets measured at fair value through other comprehensive income (FVOCI)							
Movement in revaluation reserves for debt investments at FVOCI	17	7	2	5	(2)	(1)	(1)
Total other comprehensive income		**8**	**1**	**7**	**(8)**	**(2)**	**(6)**
Total comprehensive income		**122**	**26**	**96**	**105**	**21**	**84**
Total comprehensive income attributable to							
Shareholders of the company		116	26	90	99	21	78
Holders of capital securities (non-controlling interest)		6	-	6	6	-	6
Other non-controlling interests		-	-	-	-	-	-
Total comprehensive income		**122**	**26**	**96**	**105**	**21**	**84**

CONSOLIDATED BALANCE SHEET

Assets

in EUR millions	note[1]	30-Jun-19	31-Dec-18
Cash and balances with central banks		1,705	2,056
Due from other banks		542	575
Financial assets at fair value through profit or loss (including trading)			
Debt investments	15	80	77
Equity investments (including investments in associates)		204	187
Loans	16	135	148
Derivative financial instruments		550	579
Financial assets at fair value through other comprehensive income			
Debt investments	17	830	788
Financial assets at amortised cost (loans and receivables)			
Debt investments		7	-
Loans (including lease receivables)	18	7,455	7,462
Mortgage loans	19	9,307	8,990
Securitised mortgage loans	20	435	461
Other			
Investment property	21	23	-
Assets of disposal group classified as held for sale	22	-	13
Investments in associates and joint ventures (equity method)		16	12
Property and equipment	23	63	65
Intangible assets		2	2
Current tax assets	24	2	2
Deferred tax assets	24	108	106
Other assets		55	27
Total assets		**21,519**	**21,550**

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 2019 to IFRS 16.

Liabilities and equity

in EUR millions	note[1]	30-Jun-19	31-Dec-18
Due to other banks		1,420	1,511
Deposits from customers		11,215	11,233
Financial liabilities at fair value through profit or loss (including trading)			
Own debt securities in issue	25	39	39
Debt securities in issue structured	26	195	282
Derivative financial instruments		184	210
Liabilities of disposal group classified as held for sale	22	-	13
Current tax liabilities	24	23	1
Deferred tax liabilities	24	13	7
Provisions	27	5	5
Accruals, deferred income and other liabilities	28	124	115
Debt securities in issue at amortised cost			
Own debt securities in issue	29	5,627	5,451
Debt securities in issue related to securitised mortgages and lease receivables	30	415	447
Subordinated liabilities			
Fair value through profit or loss	31	162	162
Amortised cost	32	115	116
Total liabilities		**19,537**	**19,592**
Equity			
Share capital	33	3	3
Share premium		1,287	1,286
Other reserves		129	122
Retained earnings		274	115
Profit for the period		89	229
Equity attributable to the shareholders		**1,782**	**1,755**
Capital securities (non-controlling interests)	34	200	200
Equity attributable to other non-controlling interests		-	3
Total equity		**1,982**	**1,958**
Total liabilities and equity		**21,519**	**21,550**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to:								
in EUR millions	Share capital	Share premium	Other reserves	Retained earnings	Profit after tax	Equity of the company	Capital securities	Other non-controlling interests	Total equity
Balance at 1 January 2019 before the adoption of IFRS 16	**3**	**1,286**	**122**	**197**	**147**	**1,755**	**200**	**3**	**1,958**
Effect of adoption of IFRS 16	-	-	-	(1)	-	(1)	-	-	(1)
Balance at 1 January 2019 after the adoption of IFRS 16	**3**	**1,286**	**122**	**196**	**147**	**1,754**	**200**	**3**	**1,957**
Transfer of net profit 2018 to retained earnings	-	-	-	94	(94)	-	-	-	-
Total comprehensive income for the period ended 30 June 2019	-	-	7	-	89	96	-	-	96
Acquisition of non-controlling interest in Beequip B.V.[1]	-	-	-	(11)	-	(11)	-	(3)	(14)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-
Transfer of realised depreciation revalued property and equipment						-			-
Other	-	1	-	1	-	2	-		2
Distributions:									
Paid coupon on capital securities	-	-	-	(6)	-	(6)	-	-	(6)
Dividend paid during the year[2]	-	-	-		(53)	(53)	-	-	(53)
Balance at 30 June 2019	**3**	**1,287**	**129**	**274**	**89**	**1,782**	**200**	**-**	**1,982**

1 See note 38 Important events and transactions.
2 Final dividend 2018

	Attributable to:								
in EUR millions	Share capital	Share premium	Other reserves	Retained earnings	Profit after tax	Equity of the company	Capital securities	Other non-controlling interests	Total equity
Balance at 1 January 2018[1]	**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
Transfer to retained earnings	-	3	-	(3)	-	-	-	-	-
Other	-	-	-	-	-	-	-	(1)	(1)
Distributions:									
Paid coupon on capital securities	-	-	-	(4)	(3)	(7)	-	-	(7)
Dividend paid during the year	-	-	-	-	(66)	(66)	-	-	(66)
Balance at 30 June 2018	**3**	**1,286**	**87**	**206**	**87**	**1,669**	**200**	**2**	**1,871**

1 The balances at 1 January 2018 include the effects of the IFRS 9 'Financial Instruments' adoption as per 1 january 2018.

Available distributable amount

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Equity[1]	1,782	1,669
Share capital	(3)	(3)
Within retained earnings	-	-
Revaluation reserves	(37)	(33)
Legal reserve profit participation	(1)	(1)
Legal reserves	**(38)**	**(34)**
Available distribution amount	**1,741**	**1,632**

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Operating profit after tax	89	90
Non-cash items recognised in operating income and expenses	21	27
Net change in assets and liabilities relating to operating activities	(452)	(506)
Cash flows from operating activities[1]	**(342)**	**(389)**
Cash flows from investing activities	6	(22)
Cash flows from financing activities	(6)	358
Net change in cash and cash equivalents	**(342)**	**(53)**
Cash and cash equivalents at 1 January	**2,316**	**1,782**
Net foreign exchange difference	-	3
Net changes in cash and cash equivalents	(370)	(53)
Cash and cash equivalents at 30 June	**1,946**	**1,732**
Reconciliation of cash and cash equivalents:[2]		
Cash and balances with central banks (maturity three months or less)	1,548	1,431
Due from other banks (maturity three months or less)	398	301
	1,946	**1,732**

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

ACCOUNTING POLICIES

Corporate information

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

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

NIBC is an enterprising bank offering corporate and retail client services. With corporate client activities, we offer our services in a number of product market combinations: Mid Market Corporates, Shipping, Energy, Commercial Real Estate, Infrastructure, Fintech & Structured Finance, Financial Sponsors & Leveraged Finance, Mezzanine & Equity and Corporate Finance & Capital Markets. Our expertise spans debt and equity mezzanine, mergers & acquisitions, capitalisation advisory, leveraged finance, structured finance, capital market solutions, equity and fixed income brokerage and research and execution services for independent asset managers. Retail client activities offer savings in the Netherlands, Germany and Belgium, mortgages in the Netherlands, brokerage services in Germany under our NIBC Direct label. Selected services are part of our originate to manage proposition, these services also include mortgage origination and portfolio management.

Basis of preparation

The condensed consolidated interim financial report for the period ended 30 June 2019 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 27 August 2019 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 2018, 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 2018 consolidated financial statements of NIBC, except for the changes in accounting policies described below. NIBC's consolidated financial statements for 2018 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 of 2019, the following standards or amendments to existing standards issued by the *International Accounting Standards Board* (**IASB**) became mandatory. Note that only the amendments to IFRSs that are relevant for NIBC are discussed in the following table.

Accounting standard/ amendment/ interpretation	IASB effective date	Endorsed by EU	Early adopted by NIBC	Impact for NIBC
IFRS 16 Leases	1 January 2019	Yes	-	See below for comments
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019	Yes	-	See below for comments
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019	Yes	-	Not relevant (no defined benefit plans)
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	No	-	See below for comments

IFRS 16 Leases (IFRS 16)

NIBC adopted IFRS 16 using the modified retrospective approach with the cumulative effect recognised in retained earnings on 1 January 2019. Under this standard no distinction is drawn between operating and finance leases for lessees, and requires lessees to recognise leases on the balance sheet reflecting a right to use an asset for a period of time and the associated lease liability for payments.

Refer to the following sections in this chapter;
- update to the accounting policies, and
- transition impact IFRS 16,

for full detail how IFRS 16 changed NIBC's accounting policies concerning leases and the transition approach and impact as per 1 January 2019.

Update to the accounting policies

As from the adoption of IFRS 16, on 1 January 2019, the accounting policies concerning leases are as follows:

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

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

A group company is the lessee

Upon lease commencement NIBC recognises a right-of-use asset and a lease liability.

The right-of-use asset is initially measured at cost, comprising:
- the amount of the initial measurement of the lease liability,

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

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

NIBC classifies the right-of-use assets as part of "Property and equipment", and subsequently applies:
- the impairment requirements from IAS 36, and
- the depreciation requirements from IAS 16.

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

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

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

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

NIBC applies the following practical expedients;
- short-term leases (no right-of-use assets and lease liabilities are recognised for lease terms of 12 months or less at commencement date),
- low value assets.

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

A group company is the lessor

NIBC classifies each lease as an operating lease or a finance lease.

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

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

NIBC subsidiary Beequip B.V. primarily focuses on finance leases of used equipment, mainly for small and medium enterprises in the sectors infrastructure, earth-moving construction and logistics sector.

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

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

Transition impact IFRS 16
At the date of initial application, NIBC applied the practical expedient to apply the standard to contracts that were previously identified as leases applying IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a Lease'.

NIBC also applied the practical expedients for;
- short-term leases,
- low value assets.

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

The transition impact of the modified retrospective approach of IFRS 16 on the consolidated balance sheet of NIBC as per 1 January 2019 is presented in the following table.

in EUR millions	1 January 2019 carrying amount IFRS 16
Right of use assets	5
Lease liability	6
Reduction after tax of Retained earnings	(1)

The measurement on a lease by lease basis for the right of use assets at transition, is its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using NIBC's incremental borrowing rate at the date of initial application.

The impact of the IFRS 16 adoption on the basic and diluted earnings per share as per transition date and reporting date is nil.

The lease liability as per transition date does not differ materially with the commitments for lease components of the domestic and foreign offices under IAS 17 as per 31 December 2018, discounted using the incremental borrowing rate at the transition date.

The weighted average incremental borrowing rate applied to the lease liabilities recognised in the consolidated balance sheet at the date of initial application is 2%.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

Effective from 1 January 2019, NIBC applied the amendments to IAS 28, 'Long-term Interests in Associates and Joint Ventures' retrospectively with the cumulative effect (if any) recognised in retained earnings on 1 January 2019.

Losses recognised using the equity method in excess of the NIBC's investment in ordinary shares are, in accordance with the amendments, applied to other long-term interests of NIBC in the associate or joint venture in reverse order of their respective seniority. These other long-term interests are items for which settlement is neither planned nor likely to occur in the foreseeable future, including e.g. preference shares and long-term receivables or loans, but excluding trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans. If the associate or joint venture subsequently reports profits, NIBC resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

As per 1 January 2019, NIBC did not have such long term interests in associates or joint ventures that form part of the net investment in the associate or joint venture but to which the equity method is not applied, the adoption of the amendment did not impact the financial performance of NIBC.

Annual Improvements to IFRS Standards 2015-2017 Cycle

This cycle contains amendments to the following standards:

IFRS	Subject of amendment
IFRS 3 Business Combinations and IFRS 11 Joint Arrangements	The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
IAS 12 Income Taxes	The amendment clarifies that an entity must recognise all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.
IAS 23 Borrowing Costs	The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments do not have significant impact on the financial performance of NIBC.

Future application of new IFRS-EU accounting standards

Below standards and amendments to existing standards, published prior to 30 June 2019, 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
Amendment to IFRS 3 Business Combinations	1 January 2020	No	No	Low
Revision of the definition of a business.				
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	No	No	Low
The amendments clarify the definition of material and make IFRSs more consistent.				

Reclassification land and buildings from Property and equipment to Investment property
Until year end 2018 NIBC's land and buildings were valued at fair value through equity. On 1 January 2019 part of the land and buildings were reclassified from Property and equipment to Investment property, based on the actual change in its use (i.e. a transfer of a significant part to the available-for-rental status). Just before this reclassification land and buildings were revalued as of 1 January 2019 based on independent external appraisal. The difference with the carrying amount arising from revaluation of land and buildings are credited to other reserves in shareholders equity. The revaluation reserve relating to the reclassified land and buildings to Investment property has been frozen as at 1 January 2019.

NOTES TO THE (CONDENSED) CONSOLIDATED INTERIM FINANCIAL REPORT

1 Segment report

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

Operating segments

The operating segments are as follows:

Corporate client offering

Corporate client offering provides advice and debt, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany and the UK. The product market combinations in which NIBC offers these services are: Mid Market Corporates, Shipping, Energy, Commercial Real Estate, Infrastructure, Fintech & Structured Finance, Financial Sponsors & Leveraged Finance, Mezzanine & Equity and Corporate Finance & Capital 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 Center which includes HR & Corporate Communications, Internal Audit, Legal & Compliance, Sustainability, Operations & Facilities, Technology, and Finance, Tax & Strategy. A substantial part of the operating expenses as well as the full time equivalents of Group functions are allocated to corporate and retail client offering..

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

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

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

Reconciliation with consolidated income statement

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

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

The following table presents the Segment report comprising of a summary of our internal management report and the reconciliation to the consolidated results under IFRS for the periods ended 30 June 2019 and 30 June 2018.

in EUR millions	For the period ended 30 June 2019 Corporate client offering	Retail client offering	Treasury & Group functions	Total (consolidated financial statements)
Net interest income	93	66	50	209
Net fee income	12	7	0	19
Investment income	16	-	0	16
Net trading income	3	-	1	4
Net gains or (losses) from assets and liabilities at fair value through profit or loss	3	0	(1)	2
Net gain or (losses) on derecognition of financial assets measured at amortised cost	(1)	-	-	(1)
Other operating income	2	0	1	2
Operating income	**128**	**72**	**52**	**251**
Regulatory charges and levies	-	5	5	9
Other operating expenses[1]	60	28	19	107
Operating expenses	**60**	**32**	**24**	**116**
Net operating income	**68**	**40**	**28**	**135**
Credit loss expense / (recovery)	26	(4)	0	21
Profit before tax	**42**	**45**	**27**	**114**
Tax	7	11	7	25
Profit after tax	**35**	**33**	**21**	**89**
Attributable to:				
Shareholders of the company				83
Holders of capital securities (non-controlling interests)				6
Other non-controlling interests				-
Total FTEs	512	135	46	694
EC Usage (start of the year)	819	267	245	1,330
Available capital (start of the year)				1,702
ROE (SBU based on EC Usage)	8.0%	25.3%		12.4%
ROE (on available capital)				9.7%
Cost/income ratio	47%	44%		46%
Segment assets	8,080	9,570	3,869	21,519
Return on assets	0.9%	0.7%		0.8%
Risk-weighted assets	5,987	1,231	626	7,844

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

Income and expenses per country

	For the period ended 30 June 2019				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
Operating income	202	43	2	4	251
Operating expenses	92	15	6	2	116
Credit loss expense / (recovery)	0	22	-	-	21
Profit before tax	**110**	**6**	**(4)**	**3**	**114**
Tax	24	1	0	0	25
Profit after tax	**86**	**5**	**(4)**	**2**	**89**
FTEs	514	122	51	7	694

Operating income per sector per country

	For the period ended 30 June 2019				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
Corporate Client Offering					
Commercial Real Estate	13	-	-	-	13
Energy	6	-	-	-	6
Financial Sponsors & Leveraged Finance	14	6	0	-	20
Fintech & Structured Finance	6	5	-	-	11
Infrastructure	10	2	0	-	12
Mezzanine & Equity Partners	28	-	-	-	28
Mid Market Corporates	9	4	-	-	13
Shipping	13	-	-	-	13
Other Corporate Client Offering	12	0	0	-	13
Retail Client Offering	54	14	-	4	73
Treasury	39	11	1	-	51
	202	**43**	**2**	**4**	**251**

Net fee income per sector per country

	For the period ended 30 June 2019				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
Corporate Client Offering					
Commercial Real Estate	0	-	-	-	0
Energy	0	-	-	-	0
Financial Sponsors & Leveraged Finance	3	0	-	-	3
Fintech & Structured Finance	2	1	-	-	3
Infrastructure	1	-	-	-	1
Mezzanine & Equity Partners	1	0	0	-	1
Mid Market Corporates	1	-	-	-	1
Shipping	0	-	-	-	0
Other Corporate Client Offering	3	0	0	-	3
Retail Client Offering	7	0	-	-	7
Treasury	0	0	-	-	0
	18	**1**	**0**	**-**	**19**

	For the period ended 30 June 2018			
in EUR millions	Corporate client offering	Retail client offering	Treasury & Group functions	Total (consolidated financial statements)
Net interest income	93	65	49	207
Net fee income	15	5	0	21
Investment income	21	-	0	21
Net trading income	0	-	5	5
Net gains or (losses) from assets and liabilities at fair value through profit or loss	5	0	(7)	(2)
Net gain or (losses) on derecognition of financial assets measured at amortised cost	0	-	-	-
Other operating income	2	-	-	2
Operating income	**136**	**71**	**47**	**254**
Regulatory charges and levies	-	4	5	9
Other operating expenses[1]	64	26	22	111
Operating expenses	**64**	**30**	**27**	**120**
Net operating income	**72**	**41**	**20**	**134**
Credit loss expense / (recovery)	25	(3)	(1)	21
Profit before tax	**48**	**44**	**21**	**113**
Tax	7	11	5	23
Profit after tax	**40**	**33**	**16**	**90**
Attributable to:				
Shareholders of the company				84
Holders of capital securities (non-controlling interests)				6
Other non-controlling interests				-
Total FTEs	517	131	38	686
EC Usage (start of the year)	914	206	227	1,347
Available capital (start of the year)				1,594
ROE (SBU based on EC Usage)	8.9%	31.9%		12.4%
ROE (on available capital)				10.5%
Cost/income ratio	41%	43%		47%
Segment assets	8,295	9,198	4,281	21,774
Return on assets	1.0%	0.7%		0.8%
Risk-weighted assets	6,706	1,264	707	8,676

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

Income and expenses per country

in EUR millions	For the period ended 30 June 2018 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

in EUR millions	For the period ended 30 June 2018 The Netherlands	Germany	United Kingdom	Belgium	Total
Corporate Client Offering					
Commercial Real Estate	24	-	-	-	24
Energy	6	-	-	-	6
Financial Sponsors & Leveraged Finance	16	7	-	-	23
Fintech & Structured Finance	4	4	-	-	8
Infrastructure	8	3	2	-	13
Mezzanine & Equity Partners	29	0	1	-	29
Mid Market Corporates	9	4	-	-	13
Shipping	8	-	-	-	8
Other Corporate Client Offering	11	0	0	-	12
Retail Client Offering	52	15	-	4	70
Treasury	42	2	3	-	46
	209	**35**	**6**	**4**	**254**

Net fee income per sector per country

in EUR millions	For the period ended 30 June 2018 The Netherlands	Germany	United Kingdom	Belgium	Total
Corporate Client Offering					
Commercial Real Estate	1	-	-	-	1
Energy	0	-	-	-	0
Financial Sponsors & Leveraged Finance	2	0	0	-	2
Fintech & Structured Finance	1	0	-	-	1
Infrastructure	0	0	0	-	0
Mezzanine & Equity Partners	5	0	1	-	6
Mid Market Corporates	0	0	-	-	1
Shipping	0	-	-	-	0
Other Corporate Client Offering	4	0	0	-	4
Retail Client Offering	5	0	-	-	5
Treasury	0	0	-	-	0
	18	**1**	**1**	**-**	**21**

2 Net interest income

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Interest and similar income		
Interest income from financial instruments measured at amortised cost and fair value through other comprehensive income	296	283
Interest income from financial instruments measured at fair value through profit or loss	5	4
	301	**287**
Interest expense and similar charges		
Interest expense from financial instruments measured at amortised cost	86	76
Interest expense from financial instruments measured at fair value through profit or loss	6	4
	92	**80**
	209	**207**

The development in H1 2019 net interest income compared to H1 2018, an increase of 1%, relates as follows to the developments in NIBC's segments:

- Net interest income of the Corporate client segment remained stable at EUR 93 million, following only a minor decrease in the drawn portolio. This result reflects NIBC's effort to rebalance the portfolio, in which reduction of exposure in specific subportfolios is offset by growth in other, targeted product market combinations.
- In the Retail client segment, net interest income increased with EUR 1 million to EUR 66 million. This increase follows from the portfolio growth, offset for a large part by the decreased portfolio spread.
- The Treasury & Group functions reports net interest income of EUR 50 million, an increase of EUR 1 million. This follows from the continued reduction of the funding spread, which has repriced faster than the funding provided to the other segments. This effect more than offsets the reduced combined effect of IFRS 9 and the revised hedging portfolio.

3 Net fee income

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Fee income per segment and major service lines		
Corporate Client Offering		
Investment management fees	4	8
Lending related fees	6	4
M&A fees	1	2
Brokerage fees	1	2
Fee income Corporate Client Offering	**12**	**16**
Retail Client Offering		
Originate-to-Manage	7	5
Fee income Retail Client Offering	**7**	**5**
Total fee income (from contracts with customers)	**19**	**21**
Fee expense		
Other non-interest related fees	-	-
	-	**-**
	19	**21**

The decline of investment management fees from EUR 8 million in H1 2018 to EUR 4 million in H1 2019 was a result of lower performance fees for NIBC's fund management activities, due to the sale of a significant part of our fund investments end 2018.

The increase in the originate-to-manage fees in the Retail Client Offering is the result of an increase in the originate-to-manage portfolio.

4 Investment income

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Share in result of associates and joint ventures accounted for using the equity method	4	-
Equity investments (fair value through profit or loss)		
Gains less losses from associates	6	18
Gains less losses from other equity investments	6	3
	16	**21**

The EUR 16 million investment income is fully attributable to revaluations of the equity investments.

5 Net trading income

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Financial instruments mandatory measured at fair value through profit or loss		
Debt investments held for trading	2	2
Other assets and liabilities held for trading	2	3
	4	**5**

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

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Financial instruments mandatory at fair value through profit or loss other than those included in net trading income		
Derivatives held for hedge accounting		
Fair value hedges of interest rate risk	(6)	(3)
Cash flow hedges of interest rate risk	1	-
Interest rate instruments (economic hedge)	5	(2)
Loans	-	(1)
Mortgage loans and securitised mortgages loans	-	(1)
Debt securities	-	1
Other		
Foreign exchange	1	2
Non-financial instruments		
Investment property		
Investment property held for sale - revaluation result	1	2
	2	**(2)**

Fair value hedges of interest rate risk increased from a loss of EUR 3 million in H1 2018 to a loss of EUR 6 million in H1 2019.

Interest rate instruments (economic hedge) improved from a loss of EUR 2 million in H1 2018 to a gain of EUR 5 million in H1 2019 and includes a gain of EUR 2 million on the linear amortization of the day 1 profit (H1 2018: gain of EUR 5 million), a gain of EUR 2 million due to hedge ineffectiveness (H1 2018: loss of EUR 4 million) and a gain of EUR 2 million in cross currency swaps (H1 2018: loss of EUR 3 million).

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

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Loans and receivables	(1)	-
	(1)	**-**

8 Other operating income

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Other operating income	2	2
	2	**2**

Other operating income include EUR 2 million lease income from operational lease contracts (2018: EUR 2 million).

9 Personnel expenses and share-based payments

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Personnel expenses and share-based payments	57	55
	57	**55**

The number of *Full Time Equivalents* (**FTE**) increased from 686 at 30 June 2018 to 694 at 30 June 2019.

10 Other operating expenses

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Other operating expenses		
Building-, housing and services expenses	2	3
Car-, travel- and accommodation expenses	1	2
Project expenses and consultants	8	14
Control and supervision	2	2
Corporate brand, brochures, (re-)presentation expenses	1	1
Other employee expenses	2	2
ICT expenses	15	9
Communication expenses	1	1
Data expenses	3	3
Process outsourcing	8	9
Other general expenses	1	1
IPO costs	-	4
Short-term lease expenses	1	-
Low-value assets lease expenses	-	-
Fees of auditors	2	2
	47	**53**

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

ICT Expenses are higher in 2019 due to transition related costs to the third-party outsourcing partner. In 2018 the project expenses and consultants included expenses related to Mifid II and, the sale and property management of Vijlma.

The rental income from investment property, included in building-, housing and services expenses, amounts to EUR 0.2 million in the first half of 2019.

11 Regulatory charges

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Resolution levy	5	5
Deposit Guarantee Scheme	4	4
	9	**9**

12 Credit loss expense / (recovery)

Financial assets

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Financial assets at amortised cost/fair value through other comprehensive income		
Loans (including lease receivables)	26	25
Mortgages loans	(4)	(4)
Total for on-balance sheet financial assets (in scope of ECL requirements)	**22**	**21**
Off-balance sheet financial instruments and credit lines		
Committed facilities with respect to mortgage loans (see note 19)	(1)	1
Irrevocable loan commitments (see note 27)	-	(1)
Total for off-balance sheet financial assets (in scope of ECL requirements)	**(1)**	**-**
	21	**21**

Non-financial assets

There were no impairments on non-financial assets for H1 2019 and H1 2018.

13 Tax

in EUR millions	For the period ended 30 June 2019	For the period ended 30 June 2018
Current tax	2	40
Deferred tax	108	92
	110	**132**
Tax reconciliation:		
Profit before tax	**114**	**113**
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2018: 25.0%)	28	28
Impact of income not subject to tax	(3)	(8)
Impact of expenses not deductible	-	1
Effect of different tax rates other countries	-	1
Actualisation including true-ups and revaluations	-	1
	25	**23**

The impact of income not subject to tax mainly relates to income from equity investments and investments in associates, in which NIBC has a stake of more than 5%, being income that is tax exempt under Dutch tax law.

This results in an effective tax rate of 22.1% for the period ended 30 June 2019 (for the period ended 30 June 2018: 20.8%).

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

14 Earnings per share

Basic Earnings per ordinary Share (**EPS**) is calculated by dividing the profit for the year attributable to the shareholders of NIBC by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to the shareholders of NIBC by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary 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 ordinary share for the period ended 30 June 2019 and 30 June 2018:

	For the period ended 30 June 2019			For the period ended 30 June 2018		
	Profit for the period attributable to equity holders	Weighted average number of ordinary shares	Earnings per ordinary share[1]	Profit for the period attributable to equity holders	Weighted average number of ordinary shares	Earnings per ordinary share[1]
	in EUR millions	in millions	in EUR	in EUR millions	in millions	in EUR
Basic earnings per ordinary share	83	146	0.57	84	146	0.57
Diluted earnings per ordinary share	83	146	0.56	84	146	0.57

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 ordinary shares.

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

The impact of the IFRS 16 adoption on the earnings per ordinary share is nihil.

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

in EUR millions	30-Jun-19	31-Dec-18
Held for trading (mandatory fair value through profit or loss)	80	77
	80	**77**

As the position relates to a trading portfolio no movement schedule is included to detail the H1 2019 movement.

16 Loans (fair value through profit or loss)

in EUR millions	30-Jun-19	31-Dec-18
Loans	135	148
	135	**148**
Legal maturity analysis of loans:		
Three months or less	14	1
Longer than three months but not longer than one year	20	31
Longer than one year but not longer than five years	78	93
Longer than five years	23	23
	135	**148**

in EUR millions	30-Jun-19	31-Dec-18
Movement schedule of loans:		
Balance at 1 January	**148**	**181**
Effect of adoption of IFRS 9 per 1 January 2018	-	(82)
Restated balance at 1 January 2018 after the adoption of IFRS 9	**148**	**99**
Additions	19	101
Disposals	(29)	(46)
Changes in fair value	(3)	(6)
Other (including exchange rate differences)	-	-
Balance at 30 June / 31 December	**135**	**148**

17 Debt investments (fair value through other comprehensive income)

in EUR millions	30-Jun-19	31-Dec-18
Debt investments	830	788
	830	**788**

For H1 2019, all debt investments are non-government, except for EUR 39 million (2018: EUR 39 million).

in EUR millions	30-Jun-19	31-Dec-18
Listed	830	775
Unlisted	-	13
	830	**788**
Legal maturity analysis of debt investments:		
Three months or less	30	19
Longer than three months but not longer than one year	47	75
Longer than one year but not longer than five years	625	645
Longer than five years	128	49
	830	**788**

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

There are no contractual amounts outstanding on debt investments that were written off and are still subject to enforcement activity for H1 2019 and 2018.

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

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of carrying value debt investments:					
Balance at 1 January	**784**	**4**	**-**	**-**	**788**
New financial assets originated or purchased	135	-	-	-	135
Financial assets that have been derecognised	(99)	-	-	-	(99)
Changes in fair value	7	-	-	-	7
Foreign exchange and other movements	(1)	-	-	-	(1)
Balance at 30 June 2019	**826**	**4**	**-**	**-**	**830**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of 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	391	-	-	-	391
Financial assets that have been derecognised	(263)	-	-	-	(263)
Changes in fair value	(6)	-	-	-	(6)
Foreign exchange and other movements	2	-	-	-	2
Balance at 31 December 2018	**784**	**4**	**-**	**-**	**788**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on debt investments:					
Balance at 1 January 2018					-
Effect of adoption IFRS 9 - expected loss impairment model					1
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					
Recoveries of amounts previously written off	(1)	-	-	-	(1)
Movements with impact on credit loss allowances of financial assets in the income statement	**(1)**	**-**	**-**	**-**	**(1)**
Balance at 31 December 2018	**-**	**-**	**-**	**-**	**-**

18 Loans (amortised cost)

in EUR millions	30-Jun-19	31-Dec-18
Loans	6,999	7,062
Lease receivables	456	400
	7,455	**7,462**
Legal maturity analysis of loans:		
Three months or less	321	243
Longer than three months but not longer than one year	519	623
Longer than one year but not longer than five years	4,688	4,580
Longer than five years	1,471	1,616
	6,999	**7,062**

Lease receivables measured at amortised cost generated EUR 10 million interest income (FY 2018: EUR 14 million).

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of carrying value loans:					
Balance at 1 January 2019	**5,986**	**794**	**281**	**1**	**7,062**
New financial assets originated or purchased	1,043	46	3	14	1,106
Financial assets that have been derecognised	(998)	(96)	(79)	(1)	(1,174)
Write-offs	-	-	26	-	26
Net remeasurement of loss allowance	1	(6)	(20)	4	(21)
Foreign exchange and other movements	5	2	(6)	-	1
Transfers:					-
Transfer from stage 1 to stage 2	(378)	374	-	-	(4)
Transfer from stage 1 to stage 3	(4)	-	4	-	-
Transfer from stage 2 to stage 1	280	(277)	-	-	3
Transfer from stage 2 to stage 3	-	(50)	50	-	-
Transfer from stage 3 to stage 2	-	3	(3)	-	-
Balance at 30 June 2019	**5,935**	**790**	**256**	**18**	**6,999**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of carrying value loans:					
Balance at 1 January 2018					**7,192**
Effect of adoption of IFRS 9 per 1 January 2018					72
Restated balance at 1 January 2018 after the adoption of IFRS 9	**6,043**	**993**	**228**	**-**	**7,264**
New financial assets originated or purchased	2,330	60	7	5	2,402
Financial assets that have been derecognised	(2,290)	(235)	(155)	-	(2,680)
Write-offs	-	1	47	-	48
Net remeasurement of loss allowance	1	(9)	(36)	(4)	(48)
Foreign exchange and other movements	53	22	4	-	79
Transfers:					-
Transfer from stage 1 to stage 2	(396)	392	-	-	(4)
Transfer from stage 1 to stage 3	(17)	-	17	-	-
Transfer from stage 2 to stage 1	262	(261)	-	-	1
Transfer from stage 2 to stage 3	-	(233)	233	-	-
Transfer from stage 3 to stage 2	-	64	(64)	-	-
Balance at 31 December 2018	**5,986**	**794**	**281**	**1**	**7,062**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on loans:					
Balance at 1 January 2019	**9**	**17**	**133**	**4**	**163**
Movements with no impact on credit loss allowances of financial assets in the income statement					
Write-offs	-	-	(26)	-	(26)
Unwind of discount due to passage of time stage 3 within interest income	-	-	(2)	-	(2)
Foreign exchange and other movements	-	-	8	-	8
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**-**	**(20)**	**-**	**(20)**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	2	2	-	-	4
Financial assets that have been derecognised	(1)	(2)	-	-	(3)
Net remeasurement of loss allowance	-	4	20	(3)	21
Unwind of discount due to passage of time stage 1 and stage 2	-	-	3	-	3
Transfers:					
Transfer from stage 1 to stage 2	(3)	6	-	-	3
Transfer from stage 2 to stage 1	3	(6)	-	-	(3)
Transfer from stage 2 to stage 3	-	(1)	1	-	-
Movements with impact on credit loss allowances of financial assets in the income statement	**1**	**3**	**24**	**(3)**	**25**
Balance at 30 June 2019	**10**	**20**	**137**	**1**	**168**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on loans:					
Balance at 1 January 2018					**146**
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**	**125**	**-**	**150**
Movements with no impact on credit loss allowances of financial assets in the income statement					
Transfers:					
Transfer from stage 2 to stage 3	-	(12)	12	-	-
Write-offs	-	-	(47)	-	(47)
Unwind of discount due to passage of time stage 3 within interest income	-	-	(10)	-	(10)
Foreign exchange and other movements	-	-	7	-	7
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**(12)**	**(38)**	**-**	**(50)**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	5	2	-	-	7
Financial assets that have been derecognised	(3)	(1)	-	-	(4)
Net remeasurement of loss allowance	(1)	9	36	4	48
Unwind of discount due to passage of time stage 1 and stage 2	-	-	10	-	10
Transfers:					
Transfer from stage 1 to stage 2	(2)	5	-	-	3
Transfer from stage 2 to stage 1	1	(2)	-	-	(1)
Movements with impact on credit loss allowances of financial assets in the income statement	**-**	**13**	**46**	**4**	**63**
Balance at 31 December 2018	**9**	**17**	**133**	**4**	**163**

in EUR millions	30-Jun-19	31-Dec-18
Legal maturity analysis of gross investment in lease receivables:		
One year or less	67	76
Longer than one year but no longer than five years	359	285
Longer than five years	74	76
	500	**437**
Unearned future finance income on finance leases	44	37
Net investment in finance leases	**456**	**400**
Legal maturity analysis of net investment in lease receivables:		
One year or less	65	76
Longer than one year but no longer than five years	325	259
Longer than five years	66	65
	456	**400**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of carrying value on lease receivables:					
Balance at 1 January 2019	**400**	**-**	**-**	**-**	**400**
New financial assets originated or purchased	68	-	-	-	68
Financial assets that have been derecognised	(12)	-	-	-	(12)
Transfers:					-
Transfer from stage 1 to stage 2	(34)	34	-	-	-
Transfer from stage 1 to stage 3	(6)	-	6	-	-
Balance at 30 June 2019	**416**	**34**	**6**	**-**	**456**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of carrying value on lease receivables:					
Balance at 1 January 2018					**281**
Effect of adoption of IFRS 9 per 1 January 2018					-
Restated balance at 1 January 2018 after the adoption of IFRS 9	**281**	**-**	**-**	**-**	**281**
Financial assets that have been derecognised	119	-	-	-	119
Balance at 31 December 2018	**400**	**-**	**-**	**-**	**400**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on lease receivables:					
Balance at 1 January 2019	**1**	**-**	**-**	**-**	**1**
Movements with impact on credit loss allowances of financial assets in the income statement					
Transfers:					
Transfer from stage 1 to stage 3	-	-	1	-	1
Movements with impact on credit loss allowances of financial assets in the income statement	**-**	**-**	**1**	**-**	**1**
Balance at 30 June 2019	**1**	**-**	**1**	**-**	**2**

19 Mortgage loans (amortised cost)

in EUR millions	30-Jun-19	31-Dec-18
Owner-occupied mortgage loans	8,652	8,358
Buy-to-let mortgage loans	655	632
	9,307	**8,990**
Legal maturity analysis of mortgage loans:		
Three months or less	21	18
Longer than three months but not longer than one year	12	23
Longer than one year but not longer than five years	137	114
Longer than five years	9,137	8,835
	9,307	**8,990**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of carrying value mortgage loans:					
Balance at 1 January 2019	**8,891**	**82**	**17**	**-**	**8,990**
New financial assets originated or purchased	903	-	-	-	903
Financial assets that have been derecognised (sale and/or redemption)	(576)	(8)	(5)	-	(589)
Net remeasurement of loss allowance	4	1	(2)	-	3
Transfers:					
Transfer from stage 1 to stage 2	(25)	25	-		-
Transfer from stage 1 to stage 3	(4)	-	4		-
Transfer from stage 2 to stage 1	23	(23)	-		-
Transfer from stage 2 to stage 3	-	(3)	3		-
Transfer from stage 3 to stage 1	3	-	(3)		-
Transfer from stage 3 to stage 2	-	6	(6)		-
Balance at 30 June 2019	**9,219**	**80**	**8**	**-**	**9,307**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of carrying value mortgage loans:					
Balance at 1 January 2018					**4,412**
Effect of adoption of IFRS 9 per 1 January 2018					4,259
Restated balance at 1 January 2018 after the adoption of IFRS 9	**8,541**	**99**	**31**	**-**	**8,671**
New financial assets originated or purchased	2,003	10	1	-	2,014
Financial assets that have been derecognised (sale and/or redemption)	(1,667)	(24)	(11)	-	(1,702)
Net remeasurement of loss allowance	8	-	(1)	-	7
Transfer from stage 1 to stage 2	(22)	21	-	-	(1)
Transfer from stage 1 to stage 3	(5)	-	6	-	1
Transfer from stage 2 to stage 1	24	(24)	-	-	-
Transfer from stage 2 to stage 3	-	(1)	1	-	-
Transfer from stage 3 to stage 1	9	-	(9)	-	-
Transfer from stage 3 to stage 2	-	1	(1)	-	-
Balance at 31 December 2018	**8,891**	**82**	**17**	**-**	**8,990**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on mortgage loans:					
Balance at 1 January 2019	**5**	**1**	**1**	**-**	**7**
Movements with no impact on credit loss allowances of financial assets in the income statement					
Transfers:					
Transfer from stage 3 to stage 2	-	1	(1)	-	-
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**	**(2)**	**-**	**-**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	1	-	-	-	1
Financial assets that have been derecognised	(3)	-	-	-	(3)
Net remeasurement of loss allowance	(4)	(1)	2	-	(3)
Transfers:					
Transfer from stage 2 to stage 1	1	(1)	-	-	-
Movements with impact on credit loss allowances of financial assets in the income statement	**(5)**	**(2)**	**2**	**-**	**(5)**
Balance at 30 June 2019	**1**	**-**	**1**	**-**	**2**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on mortgage loans:					
Balance at 1 January 2018					**2**
Effect of adoption IFRS 9 - reclassification					47
Effect of adoption IFRS 9 - expected loss impairment model					13
Restated balance at 1 January 2018 after the adoption of IFRS 9	**6**	**2**	**7**	**-**	**62**
Movements with no impact on credit loss allowances of financial assets in the income statement					
Transfers:					
Transfer from stage 2 to stage 3	-	(2)	2	-	-
Transfer from stage 3 to stage 2	-	3	(3)	-	-
Transfer from stage 3 to stage 1	4	-	(4)	-	-
Write-offs	-	-	-	-	(47)
Movements with no impact on credit loss allowances of financial assets in the income statement	**4**	**1**	**(5)**	**-**	**(47)**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	4	-	-	-	4
Financial assets that have been derecognised	(3)	-	(1)	-	(4)
Net remeasurement of loss allowance	(8)	-	-	-	(8)
Transfer from stage 1 to stage 2	(1)	1	-	-	-
Transfer from stage 2 to stage 1	3	(3)	-	-	-
Movements with impact on credit loss allowances of financial assets in the income statement	**(5)**	**(2)**	**(1)**	**-**	**(8)**
Balance at 31 December 2018	**5**	**1**	**1**	**-**	**7**

20 Securitised mortgage loans (amortised cost)

in EUR millions	30-Jun-19	31-Dec-18
Securitised mortgage loans	435	461
	435	**461**
Legal maturity analysis of securitised mortgage loans:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	435	461
	435	**461**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of carrying value securitised mortgage loans:					
Balance at 1 January 2019	**460**	**1**	**-**	**-**	**461**
New financial assets originated or purchased	9	-	-	-	9
Financial assets that have been derecognised (sale and/or redemption)	(35)	-	-	-	(35)
Balance at 30 June 2019	**434**	**1**	**-**	**-**	**435**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of carrying value securitised mortgage loans:					
Balance at 1 January 2018					**-**
Effect of adoption of IFRS 9 per 1 January 2018					317
Restated balance at 1 January 2018 after the adoption of IFRS 9	**314**	**2**	**1**	**-**	**317**
New financial assets originated or purchased	521	-	-	-	521
Financial assets that have been derecognised (sale and/or redemption)	(375)	(1)	(1)	-	(377)
Transfers:					
Transfer from stage 1 to stage 2	(1)	1	-	-	-
Transfer from stage 1 to stage 3	(1)	-	1	-	-
Transfer from stage 3 to stage 1	1	-	(1)	-	-
Transfer from stage 2 to stage 1	1	(1)	-	-	-
Balance at 31 December 2018	**460**	**1**	**-**	**-**	**461**

In H1 2019 no expected credit losses were recognised.

21 Investment property

in EUR millions	30-Jun-19	31-Dec-18
Investment property	23	-
	23	**-**
The movement in investment property may be summarised as follows:		
Balance 1 January	**-**	**-**
Reclassification from property and equipment	21	-
Additions	2	-
Disposals	-	-
Changes in fair value	-	-
Balance at 30 June / 31 December	**23**	**-**

The rental income from investment property amount EUR 0.2 million in the first half of 2019.

22 Disposal group classified as held for sale

At 30 June 2019, following the approval of NIBC's management on 28 June 2019 to repeal the decision to sell off the Vijlma structure, the reclassification of the assets and liabilities related to its Vijlma business to held for sale has been abolished.

The major classes of assets and liabilities of the Vijlma business classified as held for sale are, as follows:

Assets of disposal group classified as held for sale

in EUR millions	30-Jun-19	31-Dec-18
Due from other banks (AC)	-	12
Other assets	-	1
	-	**13**

Liabilities of disposal group classified as held for sale

in EUR millions	30-Jun-19	31-Dec-18
Other liabilities	-	11
Current tax liabilities	-	2
	-	**13**

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

23 Property and equipment

in EUR millions	30-Jun-19	31-Dec-18
Land and buildings	27	42
Other fixed assets	3	2
Assets under operating leases	25	21
Right-of-use assets	8	-
	63	**65**

in EUR millions	30-Jun-19	31-Dec-18
Movement schedule of land and buildings:		
Balance at 1 January	**42**	**41**
Additions	-	4
Revaluation	7	-
Depreciation	(1)	(3)
Reclassification to investment property	(21)	
Balance at 30 June / 31 December	**27**	**42**
Gross carrying amount	91	105
Accumulated depreciation	(64)	(63)
	27	**42**
Movement schedule of revaluation surplus:		
Balance at 1 January	**10**	**11**
Revaluation	7	-
Depreciation	-	(1)
Balance at 30 June / 31 December	**17**	**10**
Movement schedule of other fixed assets:		
Balance at 1 January	**2**	**3**
Additions	2	1
Depreciation	(1)	(2)
Balance at 30 June / 31 December	**3**	**2**
Gross carrying amount	30	28
Accumulated depreciation	(27)	(26)
	3	**2**
Movement schedule of assets under operating leases		
Balance at 1 January	**21**	**18**
Additions	7	13
Depreciation	(2)	(3)
Disposals	(1)	(7)
Balance at 30 June / 31 December	**25**	**21**
Gross carrying amount	31	24
Accumulated depreciation	(6)	(3)
	25	**21**

in EUR millions	30-Jun-19	31-Dec-18
Right-of-use assets[1]		
Rented offices	8	-
	8	**-**
Movement schedule of right-of-use asset: offices		
Balance at 1 January	**-**	**-**
Effect of adoption of IFRS 16 per 1 January 2019	5	
Restated balance at 1 January 2019 after the adoption of IFRS 16	**5**	**-**
Additions	3	-
Balance at 30 June / 31 December	**8**	**-**

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

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

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

Refer to note 8 Other operating income, for income from subleasing right-of-use assets, as well as for gains or losses arising from sale and leaseback transactions.

The fair value of the different classes of property and equipment does not materially deviate from the carrying amount.

24 Current and deferred tax

in EUR millions	30-Jun-19	31-Dec-18
Current tax assets	2	2
Current tax liabilities	23	1
	(21)	**1**
Deferred tax assets	108	106
Deferred tax liabilities	13	7
	95	**99**

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

in EUR millions	30-Jun-19	31-Dec-18
Bonds and notes issued	39	39
	39	**39**
Legal maturity analysis of own debt securities in issue:		
Three months or less	-	-
Longer than three months but not longer than one year	39	-
Longer than one year but not longer than five years	-	39
Longer than five years	-	-
	39	**39**

in EUR millions	30-Jun-19	31-Dec-18
Movement schedule of own debt securities in issue:		
Balance at 1 January	**39**	**38**
Additions	2	2
Changes in fair value	(2)	(1)
Balance at 30 June / 31 December	**39**	**39**

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated 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 38 million at 30 June 2019 (31 December 2018: EUR 37 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts and the change for the current year amount to nil (2018: nil). See note 35.7 for further information with respect to own credit risk.

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

in EUR millions	30-Jun-19	31-Dec-18
Bonds and notes issued	195	282
	195	**282**
Legal maturity analysis of debt securities in issue structured:		
Three months or less	-	-
Longer than three months but not longer than one year	-	5
Longer than one year but not longer than five years	63	62
Longer than five years	132	215
	195	**282**

in EUR millions	30-Jun-19	31-Dec-18
Movement schedule of debt securities in issue structured:		
Balance at 1 January	**282**	**616**
Additions	-	5
Matured / redeemed	(91)	(352)
Changes in fair value	3	9
Other (including exchange rate differences)	1	4
Balance at 30 June / 31 December	**195**	**282**

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 434 million at 30 June 2019 (2018: EUR 323 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 2 million and the change for the current year is a loss of EUR 3 million recognised in other comprehensive income (31 December 2018: gain of EUR 15 million). See note 35.7 for further information with respect to IFRS 9 Own credit risk.

The disposals of debt securities in issue designated at fair value through profit or loss for 2019 include redemptions at the scheduled maturity date to an amount of EUR 5 million (2018: EUR 21 million) and repurchases of debt securities before the legal maturity date to an amount of EUR 86 million (2018: EUR 331 million).

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

27 Provisions

in EUR millions	30-Jun-19	31-Dec-18
ECL allowances for off-balance sheet financial instruments	2	2
Employee benefits	3	3
	5	**5**

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

Employee benefit obligations of EUR 3 million at 30 June 2019 are related to payments to be made in respect of other leave obligations (2018: EUR 3 million).

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on provisions:					
Balance at 1 January 2019	**1**	**1**	**-**	**-**	**2**
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					
New financial assets originated or purchased	1	-	-	-	1
Transfers:					
Transfer from stage 2 to stage 1	-	(1)	-	-	(1)
Movements with impact on credit loss allowances of financial assets in the income statement	**1**	**(1)**	**-**	**-**	**-**
Balance at 30 June 2019	**2**	**-**	**-**	**-**	**2**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on provisions:					
Balance at 1 January 2018					**-**
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**
Movement schedule of ECL allowances for off-balance sheet financial instruments in the income statement					
New committed off-balance balance sheet financial instruments	1	-	-	-	1
Off-balance sheet financial instruments that have been derecognised	(1)	(1)	-	-	(2)
Net remeasurement of loss allowance	-	(1)	-	-	(1)
Transfers:					
Transfer from stage 1 to stage 2	-	1	-	-	1
	-	**(1)**	**-**	**-**	**(1)**
Balance at 31 December 2018	**1**	**1**	**-**	**-**	**2**

28 Accruals, deferred income and other liabilities

in EUR millions	30-Jun-19	31-Dec-18
Payables	78	67
Lease liabilities[1]	8	-
Other accruals	29	29
Pending settlements	2	3
Taxes and social securities	7	16
	124	**115**
Legal maturity analysis of lease liabilities:		
Three months or less	-	-
Longer than three months but not longer than one year	1	-
Longer than one year but not longer than five years	5	-
Longer than five years	2	-
	8	**-**
Movement schedule of lease liabilities		
Balance at 1 January	**-**	**-**
Effect of adoption of IFRS 16 per 1 January 2019	6	
Restated balance at 1 January 2019 after the adoption of IFRS 16	**6**	
Additions	3	-
Repayments	(1)	-
Balance at 31 December	**8**	**-**

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

For the period ended 30 June 2019, there are no variable lease payments included in the measurement of the lease liabilities (2018: not applicable).

For the period ended 30 June 2019, interest expense on lease liabilities amounted to nil (2018: not applicable). Interest expense on lease liabilities is recognised within interest expense from financial instruments measured at amortised cost (refer to note 2 Net interest income).

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

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

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

29 Own debt securities in issue (amortised cost)

in EUR millions	30-Jun-19	31-Dec-18
Bonds and notes issued	5,627	5,451
	5,627	**5,451**
Legal maturity analysis of own debt securities in issue:		
Three months or less	548	-
Longer than three months but not longer than one year	105	1,262
Longer than one year but not longer than five years	2,566	2,266
Longer than five years	2,408	1,923
	5,627	**5,451**

in EUR millions	30-Jun-19	31-Dec-18
Movement schedule of own debt securities in issue:		
Balance at 1 January	**5,451**	**4,392**
Additions	916	2,347
Matured / redeemed	(739)	(1,288)
Other (including exchange rate differences)	(1)	-
Balance at 30 June / 31 December	**5,627**	**5,451**

In 2019, NIBC issued one EUR 500 million 8 year covered bond transaction, as well as a EUR 300 million fixed rate senior non-preferred unsecured transaction with a maturity of 5 year and a fixed rate note of EUR 50 million with one year maturity. The total additions also include a EUR 2 million increase of the cumulative hedge adjustment (full year 2018: increase of EUR 16 million).

The disposals of own debt securities in issue at amortised cost for 2019 include redemptions at the scheduled maturity date and repurchases to an amount of EUR 718 million (2018: EUR 1,168 million) and temporary buyback of positions for EUR 22 million (2018: EUR 119 million).

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

in EUR millions	30-Jun-19	31-Dec-18
Bonds and notes issued	415	447
	415	**447**
Legal maturity analysis of debt securities in issue related to securitised mortgage loans and lease receivables:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	415	447
	415	**447**

in EUR millions	30-Jun-19	31-Dec-18
Movement schedule of debt securities in issue related to securitised mortgage loans and lease receivables:		
Balance at 1 January	**447**	**267**
Additions	-	447
Matured / redeemed	(32)	(267)
Balance at 30 June / 31 December	**415**	**447**

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

in EUR millions	30-Jun-19	31-Dec-18
Non-qualifying as grandfathered additional Tier-1 capital	49	53
Subordinated loans other	113	109
	162	**162**
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	-	-
Longer than five years	162	162
	162	**162**

in EUR millions	30-Jun-19	31-Dec-18
Movement schedule of subordinated liabilities:		
Balance at 1 January	**162**	**167**
Additions	2	2
Changes in fair value	(2)	(11)
Other (including exchange rate differences)	-	4
Balance at 30 June / 31 December	**162**	**162**

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

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 256 million at 30 June 2019 (2018: EUR 257 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a loss of EUR 103 million and the change for the current year is nil recognised in other comprehensive income (31 December 2018: loss of EUR 12 million). See note 35.7 for further information with respect to IFRS 9 Own credit risk.

All of the above loans are subordinated to the other liabilities of NIBC. The non-qualifying as grandfathered additional Tier-1 capital consists of perpetual securities and may be redeemed by NIBC only with the prior approval of the DNB. Interest expense of EUR 4 million was recognised on subordinated liabilities during the year 2019 (2018: EUR 11 million). In 2019 and 2018, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

32 Subordinated liabilities (amortised cost)

in EUR millions	30-Jun-19	31-Dec-18
Subordinated loans other	115	116
	115	**116**
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	61	63
Longer than five years	54	53
	115	**116**

in EUR millions	30-Jun-19	31-Dec-18
Movement schedule of subordinated liabilities:		
Balance at 1 January	**116**	**115**
Matured / redeemed	(1)	(2)
Other (including exchange rate differences)	-	3
Balance at 30 June / 31 December	**115**	**116**

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 54 million (2018: EUR 53 million). Interest expense of EUR 2 million was recognised on subordinated liabilities during the year of 2019 (full year 2018: EUR 5 million).

33 Equity

As at 30 June 2019, all shares in the capital of NIBC Holding N.V. are listed on Euronext Amsterdam.

Share Capital

in EUR millions	30-Jun-19	31-Dec-18
Paid-up capital	3	3
	3	**3**

	30-Jun-19	31-Dec-18
The number of authorised shares:		
Number of ordinary shares (with par value of EUR 0.02)	350,000,000	350,000,000
Number of preference shares (with par value of EUR 0.02)	350,000,000	350,000,000
Number of shares issued and fully paid	147,513,369	147,513,369
Par value per A-share	0.02	0.02

	30-Jun-19	31-Dec-18
Reconciliation of number of shares outstanding		
Balance at 1 January	**146,308,810**	**145,993,810**
Shares issued	178,725	315,000
Balance at 30 June / 31 December	**146,487,535**	**146,308,810**

Out of the total number of ordinary shares issued by NIBC 1,011,375 at 30 June 2019 (31 December 2018: 872,750) ordinary shares are held by Stichting Administratiekantoor NIBC Holding (STAK) in view of the share-based incentive scheme. The STAK is consolidated by NIBC. The total number of treasury shares held by NIBC is 1,025,834 at 30 June 2019 (31 December 2018: 1,204,559).

Dividend restrictions

NIBC and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that the sum of the paid-up capital, and reserves required by law.

34 Capital securities

in EUR millions	30-Jun-19	31-Dec-18
Capital securities issued by NIBC	200	200
	200	**200**

in EUR millions	30-Jun-19	31-Dec-18
Movement schedule of capital securities issued by NIBC:		
Balance at 1 January	**200**	**200**
Additions	-	-
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 15 October 2024. As of 15 October 2024, and subject to capital securities not being redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the 5 year euro swap rate + 5.564 %. Both the coupon and the notional are fully discretionary.

35 Fair value of financial instruments

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

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

35.1 Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as follows:

- Level 1 financial instruments - Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 financial instruments - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3 financial instruments - Inputs that are not based on observable market data (unobservable inputs).

35.2 Valuation governance

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

35.3 Financial instruments by fair value hierarchy

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

Fair value of financial instruments at 30 June 2019

in EUR millions	Level 1	Level 2	Level 3	30-Jun-19
Financial assets at fair value through profit or loss (including trading)				
Debt investments	1	77	2	80
Equity investments (including investments in associates)	2	-	202	204
Loans	-	82	53	135
Derivative financial assets	-	550	-	550
	3	**709**	**257**	**969**
Financial assets at fair value through other comprehensive income				
Debt investments	817	13	-	830
	817	**13**	**-**	**830**
	820	**722**	**257**	**1,799**

in EUR millions	Level 1	Level 2	Level 3	30-Jun-19
Financial liabilities at fair value through profit or loss (including trading)				
Own debt securities in issue	-	39	-	39
Debt securities in issue structured	-	195	-	195
Derivative financial liabilities	-	184	-	184
Subordinated liabilities	-	162	-	162
	-	**580**	**-**	**580**

Fair value of financial instruments at 31 December 2018

in EUR millions	Level 1	Level 2	Level 3	31-Dec-18
Financial assets at fair value through profit or loss (including trading)				
Debt investments	-	75	2	77
Equity investments (including investments in associates)	3	-	184	187
Loans	-	99	49	148
Derivative financial assets	-	579	-	579
	3	**753**	**235**	**991**
Financial assets at fair value through other comprehensive income				
Debt investments	779	9	-	788
	779	**9**	**-**	**788**
	782	**762**	**235**	**1,779**

in EUR millions	Level 1	Level 2	Level 3	31-Dec-18
Financial liabilities at fair value through profit or loss (including trading)				
Own debt securities in issue	-	39	-	39
Debt securities in issue structured	-	282	-	282
Derivative financial liabilities	-	210	-	210
Subordinated liabilities	-	162	-	162
	-	**693**	**-**	**693**

35.4 Valuation techniques

The following is a description of the determination of fair value for financial instruments that are recorded at fair value using either quoted prices or valuation techniques. These incorporate NIBC's interpretation of valuation assumptions (qualitative) that a market participant would consider when valuing the instruments.

Financial assets at fair value through other comprehensive income

Debt investments - level 1

For the determination of fair value at 30 June 2019, NIBC used market-observable prices (including broker quotes). NIBC has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Debt investments - level 2

For the determination of fair value at 30 June 2019, NIBC applied market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Financial 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 2019, NIBC applied broker quotes, interest rates and credit spreads derived from market-observable data. NIBC has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Debt investments - level 2
For the determination of fair value at 30 June 2019, NIBC applied market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

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

Equity investments (including investments in associates) - level 3
The fair value of investments in equity funds is determined based on the net asset value reported by the managers of these funds. These net asset values are analysed for reasonableness, so as to ascertain that the reported net asset value has been appropriately derived using proper fair value principles as part of a robust process. 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.

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

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

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

Loans - level 3
For the level 3 loans, NIBC uses valuation models that apply discounted cash flow analysis that incorporates both observable and unobservable data. Observable inputs include interest rates and credit ratings; 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 issued funding.

35.5 Valuation adjustments and other inputs and considerations

Credit and debit valuation adjustments
NIBC calculates Credit value adjustment/Debit value adjustment on a counterparty basis over the entire life of the exposure.

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

35.6 Impact of valuation adjustments
The following table shows the amount recorded in the income statement:

in EUR millions	30-Jun-19	31-Dec-18
Type of adjustment		
Credit value adjustment / Debit value adjustment		-
Totally Risk related	**-**	**-**
Bid-offer adjustment	(1)	(1)
Day-1 profit (see the following table)	1	7
	-	**6**

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	30-Jun-19	31-Dec-18
Movement schedule of day-1 profit		
Balance at 1 January	**15**	**21**
Deferral of profit on new transactions	-	1
Recognised in the income statement during the period:		
Subsequent recognition due to amortisation	(2)	(7)
Balance at 30 June / 31 December	**13**	**15**

35.7 Own credit adjustments on financial liabilities designated at fair value

Changes in the fair value of financial liabilities designated at fair value through profit or loss related to own credit are recognised in Other comprehensive income and presented in the Statement of comprehensive income. The following table summarises the effects of own credit adjustments related to financial liabilities designated at fair value. Life-to-date amounts reflect the cumulative unrealised change since initial recognition.

in EUR millions	30-Jun-19	31-Dec-18
	Included in OCI	
Recognised during the period (before tax):		
Unrealised gain/(loss)	(3)	27
	(3)	**27**
Unrealised life-to-date gain/(loss)	93	96
	93	**96**

35.8 Transfers between level 1 and level 2

Transfers between levels are reviewed semi-annually at the end of the reporting period. During H1 2019, there were no transfers between level 1 and level 2 fair value measurements.

35.9 Movements in level 3 financial instruments measured at fair value

During the period ended 30 June 2019 and 31 December 2018, there were no movements into and out to level 3 fair value measurements.

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

in EUR millions	At 1 January 2019	Amounts recog-nised in the income statement	Amounts recog-nised recorded in OCI	Purchases/ Additions	Sales	Settle-ments/ Disposals	Transfers into level 3	Transfers from level 3	At 30 June 2019
Financial assets at fair value through profit or loss (including trading)									
Debt investments	2	-	-	-	-	-	-	-	2
Equity investments (including investments in associates)	184	12	-	18	-	(12)	-	-	202
Loans	49	1	-	8	-	(5)	-	-	53
Financial assets at fair value through other comprehensive income									
Debt investments	-	-	-	-	-	-	-	-	-
	235	**13**	**-**	**26**	**-**	**(17)**	**-**	**-**	**257**

in EUR millions	At 1 January 2018	Amounts recog-nised in the income statement	Amounts recog-nised recorded in OCI	Purchases/ Additions	Sales	Settle-ments/ Disposals	Transfers into level 3	Transfers from level 3	At 31 December 2018
Financial assets at fair value through profit or loss (including trading)									
Debt investments	1	1	-	-	-	(2)	2	-	2
Equity investments (including investments in associates)	320	74	-	50	-	(260)	-	-	184
Loans	-	(6)	-	-	-	-	55	-	49
Financial assets at fair value through other comprehensive income									
Debt investments	-	-	-	-	-	-	-	-	-
	321	**69**	**-**	**50**	**-**	**(262)**	**57**	**-**	**235**

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:

in EUR millions	30-Jun-19 Net trading income	30-Jun-19 Net gains or (losses) from assets and liabilities at fair value through profit or loss	30-Jun-19 Investment income	30-Jun-19 Revaluation reserve	30-Jun-19 Total	31-dec-18 Net trading income	31-dec-18 Net gains or (losses) from assets and liabilities at fair value through profit or loss	31-dec-18 Investment income	31-dec-18 Revaluation reserve	31-dec-18 Total
Financial assets at fair value through profit or loss (including trading)										
Debt investments	-	-	-	-	-	1	-	-	-	1
Equity investments (including investments in associates)	-	-	12	-	12	-	-	74	-	74
Loans	-	1	-	-	1	-	(6)	-	-	(6)
Financial assets at fair value through other comprehensive income										
Debt investments	-	-	-	-	-	-	-	-	-	-
	-	**1**	**12**	**-**	**13**	**1**	**(6)**	**74**	**-**	**69**

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

in EUR millions	30-Jun-19 Held at balance sheet date	30-Jun-19 Derecognised during the period	31-Dec-18 Held at balance sheet date	31-Dec-18 Derecognised during the period
Financial assets at fair value through profit or loss (including trading)				
Debt investments	-	-	-	1
Equity investments (including investments in associates)	12	-	72	2
Loans	1	-	(6)	-
Financial assets at fair value through other comprehensive income				
Debt investments	-	-	-	-
	13	**-**	**66**	**3**

Recognition of unrealised gains and losses in level 3

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

	For the period ended							
	30-Jun-19				31-Dec-18			
in EUR millions	Net trading income	Net gains or (losses) from assets and liabilities at fair value through profit or loss	Invest-ment income	Total	Net trading income	Net gains or (losses) from assets and liabilities at fair value through profit or loss	Invest-ment income	Total
Financial assets at fair value through profit or loss (including trading)								
Debt investments	-	-	-	-	-	-	-	-
Equity investments (including investments in associates)	-	-	-	-	-	-	-	-
Loans	-	1	-	1	-	(6)	-	(6)
Financial assets at fair value through other comprehensive income								
Debt investments	-	-	-	-	-	-	-	-
	-	**1**	**-**	**1**	**-**	**(6)**	**-**	**(6)**

35.10 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The following table provides a summary of the valuation techniques, key unobservable inputs and the lower and upper range of such unobservable inputs, by type of level 3 asset/liability. The lower and upper range mentioned in the overview represent the lowest and highest variance of the respective valuation input as actually used in the valuation of the different financial instruments. Amounts and percentages stated are unweighted. The range could change from period to period subject to market movements and change in level 3 position. Lower and upper bounds reflect the variability of level 3 positions and their underlying valuation inputs in the portfolio, but do not adequately reflect their level of valuation uncertainty. For valuation uncertainty assessment, please refer to following section 34.11 Sensitivity of fair value measurements to changes in observable market data.

	At 30 June 2019					
	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)						
Debt investments[1]	2	-	Bid price	Price %	0%	100%
Equity investments (including investments in associates)[1]	202	-	Discounted cash flow	Financial statements	n.a.	n.a.
Loans[1]	53	-	Discounted cash flow	Discount Spread (bps)	0%	5%
	257	**-**				

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 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)						
Debt investments[1]	2	-	Bid price	Price %	0%	100%
Equity investments (including investments in associates)[1]	184	-	Discounted cash flow	Financial statements	n.a.	n.a.
Loans[1]	49	-	Discounted cash flow	Discount Spread (bps)	0%	5%
	235	**-**				

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.

35.11 Sensitivity of fair value measurements to changes in observable market data

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

	For the period ended			
	30-Jun-19		31-Dec-18	
in EUR millions	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets at fair value through profit or loss (including trading)				
Debt investments	2	-	2	-
Equity investments (including investments in associates)	202	10	184	9
Loans	53	3	49	3
Financial assets at fair value through other comprehensive income				
Debt investments	-	-	-	-

In order to determine the reasonably possible alternative assumptions, NIBC adjusted key unobservable valuation technique inputs as follows:

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

In the period ended 30 June 2019, there were no significant changes in the business or economic circumstances that affect the fair value of the NIBC's financial assets and liabilities and there were no reclassifications of financial assets.

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

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

	Fair value information at 30 June 2019				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Debt investments	-	7	-	7	7
Loans	-	7,455	-	7,455	7,349
Mortgage loans	-	-	9,307	9,307	9,718
Securitised mortgage loans	-	-	435	435	468
Financial liabilities at amortised cost					
Own debt securities in issue	-	5,627	-	5,627	5,633
Debt securities in issue related to securitised mortgages and lease receivables	-	-	415	415	418
Subordinated liabilities	-	115	-	115	187

	Fair value information at 31 December 2018				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,462	-	7,462	7,383
Mortgage loans	-	-	8,990	8,990	9,379
Securitised mortgage loans	-	-	461	461	495
Financial liabilities at amortised cost					
Own debt securities in issue	-	5,451	-	5,451	5,721
Debt securities in issue related to securitised mortgages and lease receivables	-	-	447	447	446
Subordinated liabilities	-	116	-	116	154

Financial instruments for which carrying value approximates fair value

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

35.13 Non-financial assets valued at fair value

Until year end 2018 NIBC's land and buildings were valued at fair value through equity. On 1 January 2019 part of the land and buildings were reclassified from Property and equipment to Investment property, based on the actual change in its use (i.e. a transfer of a significant part to the available-for-rental status). Just before this reclassification land and buildings were revalued as of 1 January 2019 based on independent external appraisal.

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

NIBC's investment property (available-for-rental) are valued at fair value through profit or loss, the carrying amount (level 3) as of 30 June 2019 was EUR 23 million. The fair value of the right-of-use assets does not materially deviates from the carrying amount.

36 Commitments and contingent assets and liabilities

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

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

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

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

in EUR millions	30-Jun-19	31-Dec-18
Contract amount:		
Committed facilities with respect to corporate loan financing	1,443	1,675
Committed facilities with respect to mortgage loans	376	503
Capital commitments with respect to equity investments	19	20
Guarantees granted	82	56
Irrevocable letters of credit	60	64
	1,980	**2,318**

Refer to note 27 Provisions for the ECL-allowances on off-balance sheet financial instrument positions.

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

During the first half of 2019, positive developments were reported on the insolvency of DSB. Following these developments, NIBC has reviewed its position, based on the publicly available information. Although the probability of a settlement has increased, the timing and magnitude of the settlement are dependent on further developments of the insolvency file. Consequently, the interest claim is considered a contingent asset, which has not yet been recognised.

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. 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 outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated results.

37 Related party transactions

In the normal course of business, NIBC enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of NIBC include, amongst others, its subsidiaries, associates and key management personnel. The transactions were made at an arm's length price. Transactions between NIBC and its subsidiaries meet the definition of related party transactions. However, as all of these transactions are eliminated on consolidation, they are not disclosed as related party transactions.

Transactions involving NIBC's shareholders

in EUR millions	30-Jun-19	31-Dec-18
Transactions involving NIBC's shareholders		
Assets	48	45
Liabilities	-	-
Off-balance sheet commitments	10	10
Income received	3	7
Expenses paid	-	-

Transactions with other entities controlled by NIBC's shareholders

There were no transactions with other entities controlled by NIBC's shareholders in H1 2019.

Transactions related to associates

in EUR millions	30-Jun-19	31-Dec-18
Transactions related to associates		
Assets	123	104
Liabilities	-	-
Off-balance sheet commitments	37	38
Income received	4	6
Expenses paid	-	-

NIBC did not earn fees on the loans to these associates in H1 2019 and H1 2018.

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) was granted to the six members of the Executive Committee. The first tranche of the retention package has been unconditionally awarded to the ExCo-members. The second tranche of the retention package vested on 23 March 2019. After the 1st anniversary of the IPO the retention package has been unconditionally awarded to the ExCo-members.

38 Important events and transactions

Acquisition of non-controlling interest: Beequip B.V.

Effectively on 1 January 2019 NIBC's (indirect) interest in its subsidiary Beequip B.V. increased from 75% to 100%. The difference between the (contingent) consideration and the carrying value of the non-controlling interest in Beequip B.V. to an amount of EUR 10,8 million has been deducted directly from retained earnings in the first half of 2019. NIBC Investments N.V., a 100% subsidiary of NIBC Holding N.V., is the sole shareholder of Beequip B.V.

39 Subsequent events

Interim dividend

In consultation with the Supervisory Board, it was decided to pay an interim dividend of EUR 0.25 per ordinary share, in total EUR 37 million from the net result over the 1st half of 2019. The dividend willl, in principle be subject to 15% withholding tax.

The Hague, 27 August 2019

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

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 2019 and the 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 2019, 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 2019 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

Amsterdam, 27 August 2019

Ernst & Young Accountants LLP

signed by N.Z.A. Ahmed-Karim

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

Dividend pay-out ratio

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

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

Dividend pay-out ratio	H1 2019	2018	2017	2016
Dividend pay-out H1 2019	37			
Profit after tax H1 2019	83			
Dividend pay-out ratio H1 2019 (%)	**44**			
Dividend pay-out 2018 (page 37 annual report NIBC Holding N.V.)		126		
Profit after tax 2018 (page 26 annual report NIBC Holding N.V.)		217		
Dividend pay-out ratio 2018 (%)		**58**		
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**

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 2019	2018	2017	2016
Operating expenses H1 2019	116			
Operating income H1 2019	251			
Cost/income ratio 2018 (%)	**46**			
Operating expenses 2018 (page 122 annual report NIBC Holding N.V.)		239		
Operating income 2018 (page 122 annual report NIBC Holding N.V.)		551		
Cost/income ratio 2018 (%)		**43**		
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[1]			**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 (%)[2]				**50**

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 2019	2018	2017	2016
Annualised net profit attributable to parent shareholder	165			
Post proposed dividend total shareholders equity at the start of financial year	1,702			
Return on equity H1 2019 (%)	**9.7**			
Annualised net profit attributable to parent shareholder (page 122 annual report NIBC Holding N.V.)		217		
Post proposed dividend total shareholders equity at the start of financial year (page 126 annual report NIBC Holding N.V.)		1,596		
Return on equity 2018 (%)		**13.6**		
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 111 annual report NIBC Holding N.V.)				104
Post proposed dividend total shareholders equity at the start of financial year (page 108 annual report NIBC Holding N.V.)				1,735
Return on equity 2016 (%)				**6.0**

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

Return on assets

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

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

Return on assets	H1 2019	2018	2017	2016
Annualised net profit attributable to parent shareholder	165			
Total assets at the beginning of the financial year	21,550			
Return on assets H1 2019 (%)	**0.77**			
Annualised net profit attributable to parent shareholder (page 122 annual report NIBC Holding N.V.)		217		
Total assets at the beginning of the financial year (page 124 annual report NIBC Holding N.V.)		21,884		
Return on assets 2018 (%)		**0.99**		
Annualised net profit attributable to parent shareholder (page 108 annual report NIBC Holding N.V.)			213	
Total assets at the beginning of the financial year (page 110 annual report NIBC Holding N.V.)			23,495	
Return on assets 2017 (%)[1]			**0.91**	
Annualised net profit attributable to parent shareholder (page 111 annual report NIBC Holding N.V.)				104
Total assets at the beginning of the financial year (page 112 annual report NIBC Holding N.V.)				23,153
Return on assets 2016 (%)				**0.45**

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.

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

Cost of risk	H1 2019	2018	2017	2016
Annualised credit losses on AC loans	43			
Annualised credit losses FVTPL loans	2			
Total annualised credit losses	**45**			
Risk-weighted assets H1 2019	7,844			
Risk-weighted assets 2018	7,805			
Average risk-weighted assets 2018	**7,825**			
Cost of risk H1 2019 (%)	**0.57**			
Annualised credit losses on AC loans		54		
Annualised credit losses FVTPL loans		5		
Total annualised impairments and credit losses on fair value residential mortgages 2018		**60**		
Risk-weighted assets 2018 (page 14 annual report NIBC Holding N.V.)		7,805		
Risk-weighted assets 2017 (page 14 annual report NIBC Holding N.V.)		8,584		
Average risk-weighted assets 2018		**8,195**		
Cost of risk 2018 (%)		**0.73**		
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**

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 2019	2018	2017	2016
Annualised credit losses on amortised cost loans and mortgage loans	43			
Average financial assets at amortised cost: loans[1]	7,459			
Average financial assets at amortised cost: mortgage loans[1]	14,322			
Average financial assets regarding loans and mortgage loans (total)	**21,780**			
Impairment ratio H1 2019 (%)	**0.25**			
Annualised credit losses on amortised cost loans and mortgage loans		54		
Average financial assets at amortised cost: loans (page 124 annual report NIBC Holding N.V.)		7,504		
Average financial assets at amortised cost: mortgage loans (page 124 annual report NIBC Holding N.V.)		9,219		
Average financial assets regarding loans and mortgage loans (total)		**16,723**		
Impairment ratio 2018 (%)		**0.33**		
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**

1 Loans and residential mortgages are represented post IFRS 9 implementation

NPL ratio

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

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

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

NPL ratio[1]	H1 2019	2018	2017	2016
Non performing exposure corporate loans H1 2019	484			
Non performing exposure mortgage loans H2019	11			
Non performing exposure H1 2019	**495**			
Total corporate loans drawn and undrawn H1 2019	8,974			
Total retail client assets H1 2019	9,570			
Total exposure H1 2019	**18,544**			
NPL ratio H1 2019 (%)	**2.7**			
Non performing exposure corporate loans 2018 (page 67 annual report NIBC Holding N.V.)		503		
Non performing exposure mortgage loans 2018 (page 67 annual report NIBC Holding N.V.)		20		
Non performing exposure 2018		**523**		
Total corporate loans drawn and undrawn 2018 (page 13 annual report NIBC Holding N.V.)		9,490		
Total retail client assets 2018 (page 13 annual report NIBC Holding N.V.)		9,275		
Total exposure 2018		**18,765**		
NPL ratio 2018 (%)		**2.8**		
Non performing exposure corporate loans 2017 (page 96 annual report NIBC Holding N.V.)			432	
Non performing exposure mortgage loans 2017 (page 96 annual report NIBC Holding N.V.)			89	
Non performing exposure 2017			**521**	
Total corporate loans drawn and undrawn 2017 (page 8 annual report NIBC Holding N.V.)			9,200	
Total retail client assets 2017 (page 8 annual report NIBC Holding 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**

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.

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

Impairment coverage ratio	H1 2019	2018	2017	2016
Balance stage 3 credit losses on loans	139			
Total stage 3 credit impaired exposure H1 2019	430			
Impairment coverage ratio H1 2019 (%)	**32**			
Balance stage 3 credit losses on loans		139		
Total stage 3 credit impaired exposure 2018		446		
Impairment coverage ratio 2018 (%)		**31**		
Balance impairment losses on loans			130	
Total impaired exposure 2017			321	
Impairment coverage ratio 2017 (%)[1]			**40**	
Balance impairment losses on loans 2016				158
Total impaired exposure 2016				424
Impairment coverage ratio 2016 (%)				**37**

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.

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

Loan to deposit ratio	H1 2019	2018	2017	2016
Financial assets at amortised cost: loans	7,455			
Financial assets at amortised cost: residential mortgages	9,307			
Financial assets at amortized cost: securitised residential mortgages	435			
Financial assets at available for sale: loans	0			
Financial assets at fair value through profit or loss: loans	135			
Financial assets regarding loans and residential mortgages (total)	**17,332**			
Deposits from customers	**11,215**			
Loan to deposit ratio H1 2019 (%)	**155**			
Financial assets at amortised cost: loans (page 124 annual report NIBC Holding N.V.)		7,462		
Financial assets at amortised cost: residential mortgages (page 124 annual report NIBC Holding N.V.)		8,990		
Financial assets at amortized cost: securitised residential mortgages (page 124 annual report NIBC Holding N.V.)		461		
Financial assets at available for sale: loans (page 124 annual report NIBC Holding N.V.)		0		
Financial assets at fair value through profit or loss: loans (page 124 annual report NIBC Holding N.V.)		148		
Financial assets regarding loans and residential mortgages (total)		**17,061**		
Deposits from customers		**11,233**		
Loan to deposit ratio 2018 (%)		**152**		
Financial assets at amortised cost: loans (page 110 annual report NIBC Holding N.V.)			7,473	
Financial assets at amortised cost: residential mortgages (page 110 annual report NIBC Holding N.V.)			4,412	
Financial assets at available for sale: loans (page 110 annual report NIBC Holding N.V.)			0	

Loan to deposit ratio	H1 2019	2018	2017	2016
Financial assets at fair value through profit or loss: loans (page 110 annual report NIBC Holding N.V.)			181	
Financial assets at fair value through profit or loss: residential mortgages own book (page 110 annual report NIBC Holding N.V.)			4,581	
Financial assets at fair value through profit or loss: securitised residential mortgages (page 110 annual report NIBC Holding N.V.)			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
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**

Net interest margin

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

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

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

Net interest margin	H1 2019	2018	2017	2016
Sum net interest income last 12 months H1 2019	428			
12 Month average interest bearing assets	20,368			
Net interest margin H1 2019 (%)	**2.10**			
Sum net interest income last 12 months 2018		427		
12 Month average interest bearing assets		20,258		
Net interest margin 2018 (%)		**2.11**		
Net interest margin 2017 (%)			**1.60**	
Net interest margin 2016 (%)				**1.47**

DISCLAIMER

Presentation of information

The Annual Accounts of NIBC Holding N.V. ('NIBC') are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU') and with Title 9 of Book 2 of The Netherlands Civil Code. In preparing the financial information in this Condensed Interim Report (NIBC) for the six months period ended 30 June 2019 (the 'Financial Report'), the same accounting principles are applied as in the 2018 NIBC's Annual Accounts, save for any change described in the Accounting policies. The figures in this Financial Report have been reviewed by the external auditor. Small differences are possible in the tables due to rounding.

Cautionary statement regarding forward-looking statements

Certain statements in this Financial Report are not historical facts and are 'forward-looking' statements that relate to, among other things, NIBC's business, result of operation, financial condition, plans, objectives, goals, strategies, future events, future revenues and/or performance, capital expenditures, financing needs, plans or intentions, as well as assumptions thereof. These statements are based on NIBC's current view with respect to future events and financial performance. Words such as 'believe', 'anticipate', 'estimate', 'expect', 'intend', 'predict', 'project', 'could', 'may', 'will', 'plan' and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve uncertainties and are subject to certain risks, including, but not limited to (i) general economic conditions, in particular in NIBC's core and niche markets, (ii) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness (iii) performance of financial markets, including developing markets, (iv) interest rate levels, (v) credit spread levels, (vi) currency exchange rates, (vii) general competitive factors, (viii) general changes in the valuation of assets (ix) changes in law and regulations, including taxes (x) changes in policies of governments and/or regulatory authorities, (xi) the results of our strategy and investment policies and objectives and (xii) the risks and uncertainties as addressed in this Financial Report, the occurrence of which could cause NIBC's actual results and/or performance to differ from those predicted in such forward-looking statements and from past results.

The forward-looking statements speak only as of the date hereof. NIBC does not undertake any obligation to update or revise forward-looking statements contained in this Financial Report, whether as a result of new information, future events or otherwise. Neither do NIBC nor any of its directors, officers, employees do make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.