NIBC
THINK AHEAD THINK YES

ANNUAL REPORT 2020
NIBC BANK N.V.

TABLE OF CONTENTS

AT A GLANCE

WHO WE ARE

OUR HERITAGE

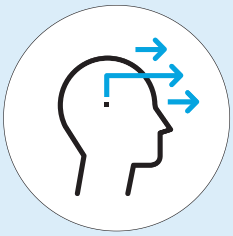
Following the acquisition of more than 95% of the shares of NIBC Holding N.V. by Blackstone, the company was delisted. NIBC was founded in 1945 to finance the visionary entrepreneurs who helped rebuild the Netherlands after World War II. Over time, we evolved into an enterprising bank offering financing, advisory and co-investing solutions to our clients' needs: being flexible and agile, with a 'THINK YES' mentality to match our clients 'can-do attitude. NIBC has reached many milestones with the launch of NIBC Direct and the acquisition of Gallinat Bank in Germany. We now have merged NIBC Bank Deutschland AG and NIBC Bank N.V. but still carry our activities in Germany from our German branch. We took steps into the fintech space via our other group companies. Together with our institutional partners, we are expanding our Originate-to-Manage propositions, developing and optimising our position in the financial ecosystem. We have continued to build on our entrepreneurial DNA to become the company that we are today: best suited to help our clients at their decisive moments.

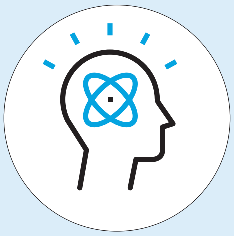
OUR PURPOSE

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

CORPORATE CLIENT OFFERING

- Focus on mid-market corporate clients
- Focus on specific sectors and product solutions, ranging from advice and structuring to financing and investments
- Using both own balance sheet and Originate-to-Manage concepts
- Growth engines originating more granular exposures in niche markets

EUR 8.6 billion client exposures
Typical ticket size: EUR 0.1 - 50 million

RETAIL CLIENT OFFERING

- Mortgages ranging from owner occupied, buy-to-let, both own book and Originate-to-Manage
- Mortgage origination for institutional investors
- Online savings

EUR 17.4 billion client exposures
Typical ticket size: EUR 0.1 - 2.5 million

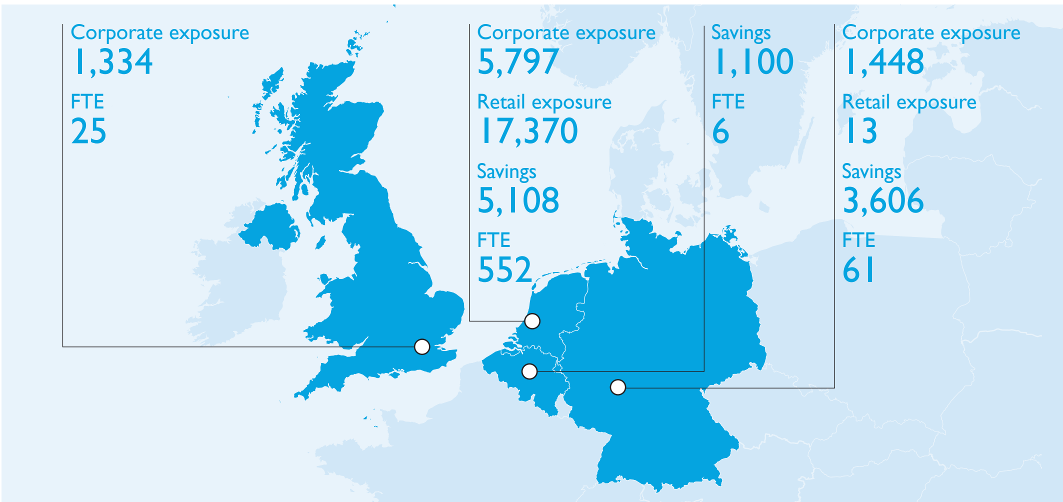
TREASURY & ASSET LIABILITY MANAGEMENT

RISK MANAGEMENT / CORPORATE CENTRE

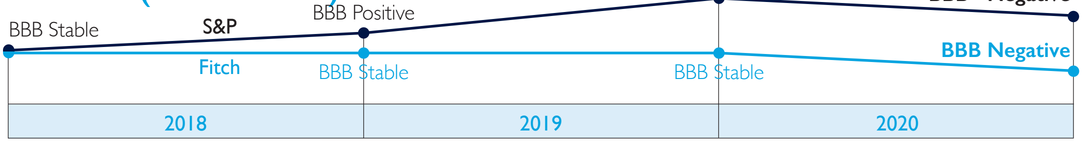
OUR MARKETS

Focus on north-western Europe

in EUR millions

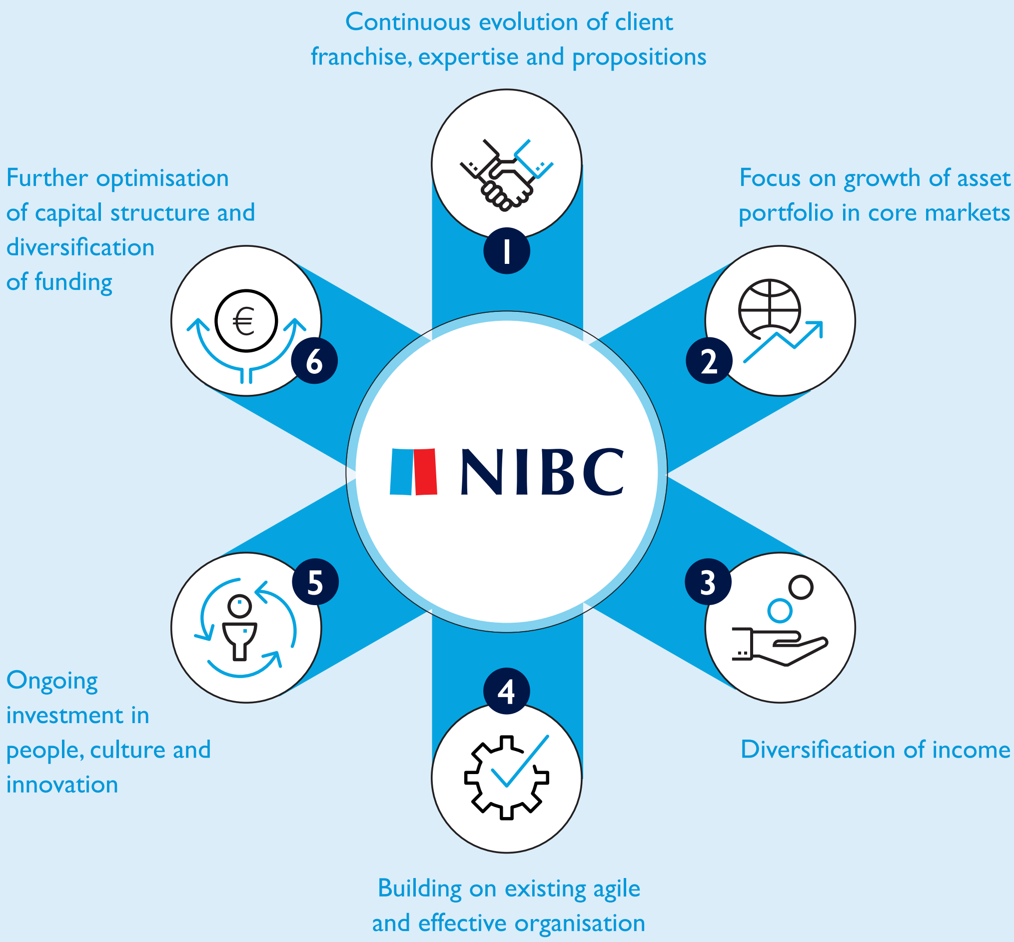


RATING (NIBC BANK)



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

2020

+30%

2019: +47%

2018: +63%

NIBC Direct customer survey score

2020

7.9

2019: 7.9

2018: 7.7

Sustainability ratings

2020

ISS
(formerly Oekom)

C+
/Prime

Sustainalytics

22

RepRisk

AA

MSCI

AA

Screening corporate loans

2020

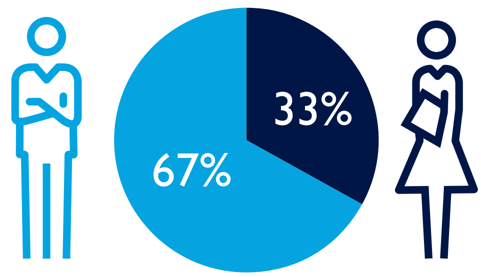
100%

2019: 100%

2018: 100%

Male/female ratio

2020

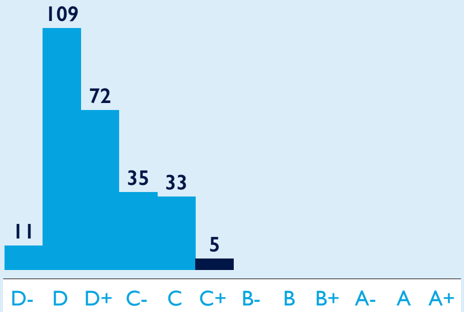


2019: 67% / 33%

2018: 68% / 32%

Distribution of Oekom rating

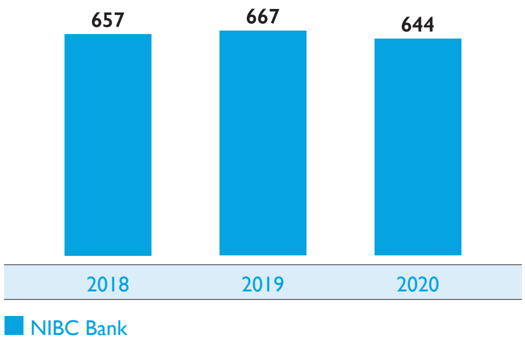
265 companies in the industry



Not updated by ISS (formerly Oekom) since June 2019

Number of employees

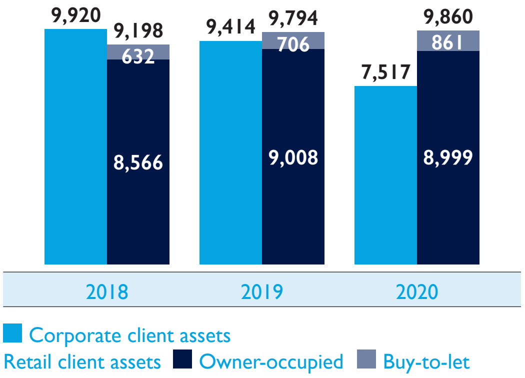
(FTEs)



FINANCIAL HIGHLIGHTS

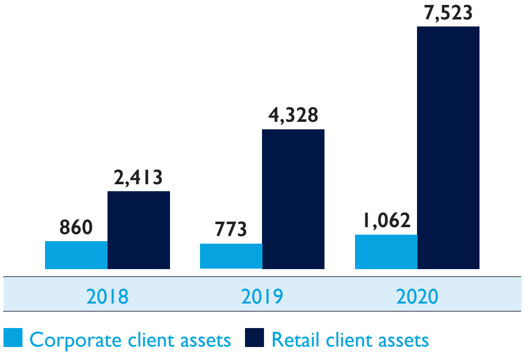
Client assets

in EUR millions

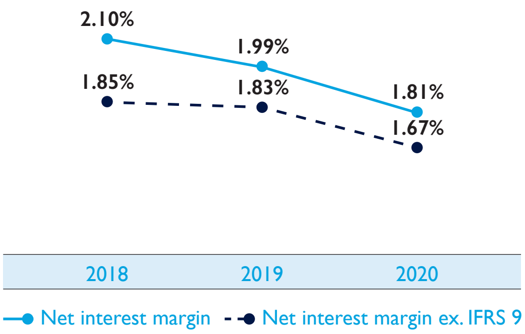


Originate-to-manage assets

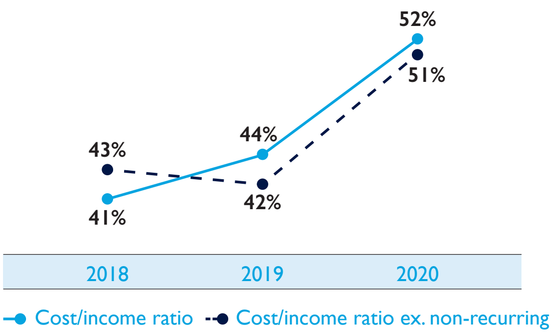
in EUR millions



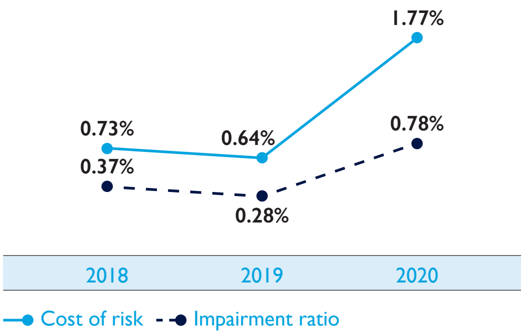
Net interest margin



Cost/income ratio

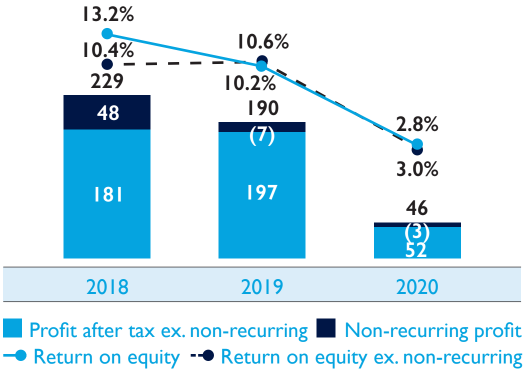


Cost of risk/impairment ratio

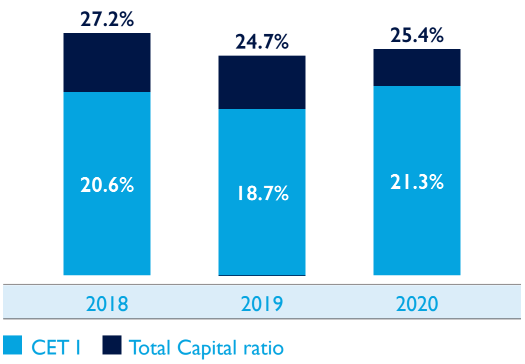


Profit after tax attributable to shareholders and return on equity

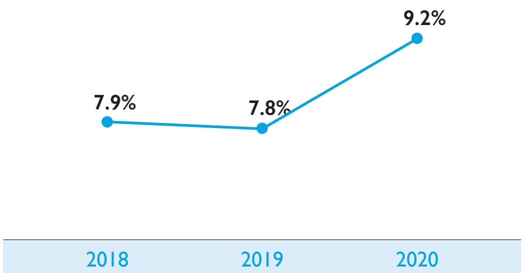
in EUR millions



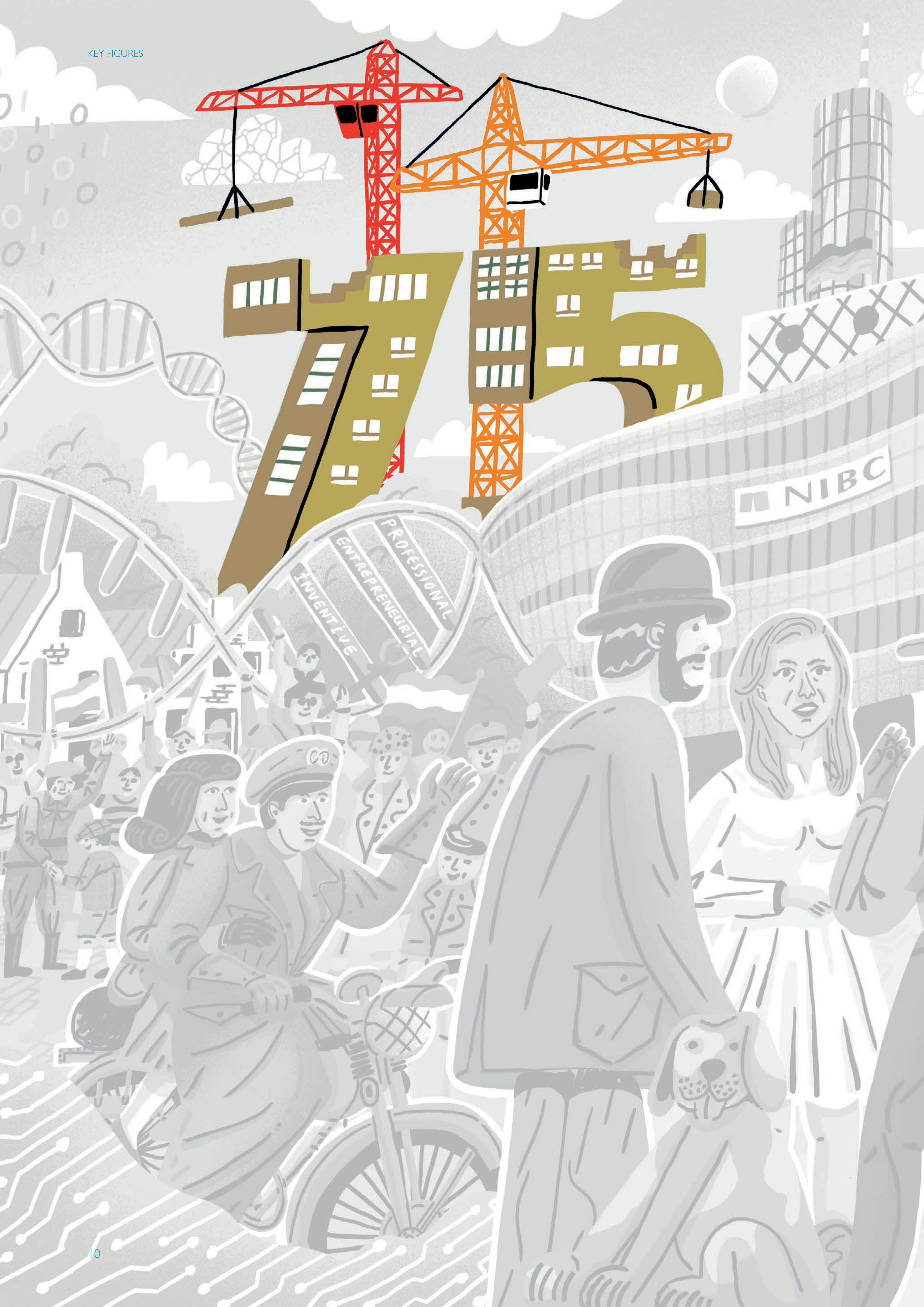
Solvency ratios[1]



Leverage ratio



[1] Solvency ratios are based on full implementation of CRR. As from 2019, non-eligible profits attributable to the shareholders are no longer added to regulatory capital.


75
PROFESSIONAL
ENTREPRENEURIAL
INVENTIVE
NIBC

KEY FIGURES

KEY FIGURES

Earnings

	2020	ex. non-recurring 2020[1]	2019	ex. non-recurring 2019	2018
Operating income	407	407	524	524	550
Operating expenses	210	206	229	220	224
Profit after tax	61	64	202	209	241
Profit after tax attributable to shareholders	49	52	190	197	229
Cost/income ratio[2]	52%	51%	44%	42%	41%
Net interest margin[2]	1.81%	1.81%	1.99%	1.99%	2.10%
Return on equity[2]	2.8%	3.0%	10.2%	10.6%	13.2%
Return on assets[2]	0.22%	0.23%	0.87%	0.91%	1.04%
Dividend pay-out ratio	100%		100%		100%
Dividend per share	0.78		3.04		3.65

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

Portfolio

	2020	2019	2018
Corporate client assets (drawn & undrawn)			
Commercial Real Estate (incl. OIMIO)	1,096	1,578	1,309
Energy	424	735	841
Financial Sponsors & Leverage Finance	855	1,042	1,353
Fintech & Structured Finance (incl. Mobillity)	1,492	1,310	1,028
Infrastructure	1,575	1,729	1,621
Mid Market Corporates	772	1,458	1,490
Shipping	856	1,011	1,370
Total corporate loans (drawn & undrawn)	**7,069**	**8,862**	**9,012**
Lease receivables	31	35	453
Investment loans	166	214	240
Equity investments	252	303	215
Total corporate client assets (drawn & undrawn)	**7,517**	**9,414**	**9,920**
Retail client assets			
Owner-occupied mortgage loans – Netherlands	8,986	8,989	8,537
Buy-to-let mortgage loans	861	706	632
Owner-occupied mortgage loans – Germany	13	19	29
Total retail client assets	**9,860**	**9,714**	**9,198**
Originate-to-Manage assets			
Corporate client assets	1,062	773	860
Retail client assets	7,523	4,328	2,413
Total Originate-to-Manage assets	**8,585**	**5,101**	**3,273**
Retail client savings			
Netherlands	5,108	4,577	3,909
Germany	3,606	3,894	4,072
Belgium	1,100	1,019	940
Total retail client savings	**9,815**	**9,490**	**8,921**
Asset quality			
Cost of risk (on average RWA)[1]	1.77%	0.64%	0.73%
Impairment ratio[1]	0.78%	0.28%	0.37%
Impairment coverage ratio[1]	37%	33%	31%
NPL ratio[1]	2.1%	2.5%	2.8%
Top-20 exposure / Common Equity Tier 1	63%	88%	70%
Exposure corporate arrears > 90 days[2]	2.3%	1.2%	1.0%
Exposure residential mortgage loans arrears > 90 days	0.2%	0.1%	0.2%
Loan-to-value Dutch residential mortgage loans	64%	68%	72%
Loan-to-value BTL mortgage loans	53%	52%	52%

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

Solvency information

	2020	2019	2018
Equity attributable to shareholders of the company	1,803	1,865	1,911
AT1 and subordinated liabilities	478	484	479
Group capital base	2,280	2,349	2,390
Common Equity Tier 1 capital	1,631	1,605	1,594
Balance sheet total	21,055	22,407	21,717
Risk Weighted Assets	7,640	8,597	7,723
Common Equity Tier 1 ratio[1]	21.3%	18.7%	20.6%
Tier 1 ratio[1]	24.0%	21.0%	23.2%
Total capital ratio[1]	25.4%	24.7%	27.2%
Leverage ratio	9.2%	7.8%	7.9%

1 Solvency ratios are based on full implementation of CRR. As from 2019, non-eligible profits attributable to the shareholders are no longer added to regulatory capital.

Funding & liquidity

	2020	2019	2018
LCR	216%	222%	241%
NSFR	129%	121%	123%
Loan-to-deposit ratio[1]	150%	157%	154%
Asset encumbrance ratio	26%	28%	26%
Retail savings / total funding	47%	43%	42%
Secured funding / total funding	21%	23%	21%
ESF / total funding	2%	5%	7%

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

Non-financial key figures

	2020	2019	2018
NPS score corporate lending clients	+30%	+47%	+63%
NIBC Direct customer survey score	7.9	7.9	7.7
% of new corporate loans screened against sustainability policy	100%	100%	100%
Number of new corporate clients with increased sustainability risk assessment	14	10	25
Fines or sanctions for non-compliance with laws and regulations	-	-	1
Total number of FTEs end of financial period	644	667	657
Male/female ratio	67%/33%	67%/33%	68%/32%
Male/female ratio top management	83%/17%	85%/15%	85%/15%
Training expenses per employee (EUR)	1,882	3,504	3,206
Absenteeism (trend total)	1.6%	2.0%	2.1%
Employee turnover (employees started)	13.2%	20.6%	16.9%
Employee turnover (employees left)	16.9%	18.6%	18.4%

LETTER FROM THE CEO

Dear reader,

NIBC celebrated its 75th anniversary this year - the right moment to reflect on how we have built on our strength and evolved over the decades since our origins in 1945. Our rich history has made us the entrepreneurial and inventive bank that we are today. And in our new shareholder Blackstone, we have found a strong partner to support our strategy as we look ahead and continue to seek growth.

Our enterprising, Think Yes mindset helps us in being flexible and to adapt to changing and challenging circumstances. 2020 was an exceptional example of this. Last year we lived in unprecedented times: the COVID-19 pandemic influenced our personal lives and there is no denying that conditions have been tough for businesses and economies as they continue to battle the impact of the pandemic. NIBC reacted swiftly to the crisis by implementing a COVID-19 crisis team with the aim of safeguarding the well-being of our colleagues and clients, and keeping a clear view on the developments across different countries. We have continued our investments in IT, which have helped to facilitate a smooth transition to fully working from home since 16 March 2020 for all our offices. It is obvious that our clients are also affected by COVID-19. Throughout the year, we have mainly used an individual approach, supporting our clients by seeking specific solutions that would work best for their situation. Through the use of payment holidays and other tailor-made solutions, we have supported them and their businesses. I am proud that we have been able to provide these services and support to our clients without any material disruptions in our business processes.

Last year, we used our strong capital and liquidity position to service our clients in support of their business ambitions and to continue strengthening our franchise. Against the current difficult market conditions, we continued to further invest in our growth engines which underlines our entrepreneurial culture. We invested in smart finance solutions with our new initiative yesqar, commercial real estate through our new OIMIO label and mortgage loans with our new label LOT and consumer lending via Lendex. We continued to grow our buy-to-let franchise and our lease receivables portfolio through Beequip. Within existing lending portfolios, we continued to focus on smaller, selective projects in specific asset classes such as Commercial Real Estate, Shipping, Fintech & Structured Finance and Infrastructure. Our *Originate-to-Manage* (**OTM**) portfolio of corporate client assets has grown to over EUR 1 billion. On the retail side our mortgage origination levels were strong in 2020, especially for the longer tenures. With total retail client exposures reaching more than EUR 17 billion, a strong increase of 24% compared to last year, NIBC is servicing over 130,000 clients with a suitable mortgage offering. We further expanded our OTM activities with mandates for mortgage loans of almost EUR 10 billion per year end 2020.

We continue to focus on asset quality, managing exposures and risk-weighted assets into the strategic direction of more granular exposures and a better risk/reward ratio. In various asset classes, we observe an unhealthy development of margins decreasing further, as markets are flooded by liquidity, whereas risks are not reducing. Therefore we continued to reduce our positions in certain sectors. Overall, this has led to a decrease of total assets on the corporate client side, reflecting a conscious scaling back of our cyclical sectors and pre- and repayments in other sectors. This strategy is executed on the back of a strong capital position, as the CET 1 ratio increased to 21.3%, through the addition of the 2019 eligible profit and a reduction of risk-weighted assets. In response to the COVID-19 outbreak, we have chosen to manage our liquidity position carefully, ensuring ample liquidity buffers to be ready to support clients and to address any potential difficulties.

At the same time, we continued to emphasise operational efficiency and firm cost control, leading to operating expenses lower than 2019, even though we have again invested in new initiatives and improvements of the operational environment. However, due to lower operating income, the cost/income ratio increased to 54%.

Given the difficult conditions, NIBC is proud to report a solid result over 2020. It is inevitable that our annual results are affected by COVID-19. The pandemic has led to a significant increase in credit losses, mainly related to corporate exposures. However, a net profit of 49 million for 2020 shows the bank's resilience and ability to respond to difficult circumstances.

On the organisational side we have seen several developments as well. In Germany, we have streamlined our organisation to service our German clients in selected niches where we can make a difference through focus and an efficient organisation. To improve operational excellence and efficiency, we have reorganised the Frankfurt office and have merged NIBC Bank Deutschland AG with NIBC Bank N.V.. We will continue our services as a branch, being active more than 15 years now. In addition, we have increased our focus by discontinuing subscale activities. In the UK, we celebrated the 25th anniversary of our London office, as we continued preparations for a post-Brexit world, in which we will continue to service UK clients and manage our CLO platform from our branch. In our Belgian branch, our team has succeeded to provide its services for our savings platform under difficult circumstances. Following the discontinuation of our capital market activities, we have closed the Amsterdam office in 2020.

In February last year, we announced the public offer by Blackstone on all NIBC shares. With the macro-economic developments and the changes we have seen in the world around us, the whole process has taken longer than expected. At 24 December 2020 we were very pleased to announce that the deal was officially finalised, which was followed by settlement of the offer on 30 December 2020. This has resulted in a formal delisting of NIBC from Euronext on 18 February 2021.

I am excited we have been able to complete this important next step for the future of our company. Together with Blackstone, NIBC is well positioned to further strengthen its role as a leading niche banking player. Blackstone will support our strategy as we continue to look ahead and innovate through new avenues of growth. I would like to thank our former shareholder J.C. Flowers & Co. and want to emphasize that without their unfailing support in good and in challenging times, we would never have been the lean and mean entrepreneurial bank we are today.

As always, nothing would have been possible without the hard work and dedication of our staff. Their commitment and engagement was re-emphasised in our Employee Experience Survey. We performed a special Covid survey to monitor the atmosphere amongst our employees. The overall engagement was high, putting NIBC ahead of other financial services organisations and reiterating the overall employee satisfaction. I am proud and grateful that our people maintained their focus and concentration despite the uncertain and difficult external climate.

In addition to our employees, I would like to thank all our stakeholders for their commitment, patience and trust in 2020. For the year ahead, the (economic) environment remains uncertain and there is no clarity yet on when this uncertainty will end. Now, more than ever, we are clearly focused on our strength being a dynamic and entrepreneurial banking partner to our clients. Just as in the last 75 years, NIBC will be there for its clients in 2021. NIBC has a strong basis for further growth, and with the support of our new shareholders, we look ahead to 2021 and beyond with confidence.

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

Herman Dijkhuizen	**Saskia Hovers**	**Michel Kant**	**Caroline Oosterbaan**	**Reinout van Riel**	**Paulus de Wilt**
Chief Financial Officer Vice-Chairman of the Board	Member Executive Committee	Member Executive Committee	Member Executive Committee	Chief Risk Officer Member of the Board	Chief Executive Officer Chairman of the Board


NIBC
THINK
YES

REPORT OF THE MANAGING BOARD

REPORT OF THE MANAGING BOARD

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

GENERAL DEVELOPMENTS

Throughout 2020, NIBC has aimed at supporting all its stakeholders faced with the COVID-19 pandemic and economic consequences. Our main goal during this year has been to deliver on our strategic long-term objectives while taking all necessary measures to face the crisis and support all of our stakeholders in the short term.

This has translated into our ability to deliver on strategic choices announced in late 2019 and in particular the discontinuation of our capital markets activities, the merger of NIBC Bank N.V. and NIBC Bank Deutschland AG and the acquisition of our holding NIBC Holding N.V. by Flora Acquisition N.V. owned by Blackstone.

The COVID-19 pandemic

The COVID-19 pandemic has introduced many challenges to society and the economy, and financial institutions are no exception. These challenges range from employees' health and well-being and operational continuity during lockdown regimes, providing support to clients with temporary COVID-19 related challenges, to the impact of COVID-19 on the credit risks in the lending portfolios. These circumstances have had a significant impact on NIBC's operations throughout the year.

There have been several industry-wide responses, both by regulators and financial institutions. Regulators have responded by – amongst others – providing additional liquidity to financial markets, revising capital requirements and providing various guidelines regarding treatment of potentially forborne assets.

In reaction to COVID-19, NIBC has implemented a wide range of measures to address the various challenges.

- Towards its employees, management has taken various steps to support everyone in the challenges that come with working from home. Technology investments made in previous years are paying off with no critical interruptions observed to date. Throughout the year, NIBC has also developed new ways of reaching out to its employees, providing tools and training to ensure well-being and to maintain the social connection. Beyond that, NIBC has continued to invest in its employees through different training plans (see Our people).

- Towards its clients, NIBC has opted for tailored measures rather than to participate in general moratoria – legislative or non-legislative – on loan repayments. Our scale and operating model enable us to seek the best response to the situation together with the client.

- In response to the outbreak of the pandemic, the bank increased its focus on liquidity management. Given the uncertainty in the financial markets, NIBC maintained elevated liquidity buffers, allowing the bank to continue to support its clients throughout the crisis.

- To monitor performance of its credit portfolios and the impact of the pandemic on credit risks, the bank increased its efforts on portfolio management. Intensified client interaction and increased monitoring and reporting on the portfolio have helped to address issues head on. Additionally, the ECL processes have been reviewed critically, to determine a potential need for additions to the calculated ECL amounts.

Merger of NIBC Bank NV and NIBC Bank Deutschland AG

As announced in the Annual Report 2019, NIBC merged NIBC Bank Deutschland AG into NIBC Bank N.V. on November 1. COVID-19 has not led to material deviations from the plan. NIBC Bank Deutschland AG was mainly funded through term deposits and Schuldscheindarlehen from institutional investors. Most of these deposits and Schuldscheindarlehen were protected by the deposit guarantee scheme *Einlagensicherungsfonds* (**ESF**) from the Association of German Banks.

In 2014, NIBC acquired Gallinat Bank in Germany. Important driver for this acquisition was its full membership with the ESF. This membership gave NIBC Bank Deutschland AG access to the German deposits market for corporate clients and institutional investors. From January 2020 the terms and conditions of the ESF funding have been changed. As a result the ESF funding no longer meets the needs of NIBC Bank Deutschland AG adequately as this will be only short-term funding up to a maximum term of 18 months. Following this development, NIBC has reviewed its German organisation, and has concluded it can continue its German activities under its European passport without maintaining a separate German banking licence, with the additional operational demands.

As a result of the merger some institutional investors had the right to early-terminate their deposit, which led to a liquidity outflow of approximately EUR 600 million. NIBC was well prepared for this and could therefore comfortably absorb this outflow. As of 31 December 2020 approximately EUR 300 million of ESF-protected funding remained outstanding.

Discontinuation of capital market activities

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

Succesful offer for NIBC Holding N.V.

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

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

On 7 August 2020, the Offer memorandum was published consistent with the merger protocol as amended on 10 July 2020. The acceptance period started on 10 August 2020 and expired on 21 December 2020. On that date, 96.25% of NIBC shares were tendered or committed to the Offeror. Therefore, the Offer was declared unconditional on 24 December 2020. The settlement was executed on 30 December 2020. After the Post Acceptance Period, 97.68% of the aggregate issued and outstanding share capital of NIBC had been tendered. Consequently, the listing of the Shares on Euronext Amsterdam has been terminated on 18 February 2021.

VISION AND STRATEGY

About NIBC

NIBC was established in 1945 to finance the visionary entrepreneurs who helped rebuild the Netherlands after World War II. Over time, we evolved to become an enterprising bank offering financing, advisory and co-investing to our clients. Over the past decade, we have reinvented ourselves, focusing on being flexible and agile. We have diversified our activities organically and through investments in new ventures, such as OIMIO.

NIBC's primary business segments are its Corporate Client Offering segment and its Retail Client Offering segment. NIBC serves its clients from offices in The Hague, Frankfurt, London and Brussels. In 2020 NIBC merged NIBC Bank Deutschland AG with NIBC Bank N.V. (General Developments). Going forward, NIBC will continue to service its clients from NIBC's existing German branch. For its Corporate Client Offering, NIBC provides services to approximately 450 corporate clients. For its Retail Client Offering, NIBC services more than 400,000 retail clients.

Purpose and corporate values

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

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

1. **Professional**: Our in-depth sector knowledge, expert financial solutions and tailored risk and portfolio management are the foundation of our success.
2. **Entrepreneurial**: We are a sound and enterprising bank focused on decisive moments in our clients' business and in life. Our clients require a bank that can respond to their needs in an agile way.
3. **Inventive**: We provide bespoke solutions and encourage our people to think creatively to meet clients' financial needs. Structuring is part of our DNA.

Sustainability is integrated into our business strategy and our purpose. We have developed a sustainability strategy based on the UN *Sustainable Development Goals* (**SDGs**) and *environment, social and governance* (**ESG**) that guides our business strategic decisions. NIBC's policies commit us to performing ESG due diligence and assessments of relevant and material environmental risks, climate risks, biodiversity risks, human rights risks and governance risks for all corporate clients and transactions. We consistently reach our target of assessing 100% of new corporate loans. We screen retail at the portfolio level. Suppliers are also required to meet our human rights, environment and anti-corruption standards and are evaluated as part of NIBC's know your supplier due diligence process (for more information, please see Sustainability). All of NIBC's business units are responsible for managing sustainability risks and opportunities as part of their regular activities.

Strategic priorities

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

1. Continuous evolution of client franchise, expertise and propositions.
2. Focus on growth of asset portfolio in core markets. We differentiate ourselves by setting a clear focus, both geographical and operational. We are active in sectors and markets we know best, with products that can make a difference for our clients.

3. Diversification of income.
4. Building on existing agile and effective organisation.
5. Ongoing investment in people, culture and innovation.
6. Further optimisation of capital structure and diversification of funding. One of our strengths has always been a strong capital position, providing flexibility to support our strategic choices, whether by further growth or restructuring of our organisation.

Medium-term objectives

With the execution of its strategy, NIBC aims to deliver on medium-term objectives (see Financial review).

Being a fully owned Blackstone company, we will re-assess our medium term objectives during our strategy day in June 2021 and expect to update the market at the publication of our Condensed Interim Report 2021, where relevant.

Continuous development

In recent years we have actively evaluated all our asset classes, leading to increased focus on asset classes where the risk/reward ratio is in line with our risk appetite, leading us to expand in certain asset classes, refocus in others but also exit a market if the risk/reward ratio is not up to our expectations.

In 2020, we have further pursued that strategy, especially in the corporate client offering segment, although under unusual circumstances. For most asset classes, we have put our efforts towards supporting our current clients over origination. Over the long term, however, our strategy does not change. We build a product offering that meets our client expectations while fitting our business strategic priorities as well as our sustainability strategy.

In the retail segment, this translates into growing our Originate-to-Manage (OTM) offering, to meet client appetite for longer maturities as well as our institutional partners' appetite for this asset class. We also plan on growing our own portfolio, through both our owner-occupied mortgage loans and our Buy-to-Let offer.

In our corporate client offering, we aim at further developing asset classes that position us well for future growth. Those need to display the potential of gaining a meaningful market share in a specific niche, include the potential of digital and data driven scalability and be granular to allow for a sustainable risk/reward ratio. Like in the retail segment, we expand the types of products we offer in certain asset classes where we think existing clients' needs are not sufficiently addressed. This has for instance led us to launch the OIMIO product within Commercial real estate (CRE). We also focus on smaller, selective projects in Infrastructure, Shipping, Fintech & Structured Finance.

BUSINESS REVIEW

NIBC focuses on clear niches and asset classes where it can make a difference at decisive moments for its clients, driven by a.o. sustainable development and technological innovation. We adapt to the changing environment to make sure we can continue to service our clients. NIBC's primary business segments are the Corporate Client Offering segment and the Retail Client Offering segment. We service our clients from offices in The Hague, Frankfurt, London and Brussels.

For its Corporate Client Offering, NIBC provides services to approximately 450 corporate clients. For its Retail Client Offering, NIBC provides services to more than 400,000 retail clients.

NIBC continuously develops its value creation model to best serve its clients' needs while making sure its impact on all stakeholders is positive. NIBC has developed a sustainability strategy based on the UN SDGs and ESG that guides our business strategic decisions. Serving our clients in the best possible way is at the center of our operations. Client satisfaction, in that respect, is at the heart of our business and we measure it formally through surveys but also informally, especially with our coporate clients, via the multiple interactions that we have with our clients. Beyond possible risks associated with inadequate clients satisfaction such as reputational risk or risk of decreasing revenues, client satisfaction is important to us because we see ourselves as client-centric and are dedicated to supporting our clients, when they need us.

NIBC has prioritised several SDGs as part of our sustainability strategy. We have translated this into each segment strategy. Retail sustainability risks are managed at a portfolio level. In Corporate Client Offering, each operation is reviewed to ensure it fits our sustainability framework. A first assessment is made by the first line of defence. If any risk arises from that first review or if the amounts considered are larger than a certain threshold, the Sustainability officer has to issue an advice which is then included in the documentation provided to the *Transaction committee* (**TC**).

To address product responsibility, new products and significant changes to existing products are assessed on financial and non-financial matters, including for potential human rights and environmental risks. NIBC has a product approval process in which new products are assessed amongst others on client suitability. Finalised product approvals are reported to the Risk Policy & Compliance Committee (**RPCC**) on a quarterly basis.

In general, our sustainability approach is to create processes that guarantee that our operations are done within our Sustainability framework. We do not yet have processes to proactively look for positive impact deals or clients. However, because we value sustainability and expand awareness to our people, teams look for such positive impact products. An example within Corporate Client Offering is that NIBC is a frontrunner in developing a responsible ship recycling standard. We take our role in the supply chain seriously and we focus on financing modern slower-sailing small and medium-sized vessels which have better environmental sustainability performance than larger or older faster-sailing vessels. Within Retail Client Offering, with our newly launched product Lot Hypotheken, we are stimulating energy efficiency improvements through highly affordable mortgages. More generally, we aim at becoming a partner for investment and/or financing that supports transformation efforts, across all lending segments (Retail, Corporate clients and SME).

We continuously evaluate our asset classes and remain focused on asset classes and activities where the risk/return ratio is in line with our risk appetite. This has led to expansion in certain asset classes and activities, refocus in others but also the exit of certain markets. On 15 January 2020, we announced to discontinue our capital markets activities. We deemed these activities not to be sufficiently scalable due to rapidly changing regulatory environments and market circumstances. In the first half of 2020, we executed this discontinuation as planned.

Corporate Client Offering

NIBC's corporate Client Offering focuses on products and services such as senior debt, mezzanine and equity financing, and advisory services required by companies at decisive moments. We focus on serving medium-sized corporate clients in selected asset classes in north-western Europe. As a specialty financier, we differentiate ourselves from traditional peers by a strong focus on selected asset classes where we have in-depth knowledge, quick decision-making and the ability to offer tailor-made solutions.

In 2018 NIBC announced its rebalancing strategy, in anticipation of market developments and transformation of the nature of the transactions in some of its asset classes. We have decided to reduce our Energy activities due to market developments. We furtermore decided to reduce our exposure to Leveraged finance on own book and focus on *Origiante-to-Manage* (**OTM**) where we partner with external investors. During 2020, we continued execution of this strategy. At the same time,we have put our efforts towards supporting our current clients to cope with the effects of COVID-19 while maintaining a margin over volume strategy for new origination. The combination has led to a decrease of exposures in most asset classes. Our customers continue to value our efforts to serve their interests, as is illustrated with a positive NPS score of +30%. This is lower than the 2019 score (+47%), a reflection of the challenging environment and the constraints that come with the circumstances.

Within the corporate segment, NIBC has invested in a higher level of digitalisation and standardisation of its internal processes, enabling the bank to focus on scalable growth initiatives and smaller ticket sizes in an efficient manner. This development facilitates initiatives like OIMIO, through which we move towards smaller ticket real estate lending. NIBC has implemented a new digital platform for its customer relationship management and origination process, supporting us to service our corporate clients more effectively.

In the past year, we have further developed our OTM proposition, through which we provide access to the private market to institutional investors, as well as create additional value for unlisted mid-sized an family-owned corporates. In 2020, we have increased the number of partners that we cooperate with. This proposition provides NIBC with the opportunity to increase ticket size and origination volumes, and enables efficiency through a larger portfolio under management. In addition, it leads to income diversification, as assets under management generate fee income. In 2020, corporate OTM assets increased due to a new mandate with an institutional investor and the issuance of North Westerly VI, the first ESG compliant CLO. This has led to an increase of 37% of the corporate OTM portfolio.

Corporate portfolios

Our corporate portfolios revolve around two main themes, Sustainability & Transformation and Growth & Innovation. These themes provide us with a strong basis to increase focus and fully utilise our core competence of finding bespoke solutions for complex financial questions in specific underserved markets.

Sustainability & Transformation

Our proposition in these asset classes position us well for future growth. We have expanded our propositions in some asset classes such as Commercial Real Estate. We have also refocused some asset classes on smaller, selective projects as we did in Infrastructure and Shipping.

In Commercial Real Estate NIBC focuses on several niches. One of these niches is the financing of short-term development activities. Another focus area is financing of moderately leveraged investments. We aim a balanced mix of the subsectors residential, offices, logistics and light industrial to limit the concentration risk. In addition to these areas, NIBC launched OIMIO at the start of 2020. OIMIO is a provider of commercial real estate loans from EUR 1 million up to EUR 10 million to support small Dutch SMEs in their growth ambitions. OIMIO tailors solutions for each new client based on the characteristics of the collateral. In 2020, OIMIO originated over EUR 65 million in corporate SME loans, despite difficult market circumstances due to COVID-19. The reduction of the total CRE portfolio, beyond our overall choice to limit origination, includes a scheduled repayment of approximately EUR 200 million with respect to a facility to Reggeborgh.

NIBC has been a financier of infrastructure since our inception in 1945. We are transforming this portfolio from long-term traditional infrastructure such as roads, and public-private infrastructure projects towards selective renewable projects and digital infrastructure projects like the financing of data centres, fibreglass networks and port storage facilities with shorter tenors.

Within Shipping, NIBC shifted to smaller tickets and continued a selective client strategy offering covenant tight collateralised financing to High Net Worth Entrepreneurs clients and medium sized corporates, a conservative structuring approach with early warning mechanisms and active portfolio management.

Growth & Innovation

Within this theme the focus is on Structured Finance, Financial Sponsors & Leveraged Finance, Mobility, Mezzanine & Equity.

NIBC's Structured Finance team supports financial technology companies through structured finance solutions, corporate loans and a combination of debt & equity advisory and mergers & acquisitions advisory services. The team also finances financial institutions such as leasing companies.

The Financial Sponsors & Leveraged Finance offering provides solutions for all stages of a management buy-out, generating investment opportunities, innovative ideas and financing solutions to enable growth for our financial sponsor and portfolio company clients. In 2020 we continued to rebalance and de-risk this portfolio, by actively transitioning to smaller tickets for our on balance sheet exposures in close collaboration with existing OTM partners. This strategy is accompanied by continued highly selective origination and focus on improving asset quality by dedicated and forward looking portfolio management.

In our Mezzanine & Equity Solutions we focus on growth and succession financing, providing minority equity solutions in combination with subordinated debt for our clients. Also for these products, we are looking for granular direct investments rather than large investments in investment funds.

Performance Corporate Client Offering

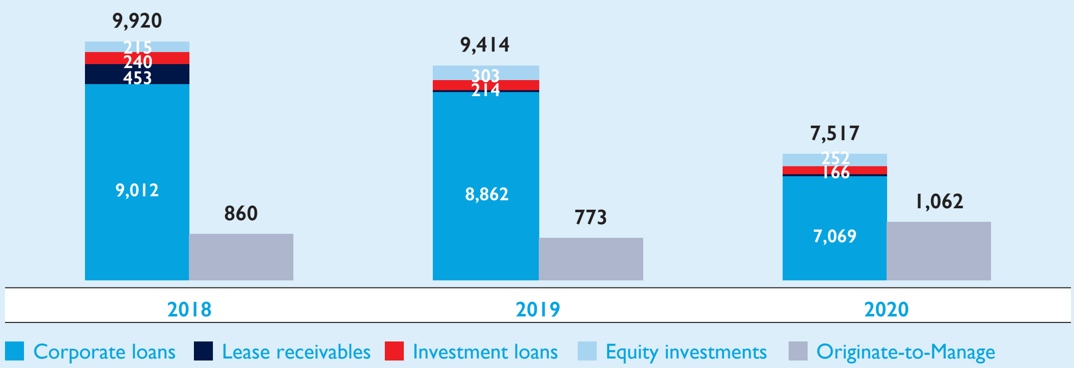
- The Corporate Client Offering segment closed with a net loss. Net interest income and net fee income decreased on the back of the COVID-19 crisis and the decrease of the portfolio. Higher origination spreads have helped to partially offset these effects.
- The discontinuation of NIBC's capital market activities has had a positive impact on net profit of the segment, however, it has also led to lower operating income, mainly through lower fee income.
- Investment income is limited, as the positive result of (partial) exits was partly offset by negative revaluation results on the remaining portfolio.
- The negative other income is explained by several factors including a loss due to a negative fair value movement on the retained non-rated positions of the outstanding North Westerly CLO transactions (for additional details on other income please refer to Financial Performance).

Income statement Corporate Client Offering

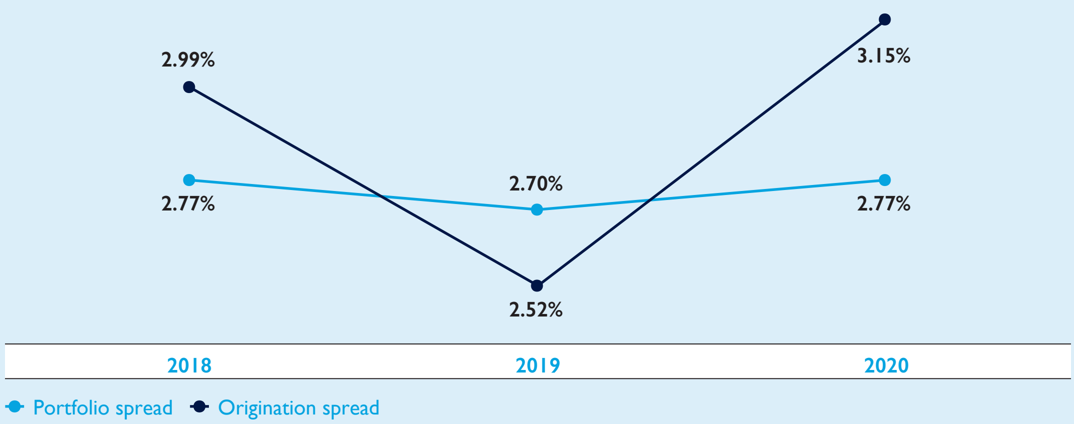
in EUR millions	2020	2019
Net interest income	161	185
Net fee income	15	25
Investment income	6	60
Other income	(19)	5
Operating income	**163**	**274**
Other operating expenses	101	112
Regulatory charges and levies	-	-
Operating expenses	**101**	**112**
Net operating income	**61**	**162**
Impairments of financial and non financial assets	126	53
Profit before tax	**(64)**	**109**
Tax	(16)	13
Profit after tax	**(49)**	**96**

- The pandemic has had a significant impact on credit losses. Stage 3-related credit losses increased from EUR 55 million in 2019 to EUR 104 million in 2020. A large majority of stage 3-related credit losses are concentrated in the Energy, Structured finance and Leveraged finance asset classes. Total credit losses also include a management overlay of EUR 6 million on stage 1 and stage 2 exposures (for more details please see Financial review).

Corporate client assets



Corporate loan portfolio spreads above base



Retail Client Offering

NIBC offers mortgage loans, *Buy-to-Let* (**BtL**) mortgage loans and saving products to its retail clients. Over the years, we have built a strong retail franchise across the Netherlands, Germany and Belgium with over 400,000 clients

With transparent pricing and conditions, the products offered by NIBC help our clients executing or preparing for their decisive moments. In the Netherlands, our owner-occupied, BtL and OTM mortgage loans are offered primarily via third-party mortgage brokers. Our savings offering is provided via a direct model, providing a simple and intuitive user experience.

Following NIBC's overall business model, the Retail Client Offering focuses on products where NIBC can stand out. This means that we do not provide general retail banking services such as payment solutions or current accounts. Instead we have developed and refined an efficient and modern retail business model which avoids the branch business model of traditional banks. With 99 colleagues directly involved, we are working to continuously shape and support the Retail Client Offering within NIBC.

NIBC's Retail Client Offerings proved resilient during 2020, despite the COVID-19 pandemic and its impact on our clients. NIBC has been able to provide its services to clients without interruption by the pandemic. To support our clients in these difficult times, the instrument of payment deferrals has been used where clients ran into short-term liquidity issues due to the pandemic and the lockdown that was implemented in reaction to COVID-19. Less than 1% of our clients made use of this payment deferral facility. More than 88% of these mortgages have started being repaid or have been repaid in full already.

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

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

Since 2016, when NIBC closed its first OTM mandate for mortgage loans, NIBC has offered investors the opportunity to invest directly in Dutch residential mortgages without the burden of the associated operational handling. For these mandates, NIBC originates mortgage loans under the NIBC Direct and Lot labels and sells mortgage receivables to the investor. This allows us to provide longer tenors to our clients. This fits market developments very well, as the current low rate environment is leading to an increased demand for longer fixed rate periods. Market-wide, almost 70% of new mortgage loans are currently originated with 20-30 years fixed rate periods. In February 2021 NIBC reached a total mandate for the origination of OTM mortgages of over EUR 10 billion.

Lot Hypotheken

Launched in February 2020, Lot Hypotheken offers competitive interest rates and aims to outperform on processes and customer experience, while focusing on sustainability. Efficiency, standardisation and an informal, present day brand is what characterises and distinguishes the venture from others.

Lot has optimised its underwriting processes by automatic data sourcing through Ockto, an application which directly accesses personal data sources from governments upon permission of the customer. Even in this challenging environment, the launch has been very successful, with a +55 net promoter score of intermediaries and two citations as best newcomer.

At launch, Lot offered a 10-year interest rate of 0.99% – making it the first mortgage lender in the Netherlands to set a 10-year interest rate below 1%. Focused on sustainability, Lot offers a sustainability mortgage loan with an interest rate of 0.5% to stimulate retail clients to take sustainability measures. With this competitive proposition Lot is well positioned for future growth in the sustainable mortgage market.

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

Origination continued to be high due to new home purchases as well as refinancings. Refinancing has been very dynamic due to the low mortgage rates. Conversely, prepayments are also high. This led to a relatively stable level of owner-occupied mortgage loans compared to year-end 2019. Growth of both the Buy-to-Let and OTM portfolio has continued, leading to an increase of 22% for BtL and 74% for OTM in 2020.

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

The total portfolio of both own book and OTM reached the mark of EUR 17 billion.

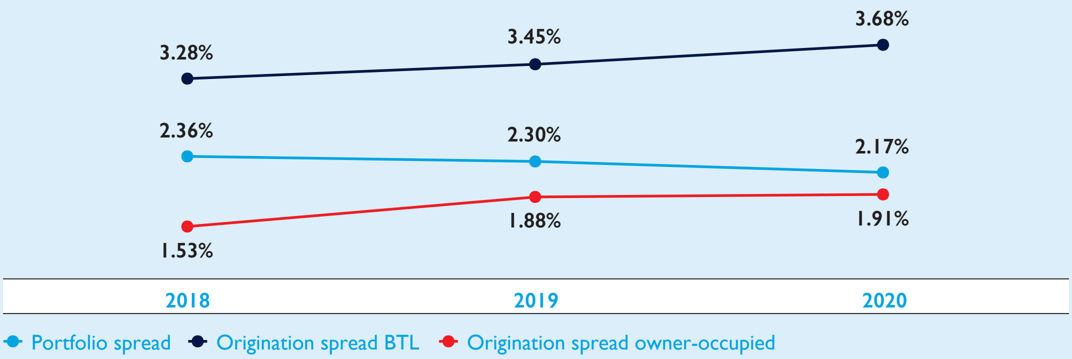
Performance Retail Client Offering

- Operating income increased in 2020 under the conjunct effects of increasing BtL and OTM portfolios and higher prepayments on own-book owner occupied mortgage loans.
- The increase in BtL and OTM portfolios are in line with our strategy to diversify our income base and expand our franchise. The fee income is a growing part of our operating income and BtL origination spreads show positive developments over 2020, at substantially higher level than what we observe on the Owner-Occupied Mortgage side. That makes us more resilient.
- An important driver for the high net interest income is the effect of higher prepayments as clients are refinancing at lower interest rates.
- Operational expenses are partly linked to volumes and therefore, their evolution follows that of our operating income, although at a lower pace.
- Impairments are elevated. This is related to additional ECL amounts in stage 1 and stage 2,

Income statement Retail Client Offering

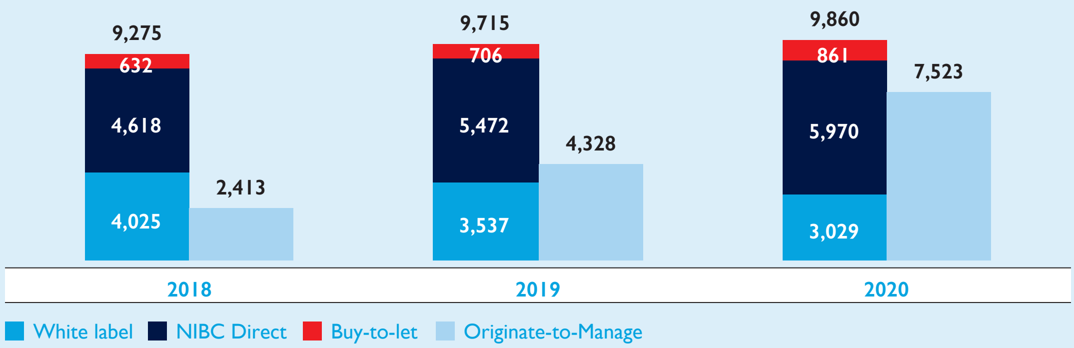
in EUR millions	2020	2019
Net interest income	148	137
Net fee income	28	15
Investment income	-	-
Other income	0	-
Operating income	**175**	**152**
Other operating expenses	66	59
Regulatory charges and levies	10	10
Operating expenses	**76**	**69**
Net operating income	**100**	**83**
Impairments of financial and non financial assets	7	(4)
Profit before tax	**92**	**87**
Tax	23	22
Profit after tax	**69**	**65**

Retail spread above base

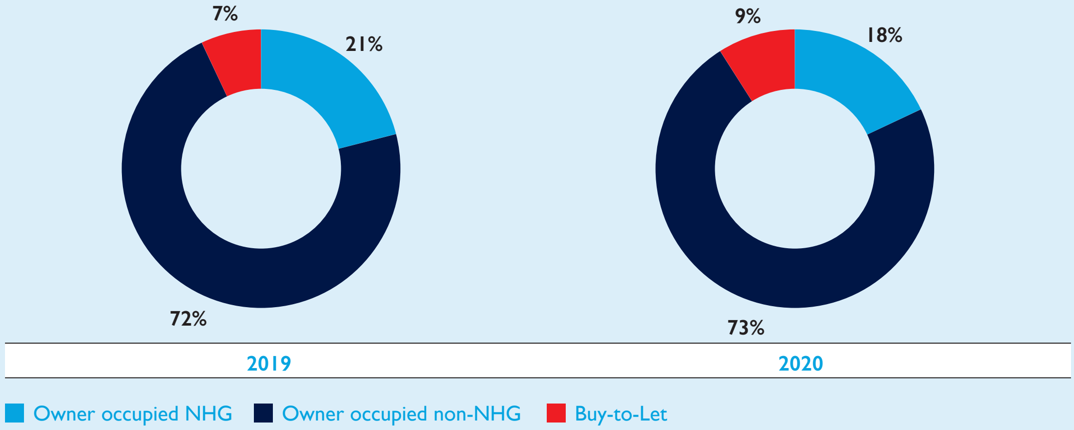


through a management overlay of EUR 9m. Stage 3 exposures have not yet shown effects of the pandemic and have remained low.

Mortgage portfolio development



Mortgage loan portfolio by product type



Treasury & Group Functions

Treasury & Group Functions performs the Treasury and *Asset & liability management* (**ALM**) functions. As such, it provides the funding to the commercial activities undertaken in the two other segments (Corporate and Retail Client Offering) as well as to NIBC Holding N.V. subsidiaries. Additionally, it supports the other segments with centrally organised services and functions. Treasury & Group functions consists of Corporate and Commercial Treasury, ALM, Risk Management and our Corporate Center which includes HR & Corporate Communication, Internal Audit, Legal, Compliance & Regulatory Affairs, Operations & Facilities, Information Technology, Finance, Tax, Data Management and Strategy & Development. The income statement of the Treasury & Group functions segment is the reflection of these various activities, after allocation of the relevant costs to the other segments.

During 2020, liquidity management efforts at NIBC have been intensified. Additional liquidity buffers were created to maintain sufficient liquidity buffers and ratios at all times. This ensured we could continue to support our clients in these challenging times. In close cooperation with the business departments the monitoring of expected cash flows in the client portfolios has been intensified to provide a detailed insight into draw-downs, pre- and repayments as well as payment deferrals. This close monitoring has allowed us to quickly respond to any developments.

This impact of COVID-19 is being felt in NIBC's markets, particularly on the corporate side. The lower origination and consequential decrease of the corporate portfolio is reflected in subdued activity in the capital markets during 2020. NIBC issued an additional EUR 200 million of senior non-preferred debt to further strengthen its capital structure and bring the outstanding bond up to benchmark-size. In addition, EUR 190 million of new funding was raised through private placements in various currencies. As part of its liquidity management NIBC created a new internal securitisation transaction (Essence VIII). The use of the *Targeted Longer-Term Refinancing Operations* (**TLTRO**) decreased to an amount of EUR 448 million under TLTRO-II and EUR 250 million under TLTRO-III, as of 31 December 2020.

The topic of ESG is becoming more prominent within NIBC as well as in the funding markets. This has prompted us to explore opportunities for green bond issuance.

Taxes

The effective tax rate is impacted by two specific changes. One is the adjustment in fiscal treatment of the coupons on AT1 instruments. During 2020, it was concluded that the coupons are considered to be a taxable expense. As this applies retrospectively as well, the tax line includes the effect of the 2019 coupons as well as the 2020 coupons, to a total gain of EUR 6 million. The other change relates to the decision of the Dutch Government to undo the rate reduction for corporate income tax. This means that the loss carry forward as of 2021 is evaluated at a tax rate of 25.0% instead of 21.7%.

Performance Treasury & Group Functions

- The basis for net interest income of Treasury lies in the difference between the cost of funds on the bank's external funding (including hedging) and the internal cost of funds charged to the other segments and subsidiaries of NIBC Holding N.V. that need these funds for client transactions.
- With the decision to maintain elevated liquidity buffers during 2020, net interest income was negatively impacted, as cash comes at a significant cost in the current low interest rate environment. This has an additional downward effect of approximately EUR 2 million compared to 2019.
- The negative other income position is mainly related to ineffective hedge relations in some periods. Additionally, it includes the negative fair value developments on investment property, consisting of those parts of the office building in The Hague that is rented out to third parties.
- The effective tax rate is impacted by two specific changes: the adjustment in fiscal treatment of the coupons on AT1 instruments and the decision of the Dutch Government to undo the rate reduction for corporate income tax. Those two effects lead to a gain of EUR 9 million. It is also impacted by some true-ups booked in 2020 with respect to the tax return of 2018.

Income statement Treasury & Group Functions

in EUR millions	2020	2019
Net interest income	78	95
Net fee income	0	-
Investment income	1	-
Other income	(10)	2
Operating income	**68**	**97**
Other operating expenses	27	43
Regulatory charges and levies	6	5
Operating expenses	**33**	**48**
Net operating income	**35**	**49**
Impairments of financial and non financial assets	2	-
Profit before tax	**34**	**49**
Tax	(6)	9
Profit after tax	**40**	**40**

FINANCIAL REVIEW

Performance summary

- Profit after tax is significantly impacted by the COVID-19 pandemic, reflected in elevated impairments, lower investment income and negative other income including negative fair value movements on loans and retained CLO positions.
- Operating income is substantially lower than 2019, mainly caused by reduced investment income and negative other income. Net interest income has decreased as well, reflecting the impact of maintaining ample liquidity buffers and a decreased portfolio of corporate exposures. Fee and commission income increased, following further growth of the OTM mortgage loan portfolio.
- Impairments increased by approximately 173% compared to 2019 on the back of the effects of the COVID-19 pandemic. Most of

Income statement

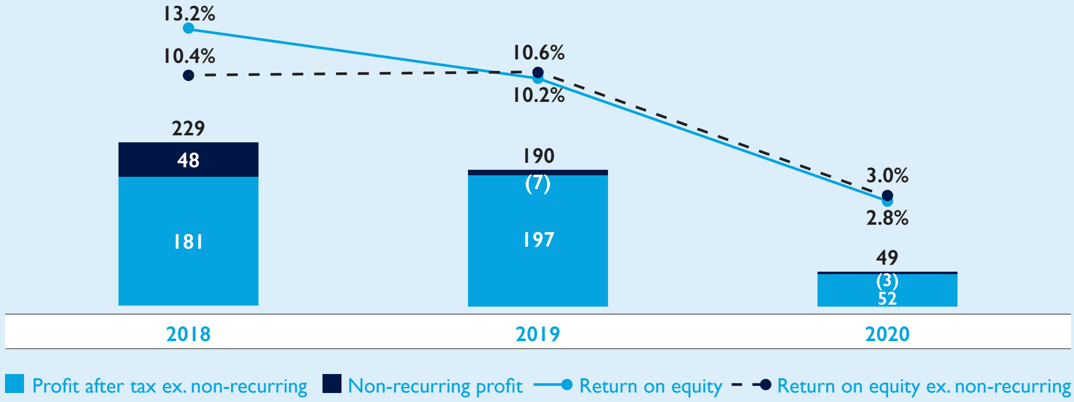
in EUR millions	2020	ex. non-recurring 2020	2019	2020 vs. 2019	ex. non-recurring 2020 vs. 2019
Net interest income	386	386	417	-7%	-7%
Net fee and commission income	43	43	40	7%	7%
Investment income	7	7	60	-88%	-88%
Other income	(29)	(29)	7	-519%	-519%
Operating income	**407**	**407**	**524**	**-22%**	**-22%**
Personnel expenses	101	97	114	-12%	-15%
Other operating expenses	89	88	95	-7%	-7%
Depreciation and amortisation	5	5	5	2%	2%
Regulatory charges and levies	16	16	15	6%	6%
Operating expenses	**210**	**206**	**229**	**-8%**	**-10%**
Net operating income	**196**	**201**	**295**	**-33%**	**-32%**
Impairments of financial and non financial assets	134	134	49	174%	174%
Tax	-1	-2	44	-102%	-105%
Profit after tax	**61**	**64**	**202**	**-70%**	**-68%**
Profit attributable to non-controlling shareholders	12	12	12	0%	0%
Profit after tax attributable to shareholders of the company	**49**	**52**	**190**	**-74%**	**-72%**
Return on equity	**2.8%**	**3.0%**	**10.2%**	**-73%**	**-71%**

the impairments are related to stage 3 exposures. Beyond the regular ECL processes, NIBC has decided to apply a management overlay of EUR 14.7 million to stage 1 and stage 2 ECL amounts in order to address the continued uncertainties and risks following the pandemic.

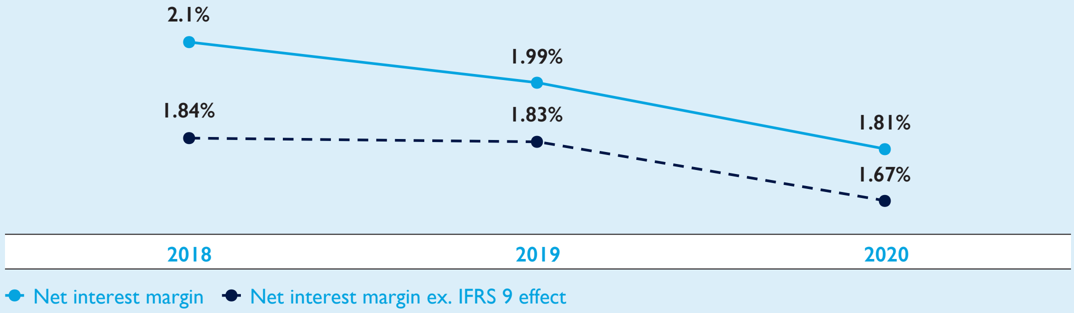
- Operating expenses decreased due to active cost management on the bank's base activities. This has created room to invest in new growth initiatives as well as in various improvement projects, focused on further strenghtening the bank's processes.

Profit after tax attributable to shareholders and return on equity

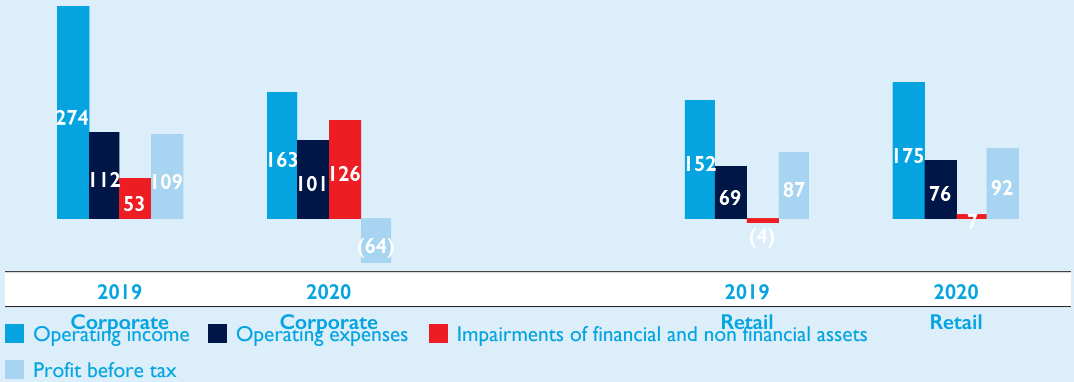
in EUR millions



Net interest margin



Financial performance Corporate and Retail Client Offering



Financial performance

Operating income

Within operating income, key drivers for decrease are investment income and other income. Net interest income, although subdued compared to 2019, proved to be resilient and fee income has increased, due to the succesful expansion of our OTM activities, both in the retail and corporate client offering segments.

The net interest margin reports a decrease, as it is under pressure from both the decision to maintain ample liquidity buffers, which generate a negative carry, and downward pressure on the portfolio spread of the mortgage loan portfolio. Additionally, the changing composition of the balance sheet, in which the relative size of mortgage loan portfolio has increased, has led to a lower average margin across all assets.

Investment income has significantly decreased compared to 2019. The COVID-19 pandemic has affected the value of some investee companies. The investment income includes small positive (unrealised) revaluation results of the investment portfolio and gains related to the successful, partial, exits of two investments.

The negative other income is explained by several factors. Net trading income displays a loss due to a negative fair value movement of EUR 9 million on the retained non-rated positions of the outstanding North Westerly CLO transactions, which are part of the debt investments at *Fair value through profit or loss* (**FVtPL**). Loans report a loss of approximately EUR 10 million in other income, due to several corporate loan revaluations. Losses on fair value hedges of interest risk rate increased to EUR 8 million (2019: EUR 7 million) and results on FVtPL interest rate instruments decreased to a loss of EUR 7 million (2019: gain of EUR 3 million). This is mainly related to economic hedges that cannot be assigned in hedge relationships. These losses are partly offset by gains, including on other assets and liabilties held for trading and other net trading income, reassesment of our earn-out commitments.

Operating expenses

The cost/income ratio increased in 2020. This is a direct reflection of the reduced operating income as operating expenses have decreased slightly in 2020. Reduction in operating expenses does not entirely offset the decrease in operating income.

Recurring operating expenses show a reduction of approximately -10%, reflecting our strategy of actively managing recurring costs and hence creating room to invest in new businesses and process improvements. Non-recurring expenses are related to the merger of NIBC Bank Deutschland AG with NIBC Bank N.V. The merger, despite one-time costs in the short run, should allow us to decrease recurring expenses in the long run as we will not have to maintain a separate German banking licence and serve our clients through our German branch.

The number of *Full-Time Equivalents* (**FTEs**) decreased although NIBC has invested in extension of its IT skills by recruiting new talent.

Operating expenses include programme costs through which NIBC continues to invest in its licence to operate. The programmes progressed in line with project plans, as they are considered to be a key element to be more agile and efficient in a context of changing regulation.

Impairments of financial and non-financial assets

Credit loss expenses are significantly higher, following the global impact of the COVID-19 pandemic. To adress the macroeconomic circumstances in the market, NIBC has made significant adjustments in its macroeconomic scenarios that are used to model ECL. The scenario update includes international developments and forecast assumptions, indicating a slow economic recovery throughout 2021. For more information please refer to note 13 of the Financial Statements. Beyond the regular ECL process, we have deemed it appropriate to perform an additional review of the portfolios and the outcomes of the ECL models. The COVID-19 pandemic has created an exceptional situation, which will be difficult to fully capture in the existing models. Following the additional review, it has been decided to adjust the total ECL amount with EUR 14.7 million, through application of a management overlay.

As the portfolio of the corporate assets is assessed on a name by name basis, the largest amount of credit losses relates to stage 3 assets in the corporate loan portfolio. Following additional review at the sector level, we have deemed it necessary to add a management overlay of EUR 1 million for stage 1 exposures and EUR 5 million for stage 2. With this adjustment, the coverage ratios of the specific asset classes and stages is deemed to better reflect the risks associated with the specific exposures.

With regards to the ECL provision on mortgage loans, NIBC has decided to include a management overlay to address identified shortcomings in the existing ECL models in addressing the present uncertainties regarding economic developments. This way, NIBC believes to have addressed the increased uncertainty regarding (e.g. long-term) impact on unemployment and the housing market in an appropriate manner. This has led to a management overlay of EUR 1 million on stage 1 exposures and EUR 7.7 million for stage 2 ones.

Dividend

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

Medium term objectives

In this year that has been heavily impacted by COVID-19, NIBC did not achieve its medium term objectives of 10-12% for *Return on Equity* (**ROE**), a cost/income ratio of 45% or less. At this point, NIBC's ambitions towards its medium term objectives remain unchanged once market conditions normalise and overall economic activity will be back at the pre-COVID-19 levels.

	Medium-term objectives	2020	2019	2018
Return on equity	10-12%	2.8%	10.2%	13.2%
Cost/income ratio[1]	<45%	52%	44%	41%
CET 1[2]	≥14%	21.3%	18.7%	20.6%
Rating Bank	BBB+	BBB+	BBB+	BBB
Dividend pay-out ratio	≥50%	100%	100%	100%

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

Balance sheet development

- Total assets have decreased over the year mainly due to a reduction of the corporate loan portfolio (-20%). In response to the COVID-19 pandemic, NIBC has focused on supporting existing clients through this difficult period, and consequently origination of new loans has decreased. Additionally, the circumstances have also led to elevated prepayment levels (see Business review).
- Growth has been realised in targeted portfolios, such as BtL mortgage loans. This development helps further diversify our balance sheet with an improved risk/return ratio.
- The development of the top 20 exposures ratio reflects this development towards a more granular portfolio. It also reflects our active portfolio management over the year 2020.
- Overall, asset quality as illustrated by the ECL stage categorisation of assets, shows an improvement regarding stage 3 assets, as both

Assets

in EUR millions	2020	2019	2018
Cash and banks	2,554	2,653	2,624
Loans	6,439	7,778	7,865
Lease receivables	16	25	53
Mortgage loans	10,245	10,045	9,451
Debt investments	977	1,056	865
Equity investments	226	274	199
Derivatives	494	482	579
Other assets	104	95	80
Total assets	**21,055**	**22,407**	**21,716**

Liabilities and equity

in EUR millions	2020	2019	2018
Retail funding	9,815	9,490	8,922
Funding from securitised mortgage loans	327	391	447
Covered bonds	3,004	3,003	2,510
ESF deposits	383	1,191	1,522
All other senior funding	5,061	5,644	5,596
Tier 1 and subordinated funding	278	284	278
Derivatives	100	225	210
All other liabilities	86	112	120
Total liabilities	**19,052**	**20,342**	**19,605**
Equity attributable to shareholders of the company	1,803	1,865	1,911
Capital securities (non-controlling interest)	200	200	200
Equity attributable to non-controlling interests	-	-	-
Total liabilities and shareholders' equity	**21,055**	**22,407**	**21,716**

the absolute amount and the share of total assets has decreased. This is partly the result of active management of defaulted exposures. On the other hand, stage 2 assets show an increase, both absolutely and relatively, a reflection of the increased economic uncertainty.

- Overall, liabilities decreased, with retail savings increasing in line with a sector-wide trend. This was more than offset by reduced senior funding as well as the decrease of ESF funding, which, following the merger of NIBC Bank Deutschland AG with NIBC Bank N.V., was reduced by approximately EUR 600 million (see General developments for details).

ECL staging

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

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

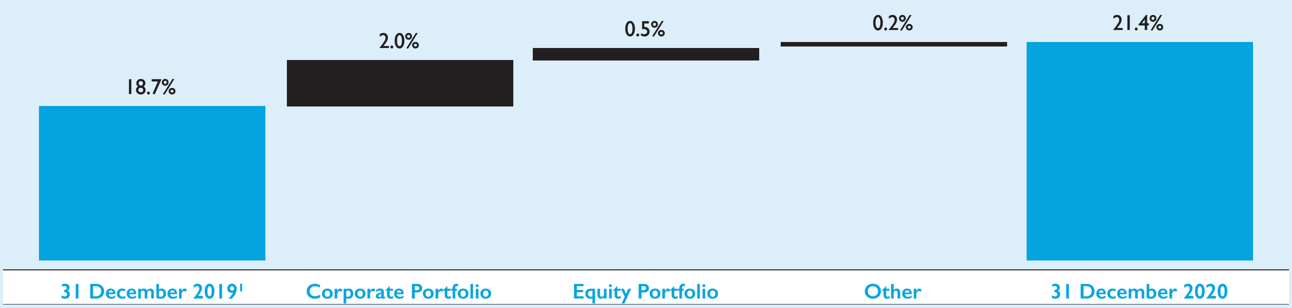
Credit quality ratios

	2020	2019	2018
Impaired coverage ratio	37%	33%	31%
NPL ratio	2.1%	2.5%	2.8%
Top-20 exposure / Common Equity Tier 1	63%	88%	70%

Solvency and Liquidity

- NIBC has a strong capital position reflected in a *Common Equity Tier 1* (**CET 1**) ratio of 21.3%. The increase is for a large part driven by a reduction of *Risk Weighted Assets* (**RWA**s). This reduction is the result of actively reducing defaulted exposures as well as the decrease of corporate exposures.
- Following clarifications on the prudential treatment of legacy instruments, NIBC has reviewed the treatment of its legacy Tier 1 instruments. Additionally, due to Brexit, two legacy Tier 2 instruments issued under English law no longer comply with the applicable regulation for Tier 2 treatment. This has led to a decrease in fully loaded own funds and capital ratio (See Capital adequacy in Risk management for full details) per 31 December 2020. As a consequence, the fully loaded capital ratio decreased by 2.65%.
- NIBC has actively managed its liquidity position, aiming for ample liquidity buffers. This is evidenced by a strong *liquidity coverage*

CET 1 development



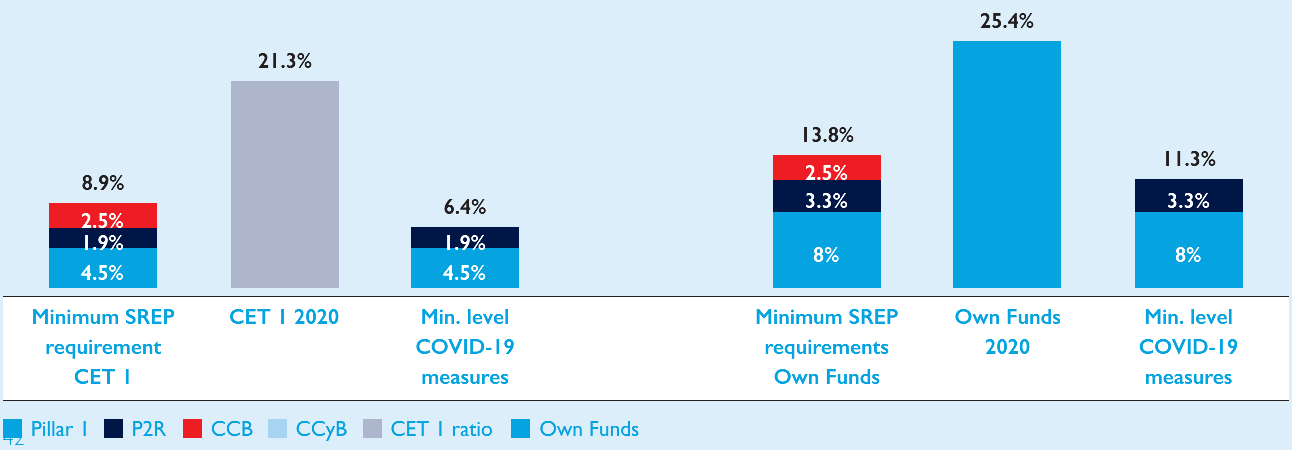
1 Solvency ratios are based on full implementation of CRR. As from 2019, non-eligible profits attributable to the shareholders are no longer added to regulatory capital.

Credit risk per exposure class

Exposures including Credit Conversion Factor in accordance with CRR	2020 Exposure	RWA	Average risk weight	2019 Exposure	RWA	Average risk weight
Corporate exposures	7,467	4,053	54%	9,155	4,791	52%
Mortgage loans	10,108	988	10%	9,900	976	10%
Institutions	885	178	20%	848	181	21%
Equity	252	931	370%	300	1,112	370%
Securitisation[1]	849	277	33%	878	171	19%
Other including corporate derivatives	422	223	53%	457	272	60%
Central Government	1,979	0	0%	2,063	0	0%
Total	**21,960**	**6,650**	**30%**	**23,602**	**7,502**	**32%**

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

Capital ratios compared to SREP level



ratio (**LCR**) at 216% and a solid *net stable funding ratio* (**NSFR**) of 129%.

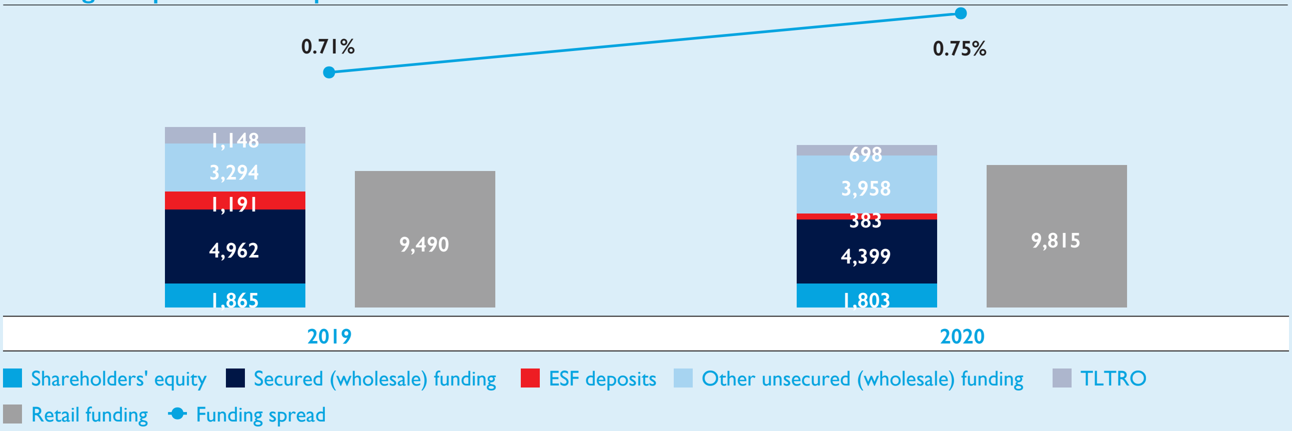
- Active liquidity management and selective use of the various funding instruments have resulted in a stable funding spread, even though financial markets have seen considerable volatility in spread levels throughout the year.
- As a result of the merger of NIBC Bank Deutschland AG, a considerable number of lenders had the right to early-terminate their ESF deposit, which led to a liquidity outflow of approximately EUR 600 million. NIBC was well prepared for this and could therefore comfortably absorb this outflow. As of 31 December 2020 approximately EUR 400 million of ESF-proctected funding remained outstanding.
- The use of the TLTRO decreased to an amount of EUR 448 million under TLTRO-II and EUR 250 million under TLTRO-III, as per year-end 2020.

Liquidity ratios

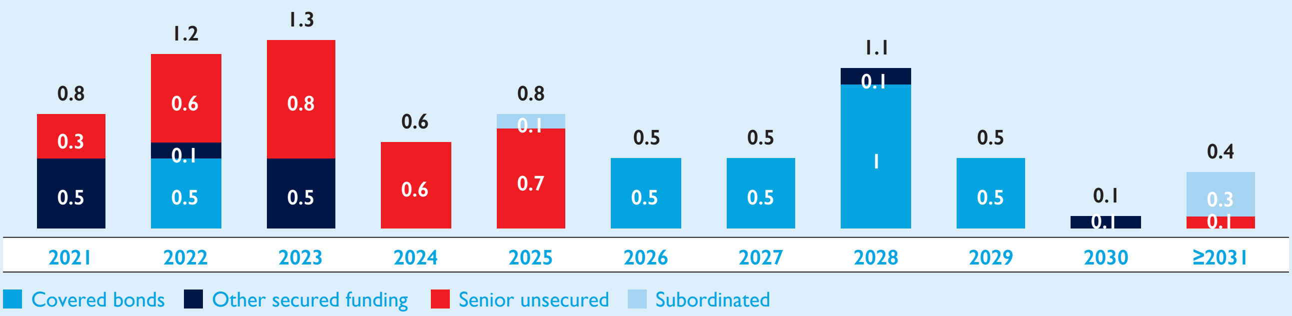
	2020	2019	2018
LCR	216%	222%	241%
NSFR	129%	121%	123%
Loan-to-deposit ratio[1]	150%	157%	154%
Asset encumbrance ratio	26%	28%	26%

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

Funding composition and spread



Maturing funding



RISK MANAGEMENT

NIBC actively supports mid-sized corporates, retail customers and new ventures at their most decisive moments. NIBC's risk approach entails that we pursue credit risk and investment risk, while reducing our interest rate, currency, liquidity and operational risk to a level that is acceptable. The risks we take are measured and monitored against our risk appetite, ensuring that NIBC is capable of executing its business activities in line with its strategy.

Key developments in 2020

In 2020, NIBC continued its rebalancing strategy, evidenced by the anticipated growth in our owner-occupied mortgage loans and Buy-to-Let. This strategy has also led to further reduction of cyclical corporate exposures in Energy and Leveraged Finance, and focus on origination of more granular exposures. Obviously, these developments have been impacted by the global COVID-19 pandemic, which has changed the social and economic circumstances considerably.

NIBC has addressed the consequences of the COVID-19 pandemic by prioritising support to our existing client base over the origination of new loans in our Corporate Client Offering. For the limited new loan origination in 2020 we have carefully assessed the client, its market and risks, weighing the benefits against the increased uncertainty in the market. Due to proactive risk management of our portfolio, the credit quality in our Corporate Client Offering held up relatively well in 2020 despite facing challenges in a few segments. In our Retail Client Offering the residential mortgage loan portfolio continues to display a sound credit quality in line with the Dutch housing market and economic trends. Despite this, we note our inclusion of an ECL management overlay on this portfolio to adress uncertainties in the market.

The COVID-19 pandemic has shown that unforseen non-financial risks can have large consequences and lead to financial risks. We see ESG risks also in this light which include climate-related risks, biodiversity risks, environmental risks, human rights risks, and social risks among others. Physical and transitional climate-related risks are widely seen as the next material sustainability risk for the financial system. While the exact nature of the relationship between sustainability risks and traditional financial risk categories is highly complex and difficult to quantify, NIBC's sustainability risk framework provides a solid foundation to identify and manage these risks. Based on lessons learned during the pandemic, likely future risks and emerging best practices, NIBC will continue to refine its risk management approach, systems and processes.

The regulatory pressure over the past years has increased significantly. This has continued during the COVID-19 pandemic. NIBC continues to adress regulatory developments with increased investments and improved processes. The remediation work continues on the outcome of the DNB *Internal Model Investigation* (**IMI**) with first deliverables being completed on schedule even in light of the current remote working situation. The *Interbank Offered Rates* (**IBOR**) transition programme is progressing well towards the anticipated deadlines. We will implement the new Definition of Default as of 1 January 2021 and continues to work on new NPE guidance and loan origination and monitoring standards.

in EUR millions	Main risk types	2020	2019
Corporate / investment loans		**7,770**	**9,496**
Corporate loans	Credit risk	7,604	9,282
Investment loans	Credit risk	166	214
Lease receivables	Credit risk	31	35
Mortgage loans	Credit risk	9,860	9,714
Equity investments	Investment risk	252	303
Debt investments		**1,003**	**848**
Debt from financial institutions and corporate entities	Credit risk / Market risk	305	334
Securitisations	Credit risk / Market risk	698	514
Cash management	Credit risk	2,465	2,485
Derivatives[1]	Credit risk / Market risk	494	482
Funding	Liquidity risk	21,055	22,374
Total capital (based on full implementation of CRR)	Capital Adequacy risk	1,942	2,122

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

Risk Governance

Three lines of defense

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

Client privacy and data security

When confidential or personal information belongs to a client and is entrusted to NIBC, we handle it with the utmost care. Cybercrime and loss of data more generally is a risk for NIBC as well as for all of our financial sector peers. In 2020, this has become even more important, in the situation where almost all staff is working from home. This has further emphasised the relevance of sound systems and procedures. To ensure NIBC's cybersecurity measures are meeting all necessary requirements to provide a safe working environment and are sufficient to address the changed circumstances during 2020, we have further strengthened our information security team and carried out an increased number of tests, continuously assessing our information security and data protection measures. This is an integral part of our continuous effort to strengthen NIBC's cyber security approach and methods.

We have policies in place that require staff to ensure that we do not leave confidential or personal data unattended such as a clear desk policy, information security policies, and additional security controls. We facilitate the use of secure communication channels wherever possible and require staff to adhere to security considerations for sensitive or confidential information. Our approach is detailed in our Corporate Information Security Policy and our Data Protection Policy. We have a Record Keeping Policy in place to ensure we adhere to legal requirements with respect to the retention of data.

We investigate every identified data breach made known to us and report these to our data protection regulators when required. Whilst no legal consequences were identified, we take all data breaches – not just those which are reportable externally – very seriously. We analyse each one for lessons to be learned and take appropriate follow-up actions. Often these are in the nature of reinforcing employee awareness of the need for constant attention to protecting client confidentiality and privacy, and we carry out ad hoc training where necessary to supplement our regular awareness programme, which is mandatory for all employees.

Anti-fraud and anti-corruption

NIBC actively fights fraud, corruption and bribery under its established Global Anti-*Fraud Bribery and Corruption* **(FBC)** Policy. Definitions of FBC are wide-ranging. They include activities such as tax evasion and anti-competitive practices. The purpose of this Global Anti-FBC Policy is to set out the steps to be taken in order to achieve the following: prevent or minimise the risk of FBC, detect incidences / indications of FBC and create a hostile (deterrent) environment to FBC within our business. Particular attention is paid to FBC risks in establishing the integrity risk profile of clients.

Within NIBC, several policies are in place that support and contribute to our Global Anti-FBC Framework including the Code of Conduct, the Policy on Whistle Blowing, the Policy on Special Investigation, the Incidents Policy, the Engagement Committee and the Policy on Gifts & Entertainment.

The FBC Policy application is monitored in several ways including by evaluating periodically the anti-FBC controls and evaluating and monitoring the FBC risk assessments.

The responsibility for the prevention, detection and deterrence of possible FBC lies with every individual employee. Staff members must be aware of the types of misconduct, impropriety and criminal behaviour that might occur within their area of responsibility and be alert for any indication of irregularity.

Therefore, all staff receive mandatory training on NIBC's Code of Conduct as well as on related compliance policies such as anti-corruption, *anti-money laundering* (**AML**) and anti-bribery. These awareness and learning initiatives demonstrate NIBC's ongoing commitment towards good corporate governance and to uphold the ten principles of the *United Nations Global Compact* (**UNGC**).

In line with our commitment to the principles of the UNGC, NIBC does not accept or tolerate any instance of bribery, corruption or fraud. Any NIBC employee found giving or accepting bribes, or committing any other acts of corruption, will face disciplinary action. NIBC does not want to engage with clients who have consistently violated the UNGC principles and do not provide any level of commitment to improve.

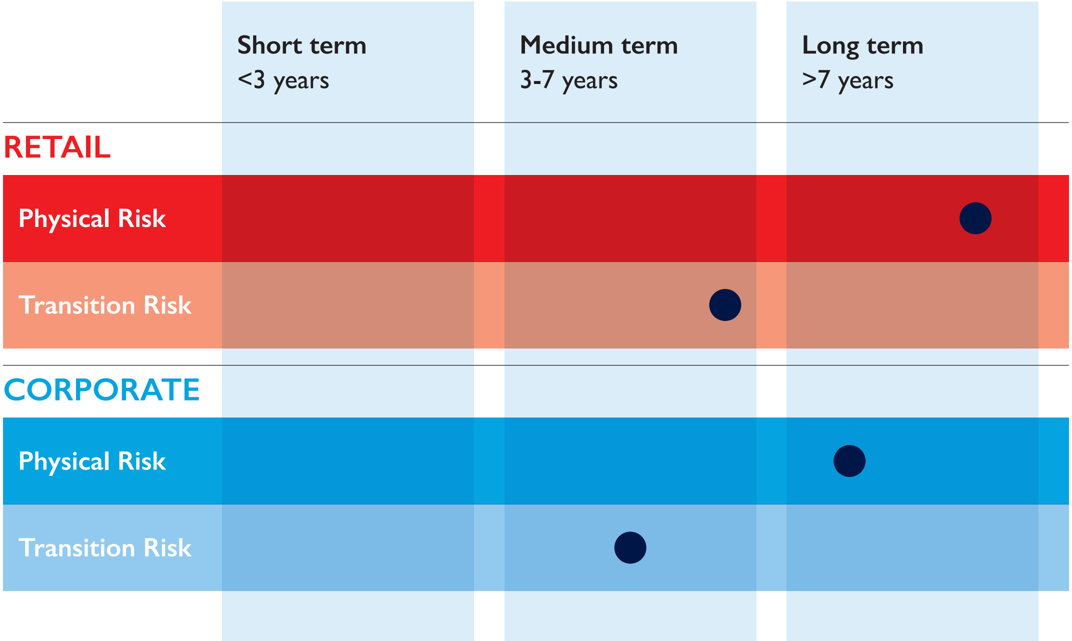
Our anti-fraud framework emphasises prevention and timely detection. All staff are responsible for the prevention, detection and deterrence of fraud. We familiarise ourselves with the types of improprieties that might occur within our area of responsibility, and are alert to any indication of irregularities. We always report actual or suspected fraud or misconduct, after which a special investigation is launched, if appropriate. If fraud is established, action will be taken against violators.

Climate risk

NIBC has a risk management approach in place with regard to ESG risks, including climate risk. This is supported by clear oversight, a robust sustainability risk management framework and transparent disclosures which show our progress relative to our commitments, recognised standards, and regulatory requirements. These aspects are described in the Sustainability section of this Annual Report.

Traditional business practices and retail client behaviour will need to rapidly adapt to the earth's changing climate. Our insights in this area are continuing to develop. Climate risk and biodiversity risk are themes which may materialise in other traditional financial risk categories. The relationship between these themes and financials risks is multidimensional and highly complex.

Physical climate risks are currently assessed to be medium- to long-term financial risks for NIBC's retail and corporate clients. There have been no indications of financial impacts related to physical climate on NIBC's retail clients to date.



Assessment of climate-related risk of our portfolios

Long-term physical risks for clients of NIBC include extreme heat, extreme weather and management of water levels relative to buildings in the Netherlands. Changes in water levels may result in damage to wooden pilings used as foundations or may be in the form of floods. If this risk materialises, the impact will be regional and/or national, likely impacting the portfolios of all mortgage loan providers including NIBC. NIBC's retail product offerings incentivise energy audits, energy efficiency and climate-proofing measures.

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

To date our corporate clients have experienced limited climate-related impacts to their own operations and only occasional disruptions in corporate client supply chains. Where these have occurred, they have typically been the result of extreme weather events such as flooding, drought or dangerous storms.

Looking ahead, it is likely these types of events will occur more frequently, reach additional regions and more visibly impact the supply chains of our clients. These changes also increase the risk of other environmental impacts such as loss of biodiversity and habitat. At the same time our clients are increasingly aware of these risks and are developing climate adaptation strategies to make their supply chains and processes more climate resilient.

Transitional climate risks related to our portfolios are increasing and may materialise in the medium to long term. An example is political risk surrounding climate policy. This aspect is influenced by the short-termism inherent in political cycles and differences in political views. This is increasing the likelihood of social unrest during the transition and the potential for widespread job losses if comprehensive national plans are not developed and widely accepted. In the long term, NIBC's clients may be impacted by related financial impacts such as net reduction of income due to increased costs and job losses.

Actions following NIBC's strategic business review in 2018 have changed our portfolio mix and related climate risks. The risk of stranded assets related to fossil fuels has likely reduced over the past few years as our exposures towards borrowers active in offshore fossil fuel industry have decreased.

To strengthen climate risk management, NIBC continues to develop tools to help identify and assess the materiality of physical and transitional climate risks. Where available, we also use external sources. The data may lead to new insights in topics like land subsidence and may help us to eventually quantify these risks.

We are engaged with peer banks, regulators and other stakeholders to share views and exchange best practices in ESG risk management. Furthermore we have continued our efforts to raise employee awareness about climate risk and other environmental and human rights risks. Climate risk related to NIBC's own operations is viewed to be less significant due to steps that we have taken and continue to take as part of our climate mitigation efforts. Energy efficiency improvements and our scope 1, 2 and 3 emissions estimates are reported in NIBC's Sustainability Report and *Taskforce for Climate-related Financial Disclosures* (**TCFD**) Report.

Risk Appetite framework

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

Our six pillars:

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

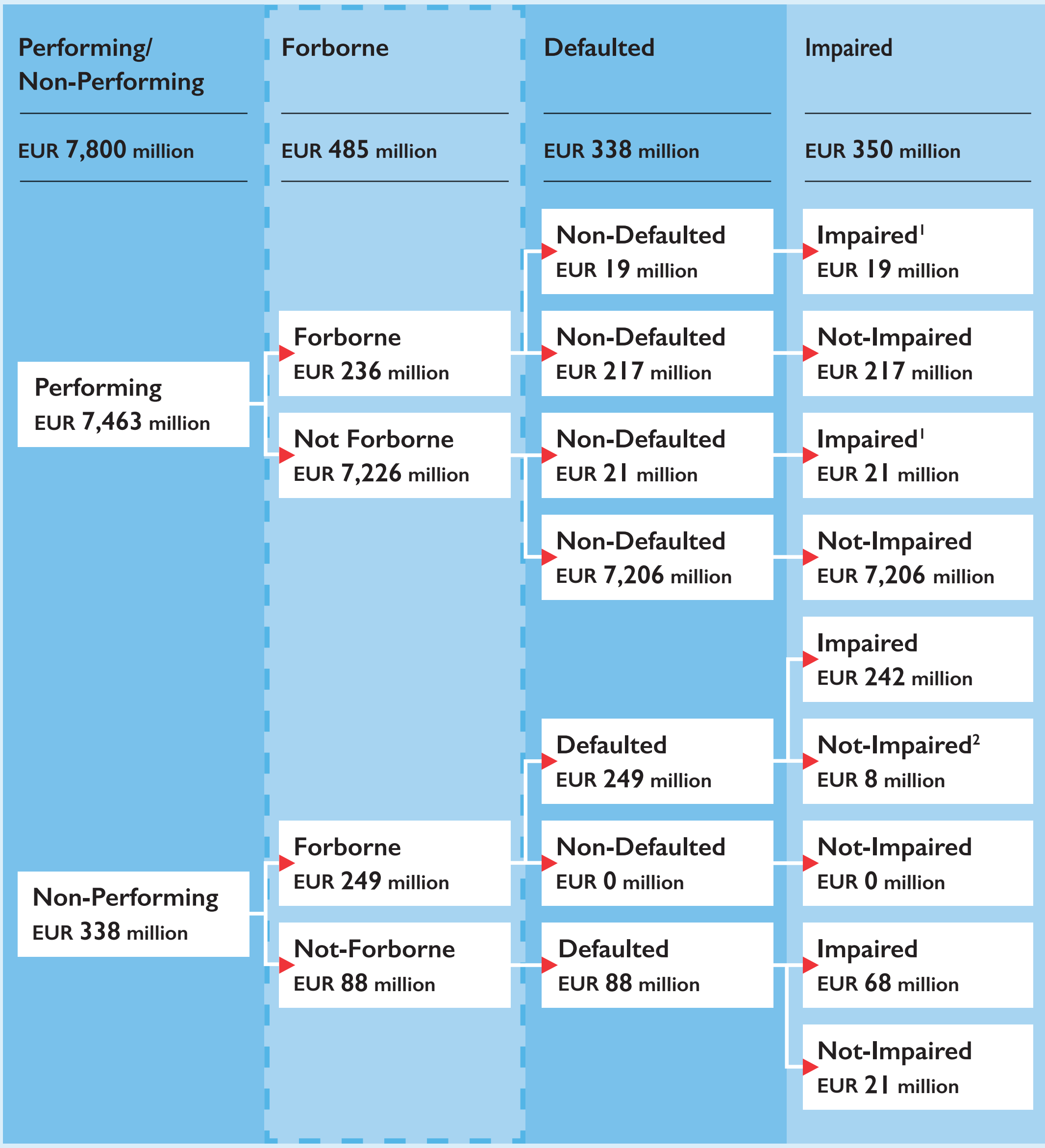
Asset quality

- Due to active portfolio management, exiting and writing off positions, NIBC significantly decreased non-core *Non Performing Loan* (**NPL**) exposures in asset classes Energy, Infrastructure and Mid Market Corporates.
- Asset quality in Corporate Client Offering has remained relatively stable, despite more difficult markets and a few challenging segments. The rebalancing of our Corporate loan portfolio and the COVID-19 crisis intensified our focus on portfolio management.
- Granularity of corporate portfolio has improved, evidenced by our top 20 exposure ratio.
- Elevated ECL level and the management overlay in combination with a smaller portfolio allowing for a more significant buffer for NIBC. The management overlay is in place to cover unforseen and hard to capture risks.

	2020					2019				
in EUR millions	Corporate exposure	Lease exposure	Retail exposure	Total exposure		Corporate exposure	Lease Exposure	Retail exposure	Total exposure	
Defaulted exposure	307	31	19	356	2.0%	423	30	10	464	2.4%
Impaired exposure	319	31	6	356	2.0%	378	30	10	419	2.2%
Non-performing exposure	307	31	19	356	2.0%	423	30	10	464	2.4%
Forborne exposure	455	31	118	603	3.6%	575	-	29	604	3.1%

	2020			2019		
in EUR millions	Non-performing exposure	Impaired exposure	Impairment coverage ratio[1]	Non-performing exposure	Impaired exposure	Impairment coverage ratio[1]
Corporate client exposures:						
Commercial Real Estate (incl. OIMIO)	63	63	30%	65	65	28%
Corporate Treasury	-	-	0%	-	-	0%
Energy	47	67	15%	140	136	24%
Financial Sponsors & Leveraged Finance	60	74	54%	46	46	49%
Fintech & Structured Finance (incl. Mobility)	30	30	72%	2	2	89%
Infrastructure	21	-	0%	40	5	12%
Mid Market Corporates	24	17	16%	46	41	71%
Mezzanine Equity Partners	11	16	55%	25	25	27%
Shipping	51	51	25%	58	58	28%
Total corporate client exposures	**307**	**319**	**36%**	**423**	**378**	**34%**
Lease exposures						
Leases	31	31	46%	30	30	33%
Total Lease exposures	**31**	**31**	**46%**	**30**	**30**	**33%**
Retail client exposures						
Mortgage loans	13	6	19%	10	10	16%
Buy-to-Let mortgages	6	0	0%	-	-	0%
Total retail client exposures	**19**	**6**	**17%**	**10**	**10**	**16%**
Total exposures	**356**	**356**	**37%**	**464**	**419**	**33%**

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



1 Performing non-defaulted and credit-impaired exposures represent POCI assets that have transitioned back to performing. Accounting standards require life time impairment for POCI assets.

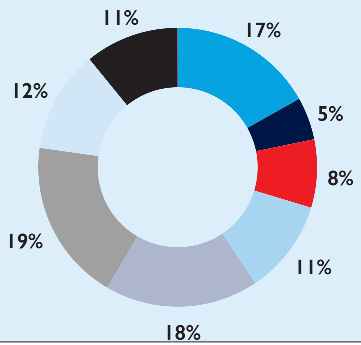
2 Related to FV loans and a claim on a bankruptcy estate.

Credit risk

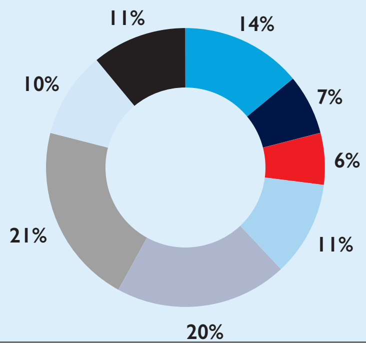
- In our Corporate Client Offering we mainly engage with clients rated 5 or 6 on the internal credit risk scale (BB and B for external rating agencies' scale) and a *loss given default* (**LGD**) corresponding with a recovery rate between 75% and 90%.
- In reaction to the COVID-19 crisis NIBC is proactively supporting clients with credit-related financial/liquidity difficulties in our Corporate Client Offering. We have taken a prudent approach by monitoring our clients on a case-by-case basis, allowing client specific payment deferrals and/or specific covenant waivers. To address these developments, NIBC has focused on its portfolio management activities throughout 2020.
- On the retail client side, clients impacted by COVID-19 have been given the opportunity to make use of a temporary payment deferral. Less than 1% of our client base used this deferral, of which the majority has resumed regular payments.

Credit risk exposure per asset class

in %



2019

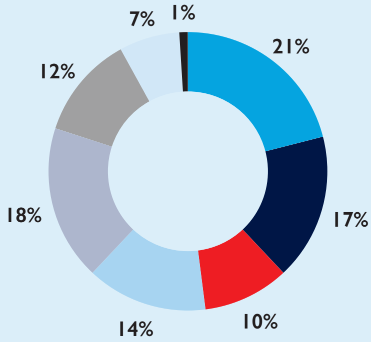


2020

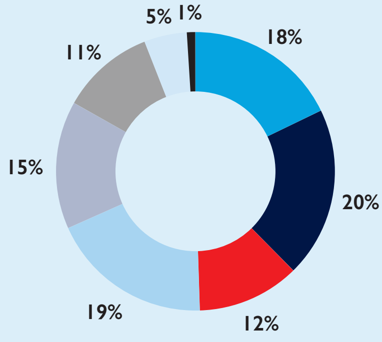
Commercial Real Estate[1] | Corporate Treasury | Energy | Financial Sponsors & Leveraged Finance | Fintech & Structured Finance[2] | Infrastructure | Mid Market Corporates | Shipping

1 including OIMIO
2 including Mobility

Mortgage loan portfolio per loan-to-value bucket



2019



2020

Guaranteed | >0% and <=50% | >50% and <=60% | >60% and <=70% | >70% and <=80% | >80% and <=90% | >90% and <=100% | >100%

Other risk types

In 2020, the equity portfolio reduced due to (partial) exits, selective origination and revaluation. For new businesses we aim for smaller direct client investments, preferably through offering a combination of senior and mezzanine lending, combined with an equity participation.

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

In reaction to COVID-19, NIBC has further increased its attention for liquidity risk management, with an increased frequency of meetings of the *Asset & Liability Committee* (**ALCO**) and additional portfolio analyses focused on liquidity forecasts.

NIBC does not take a currency position actively. At year-end 2020 the open foreign curency position was EUR 11.5 million.

Capital adequacy

Legacy instruments

Following the *European Banking Authority* (**EBA**) Opinion issued in 2020 on prudential treatment of legacy instruments, aimed at providing clarity on the appropriate prudential treatment of such instruments to ensure a high quality of capital for EU institutions and a consistent application of rules and practices across the Union. NIBC has performed an additional review of the treatment of its outstanding legacy Tier 1 instruments and has taken the approach to not include these instruments in the 'fully eligible' treatment for regulatory capital under the *Capital Requirements Regulation* (**CRR**), in light of the additional guidance provided by EBA.

Due to Brexit, two legacy Tier 2 instruments issued under English law no longer comply with the applicable regulation for Tier 2 treatment and are therefore excluded from (fully loaded) total capital as of 31 December 2020.

These adjustments have led to a decrease in (fully loaded) total capital as of 31 December 2020, as a total position of EUR 209 million is no longer included. The effect of the adjustment has an overall negative impact of -2.65% on the total capital ratio (from 26.64% to 23.99%).

The financial sector is currently awaiting further clarity on the implementation of BRRD 2 into Dutch law. This will also determine for NIBC whether its outstanding legacy Tier 1 instruments continue to be used without creating ranking issues resulting in infection risk. Once the impact of the Dutch law implementation of BRRD 2 on the legacy instruments (including their ranking) is clear, NIBC will determine the appropriate next steps with respect to these legacy instruments.

Basel IV

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

While certain elements still require more clarification, based on our current assessment and interpretation of the Basel IV Standards, we expect the impact to be in a range of 15%–25% of RWA by 2028, compared to the RWA as determined per year-end 2020. This already includes the impact of the 30% RWA add-on following the IMI in 2019. This analysis is based on the assumption that NIBC will successfully implement the required improvements in its model landscape. This does not take into account possible management actions, nor potential changes to Pillar 2 requirements. This also assumes a portfolio composition in 2028 that is equal to the current portfolio, as well as risk weights that reflect the current economic environment.

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

SREP requirements

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

Resolution

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

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

As of 1 November 2020, the date when the merger of NIBC Bank N.V. and NIBC Bank Deutschland AG became effective, NIBC Bank N.V. no longer qualifies as a cross-border group under Article 7(2)(b) of the SRM regulation. NIBC Bank already did not qualify as a significant institution. On 30 October 2020 the SRB confirmed the end of its direct responsibility as resolution authority for NIBC Bank N.V..This responsibility was subsequently transferred from the SRB to De Nederlandsche Bank ('DNB') as national resolution authority. NIBC has an open dialogue with its regulator to assess the current situation and remains confident it will meet the MREL requirement.

Economic capital

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

SUSTAINABILITY

At NIBC, we believe it is our responsibility to be a sustainable business for the benefit of future generations. We are convinced that as a business that takes its social and environmental responsibilities seriously, we are better able to manage our risks. Sustainability and innovation are themes which will lead to promising opportunities in our markets.

We want to ensure that the services we provide are responsible and sustainable. Additionally, as a financial services provider, we are well aware of the enormous responsibility we have in helping to build and maintain trust in our industry.

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

Reporting principles

The 2020 NIBC Annual Report has been drafted in accordance with the Dutch Decree disclosure on non-financial information (*Besluit bekendmaking niet-financiele informatie*), which came into effect on 24 March 2017 as part of the transposition into Dutch law of the EU *Non-Financial Reporting Directive* (**NFRD**) (2014/95/EU, OJEU 201 330).

This report has been prepared in accordance with the *Global Reporing Initiative* (**GRI**) Standards: Core option. Our GRI Content Index and a materiality assessment can be found on the NIBC Annual Report website. Those elements concerning *Taskforce for Climate-related Financial Disclosures* (**TCFD**) reporting are summarised in this Annual Report, whereas additional details and indicators are available in our Sustainability Report and TCFD Report.

Sustainable business

Sustainability is integrated in NIBC's business strategy. We aim to create environmental and social value as well as financial value at decisive moments for our clients and stakeholders. While we manage our sustainability and climate risks, we are also taking steps to pursue sustainable business opportunities in the asset classes where we are active.

During 2020, NIBC successfully launched a new mortgage label, Lot Hypotheken, which incentivises energy audits and energy efficiency improvements. North Westerly VI has brought strengthened ESG transparency standards to the collateralised loan obligation market. NIBC also launched its first TCFD report in July 2020, providing clarity for stakeholders on climate risks and estimated greenhouse gas emissions related to our financings and investments.

2020 marked 75 years of NIBC and 75 years of the United Nations. This remarkable heritage continues to be visible today. Several UN SDGs are prioritised as part of our business strategy. This is based both on internal reflections as well as on discussions with clients and other stakeholders. These SDGs include Responsible Consumption and Production (SDG12), Economic Growth (SDG8), Industry & Innovation (SDG9), Sustainable Communities (SDG11), and Clean Energy (SDG7). By focusing on these SDGs, we believe we will also contribute towards several other goals including Good Health (SDG3), Gender Equality (SDG5) and Climate Action (SDG13) among others. NIBC reports our progress on the SDGs in our annual UN Global Compact COP report.

Importantly, these goals are linked to potential opportunities within our corporate and retail businesses. Over the past few years, all employees within our corporate bank have taken part in a 'Sustainable Future' initiative. The goal of the initiative was to increase awareness of each of the 17 SDGs. Sessions were also held with each team to provide training on relevant human rights and environmental issues and to deepen the alignment of business strategy to the goals.

How we manage sustainability

NIBC's sustainability governance revolves around a system of checks and balances which ensures stakeholder perspectives are taken into account in our decision-making processes. NIBC's Managing Board is ultimately responsible for all sustainability matters. *Executive Committee* (**ExCo**) members discuss and advise on sustainability strategy, targets, planning and budget. The ExCo is also responsible for policies that impact NIBC's culture and ethics, such as the Code of Conduct. Any significant updates to the sustainability framework and underlying policies are reviewed and approved by NIBC's *Risk Management Committee* (**RMC**).

Responsibility for overseeing NIBC's sustainability agenda is delegated to the Sustainability Officer but is primarily managed by and embedded in each business unit. Processes, roles and responsibilities are defined to manage sustainability and take a precautionary approach.

Sustainability Officer

The NIBC Sustainability agenda is led by a dedicated full-time senior sustainability officer who is responsible for catalysing sustainability and corporate social responsibility within the organisation. The officer is a member of NIBC's RLCC senior leadership team and the Retail risk team and actively participates in the *Regulatory Expert Network* (**REN**) and the country risk working group.

The officer is responsible for the set-up and implementation of the sustainability strategy, including targets, planning and budget. He is up to date on all sustainability developments and is responsible for engaging with our external stakeholders. The officer meets regularly with each business unit to discuss progress and evaluate activities. Sustainability matters are monitored and reported periodically to the ExCo and the RPCC, a sub-Committee of NIBC's Supervisory Board.

Sustainability is integrated into NIBC's business strategy, and different business units are responsible for managing sustainability risks and opportunities as part of their regular activities. For example, business units apply NIBC's sustainability policies in their client interactions, Facilities & Services manages NIBC's energy efficiency programme, and Human Resources are responsible for sustainability in our human resource activities.

All new employees of NIBC are informed of our approach to sustainability as part of introduction sessions. These sessions include reflections on current topics in the world around us such as climate risks, modern slavery, money laundering, whistleblowing and ethical business conduct.

Core standards

We manage the sustainability impact of our financings through our Sustainability Framework, which can be found in the Sustainability section on our website. Our Sustainability Framework describes governance, implementation and the roles and responsibilities within our organisation with regard to sustainability risks. NIBC's Sustainability Policy framework, including the Human Rights Policy Supplement, is in place to manage our direct and indirect impact on human rights through stakeholder relationships.

NIBC defines sustainability risks to include environmental, climate, social, human rights and governance risks. Human rights are viewed by NIBC to be central to sustainable development and poverty alleviation. NIBC recognises our corporate responsibility to respect human rights (including labour rights).

The Sustainability Framework and its policies are based on internationally recognised conventions, standards and best practices such as the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the Paris Climate Agreement. Our approach to certain sectors and activities is further elaborated in our sustainability sector policies. These standards provide the overarching principles and standards that form the basis for NIBC to consider its engagement with clients across different industries.

During 2020 we reviewed all of our sustainability policies, updating where necessary to reflect improvements, best practices and relevant societal developments. Policy updates reflected ongoing dialogue and regular consultation with our stakeholders.

Due diligence and monitoring

NIBC's policies commit us to performing ESG due diligence and assessments of relevant and material environmental risks, climate risks, biodiversity risks, human rights risks and governance risks for all corporate clients and transactions. We aim to assess 100% of our new corporate loans. In our Non Financial Key Figures, we have reported that ESG due diligence and assessments were performed by NIBC for 100% of new corporate loans, an indicator that we are living up to this commitment.

New products and significant changes to existing products are assessed for potential human rights and environmental risks. Retail sustainability risks are managed at a portfolio level. Suppliers are required to meet our human rights, environment and anti-corruption standards and are evaluated as part of NIBC's *Know Your Supplier* (**KYS**) due diligence process.

Human rights due diligence is integrated into our business activities in a manner appropriate to the size, nature and context of operations and the severity of the risk of adverse human rights impacts. We assess the commitment, capacity and track-record of our clients in the field of environmental and social standards, including human rights and labour standards. This includes an assessment of their approach to manage human rights risks in their supply chain.

NIBC encourages its stakeholders to include clauses on compliance with human rights, economic and environmental criteria in their contracts with subcontractors and suppliers. These should be evidenced by the companies concerned where practicable via certifications, site visits, and/or audits to help ensure responsible practice throughout their supply chains. Where our stakeholders do not meet with such standards, NIBC will seek to work with them to improve over time, provided the right level of commitment is demonstrated. We will refrain from doing business with stakeholders who have consistently demonstrated to violate the human rights and labour standards mentioned in our policies and do not provide any commitment to improve. NIBC will not engage in direct business activities with countries (e.g. through sovereign debt) that are responsible for violations of international human rights including torture, genocide, crimes against humanity, or war crimes.

During 2020 NIBC's Innovation Lab continued work on tools which may help to further strengthen our due diligence and monitoring of environmental risks and human rights risks of corporate clients and suppliers. Input was received from leading civil society organisations. These developments may also lead to new insights or additional sustainability performance indicators which may be published in future reports.

Importantly the innovative techniques used in these experimentations related to sustainability may lead to other innovations in other areas and activities within NIBC, thereby ultimately benefiting customers, investors and other stakeholders.

Risks and Outcomes

Hard and soft regulation related to sustainability is continuing to increase in complexity and velocity for NIBC, its clients, and its suppliers. NIBC is taking steps to mitigate sustainability-related regulatory risk through due diligence, risk assessments, and disclosures to comply with regulation such as the EU NFRD, EU Sustainable Finance Disclosure Regulation (SFDR) and the EU Green Taxonomy.

NIBC was among the first of its Dutch peers to publish a TCFD report, provide initial insights into climate risk and comply with the latest guidance under the EU NFRD. A working group within NIBC is monitoring ESG legal and regulatory developments and provides regular updates to regulatory experts within NIBC and NIBC's RMC.

NIBC recognises its corporate responsibility to respect the environment, protect biodiversity, and take action to mitigate climate change in support of the Paris Climate Agreement and SDG13 Climate Action. Our long-term objective is to achieve these targets in our operations and financings ahead of the national deadlines.

Climate change, biodiversity loss, and water scarcity are signs of unprecedented pressure on the environment and the planet's ecological limits. NIBC is committed to preserving natural capital and reducing environmental, climate and biodiversity risks by facilitating the transition towards more responsible business practices. Environmental due diligence is integrated into our sustainability due diligence and monitoring processes for financings, investments, and product development to identify, mitigate and manage potential material environmental, climate and biodiversity risks.

Nationally the Netherlands aims to reduce greenhouse gas emissions by 50% or more from 1990 levels by 2030 and to become net zero before 2050. The scale of climate change and urgency of global emissions reductions necessitate that NIBC contributes to substantial reduction in emissions by 2030 and net zero before 2050. In practice, this means supporting our clients to transition and adapt. It also means that we must continue to take steps in our own operations. Innovation and the energy transition are two themes which we see across our businesses and are embedded in our corporate strategy.

The main long-term climate risks faced by NIBC's clients are likely physical risks related to flooding and drought due to rising global temperatures. If not properly mitigated, impacts may include land subsidence. These changes also increase the risk of other environmental impacts such as loss of natural capital such as biodiversity and habitat.

Transitional climate risks such as increased regulation, political risk surrounding climate policy and the risk of societal disruptions are increasing in the short to medium term. For example, retail and corporate clients face technology risks as existing technologies will need to be replaced with more efficient ones, processes will need to be adapted and fossil-fuel lock-ins removed. Additional detail in regard to physical and transitional climate risks are reported in the Risk Management chapter.

Our climate adaptation strategy is to curb potential climate, biodiversity and other environmental risks through product offerings, business strategies, client and transaction due diligence, and stakeholder engagement. For example, Lot Hypotheken offers retail mortage customers opportunities to undertake energy audits and take energy efficiency measures to climate-proof their homes. NIBC Bank's Commercial Real Estate team is supporting entrepreneurial companies which develop near 'energy neutral' buildings (Bijna Energie Neutral Gebouw, 'BENG'), pushing further innovation in energy efficiency. Environmental audits are performed for soil pollution, asbestos and other possible risks. Where needed environmental restoration costs are factored into the financial analysis and embedded in the financial solution.

The risk of negative impacts on climate and the environment from NIBC's own operations are less significant due in part to steps that we have already taken and continue to take as part of our climate adaptation efforts. Since 2010, we have measured our direct emissions, realised substantial reductions and compensated for any remaining direct emissions with Climate Neutral Group. These gold-standard carbon offsets make NIBC carbon neutral in regard to the direct emissions from our own operations. In a charitable initiative during 2020, NIBC and its employees took this one step further, purchasing additional offsets to help reduce emissions and mitigate global warming.

NIBC believes that respect for human rights is a basic responsibility, towards our own employees, as well as towards those people who are affected directly or indirectly by our actions. NIBC endorses human rights as formulated in the Universal Declaration of Human Rights, ILO core conventions and the *UN Guiding Principles for Business and Human Rights* (**UNGPs**).

NIBC has published an overview aligned with the UNGP Reporting Framework in our Sustainability Report. Human rights due diligence is integrated into our sustainability due diligence and monitoring processes for financings, investments, and product development to identify, mitigate and manage potential salient adverse human rights risks. NIBC also aims to reduce human rights risks in its own operations. NIBC's Works Council and Diversity Commitee play important roles in identifying, mitigating and reducing these risks. Additional detail regarding our approach to diversity, gender pay equality, health and safety of employees is reported in the Our People section and in our Sustainability Report.

Performance
NIBC publishes several indicators in the Non-Financial Key Figures section of this Annual Report. Additional figures are published in relevant sections throughout this report. For example, human resource indicators are published in the Our People section, Executive Remuneration is reported in the Remuneration chapter. In addition to the non-financial information included in this Annual Report, NIBC publishes sustainability performance indicators such as NIBC's scope 1, 2 and 3 emissions are reported in its Sustainability Report and TCFD Report. In 2019, we have reported in those reports total emissions of 1,296,193 tCO_2e, including 1,295,000 tCO_2e of financed emissions. The total emission figures for 2020 are not yet available.Additional information across a range of environmental, social and governance aspects is also included in these reports.

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

Further disclosures are published in the Sustainability section of our website throughout the year. Our GRI Content Index provides a structure framework and guide to help stakeholders to find relevant sustainability content across our many disclosures. NIBC's 2020 capital markets updates, led by NIBC's ExCo and business unit heads, provided insights into our sustainability performance to institutional investors, retail investors, rating agencies and clients. NIBC continued to significantly reduce its Energy portfolio and related fossil fuel exposure as part of our business strategy. In doing so the risk of stranded assets related to these expsoures has also been reduced.

Severe adverse human rights incidents related to NIBC's financings during 2020 were acted upon in accordance with our duty of care under leading international human rights standards. For example NIBC chose not proceed with a transaction due to serious human rights concerns. Risks were identified during our due diligence process, leading to this decision. The main salient human rights risks for NIBC are labour conditions and worker safety in corporate client supply chains. NIBC manages these risks through stakeholder engagement, client and transaction due diligence and by raising awareness with corporate clients. Full transparency into supply chains continues to be a significant challenge for corporate clients.

During 2020, no severe adverse environmental incidents related to NIBC's financings, own operations or supply chain were reported. At the same time, we recognise that physical and transitional climate risks are present and impacts will continue to become more visible in future years.

Lack of access to actual energy and emissions data of clients is a constraint for NIBC and peer financial institutions. We will continue to work with stakeholders to improve access to detailed data in order to further develop our insights. New reporting standards are regularly proposed, a signal that existing sustainability accounting and reporting methodologies will continue to evolve over the coming years.

Energy use, business travel and commuting and related emissions were significantly reduced due to increased working at home during the year. We manage our direct operational impact on the environment through an environmental management programme which continues to evolve. All electricity used in NIBC's offices is sourced from renewable energy, achieving our target. Renovations completed in past years at our headquarters in The Hague delivered increased efficiency and reduced energy-related carbon emissions. This is contributing to our goal of reducing our direct emissions and is visible in the performance indicators reported in our Sustainability Report. Our system in our offices in The Hague partially heats and cools using the groundwater beneath our buildings, thereby reducing our reliance on gas and fossil fuels and improving energy efficiency.

Stakeholder engagement and materiality

NIBC recognises its responsibilities towards stakeholders, regularly engages with them and considers their interests in its day-to-day decisions and activities. Engaging with stakeholders in a proactive way and on a continuous basis is central to our strategy and ambition to achieve sustainable growth.

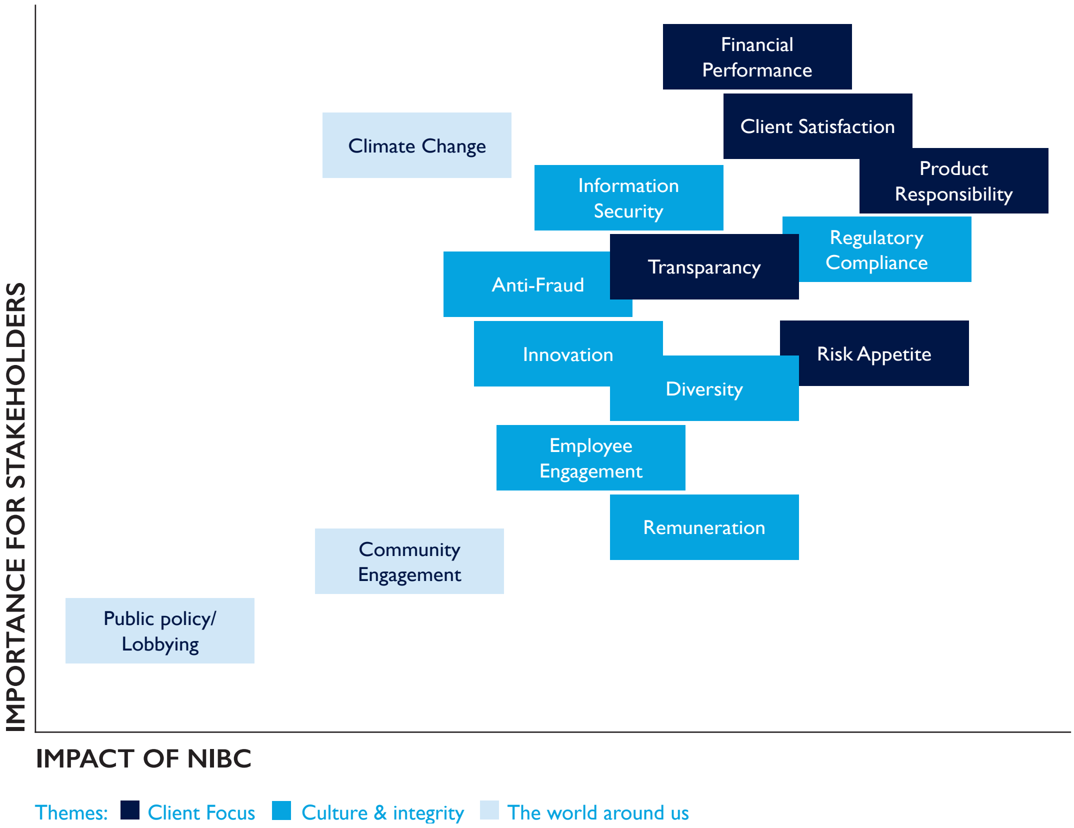
We define stakeholders as any group or individual affected directly or indirectly by our activities. We have identified our main stakeholders to include clients, institutional investors, shareholders, regulators, employees and civil society organisations. We actively seek these connections to the world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

Our engagement with these groups takes place via different channels that range from ongoing dialogue to direct requests for feedback. To ensure our long-term success, we acknowledge the need to strike a careful balance between the interests of all our stakeholders.

The views of NIBC's stakeholders are continuing to evolve, influenced by the world around us. There is a rising expectation that financial and non-financial aspects need to be in balance. At the same time, our stakeholders expect NIBC first and foremost to be a financially healthy company with strong risk management which protects the integrity of the financial system. They also expect that we strongly consider environmental concerns, human rights risks and good governance in our own operations and in our financings and investments.

Materiality analysis 2020

The analysis was conducted in preparation of this report and the results are compiled and reported visually in this chapter. For 2020, our stakeholder consultation was performed across a range of stakeholder groups representing our clients, investors, regulators, civil society and employees. Unlike past years, most meetings with stakeholders were virtual due to the pandemic. Based on their input, we compiled and ranked each material topic on a scale of 1 to 10 (1 = least important; 10 = most important).



We used this opportunity to ask for more specific feedback with regard to diverse issues such as financial results, climate risk, ethics, human rights, diversity, data privacy, community engagement, employee engagement and others. Participants were also invited to add material topics of their own. The location of each topic within the graph represents the sum of their responses. It is important to understand that this matrix does not reflect all the issues that NIBC gives attention to but rather the issues our stakeholders view as important for us to tackle. For instance, we see human rights as our responsibility and have developed a policy that ensures all necessary measures are in place to guarantee human rights protection but, because of our Northern European focus, this topic does not appear material for our stakeholders.

The four most material aspects for stakeholders were financial performance, client satisfaction, climate change and product responsibility.

Financial performance was of high importance to our stakeholders. The financial landscape is changing rapidly, influenced by low interest rates, increased regulatory scrutiny, and the emergence of fintechs. Stakeholders have expressed the importance that they place on NIBC focusing on its financial targets, maintaining its cost efficiency, building financial resilience and delivering on its promises.

Client satisfaction was seen by stakeholders as very material, particularly in light of the pandemic. They believe that high client satisfaction is an indicator of the strength of our franchise. The primary measurements of client satisfaction used by NIBC are the *Net Promotor Score* (**NPS**) score for corporate banking and the client satisfaction survey results for NIBC Direct. We also closely monitor feedback received across all communication channels. Our Non Financial Key Figures in this Annual Report include client satisfaction figures.

Climate change continues to be of high importance to our stakeholders during 2020. External stakeholders and NIBC employees alike signalled their concerns about climate change and its impacts. Numerous meetings, forums and roundtables were held to share best practices, discuss progress and to share views on regulatory proposals. They appreciated NIBC's efforts in reducing its fossil fuel exposure and see NIBC as having a role in influencing corporate clients to adapt to the energy transition. Sustainability is increasingly a reason that recruits choose to work at NIBC and employees feel engaged. This is reflected in the results of our Employee Experience Survey reported in the Our People section of this Report. NIBC reports indicators regarding its emissions, energy efficiency and environmental performance in its Sustainability Report.

Product responsibility and duty of care continued to be very important. Stakeholders view this as an area of strength for NIBC. Our retail clients expressed appreciation for our online platform and clear terms and conditions. Investors liked NIBC's transparency, and thinking ahead to strengthen ESG standards and effort to open the CLO market for increased responsible investment. We recognise that the boundary for product responsibility is broad. For example, our retail savings clients expect a safe online environment. All customers expect clear, understandable, and fair terms and conditions. Retail and corporate clients expect privacy and protection of their information. NIBC reports the percentage of corporate loans screened for ESG and significant fines and sanctions as Non Financial Key Figures in this Annual Report.

Information security and data privacy remained important to stakeholders. Our stakeholders have high awareness of data protection regulations such as GDPR. Statements on NIBC's website provide clarity to our customers. Within the Risk Management chapter of this Annual Report, we report on our efforts to manage these risks and the results.

Stakeholders also mentioned the importance of diversity in all of its many facets. They appreciated NIBC's efforts to take action on diversity and improve gender pay equality. Having a diversity committee to oversee progress within the company, and diversity in senior management and in our Supervisory Board is seen as tangible and meaningful. During 2020, our Non Financial Key Figures in this Annual Report show that gender diversity at NIBC modestly improved, continuing the progress made over the past few years. Additional indicators are disclosed in our Sustainability Report.

Examples of stakeholder engagement

North Westerly VI CLO

With institutional investors, we discussed financial, environmental and social objectives and shared value creation. The North Westerly VI CLO utilised strong transparent approach to ESG and our approach on applying sustainability in the development of the CLO was guided by input from both investors and civil society organisations. During its launch in November, North Westerly VI was widely praised for pushing the envelope with regard to sustainability and opening the CLO asset class for responsible investment.

Equator Principles

NIBC is one of 114 financial institutions in 37 countries worldwide which have officially adopted the *Equator Principles* (**EPs**). The EPs are a risk management framework for determining, assessing and managing environmental and human rights risks in project finance transactions. The development and ratification process for *Equator Principles 4* (**EP4**) attracted high interest from civil society stakeholders, trade unions, national authorities and peer banks. Based on these engagements, NIBC advocated within the EPA to strengthen standards and more closely align with the UN Guiding Principles on Business and Human Rights, OECD Guidelines for MNEs, and the targets of the Paris Climate Agreement.

Human rights

Although the *International Responsible Business Conduct* (**IRBC**) agreement for the Dutch banking sector ended during 2020, NIBC continued its work with stakeholders in the area of human rights. . We engaged on human rights with business partners, clients, civil society organisations and employees.

Attention was given to increasing transparency of corporate human rights commitments and practices with a view towards influencing long-term positive improvements. For example, several mid-sized corporate clients added their commitment to respect human rights to their public websites as a result of our discussions. In our own operations these engagements informed NIBC to refine its complaints mechanism as well as sustainability requirements in its standard vendor contracts. NIBC also added an archive on its website for previous Modern Slavery Statements and sustainability-related reports.

Climate Accord

NIBC is a signatory of the Climate Accord together with other Dutch financial institutions. NIBC discussed carbon emissions targets, potential climate risks, and best practices in reporting with regulators, civil society organisations, peer banks and clients. We were also an active member of the *Partnership for Carbon Accounting Financials* (**PCAF**) to further engage on emerging carbon accounting standards in the financial sector with our financial peers. PCAF methodologies are being used in NIBC's estimated emissions disclosures.

Responsible Shipping

NIBC continued to take a proactive role in addressing environmental and human rights issues in shipping value chains. Based on discussions with stakeholders, we can conclude that the efforts of NIBC and the nine other banks involved in *Responsible Ship Recycling Standards* (**RSRS**) are having a positive influence on the shipping value chain.

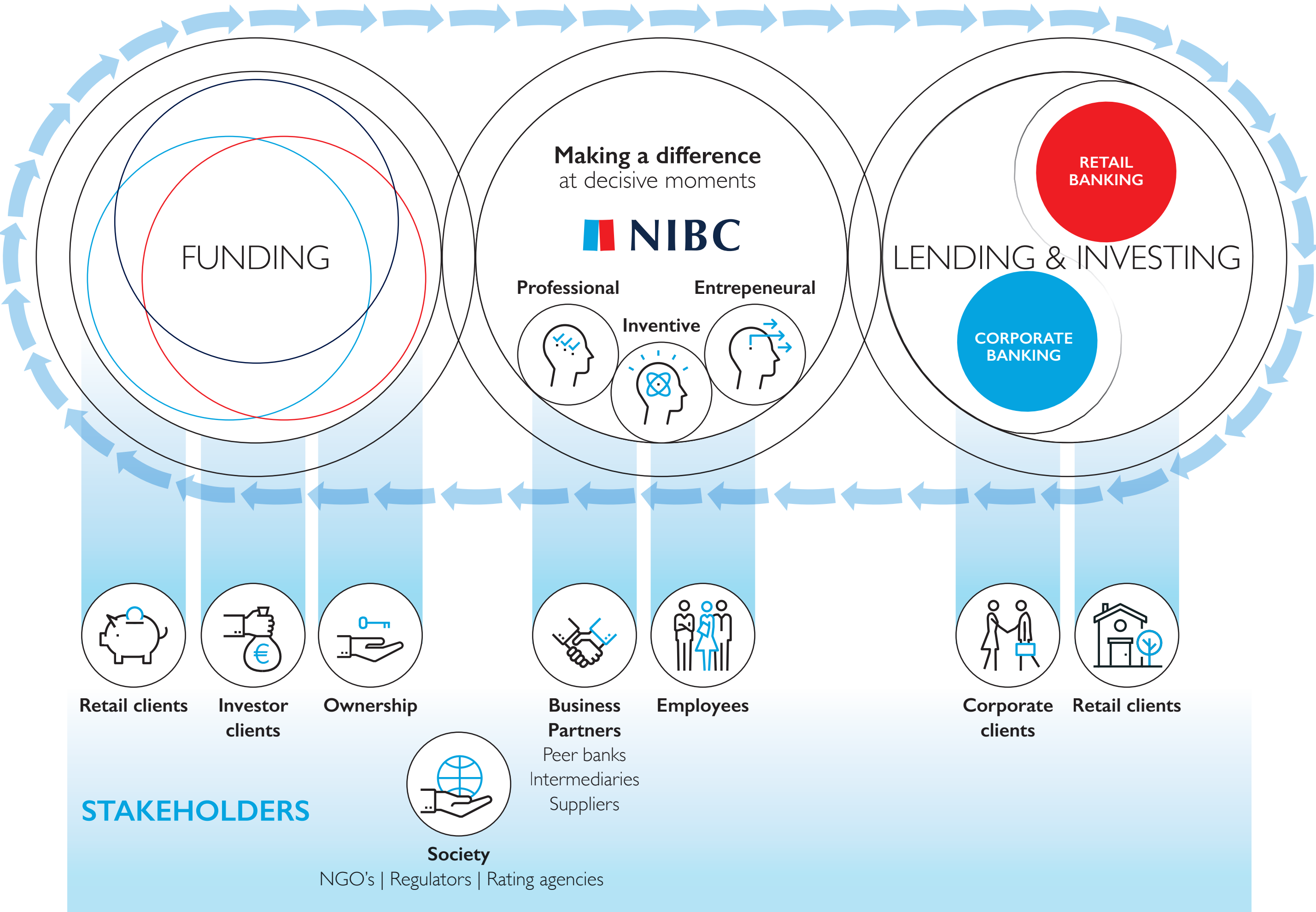
Since 2014, 100% of NIBC's new financings in shipping have included RSRS, achieving our target. It is a significant achievement that more than 90% of NIBC's shipping portfolio at year-end 2020 includes RSRS commitments.

NIBC's Value Chain

NIBC's 2020 Annual Report contains information on topics which are material to our stakeholders. As part of this process, we have evaluated NIBC's value chain, assessing the different areas of the value we create and the capital we control. This is done not only in terms of our products and services to our clients, but also in terms of the value we deliver to those who invest in us and provide funding.

We have encapsulated the results into a 'value flow' diagram which provides clarity regarding our value creation model. While a simplified view, it reflects our client-first business agenda and our business principles which will enable our future financial and non-financial performance.

Value flow



Our value creation model reflects the capitals of the Integrated Reporting Council. Materiality is used as a basic principle for reporting on the activities and impacts within our value chain. We operate in a services sector, therefore manufactured capital (i.e. buildings and other physical assets) and natural capital (natural resources as an input to our work) have less material relevance than they do in other sectors.

We create value by transforming capital inputs. These inputs include the professionalism and inventiveness (intellectual capital) of the people within NIBC, financial capital from investors and savings from retail customers, and services provided by our suppliers and outsourcing partners. We transform these inputs into value outputs so that they positively contribute to the resilient communities that we serve while staying within ecological limits.

A core societal benefit is that this capital is invested back into communities that we serve – directly to mid-sized family owned businesses in north-west Europe, the mortgages of retail customers and to SMEs through our fintech partnerships. This helps to contribute to financial resilience at different levels throughout these communities while delivering a good financial return for our investors.

Business Partners

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

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

Tax Compliance

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

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

Community Engagement

Although the pandemic affected in-personal activities NIBC employees found opportunities active in a wide range of initiatives in our communities during 2020. Unfortunately the Week van het Geld (Global Money Week), was cancelled in the Netherlands and globally for the first time since 2010. Normally about 700 primary school children participate in this Bank "voor de Klas" programme with NIBC staff and ExCo members.

NIBC employees managed to pack food parcels for the holidays to support families which rely on the Dutch Foodbanks. Together with employees of other leading corporates such as Unilever, Mars, Shell, Dr Oetker and Upfield, holiday food parcels were prepared and distributed across the Netherlands.

In December, employees in The Hague supported Stichting Vitalis in an annual holiday tradition at the bank. Vitalis is a professional non-profit organisation that supports vulnerable children so they can avoid intensive professional youth counselling programmes. NIBC employees provided personalised holiday gifts for about 100 children while taking appropriate precautions in a specially designed event.

NIBC NGO Boulevard

In 2015, we launched the NIBC NGO Boulevard, a unique initiative that makes modern office space and professional facilities available to good causes. Civil society organisations in the NIBC NGO

Boulevard include Maatschappelijke Alliantie, Stichting Vitalis, SDG Charter and Buddy Network. One focus area for all of these organisations and NIBC has been to contribute to Dutch efforts towards the SDGs through activities and initiatives. Our interactions, joint initiatives and workshops, and other activities have contributed to increased awareness at NIBC staff of human rights and environmental risks and impacts.

Engagement with these organisations was severely disrupted during 2020. We look forward to returning to more normal cooperation post pandemic.

OUR PEOPLE

As a bank built for entrepreneurs, we are committed to cultivate our 'Think YES' mentality by being flexible and agile and by matching our clients' can-do attitude. For serving our clients our people are our key assets so we strongly believe in implementing this entrepreneurial attitude through each of our people by encouraging personal development and diversity in our teams. We also believe that we have a responsibility towards our employees, their health, well-being and ability to grow. This year, keeping our workforce healthy and safe has been a primary concern. But we have also pursued our continuous efforts towards responsibility, diversity, development and engagement.

The COVID-19 pandemic has deeply changed our ways of working. Throughout the year, NIBC has looked at ways of keeping its people healthy which led us to maximise working from home. During most of the year, only a skeleton team worked from the office, the rest of our people working remotely. Technology investments made in previous years paid off with no critical interruptions observed to date. However, working remotely for most of the year comes with its challenges that NIBC has addressed in several ways. We have built new ways for our employees to interact, maintain contact with colleagues and continue to feel part of an active community, offering sports classes online, virtual events or conversations with our Executive Committee members or other people from the bank, sending care packages and other tokens of appreciation. We celebrated the 75th anniversary of NIBC with a bank-wide online event. We set up a webshop for our people to spend a total budget of EUR 300 per person on office supplies to upgrade the home office and prevent health issues related to inadequate working conditions.

Even though circumstances required us to give special attention to health and well-being in this year, our regular efforts towards our people have not been put to a halt.

We are mindful of our responsibility towards helping build and maintain trust in the financial services industry. We have continued to run our Banking on Trust programme and made concerted efforts through our focus on sustainable culture and behaviour. At least each month the Managing Board takes the Bankers' Oath from all new employees. We continued the Compliance & Integrity awareness programme, through mandatory e-learning on Compliance as well as Data privacy. Finally, all new employees of NIBC Bank are informed of our approach to sustainability as part of introduction sessions. These sessions include reflections on current topics in the world around us such as climate risks, modern slavery, conflict of interest, fight against terrorism financing, money laundering, whistleblowing and ethical business conduct.

We are committed towards improving diversity. Diversity at NIBC comprises different gender, nationalities, ages, cultures, as well as social or personal differences. The Exco approved a coherent set of measures and targets – also incorporating a broader diversity scope – which will help us to deliver results. Within the pillars inflow, career, outflow, and awareness we set several targets and measures. The overall diversity target remains to have a minimum of 30% of women. Improving diversity, and in particular male/female ratios is a long-term process and we will continue to strive to meet our ambitions. We have a Diversity Committee in place which is tasked with researching our current behaviours and recommending ways to achieve a more inclusive environment at NIBC. Also the Managing Board continues to address this topic as high-priority. Furthermore, we work closely with entities such as Talent to the Top. Moreover, diversity in general, and the male-female balance specifically, are explicitly considered in our talent programmes and performance management. To address gender imbalances, we have introduced engagements, like mentorships and dedicated workshops and programmes, aimed at retaining and further developing talented female employees.

We are dedicated to ensure that each of our people can grow and develop to make a difference. Therefore, we have adjusted our feedback and performance review procedures, moving from a yearly, fixed procedure of goal-setting and performance evaluation to more agile, frequent feedback sessions. The aim is to make employees the main actors of their development and also provide more transparency to them on the merit rewards and promotion procedures. Complementary to the attention given to feedback, is our long-running commitment to training. At NIBC, each employee gets a personal development budget of EUR 2,000 for two years. The average spending on training was EUR 1,882 per employee. We also kept up with our dedicated training programmes for our talents, both in their early and mid-career, respectively with the Talent Program and the Dare to Develop programme.The Talent Program is a one year talent development programme which we offer to recent university graduates to kick-start their career at NIBC. The programme is designed to help our young analysts to thoroughly get to know the bank, themselves and each other and provides an opportunity to develop personal and professional skills and knowledge. The Dare to Develop programme is a one year invitation-only programme aimed at our talented young professionals at mid-career level. The programme is developed in close cooperation with the participants and enhances personal effectiveness in influencing, consulting, negotiation and innovation.

NIBC also uses a modern set of employee benefits, which are flexible and well aligned with the realities of our business. An important aspect is the discretionary approach to compensation and benefits, which takes into account a range of considerations, including performance indicators and country-wide benchmarks. This enables us to reward our talented staff and retain them. However, since 2020, NIBC does, for the largest share of its employees in the Netherlands, not consider bonuses to be a pertinent reward tool and therefore these have been abolished and partly converted into the fixed remuneration. Internationally, bonuses are still applied to match the local sector practice. This decision has been made after consultation with our Work's council.

Among benefits, NIBC offers a *collective-defined contribution* (**CDC**) scheme for salaries up to the fiscal maximum of EUR 110,111,ensuring that pension costs have become predictable. For 2018-2020 the contribution for NIBC is determined at 26.2% and the contribution of the employee at 4.2%, whilst the gross contribution by NIBC for pensions above the fiscal maximum is set at 25% for all ages.

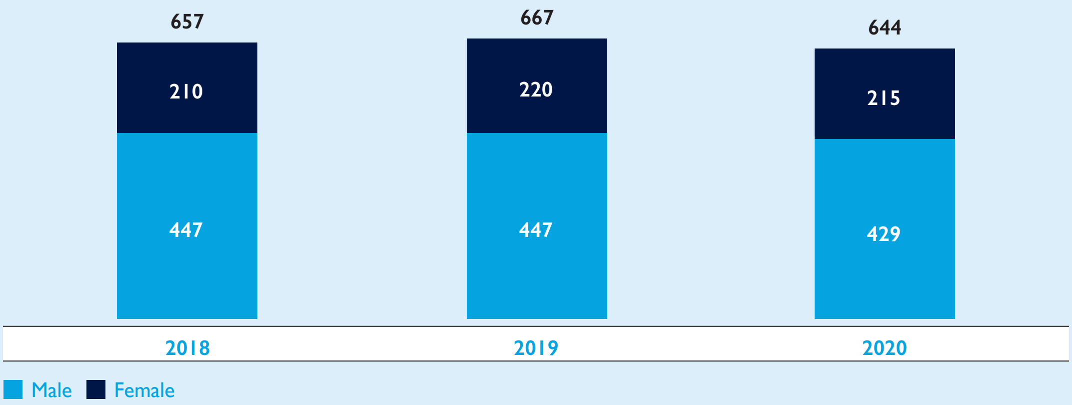
NIBC's Works Council (Council) represents the interests of all staff based in the Netherlands. It currently has 11 members from all departments and levels across the bank. As the voice of the employees, the Council regularly meets with the members of the Managing Board and HR team in both formal and informal settings. Since 2014, NIBC has opted not to be part of the collective labour agreement for banking institutions in the Netherlands. Therefore, the Council – as the representative of all NIBC's employees on the payroll in the Netherlands – became senior management's direct interlocutor for negotiations in this important area.

Combining these efforts allows us to display low absenteeism, high engagement levels as displayed in our employment survey, where, in particular our people felt supported during COVID-19, and improved diversity indicators.

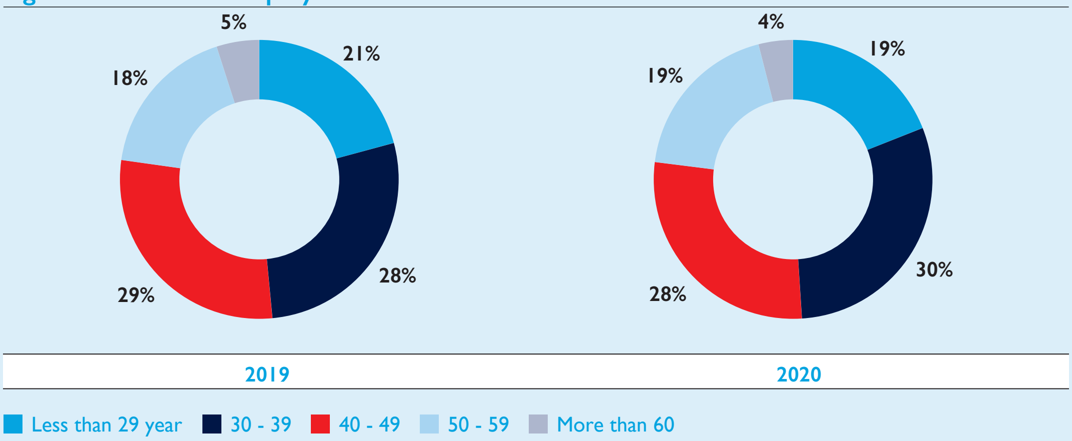
Our people - main indicators

- Engagement and commitment of our employees, as measured by our Employee Experience Survey, continues to improve. From 75% in 2019, committed employees are now 80%. We have also improved engagement level to 37% from 35% last year. Over 90% of respondants express satisfaction with NIBC.
- Our attention to diversity and equality is reflected in several indicators. NIBC's workforce shows a balanced distribution over the different age groups. The gender pay ratio (ratio of average pay of women to men) is close to 1 across the various seniority levels.
- Diversity is also reflected in the variety of nationalities represented in our workforce. At the end of 2020, 11.8% of our workforce did not have Dutch citizenship (end of 2019: 9.2%).

Number of FTEs by gender



Age distribution of employees



Gender pay ratio

Gender Pay Ratio by level (GRI 405-2) *	2020	2019	2018
Professional Support	0.8	0.9	0.8
Analyst	1.0	1.0	1.0
Associate	1.0	1.1	1.1
Vice President	1.1	1.1	1.2
Associate Director	1.1	1.1	1.1
Director	1.0	1.1	1.0
Managing Director	0.9	0.9	0.9

PERFORMANCE EVALUATION

In the following table, we measure NIBC's performance against the strategic priorities as described in the 2019 annual report.

STRATEGIC PRIORITIES	PERFORMANCE
Continuous evolution of our client franchise, expertise and proposition	+ The OTM proposition for mortgage loans has been further diversified, leading to a significant increase in mandates: +50% to EUR 9.8 billion. + Successful introduction of new mortgage label 'Lot Hypotheken', extending NIBC's ability to service its mortgage clients. + Launch of several new propositions, e.g. small CRE with our new OIMIO label. +/- NPS for corporate clients decreased to +30% (2019: +47%). The customer satisfaction survey result for NIBC Direct is stable at 7.9 (2019: 7.9).
Focus on growth of asset portfolio in core markets	+ Strong origination of both owner-occupied (EUR 4.8 billion) and BtL mortgage loans (EUR 0.3 billion). +/- Growth in selected corporate asset classes is below target, as following the pandemic we pro-actively continued to reduce identified asset classes and furthermore the focus is on supporting existing clients and portfolio management. + An increase of corporate OTM by 37% to EUR 1.1 billion.
Diversification of income	+ In 2020, we have continued to focus on growing our OTM mortgage offering, leading to EUR 27 million OTM-related fee income in Retail (2019: EUR 15 million). - Net fee income related to lending and M&A activities have decreased substantially in 2020.
Building on existing agile and effective organisation	+ In 2020, NIBC has further improved and streamlined the organisation. Through discontinuation of its capital market activities and the merger of NIBC Bank Deutschland AG with NIBC Bank N.V., we have increased the focus of the organisation. + NIBC has been able to address the challenges of COVID-19 in an effective way, making use of the agility and creativity of the organisation. As from March 2020, we have been working remote without any major disruptions.

STRATEGIC PRIORITIES	PERFORMANCE
Ongoing investment in people, culture and innovation	+/- EUR 1,882 per employee spent on training and educational programmes (2019: EUR 3,504), even during these unprecedented times. + Successful continuation of internal training programmes for junior and medior staff. + Support of our staff in working from home, facilitating with relevant tools and hardware.
Further optimisation of capital structure and diversification of funding	+ Strong CET 1 ratio of 21.3%. + Stability in the funding spread despite volatility in the markets. + Strong LCR ratio at 216%, even after repayment of more than EUR 600 million of ESF deposits.

In 2018, we announced our medium-term performance objectives. These objectives were set before COVID-19 and the acquisition of NIBC Holding N.V. by Blackstone. At this point, NIBC has not adjusted its ambitions towards its medium term objectives, once market conditions normalise and overall economic activity will be back at pre-COVID-19 levels. Performance on the medium term objectives is discussed in the Financial review section.

	Medium-term objectives	2020	2019	2018
Return on equity	10-12%	2.6%	11.4%	13.6%
Cost/income ratio[1]	<45%	54%	44%	43%
CET 1[2]	≥14%	19.9%	17.1%	18.5%
Rating Bank	BBB+	BBB+	BBB+	BBB
Dividend pay-out ratio	≥50%	0%	59%	58%

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

Based on the current state of affairs, the performance in 2020 in relation to both the strategic priorities and the medium-term objectives, preparation of the financial reporting on a going-concern basis is justified.

SWOT ANALYSIS

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

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

OPPORTUNITIES	THREATS
■ Strong support from new ownership for growth strategy; ■ Expansion of the OTM model to additional asset classes, enhancing earning potential and diversifying the income model; ■ Creation of an ecosystem where flexibility and speed of fintechs are combined with the resources, reliability and financial backing of a regulated institution.	■ Increase in the cost of risk due the prolonged COVID-19 crisis; ■ Prolonged low interest rate environment resulting in abundance of liquidity and increased mispricing risk; ■ Permanently invest in our licence to operate, including AML, KYC and other regulatory related requirements such as Basel IV.

Recent developments

NIBC operates in an environment that is characterised by continuous change. This section highlights several developments and the relevance for NIBC's operations.

New definition of default and forbearance policy

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

Brexit

With a branch office located in London and various activities carried out in the UK on a cross-border basis from the Netherlands and Germany, NIBC has implemented measures to ensure its ability to continue its UK business notwithstanding the expiry of the Brexit transition period. As of 31 December 2020, NIBC has entered into the UK's *Temporary Permissions Regime* (**TPR**) and is regulated in the UK by the Financial Conduct Authority. By entering into the TPR and having made various adjustments to its contractual and reporting arrangements, NIBC is able to continue operating in the UK in largely the same manner as before the end of the transition period. NIBC is liaising with the FCA in order to progress its authorisation to operate its UK business in the longer term. Nevertheless, NIBC remains exposed to the uncertainty of how the UK's future relationship with the EU may evolve, including as to how regulation in the UK may diverge. Details of all elements of the future relationship between the UK and the EU will only become known over time and these may negatively impact both the macroeconomic climate in the UK and our clients.

Long-term value creation

With its purpose and strategic priorities in mind, NIBC is continuously evaluating its position within the financial ecosystem and calibrating its short-term action plans with its long-term strategy. With the direct interaction between the Managing Board and the ExCo, NIBC ensures the connection between its strategy planning process and stakeholder engagement processes, so that the interests of different stakeholders are actively included in the decision-making process. The choices are translated into a 5-year strategic plan, including a capital and funding plan. This strategic plan also takes the challenges the industry faces into account: increased cost of risk; economic downturn; low-for-longer interest environment; increased regulatory demands and requirements related to our licence to operate. This plan and the impact on NIBC going forward are extensively discussed in the Supervisory Board. In the current environment, these processes have led to, amongst others, a focus on actively rebalancing our portfolios, the development of our OTM proposition, investments in *Customer Due Diligence* (**CDD**) processes and procedures and various reporting processes.

With this approach, NIBC is actively steering on long-term value creation, to the benefit of all stakeholders.


NIBC
PROFESSIONAL
ENTREPRENEURIAL
INVENTIVE

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

The year 2020 was an extraordinary year for NIBC. The COVID-19 pandemic influenced personal lives, families and communities, but also impacted businesses and economies on a scale never seen before. At the same time it was a remarkable year in which NIBC celebrated its 75 years anniversary and, after 15 years shareholdership of JC Flowers & Co., welcomed The Blackstone Group as new owner of NIBC Bank N.V.'s parent company, NIBC Holding N.V.

The Supervisory Board is proud of how NIBC managed the COVID-19 crisis towards its clients, but especially towards its employees. For the largest part of the year remote working was the standard and during the year, the personal well-being of NIBC employees has been one of the top priorities of every manager throughout the organisation. Management reached out to staff in many different ways to support them during these unprecedented times. This was highly appreciated by staff which was reflected in the highly positive outcome of the Employee Engagement Survey.

On 25 February 2020, NIBC Holding N.V., NIBC Bank N.V.'s parent company, announced that it reached agreement with The Blackstone Group on a recommended all-cash public offer for all the NIBC shares. After an intensive process during the remainder of 2020, NIBC was taken over by the Blackstone Group on 30 December 2020, which will bring new opportunities for NIBC. Also this process was executed in an almost fully remote manner. As part of the transaction with Blackstone the three representatives of JC Flowers & Co, being Mr. J.C. Flowers, Mr. R.L. Carrión and Mr. M.J. Christner, resigned of the Supervisory Board as per 30 December 2020. Since JC Flowers & Co. became the shareholder end 2005, Mr. Flowers served on the Supervisory Board for 12 years, Mr. Carrión for over 3 years and Mr. Christner for almost 10 years. The Supervisory Board is very grateful for their important contribution to the Supervisory Board and the company, with their professional knowledge, but also as individuals. Their valuable input supported NIBC into the company it is today.

The results over 2020 were of course impacted by the pandemic, as well as one-off costs. In this unprecedented environment, NIBC was able to record a net profit after tax attributable to shareholders of EUR 49 million, after absorbing impairments of more than EUR 134 million. Operating income is substantially lower than in 2019, reflecting the decreased portfolio of corporate exposures and lower investment income mainly as a result of negative fair value movements. Fee and commission income however increased following further growth of the OTM mortgage loan portfolio.

The de-risking of the Corporate Client Offering portfolios that started already in 2018 continued in 2020. Especially exposures in Leveraged Finance and Energy were actively reduced. The origination levels in CRE, Digital Infrastructure and Shipping were at acceptable levels. However, the re- and prepayments within the corporate portfolio were significantly higher than origination levels for all asset classes. The new growth initiatives like OIMIO demonstrated healthy growth.

The strong growth of the OTM mortgage loans in the retail offering continued in 2020, backed by strong mortgage origination also for our own balance sheet. Within our product offering, the new label 'Lot' was introduced. The total origination in 2020 was more than EUR 5.1 billion, with also a strong growth in OTM mandates to almost EUR 9.8 billion. At year-end, BtL experienced a rally as a result of market circumstances, leading to a portfolio of EUR 861 million (+21%).

Management recognises the challenges for the future (among others the low interest rates and the increased regulatory pressure), but the Supervisory Board is convinced that the agility with which

NIBC has to continuously reinvent and adapt itself combined with the support of the new shareholder will enable NIBC to execute its strategy.

Our most important stakeholder, the customer, continues to value our efforts to serve his or her interests. This year's NPS for corporate clients decreased to + 30% (2019: + 47%), reflecting the more challenging environment our clients are facing. Our NIBC Direct Customer Survey was 7.9 in 2020 (2019: 7.9). The success of a mid-sized niche market bank and retail offering like NIBC stands or falls with an excellent customer experience. Therefore, the Supervisory Board pays close attention to these metrics.

Corporate Client Offering

The corporate client side has been impacted severely by the consequences of COVID-19, significantly impacting overall net profit by the highly elevated level of impairments of EUR 126 million. The origination and refinancing volumes of EUR 1.6 billion were significantly lower than last year (2019: 3.0 billion), mainly as a result of our volume strategy, requiring fair pricing of the inherent risks.

In 2020 NIBC has continued optimising its operations towards a more digitalised and standardised model, allowing for scalable growth initiatives and smaller ticket sizes. For most asset classes, efforts were put towards supporting current clients over origination. That led to a decrease of portfolios in most asset classes.

Influenced by the changing market environment it was announced early 2020 that NIBC had decided to discontinue its capital markets activities (i.e. Fixed Income, DCM and ECM). By centralising all portfolio management activities further streamlining was realised and also the merger between NIBC Bank Deutschland AG with NIBC Bank NV as per 1 November 2020 lead to further efficiencies and a decrease in regulatory burden.

Retail Client Offering

Contrary to what might be expected in a crisis, mortgage origination levels were very strong in 2020. Total origination equaled EUR 5.1 billion, of which Originate-to-Manage was EUR 3.6 billion. We have been able to provide more clients with a suitable mortgage offering, bringing the retail clients assets to over EUR 17 billion. The owner occupied mortgage portfolio for own book remained stable even with an origination of EUR 1.3 billion. The Buy-to-Let portfolio showed a healthy increase of 21%. The OTM portfolio grew by EUR 3.2 billion (+74%) to EUR 7.5 billion, with OTM mandates further increased to EUR 9.8 billion at year-end 2020.

In February 2020, the new mortgage label, Lot, was introduced which originates mortgage loans for two new Dutch OTM partners.

On the savings side, the Supervisory Board is pleased that the franchise value of the NIBC Direct brand continues to be strong, resulting in a total retail savings position of EUR 9.8 billion (2019: EUR 9.5 billion).

Medium-term targets and dividend

The medium term objectives were set before COVID-19 and the acquisition of NIBC Holding N.V. by Blackstone. The medium term objectives as defined are not met except for the stong capital position of NIBC at 21.3% CET 1 compared to the ambition level of at least 14%.

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

ExCo

In 2020, the ExCo comprised of the three Managing Board members together with Saskia Hovers and Caroline Oosterbaan (both Corporate Client Offering), Michel Kant (Retail Client Offering).

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

One of the outcomes of the annual self-assesement of the Managing Board/Exco, which was held via a survey with a follow up discussion during an offiste, is that it would further support clarity on the division of roles between Managing Board/ExCo if the MB agenda and MB minutes were shared with the full ExCo, which will be done as of 2021.

Composition of the Supervisory Board

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

NIBC was taken over by The Blackstone Group on 30 December 2020. This also impacted the composition of the Supervisory Board. The three representatives of JC Flowers & Co resigned as per 30 December 2020 and two representatives of The Blackstone Group were appointed to the Supervisory Board per the same date.

As per 31 December 2020 the Supervisory Board comprised of two female and four male members of various nationalities. Four members are independent members that meet the independence criteria laid out in the Dutch Corporate Governance Code. The other two are representatives of NIBC's majority shareholder.

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

1 AC - Audit Committee; RNC – Remuneration and Nominating Committee; RPCC – Risk Policy and Compliance Committee; RPTC – Related Party Transaction Committee.
2 Meets the independence criteria of the Dutch Corporate Governance Code.

Changes in 2020

In 2020, Mr. D.M. Sluimers was reappointed to the Supervisory Board for a second term.

As part of the transaction with Blackstone the three representatives of JC Flowers & Co resigned, being Mr. J.C. Flowers, Mr. R.L. Carrión and Mr. M.J. Christner resigned as per 30 December 2020. Since JC Flowers & Co. became the shareholder end 2005, Mr. Flowers served on the Supervisory

Board for 12 years, Mr. Carrión for over 3 years and Mr. Christner for almost 10 years. The Supervisory Board is grateful for their important contribution to the Supervisory Board and the company. Their valuable input supported NIBC in its transformation into the company it is today.

Mr. Q. Abbas and Mr. N.D.E.D. El Gabbani were appointed to the Supervisory Board as representative of the new majority shareholder The Blackstone Group on 30 December 2020. Mr. Abbas is appointed to the RPCC and Mr. El Gabbani is appointed as member of the *Remuneration and Nominating Committee* (**RNC**). As announced on 10 February 2021, the Supervisory Board is pleased that it has nominated Mr. J. Wijn as member of the Supervisory Board who will fill the vacancy for the third representative of Blackstone in the Supervisory Board. The appointment is scheduled for approval at the AGM of 8 March 2021.

Diversity and succession

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

Additional functions

All members of the Supervisory Board meet the criteria of the Dutch Corporate Governance Code relating to other positions, insofar as they are relevant to the performance of the Supervisory Board member's duties.

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

Meetings of the Supervisory Board

The Supervisory Board met on five regular occasions in 2020. This included three regular two-day meetings in February, August and November, one regular one-day meeting in June and a meeting in August to discuss the half year results. One member of the Supervisory Board was absent in one regular meeting in 2020. All other members of the Supervisory Board were present in all regular meetings in 2020. Most of the meetings were held in a combination of physical and virtual meetings in which the SB members located abroad joined virtually.

Name	SB (5)[1]	AC (5)[1]	RPCC (4)[1]	RNC (4)[1]	RPTC (0)[1]
Mr. D.M. Sluimers	100%	100%	80%	100%	
Ms. A.G.Z. Kemna	100%	80%	100%		
Mr. R.L. Carrion	100%		100%		
Mr. M. Christner	100%	100%			
Mr. J.C. Flowers	100%				
Mr. J.J.M. Kremers	100%	100%	100%	100%	
Ms. S.M. Zijderveld	80%			100%	

1 Number of meetings.

Twenty four additional virtual meetings were held with the full Supervisory Board during the year. Topics of these additional meetings were the COVID-19 crisis as well as the developments around the transaction with Blackstone. Six members were absent between one to four times of these additional calls held during the year. In addition fourteen additional calls were held with the independent members of the Supervisory Board only to discuss the Blackstone transaction. Two members were absent two times of these independent calls.

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

During the meetings held in 2020 a lot of attention was paid to the COVID-19 pandemic including different multiyear financial scenarios and its impact on NIBC (business impact, but also impact on employees). Also the strategic direction of NIBC was intensively discussed during the meetings of the Supervisory Board as part of the considerations of the Blackstone transaction, but also more in general. Monitoring of the implementation of the strategy took place via the regular updates by the Managing Board and the related discussions in the SB meetings on these updates.

In addition discussions took place on different (strategic) topics such as the Corporate and Retail Client Offering, risk management, IT (including cybersecurity and remote working), the funding profile, remuneration and the increased regulatory requirements, in relation to amongst others internal modeling and the IBOR transition. The 2020 quarterly and interim results were discussed as well as the treatment of the final dividend 2019 for the minority and two majority shareholders and the budget for 2021.

The Supervisory Board also continued its *permanent education* (**PE**) programme, Topics discussed were Originate-to-Manage, the remediation plan and progress from the DNB IMI results, the BtL market, IT governance, the responsibilities of the SB/MB in a potential change of ownership situation and the different strategic opportunities. Topics for the PE sessions are chosen in cooperation with the RNC, also based on the input gained from assessing the competence and suitability matrix of the Supervisory Board.

The Supervisory Board pro-actively participated in the discussions with Blackstone on the post-closing governance including the adjusted articles of association. In addition to the regular yearly meeting with the Dutch Central Bank, members of the Supervisory Board also discussed the change in ownership and the related post-closing governance with the Dutch Central Bank.

The four Supervisory Board committees

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

Audit Committee

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

The AC met on four regular occasions in 2020 (February, June, August and November) in presence of the members of the Managing Board. In August 2020, an additional meeting was held in which the half year results 2020 were discussed. By mutual agreement the external auditor was represented at all meetings of the AC in 2020. The external auditor hadregular meetings with the AC without the members of the Managing Board being present.

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

In 2020, the AC extensively reviewed NIBC's quarterly financial highlights, interim and annual financial reports and related press releases. It discussed the draft reports of the external auditor, including its Audit Results Report, before the reports were discussed in the Supervisory Board meeting.

Following the initial impact of COVID-19, the companyprepared several (multiyear) financial scenarios as part of its ICAAP/ILAAP process. These scenarios have been discussed in and challenged by the AC and the Supervisory Board in the second quarter of 2020 and form the basis for in depth discussions about NIBC's financial performance, including the development of the bank's net profit, business growth and the development of spreads and cost/income ratios. Furthermore, the AC reviewed NIBC's liquidity and its funding profile, and the development of related liquidity and solvency ratios. The AC was informed specifically on the IT infrastructure and IT Governance.

Specific topics discussed with the auditor dealt with loan loss provisioning including the management overlay, outsourcing monitoring, new developments and their impact on financial figures. The Management Letter 2020 was discussed in the November meeting. Main topics in the Management Letter are the ECL model performance and the management overlay as well as system/application access management in the IT environment. Also remote working and cybersecurity were a topic.

Next to the regular topics mentioned before, the AC also discussed and has taken notice of management views and arguments on the interpretation of the ECB/EBA guidelines, budget 2021, COVID-19 impact on NIBC's financial performance, dividend policy, the rating of NIBC Bank and the main topics discussed in the Disclosure Committee. The external auditor also reported on its independence towards the AC which was further discussed by the AC. The AC annually assesses NIBC's compliance with the Dutch Corporate Governance Code and reports thereon towards the Supervisory Board.

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

The AC discussed the annual plan and quarterly reports of IA, and evaluated IA's charter, standards and procedures. The AC continued to take note of the (timely remediation of) Measures of Improvement, reported by DNB, the external auditor and IA. Both the internal and external auditor reported on the quality and effectiveness of governance, internal control and risk management.

Risk Policy & Compliance Committee

The RPCC assists the Supervisory Board in overseeing NIBC's risk appetite, risk profile and risk policy. It prepares matters in these areas for decision in the Supervisory Board by presenting proposals and recommendations on credit, market, investment, liquidity, operational and compliance/

regulatory risks, and any other material (non) financial risks to which NIBC is exposed. Next to these topics, also the rating of NIBC Bank and the annual review meetings with the rating agencies and the actions taken by the rating agencies. were discussed. The RPCC met four times in 2020 in the presence of the members of the Managing Board.

During 2020, the RPCC extensively discussed NIBC's assets, liquidity and funding, stress tests and risk profile. The increasing regulatory demands including market sentiment, onsite investigations by regulators and the impact of COVID-19 were frequent topics on the agenda of the RPCC. NIBC's operating environment and its internal processes and controls in light of mitigating potential risks where remained important themes.

In 2020, the remediation plan and progress from the DNB IMI results were thoroughly discussed. The RPCC continued to focus on the operational risk profile and in-control environment, including amongst others specific risks such as information security, new product approvals, compliance and regulatory risk including the demanding regulatory environment. The committee also reviewed the risk assessments of new business initiatives, evaluated how risk awareness is embedded in NIBC's organisation, as well as its own functioning.

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

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

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

Remuneration and Nominating Committee
The remuneration committee and the selection and appointment committee have been combined in the Remuneration & Nominating Committee. The RNC advises the Supervisory Board on the remuneration of the members of the Supervisory Board, the Managing Board and certain other senior managers. In addition, it provides the Supervisory Board with proposals for appointments and reappointments to the Supervisory Board, its committees and the Managing Board.

In the summer of 2020, Mr. Van Riel was reappointed for a term of four years as *Chief Risk Officer* (**CRO**) of NIBC. In April 2020, Mr. Sluimers was reappointed as chair of the Supervisory Board. As per 30 December 2020, Mr. Abbas and Mr. El Gabbani were appointed as member of the Supervisory Board and to the RPCC and RNC respectively.

The RNC also assesses the performance of the members of the Managing Board. In 2020, for this purpose, the chair of the RNC together with the chair of the SB had a meeting with all individual MB members on their performance and team work. These meetings as well as the evaluation of the full managing board was afterwards discussed in the RNC and reported on to the SB. Please refer to the Remuneration Report for further detail. The overall conclusions from the annual meetings on the performance of the Managing Board is positive. Although 2020 was an intense year with lots of challenges, the team dynamics remained good as was the relationship with the Supervisory Board.

Furthermore, the committee oversees the remuneration of the so-called Identified Staff employees whose professional activities have a material impact on NIBC's risk profile and determines the remuneration of the control functions.

In 2020, the RNC held four regular meetings, all in the presence of NIBC's head of Human Resources and, in appropriate cases, of NIBC's CEO. Furthermore the RNC has had various calls with advisors and stakeholders in light of the remuneration aspects of the transaction with Blackstone. Additionally, the chair, on behalf of the RNC, attended a meeting of the control functions.

In 2020, the yearly self-assessment of the SB and its committees was concluded via a survey with a follow up discussion in the RNC and the SB. Overall the SB is content with the role the SB played in this very special year and the high degree of alignment among the SB members.

The RNC discussed the regular subjects regarding remuneration, risk and audit assessments, governance and variable income as well as, based on the evaluation of the composition of the Supervisory Board and its committees, the suitability policy and the requirements for the Supervisory Board and its committees were discussed.

Remuneration management

The RNC reviewed the Remuneration Policy this year, taking into account relevant legislation and guidelines, amongst others the EBA guidelines on sound remuneration policies. Besides legislation, the RNC has taken market circumstances and developments into consideration. The positioning of NIBC in relevant labour markets was monitored by means of benchmark surveys. Attention was also paid to broader developments in society, as the RNC is well aware of public concerns about remuneration in the financial industry. The Supervisory Board amended the remuneration policy, fulfilling all legislative changes as proposed by the RNC. The RNC also discussed the performance of the Managing Board, the ExCo and its members.

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

In line with the Remuneration Policy the RNC received information for a hybrid benchmark peer group reflecting the labour market of NIBC as well as a benchmark regarding post-employment benefits. Given the specific circumstances and legislation for the (Dutch) financial institutions, more specifically for banks, the RNC decided to also use a benchmark of the Dutch banks.

Based on this information in 2019 the RNC proposed to the Supervisory Board to put a system in place that determines the annual adjustment of salaries of the CEO and Members of the Managing

Board, This has been approved by the AGM in April 2020 and is now in the Managing Board remuneration policy.

For the Supervisory Board the new remuneration policy was already adopted by the AGM in 2019, including the same methodology that determines the annual adjustment of the annual fee of the members of the Supervisory Board.

In 2018, the RNC started discussions with regards to the abolishment of variable income for the Managing Board and developed scenarios for conversion of a part of the variable income in the base salary. These discussions were concluded in 2019 and in the AGM of 2020 the proposal was approved to abolish variable income for the Managing Board as of 1 January 2020 and convert part of it into base salary; the approach is the same as that is used for the vast majority of eligible NIBC-employees in the Netherlands. For the small part of employees in the Netherlands and the international branches, the RNC monitors the remuneration policy as well as the execution of it, which entails discussing the total available pool for variable compensation and defining the collective and individual performance targets that form the basis for the variable compensation.

Succession management

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

Related Party Transactions Committee

The *Related Party Transactions Committee* (**RPTC**) assists the Supervisory Board in assessing material transactions of any kind with a person or group of persons who hold, directly or indirectly, at least 10% of NIBC's issued and outstanding share capital, or at least 10% of the voting rights at the AGM of shareholders. The same applies to any person affiliated with any such person(s) that meet(s) these criteria. A transaction will, in any event, be considered material if the amount involved exceeds EUR 10 million and/or that is considered inside information. The Supervisory Board has delegated the authority to approve such material transactions to the RPTC.

In 2020 no meetings of the RPTC took place since no related party transactions had to be assessed.

Financial statements

The company and consolidated financial statements have been drawn up by the Managing Board and audited by Ernst & Young Accountants LLP, who issued an unqualified opinion dated 3 March 2020. The Supervisory Board recommends that shareholders adopt the 2020 Financial Statements at the AGM. The Supervisory Board also recommends that the AGM of shareholders discharge the Managing Board and Supervisory Board for their respective management and supervision during the financial year 2020.

The Supervisory Board would like to express its gratitude to all stakeholders who continued supporting NIBC also in 2020, most notably to our over 700 highly professional, entrepreneurial and inventive employees. Thanks to their skills, expertise, agility and dedication NIBC could achieve these results in these extraordinary times.

The Hague, 3 March 2021

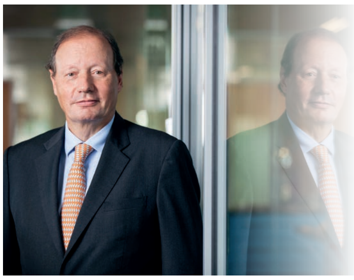
Supervisory Board

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

PERSONAL DETAILS OF THE SUPERVISORY BOARD

Mr. D.M. Sluimers, Chair (1953)

Member of the Audit Committee, member of the Risk Policy & Compliance Committee, member of the Remuneration & Nominating Committee, member of the Related Party Transactions Committee



Current principal position	None
Other positions:	Member of the supervisory board of Akzo Nobel N.V.; chair of the supervisory board of Euronext Paris; member of the board of directors at FWD Group Limited and member of the advisory board of Spencer Stuart Executive Search
Nationality	Dutch
First appointment	2016
Current term expires	2024

Ms. A.G.Z. Kemna, Vice-chair (1957)

Chair of the Risk Policy & Compliance Committee, member of the Audit Committee, member of the Related Party Transactions committee

Current principal position	None
Other positions:	Non-executive director and member of the Audit Committee of AXA Group; non-executive director of AXA IM and member of the supervisory board of FrieslandCampina
Nationality	Dutch
First appointment	2018
Current term expires	2022

Mr Q. Abbas (1976)

Member of the Risk Policy & Compliance Committee

Current principal position	Senior Managing Director Tactical Opportunities at Blackstone Group
Other positions:	Member of the boards of directors of Rothesay Life, Kensington Mortgage Company and Lombard International
Nationality	British
First appointment	2020
Current term expires	2024

Mr. N. El Gabbani (1981)

Member of the Remuneration & Nominating Committee

Current principal position	Senior Managing Director Private Equity at Blackstone Group
Other positions:	Member of the boards of directors of Luminor Bank and DRL
Nationality	Canadian
First appointment	2020
Current term expires	2024

Mr. J.J.M. Kremers (1958)

Chair of the Audit Committee, member of the Risk Policy & Compliance Committee, member of the Remuneration & Nominating Committee, member of the Related Party Transactions Committee

Current principal position	None
Other positions:	Dutch State Agent at KLM, Crown member supervisory board Legal Profession, Chair supervisory board Commonwealth Bank of Australia (Europe)
Nationality	Dutch
First appointment	2019
Current term expires	2023

Ms. S.M. Zijderveld (1969)

Chair of the Remuneration & Nominating Committee, member of the Related Party Transactions committee

Current principal position	Chief Executive Officer Dutch Chamber of Commerce (a.i.)
Other positions:	Chair of the board of the National Fund Committee 4 and 5 May and boardmember of Concertgebouwfonds
Nationality	Dutch/Canadian
First appointment	2018
Current term expires	2022

CORPORATE GOVERNANCE

At NIBC, we endeavour to maintain a sound, transparent and effective governance system that is aligned to best practices in our industry. The Dutch Corporate Governance Code and Dutch Banking Code form the base of our governance system and guide the way we work at NIBC.

This chapter contains some highlights of our governance structure in 2020. The structures and processes we have developed provide an effective basis for making and implementing decisions across our organisation, with its hierarchical and functional reporting lines.

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

Two-tier board structure

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

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

Managing Board

In 2020, NIBC had three Managing Board members. These members have thorough and in-depth knowledge of the financial sector in general and the banking sector in particular.

For the composition of the Managing Board as per 31 December 2020, refer to the following table:

Name	Year of birth	Nationality	Member since	End of term[1]
Mr. P.A.M. de Wilt (CEO, Chairman)	1964	Dutch	2014	2022
Mr. H.H.J. Dijkhuizen (CFO, Vice-Chairman)	1960	Dutch	2013	2021
Mr. R.D.J. van Riel (CRO)	1970	Dutch	2016	2024

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

In case of a vacancy in the Managing Board, the regular policy is applied and the Executive Search team is asked to provide a shortlist with at least 50% female candidates, although final selection is ultimately based on the suitability for the position. At the level of the Executive Committee, NIBC meets the diversity requirements (see below). NIBC will also continue to strive for a good gender balance at Managing Board level.

Executive Committee

In 2017, NIBC chose to amend its top structure by creating an Executive Committee to safeguard and strengthen the commercial and client-facing roles at executive level.

The ExCo consists of the three Managing Board members and three non-statutory members representing the commercial roles. The ExCo consists of two female members and four male members. The Managing Board and the ExCo, which meet weekly, represent and balance the interests of all stakeholders. The non-statutory ExCo members participate in the meetings, but are not entitled to a vote.

All ExCo members are present at the meetings of the Supervisory Board. Through these meetings, in addition to the regular informal contacts, the Supervisory Board stays closely tuned with all developments throughout the focus areas of the individual ExCo members.

In 2020, there were no transactions in which the members of the Managing Board or the members of the Executive Committee had a conflict of interest. More information about the Managing Board and the Executive Committee, including short biographies, can be found on our website.

Supervisory Board

On 31 December 2020, the Supervisory Board of NIBC consisted of six members with extensive and international expertise in fields such as banking and finance, corporate governance and corporate management.

In 2020, Mr. Sluimers was reappointed for a second term as chair of the Supervisory Board. As part of the transaction with Blackstone, Mr. Flowers, Mr. Carrión and Mr. Christner resigned as member of the Supervisory Board as per 30 December 2020. At the same day Mr. Abbas and Mr. El Gabbani were appointed as member of the Supervisory Board.

For more information on our Supervisory Board, including a complete list of all members and Committees, please see the Report of the Supervisory Board in this Annual Report or visit our website.

Dutch Corporate Governance Code

As a result of the takeover by The Blackstone Group, NIBC was delisted from Euronext on 18 February 2021. Until its delisting NIBC actively applied the principles of the Dutch Corporate Governance Code.

NIBC partly deviates from one best practice and principle as laid out in the Code:

NIBC does not comply with best practice provision 2.1.7 (iii), which requires that there is at most one supervisory board member who can be considered to be affiliated with a shareholder, or group of affiliated shareholders, who holds more than 10 per cent of the shares in a company. Four out of seven members of NIBC's Supervisory Board qualify as formally independent. The other two members are formally not independent, because they are representatives of our major shareholder (75%). This principle in the Dutch Corporate Governance Code deviates from the policy of the Dutch central bank (DNB) that came into force in 2012. DNB's policy is that at least 50% of the members of a Supervisory Board should be formally independent. NIBC complies with the DNB policy.

Dutch Banking Code

The updated Dutch Banking Code came into effect as legislation on 1 January 2015, after a decree by the Dutch Minister of Finance. The Banking Code is part of a package called 'Future-oriented banking'. In addition to the Banking Code, Future-oriented banking introduces a Social Charter and rules of conduct associated with the Bankers' Oath and disciplinary rules for employees of banks in the Netherlands. Before 1 January 2015 the Dutch Banking Code was a form of self-regulation.

The Dutch Banking Code, together with the introduction of the Social Charter and the implementation of the Bankers' Oath, is applicable to all employees of financial institutions in the Netherlands. NIBC supports the principles of the Banking Code to regain trust, ensure stability and protect the interests of our stakeholders.

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

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

NIBC's Code of Conduct guides us in the way we work at NIBC. Key themes are: doing the right thing, following the letter and the spirit of rules and doing what we say. You can find the Code of Conduct, including a one page abbreviation for daily use, on our website.

A detailed explanation of the Dutch Banking Code and an overview of NIBC's compliance with it can be found on our website.

Capital structure

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

REMUNERATION REPORT

The Supervisory Board reviewed and amended NIBC's remuneration policy in 2020. The review took into account all relevant laws, regulations and guidelines: the Dutch Corporate Governance Code; the Dutch Banking Code; the DNB Principles on Sound Remuneration Policies (DNB principles), EBA Guidelines on Sound Remuneration; CRD IV, CRD V and the Dutch remuneration legislation for financial services companies ((Regeling beheerst beloningsbeleid van banken (RBB) and Wet beloningsbeleid financiële ondernemingen, Wbfo).

NIBC's remuneration policy and Managing Board remuneration for 2020 are outlined in this chapter. An overview of the remuneration of other staff and the Supervisory Board is also presented. Please see our website for further information about the remuneration policy.

To avoid unnecessary duplication, we refer to note 9, 51 and 54 of the Consolidated Financial Statements in this Annual Report for all relevant tables. These are considered to be an integral part of this Remuneration Report.

Remuneration principles

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

Managing Board remuneration in 2020

In order to determine appropriate market levels of remuneration for the Managing Board, the Supervisory Board has identified a hybrid benchmark peer group, consisting of all AEX and AMX (both Euronext) listed companies. Given the specific circumstances and legislation for the (Dutch) financial institutions, more specifically for banks, the Supervisory Board decided to also use a benchmark of the Dutch banks. The composition of these peer groups reflects the labour market in which NIBC competes for talent. As such, it is an objective measure not based on individual data points selected by NIBC.

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

Base salaries

In 2020, the base salary for the CEO was EUR 987,912 gross per year (2019: EUR 845,708). The base salary for the two other members of the Managing Board was EUR 718,482 gross per year (2019: EUR 615,060). Base salaries are paid in 12 equal monthly payments. The increase in base salaries is two folded. First, as of the financial year 2020 the CEO and the members of the Managing Board are no longer eligible for variable compensation and have been partly compensated in base salary (see below under Variable compensation). Second, the base salaries of the CEO and the members of the Managing Board increased with 2.83%. This increase was based on the three year average merit increase for all employees within NIBC and based on the Managing Board Remuneration Policy .

Variable compensation
As of the financial year 2020 the CEO and the members of the Managing Board are no longer eligible for variable compensation. To compensate for the loss of bonus opportunity, 68% of the three year average variable compensation (2017-2019) is converted into the base salary per 1 January 2020. This conversion and parameters are also applied to the vast majority of the bonus eligible employees of NIBC in The Netherlands. This adjustment has been implemented in the Managing Board Remuneration Policy 2020.

Pension
The CEO and other Managing Board members participate in the NIBC pension plan, in line with the arrangements available to all other employees. In 2020, the pension plan consisted of a) a collective defined-contribution pension arrangement (CDC arrangement) up to a (fiscal) maximum pensionable salary of EUR 110,111, and; b) an additional (gross) contribution up to their respective base salaries above the maximum pensionable salary . The retirement age for the CEO and members of the Managing Board was 68 in 2020. There are no contractual early retirement provisions.

For the CDC arrangement NIBC pays in 2020 a standard flat-rate contribution of 26.2 % into the pension fund (for the Managing Board as well as for all other employees). All employees are required to make a personal contribution of 4.2% of their pensionable salary in the CDC arrangement. The gross contribution by NIBC for pensions above the fiscal maximum pensionable salary is set at 25%.

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

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

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

2020	Base salary	%	Variable compensation	%	Pension	%	Other key benefits	%	Total
P.A.M. de Wilt	987,912	76.3%	-	-	259,115	20.0%	47,303	3.7%	1,294,330
H.H.J. Dijkhuizen	718,482	75.2%	-	-	189,631	19.8%	47,403	5.0%	955,516
R.D.J. van Riel	718,482	75.9%	-	-	188,513	19.9%	40,103	4.2%	947,098

Employment contracts
The CEO and members of the Managing Board all have indefinite employment contracts, which are fully compliant with the Dutch Corporate Governance Code. Their appointment to the Managing Board is for a maximum term of four years. The term can be renewed.

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

Relevant developments in 2021

According to the Managing Board Remuneration policy the annual adjustment of salaries per 1 January 2021 is based on the three year average merit increase of all employees within NIBC (2018-2020). Based on this methodology the annual adjustment of salaries per 1 January 2021 will be 3,23%. In line with the rest of the organisation the automatic annual increase will not be applied. Due to the acquisition by Blackstone the total remuneration of the MB will be looked at in the course of 2021.

To ensure the necessary stability and continuity of the Company following the acquisition of NIBC Holding N.V. by Blackstone, a retention package has been introduced for the Managing Board members, the ExCo members and a limited group of key staff. This retention package with a magnitude of 5,7 million will be unconditionally granted as of December 30, 2021. This package is not part of the annual variable income, but is awarded based on the specific regulations for retention bonuses (WFT 1:122).

Other staff remuneration

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

Total compensation funding

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

Variable compensation

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

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

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

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

For Identified staff, no threshold is applicable and any variable compensation is delivered in a pre-defined mix: 30% in cash, 20% in deferred cash, 30% in PSUs and 20% in unvested PSUs. In this way, NIBC complies with regulations that require Identified Staff to receive 50% of all variable compensation in the form of equity or equity-linked instruments and for at least 40% of both the cash and equity component to be deferred. With the implementation of CRD V and the Dutch interpretation thereof in the RBB per 29 December 2020 proportionality is introduced in the legislative framework with regards to remuneration: if an employee's variable compensation is lower than EUR 50,000 and is lower than 11,1% of the individual base salary a payment may be made in cash only without a deferral period. The concept of proportionality has also been implemented in the NIBC Remuneration Policy 2020.

All employees (except for the ExCo) have been awarded a transaction bonus of EUR 2,500 at the end of December 2020 for the completion of the Blackstone transaction, which qualifies as variable compensation.

Special situations

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

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

Supervisory Board remuneration in 2020

The Supervisory Board remuneration policy 2019 has been approved by the Annual General Meeting in 2019. The new Supervisory Board remuneration policy has a system is in place that determines the annual adjustment of fees per 1 January of a year for the Supervisory Board based on the three year average merit increase for all employees within NIBC. The increase per 1 January 2020 was 2.83%

The chair of the Supervisory Board is entitled to an annual fee of EUR 79,059 (2019: EUR 76,883), the vice-chair of the Supervisory Board is entitled to an annual fee of EUR 63,247 (2019: EUR 61,506) and the other members of the Supervisory Board are entitled to an annual fee of EUR 52,706 (2019: EUR 51,255).

In addition, all chairs of the AC, RPCC and RNC of the Supervisory Board are entitled to an annual fee of EUR 15,812 (2019: 15,377). Members of the AC and members of the RPCC are entitled to an annual fee of EUR 10,541 (2019: EUR 10,251). The members of the RNC are entitled to an annual fee of EUR 7,906 (2019: EUR 7,688). The members of the RPTC are entitled to an annual fee of nil (2019: nil).

All members of the Supervisory Board are entitled to reimbursement of genuine business expenses incurred while fulfilling their duties.

Amendments Supervisory Remuneration in 2021

Based on the remuneration policy of the Supervisory Board the annual adjustment of fees per 1 January 2021 is 3,23%. In line with the rest of the organisation the automatic annual increase will not be applied. Due to the acquisition by Blackstone, the total remuneration of the Supervisory Board will be reconsidered in 2021.

Remuneration governance

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

The Supervisory Board discussed the performance and remuneration of Identified Staff, as well as the performance and remuneration of control functions. The Supervisory Board also discussed the highest proposed variable compensations in 2020. Scenario analyses were conducted by Risk Management to assess the possible outcomes of the variable remuneration components on an individual and collective basis. The internal annual report 'Harrewijn' is discussed in the RNC as well as with the Works Council. This report provides information on the composition and development of compensation and benefits of its employees. Amongst others the report covers an internal pay ratio analysis. In line with the Dutch Corporate Governance Code NIBC discloses the relevant elements related to the internal pay ratios.

In 2020, the base salary pay ratio of the CEO (EUR 987,912) compared to the base salary of a member of the Managing Board (EUR 718,482) was 1.4 2019: 1.4).

In 2020, the base salary pay ratio of the CEO and the Managing Board members (EUR 808.292) compared to the base salary of the non-statutory members of the ExCo (EUR 423,501) was 1.9 (2019: 2.0).

In 2020, the base salary pay ratio of the CEO (EUR 987,912) compared to the median fulltime base salary of all employees (EUR 74.600) was 13.2 (2019: 11.4).

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

Conclusion

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

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

Disclosure on advisory vote on the Remuneration Report 2019

In the AGM of 2020 the Remuneration Report was on the agenda for advice by the shareholders. The Chair of the Remuneration and Nominating Committee has reflected on the proposals, on salary increase methodology and the abolishment of variable compensation for the Managing Board (and the vast majority of employees in the Netherlands). Pursuant to the SRD II Regulation, shareholders were requested to cast an advisory vote on the remuneration report. 98% of the votes cast were in favour of the proposal, so that it was positively advised on. The RNC proposed not to change the contents and disclosures of the remuneration report 2019 based on this advisory vote.

Disclosure on Dutch Remuneration Legislation for Financial Services Companies

The total amount of variable income granted in 2020 with respect to the performance over 2019, amounts to EUR 8.0 million. This grant consists of (direct and deferred) cash and (vested and unvested) share based instruments. In 2020, one employee was awarded a total compensation of more than EUR 1 million (in 2019: 1 employee).

Disclosure on Share Holders Rights Directive (SRDII)

With regard to the remuneration of every Managing Board member a comparison of the annual changes in the remuneration over 2 book years (since IPO in 2018), the development of the company performance and the average (full time) remuneration of employees need to be disclosed based on the SRDII.

	Remarks	2020 vs 2019	2019 vs 2018	2018 vs 2017	Information
P.A.M. de Wilt	Base + variable compensation	-/-2.7%	2.50%	3.10%	Excl. one-off retention package 2018
H.H.J. Dijkhuizen	Base + variable compensation	-/-2.7%	2.50%	9.10%	Excl. one-off retention package 2018
R.D.J. van Riel	Base + variable compensation	-/-2.7%	2.50%	9.10%	Excl. one-off retention package 2018
Employees[1]	Base + variable compensation	-/-1.2%	2.50%	2.80%	

1 Average increase of base salary on a full time equivalent basis of employees.

Medium-term objectives

	Medium-term objectives	2020	2019	2018
Return on equity	10-12%	2.8%	10.2%	13.2%
Cost/income ratio[1]	<45%	52%	44%	41%
CET 1[2]	≥14%	21.3%	18.7%	20.6%
Rating Bank	BBB+	BBB+	BBB+	BBB
Dividend pay-out ratio	≥50%	100%	100%	100%

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

IN CONTROL REPORT

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

Risk management and control

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

- the Report of the Managing Board in the Annual Report 2020 of NIBC provides a fair overview of and insight into the effectiveness as well as shortcomings of the internal risk management and control systems;
- NIBC's internal risk management and control systems provide reasonable assurance that NIBC's Annual Report 2020 does not contain any errors of material importance. To address identified weaknesses, additional mitigating controls have been performed where necessary;
- there is a reasonable expectation that NIBC Bank N.V. will be able to continue in operation and meet its liabilities for at least twelve months, as evidenced by the details included in 'performance evaluation', therefore, it is appropriate to adopt the going concern basis in preparing the financial statements;
- there are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of NIBC Bank N.V.'s enterprise in the coming twelve months.

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

In view of the above, the Managing Board of NIBC believes it is in compliance with the requirements of best practice provision 1.2 of the Dutch Corporate Governance Code.

Responsibility statement

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

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

The Hague, 3 March 2021

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


NIBC
PROFESSIONAL

CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

Small differences are possible due to rounding

CONSOLIDATED INCOME STATEMENT

for the years ended 31 December

in EUR millions	note[1]	2020	2019
Interest income from financial instruments measured at amortised cost and fair value through other comprehensive income	2	528	585
Interest income from financial instruments measured at fair value through profit or loss	2	12	15
Interest expense from financial instruments measured at amortised cost	2	147	174
Interest expense from financial instruments measured at fair value through profit or loss	2	6	9
Net interest income		**386**	**417**
Fee income	3	43	40
Fee expense	3	-	-
Net fee income		**43**	**40**
Investment income	4	7	60
Net trading income or (loss)	5	(6)	5
Net gains or (losses) from assets and liabilities at fair value through profit or loss	6	(27)	1
Net gains or (losses) on derecognition of financial assets measured at amortised cost	7	3	(1)
Other operating income	8	-	2
Operating income		**407**	**524**
Personnel expenses and share-based payments	9	101	114
Other operating expenses	10	89	95
Depreciation and amortisation	11	5	5
Regulatory charges and levies	12	16	15
Operating expenses		**210**	**229**
Credit loss expense	13	134	49
Impairments of non-financial assets	13	1	-
Profit before tax		**62**	**246**
Tax	14	1	44
Profit after tax		**61**	**202**
Attributable to			
Shareholders of the company		49	190
Holders of capital securities (non-controlling interest)		12	12

1 References relate to the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December

		2020			2019		
in EUR millions	note[1]	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
Profit for the year		**62**	**1**	**61**	**246**	**44**	**202**
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Revaluation of property and equipment	29/43	(1)	-	(1)	8	2	6
Movement in the fair value of own credit risk of financial liabilities designated at fair value through profit or loss	43	2	-	2	(9)	-	(9)
Items that may be reclassified subsequently to profit or loss							
Net result of hedging instruments	43	(3)	-	(3)	(5)	(1)	(4)
Financial assets measured at fair value through other comprehensive income							
Movement in revaluation for debt investments at FVOCI		-	-	-	6	1	5
Total other comprehensive income		**(2)**	**-**	**(2)**	**-**	**2**	**(2)**
Total comprehensive income		**60**	**1**	**59**	**246**	**46**	**200**
Total comprehensive income attributable to							
Shareholders of the company	43	48	1	47	234	46	188
Holders of capital securities (non-controlling interest)	44	12	-	12	12	-	12
Total comprehensive income		**60**	**1**	**59**	**246**	**46**	**200**

1 References relate to the accompanying notes.

CONSOLIDATED BALANCE SHEET

as at 31 December in EUR millions	note[1]	2020	2019
Cash and balances with central banks	15	1,909	1,965
Due from other banks	16	645	688
Financial assets at fair value through profit or loss (including trading)			
Debt investments	17	69	91
Equity investments (including investments in associates)	18	212	253
Loans	19	130	142
Derivative financial instruments	20	494	482
Financial assets at fair value through other comprehensive income			
Debt investments	21	886	954
Financial assets at amortised cost			
Debt investments	22	22	10
Loans	23	6,309	7,636
Lease receivables	24	16	25
Mortgage loans	25	9,902	9,637
Securitised mortgage loans	26	343	407
Other			
Investment property	27	21	23
Investments in associates and joint ventures (equity method)	28	15	21
Property and equipment (including right-of-use assets)	29	33	39
Current tax assets	30	-	5
Deferred tax assets	31	5	10
Other assets	32	44	19
Total assets		**21,055**	**22,407**

1 References relate to the accompanying notes.

as at 31 December in EUR millions	note[1]	2020	2019
Due to other banks	33	1,000	1,403
Deposits from customers	34	11,137	11,397
Financial liabilities at fair value through profit or loss (including trading)			
Own debt securities in issue	35	-	39
Debt securities in issue structured	36	171	184
Derivative financial instruments	20	100	225
Current tax liabilities	30	3	-
Deferred tax liabilities	31	6	12
Provisions	37	6	15
Accruals, deferred income and other liabilities	38	71	86
Debt securities in issue at amortised cost			
Own debt securities in issue	39	5,954	6,305
Debt securities in issue related to securitised mortgages	40	327	392
Subordinated liabilities			
Fair value through profit or loss	41	165	167
Amortised cost	42	113	117
Total liabilities		**19,052**	**20,342**
Equity			
Share capital	43	80	80
Share premium	43	238	238
Revaluation reserves	43	118	120
Retained profit	43	1,367	1,427
Equity attributable to the equity holders		**1,803**	**1,865**
Capital securities (non-controlling interests)	44	200	200
Total equity		**2,003**	**2,065**
Total liabilities and equity		**21,055**	**22,407**

1 References relate to the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR millions	note[1]	Attributable to Share capital	Share premium	Revaluation reserves	Retained profit	Equity of the company	Capital securities	Total equity
Balance at 1 January 2020		**80**	**238**	**120**	**1,427**	**1,865**	**200**	**2,065**
Total comprehensive income for the period ended 31 December 2020		-	-	(2)	49	47	12	59
Distributions:								
Paid coupon on capital securities	44	-	-	-	-	-	(12)	(12)
Dividend paid during the year	43	-	-	-	(109)	(109)	-	(109)
Balance at 31 December 2020		**80**	**238**	**118**	**1,367**	**1,803**	**200**	**2,003**

1 References relate to the accompanying notes.

in EUR millions	note[1]	Attributable to Share capital	Share premium	Revaluation reserves	Retained profit	Equity of the company	Capital securities	Total equity
Balance at 1 January 2019		**80**	**238**	**122**	**1,470**	**1,910**	**200**	**2,110**
Total comprehensive income for the period ended 31 December 2019		-	-	(2)	190	188	12	200
Transfer of realised depreciation revalued property and equipment	29	-	-	(1)	1	-	-	-
Adjustment deferred tax asset due to lower corporate income tax rate in 2021 and onwards	31	-	-	-	1	1	-	1
Other		-	-	1	-	1	-	1
Distributions:								
Paid coupon on capital securities	44	-	-	-	-	-	(12)	(12)
Dividend paid during the year	43	-	-	-	(235)	(235)	-	(235)
Balance at 31 December 2019		**80**	**238**	**120**	**1,427**	**1,865**	**200**	**2,065**

1 References relate to the accompanying notes.

Available distributable amount as at 31 December

in EUR millions	2020	2019
Equity attributable to the equity holder	1,803	1,865
Share capital	(80)	(80)
Legal reserves		
Within retained earnings	(11)	-
Revaluation reserves	(29)	(34)
Legal reserves profit participation	-	(1)
Total legal reserves	**(40)**	**(35)**
Total available distributable amount	**1,683**	**1,750**

See note 43 Equity for more detailed information

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR millions	note[1]	2020	2019
Operating activities			
Profit before tax for the year		62	246
Tax[2]		(1)	(44)
Profit after tax for the year		**61**	**202**
Adjustments for non-cash items			
Depreciation, amortisation and credit loss expenses	11/13	139	47
Changes in employee benefits	37	-	(1)
Share in result of associates and joint ventures	28	(1)	(5)
Changes in operating assets and liabilities			
Derivative financial instruments	20	(137)	112
Operating assets[3]		998	(755)
Operating liabilities (including deposits from customers)[4]		(833)	75
Cash flows from operating activities		**227**	**(325)**
Investing activities			
Acquisition of subsidiaries, associated and joint ventures	28	(1)	(4)
Disposal of subsidiaries, associates and joint ventures	18/28	8	-
Acquisition of property and equipment	29	(1)	(10)
Repayments of financial assets	4	7	47
Cash flows from investing activities		**13**	**33**
Financing activities			
Proceeds from the issuance of own debt securities	39/35	783	2,202
Repayment of issued own debt securities	39/35	(1,160)	(1,436)
Proceeds from the issuance of subordinated liabilities	42/41	3	3
Repayment of issued subordinated liabilities	42/41	(39)	4
Proceeds from the issuance of debt securities structured	36	(3)	5
Repayment of issued debt securities structured	36	(11)	(100)
Final and interim distribution	43	(109)	(235)
Proceeds from capital securities (net of issuance costs)	44	(12)	(12)
Cash flows from financing activities		**(548)**	**431**

1 References relate to the accompanying notes.
2 Tax received in 2020 amounts to EUR 3 million (2019: tax paid EUR 5 million).
3 Includes all assets except for derivatives, investment property, property and equipment, assets under investing activities and intangible assets. The cashflow is primarily explained by Mortgage loans (note 25: EUR - 273 million), Debt investments at FVOCI (note 21: EUR 65 million) and Loans AC (note 23: EUR 1,031 million).
4 Includes all liabilities excluding derivatives and consists mainly of Due to other banks (note 33: EUR -403million) and Deposits from customers (note 34: EUR -261 million).

in EUR millions	note[1]	2020	2019
Cash and cash equivalents at 1 January		**2,307**	**2,309**
Net foreign exchange difference		133	(68)
Net increase/(decrease) in cash and cash equivalents		(167)	66
Cash and cash equivalents at 31 December		**2,273**	**2,307**
Reconciliation of cash and cash equivalents			
Cash and balances with central banks (maturity three months or less)	15	1,747	1,806
Due from other banks (maturity three months or less)	16	526	501
		2,273	**2,307**
Supplementary disclosure of operating cash flow information			
Interest paid		153	183
Interest received		540	600

1 References relate to the accompanying notes.

ACCOUNTING POLICIES

Authorisation of consolidated financial statements

The consolidated financial statements of NIBC Bank N.V. for the year ended 31 December 2020 were authorised for issue by the Supervisory Board and Managing Board on 3 March 2021. NIBC Bank N.V. is a public liability company, incorporated under Dutch law on 31 October 1945, and registered at Carnegieplein 4, 2517 KJ The Hague, the Netherlands (Chamber of Commerce number 27032036). NIBC Bank N.V. is a wholly-owned subsidiary of NIBC Holding N.V.

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

Summary of significant accounting policies

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

Statement of compliance

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

Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis, except for:
- Financial assets and liabilities (including derivative instruments, equity investments, investments in associates and joint-ventures) and certain classes of (investment) property *measured at fair value through profit or loss* (**FVtPL**);
- Financial assets held for both collecting contractual cash flows and sale *measured at fair value through other comprehensive income* (**FVOCI**).

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

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

Changes in accounting policies in 2020

Changes in International Financial Reporting Standards as adopted by the European Union
New standards and amendments to standards become effective at the date specified by IFRS-EU, but may allow companies to opt for an earlier application date. In 2020, the following standards or amendments to existing standards issued by the *International Accounting Standards Board* (**IASB)**, and relevant for NIBC, were adopted and implemented:

Accounting standard/ amendment/interpretation

	IASB effective date	Endorsed by EU	Early adopted by NIBC	Impact for NIBC
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	Yes	-	See below for comments
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	Yes	-	See below for comments
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform - Phase 1	1 January 2020	Yes	-	See below for comments
Amendment to IFRS 3 Business Combinations	1 January 2020	Yes	-	See below for comments

Amendments to IAS 1 and IAS 8: Definition of Material
Effective from 1 January 2020, NIBC applied the amendments to IAS 1 and IAS 8, 'Definition of Material' prospectively. As the amendments are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements, the adoption of the amendment does not have a material impact on NIBC's consolidated financial statements.

Amendments to References to the Conceptual Framework in International Financial Reporting Standards
The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Amendments to References to the Conceptual Framework in IFRS include some new concepts, provide updated definitions and recognition criteria for assets and liabilities and clarify some important concepts. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The adoption of the amendment does not have a material impact on NIBC's consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark - Reform Phase 1
Effective from 1 January 2020, the amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with a *Risk Free Rate* (**RFR**).

Refer to note 20 'Derivative financial instruments (fair value through profit or loss)' for disclosure of hedging instruments as at 31 December 2020 that are used in NIBC's (active) hedge accounting relationships.

Since NIBC discontinues and reassigns most of its hedge accounting relationships on a monthly basis, the reform does not interrupt the standing process. Therefore the amendments do not have a material impact on NIBC's consolidated financial statements.

Amendment to IFRS 3 Business Combinations
Effective prospectively from 1 January 2020, the IASB issued narrow-scope amendments to IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments add guidance to assess whether an acquired process is substantive and add illustrative examples. The amendments introduce an optional concentration test to permit a simplified assessment. The adoption of the amendment does not have a material impact on NIBC's consolidated financial statements.

Upcoming changes after 2020

Below standards and amendments to existing standards, published prior to 31 December 2020, were not early adopted by NIBC but will be applied in future years. Note that only the amendments to IFRSs that are relevant for NIBC are discussed below.

New and/or amended standards endorsed but not yet effective

Accounting standard/ amendment/ interpretation

	IASB effective date	Impact for NIBC
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021	See below for comments
Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions	1 June 2020	Low
(Relief to lessees from applying lease modification accounting to COVID-19 related rent concessions)		

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020, not early adopted)
These amendments, mandatory and effective from 1 January 2021, provide reliefs and practical expedients on issues that affect financial reporting when an existing interest rate benchmark is replaced with an RFR. The impact of the IBOR reform Phase 2 is considered medium due to the operational impact.

New and/or amended standards not yet endorsed

Accounting standard/ amendment/ interpretation	IASB effective date	Impact for NIBC
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-Current - Deferral of Effective Date (Clarification of the criteria whether to classify a liability as current or non-current)	1 January 2023	Low
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (IFRS 3: Reference to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination, and a new exception for liabilities and contingent liabilities; IAS 16: amendments relating to items produced that are not an output of an entity's ordinary activities; IAS 37: clarification of the meaning of 'costs to fulfil a contract'; Annual Improvements containing amendments - IFRS 9: costs or fees paid to third parties will not be included in the 10% test for derecognition of financial liabilities, - IFRS 16; amendment of illustrative example, - IFRS 1: an exemption if a subsidiary adopts IFRS at a later date than its parent, - IAS 41 'Agriculture': removal of the requirement for entities to exclude cash flows for taxation when measuring fair value.)	1 January 2022	Low

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

Impact of COVID-19 pandemic

Background

The COVID-19 pandemic and the measures undertaken to contain it have dramatically changed the global economic outlook, causing large-scale economic disruption and pronounced volatility in financial markets. The market disruption is expected to lead to rising levels of unemployment, elevated levels of credit losses from business insolvencies and higher consumer defaults. In an attempt to mitigate the economic effects of the COVID-19 pandemic, governments, prudential regulators and central banks have offered significant fiscal, regulatory and monetary support to allow businesses to remain liquid and solvent, and to support retail customers. The extent to which these efforts will reduce the adverse financial effects of the COVID-19 pandemic remains uncertain.

Financial instruments

In March 2020, the IASB emphasised that entities should apply appropriate judgement when determining the effects of COVID-19 on *Expected Credit Losses* (**ECL**) under *IFRS 9 'Financial Instruments'* (**IFRS 9**), given the significant uncertainty that exists, in particular when assessing future macro-economic conditions and whether a significant increase in credit risk has occurred.

Also banking regulators have issued statements emphasising the need for judgement. Notwithstanding the measures taken by regulators, deteriorating economic forecasts have caused and are likely to continue to cause an increase in ECL and greater volatility in the income statement.

The COVID-19 pandemic did not result in new asset classifications or changes in selected business models.

The COVID-19 pandemic did not give rise to a change in the fair value measurement policies of NIBC.

Where relevant the impact of the COVID-19 pandemic is disclosed in the different notes to the consolidated income statement and the consolidated balance sheet.

The negative economic outlook and cash flow difficulties experienced by clients as a result of COVID-19 are factored into NIBC's forecasts of future conditions, which results, other things equal, in an increase in provisions for ECL to reflect a higher *Probability of Default* (**PD**) across borrowers, even those that currently do not exhibit significant increases in credit risk but may do so in the future and/or a higher *Loss Given Defaults* (**LGD**), due to possible decrease in the value of collateral and other assets.

NIBC's regular process to determine the ECL allowances includes the update and review of macro-economic scenarios, triggers that indicate *Significant Increases in Credit Risk* (**SICR**) and stage migration, PD curves and LGD curves.

Following the regular ECL processes, NIBC has also included an additional review of the total allowances for ECL. NIBC has decided to perform such an assessment to ensure the reported ECL are a fair reflection of the actual credit risks included in NIBC's portfolios as at 31 December 2020, given the many uncertainties.

In addition to the standard processes to identify SICR, exposures receiving COVID-19-related measures have been separately reviewed for potential SICR. COVID-19-related measures include payment deferrals of credit obligations, with the aim of supporting the operational and liquidity challenges faced by borrowers. For the determination of SICR in light of such COVID-19 measures, the following approach has been applied.

Loans and Lease receivables at amortised cost
Following the decision to apply a case-by-case approach to determine if and when specific measures are required to support the client, the SICR process has been adjusted to include a review of these COVID-19 measures. A COVID-19 measure is considered to indicate a SICR only when the client is showing a deteriorated creditworthiness or other identifiers of longer-term, credit-related instead of liquidity-related financial difficulties. In this case, the COVID-19 measure will trigger a stage transfer. In other cases, the COVID-19 measure is considered to provide short-term relief only to otherwise creditworthy clients and will not be considered an indicator of SICR.

Mortgage loans and Securitised mortgage loans at amortised cost
For its mortgage loan clients, NIBC has introduced the possibility of a payment deferral in response to the COVID-19 circumstances. As the mortgage loan portfolio is based on a programme-lending approach, it is not feasible to apply a case-by-case approach. Consequently, NIBC is not able to make the distinction between short-term liquidity issues and longer-term, credit-related financial difficulties that are at the base of client's need to apply for such a payment deferral. NIBC has adopted the

approach that all mortgage loans that have received the COVID-19 related payment deferral are deemed to include a SICR, and as a consequence, this may trigger a stage transfer. No additional interest is charged to clients in case of a payment deferral.

Assessment of impairment of non-financial assets

Intangible assets

The group tested goodwill and indefinite life intangible assets for impairment, updating the assumptions, and cash flow forecasts, where relevant, to reflect the potential impact of COVID-19.

Tangible assets

NIBC's land and buildings in-own-use (Property and equipment) and available for rental (Investment property) were revalued as of 31 December 2020 based on an external appraisal.

In determining the value in use of assets held as lessor, the group incorporates the cash flows over the lease term, as well as the expected selling price on expiry of the lease. Market disruption, decline in asset prices as well as credit events specific to individual lessees can result in a reduction of the asset's recoverable values. There remains significant uncertainty regarding the severity of the impact of COVID-19 on the different sectors the group is active in, and the duration of restrictions of domestic and international travel. If an asset's carrying amount is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

Basis of consolidation

The consolidated financial statements are comprised of the financial statements of NIBC and its subsidiaries as at and for the years ended 31 December 2020 and 2019.

Subsidiaries

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

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

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

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

- another investor has the power over more than half of the voting rights by virtue of an agreement with the group; or
- another investor has the power to govern the financial and operating policies of the investee under a statute or an agreement; or

- another investor has the power to appoint or remove the majority of the members of the board of directors or equivalent governing body and the investee is controlled by that board or body; or
- another investor has the power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of that entity is by this board or body.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment reporting

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

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

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

Financial instruments

Recognition and classification and measurement

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

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

A debt instrument is measured at AC if it meets both of the following conditions:

- it is held within a business model that has an objective to hold financial assets to collect contractual cash flows;
- the contractual terms of the financial asset result in cash flows that are S*olely Payments of Principal and Interest* (**SPPI**) on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset result in cash flows that are SPPI.

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

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

Business model assessment

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

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

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

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

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

Contractual cash flow characteristics

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

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

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

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

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

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

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

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

Derecognition, restructured and modified financial assets

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

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

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

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

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

Fair value estimation

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

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

Determination of fair value of financial instruments

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

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

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

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

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

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

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

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

See note 45 Fair value of financial instruments for an analysis of the fair values of financial instruments and own credit risk and further details as to how they are measured.

Recognition of day one profit or loss

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

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

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

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

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

Assets for which fair value approximates carrying amount

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

Fixed-rate financial instruments

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

See note 45 Fair value of financial instruments for the fair values of NIBC's financial instruments that are not carried at fair value in the balance sheet.

Offsetting

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

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

Collateral

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

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

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

Derivative financial instruments and hedging

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

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

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

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

Hedge accounting

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

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

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

Fair value hedge

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

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

Portfolio fair value hedge

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

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

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

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

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

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

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

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

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

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

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

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

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

Expected Credit Losses

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

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

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

Recognition of Expected Credit Losses

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

ECL are recognised on the following basis:

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

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

Exposures receiving COVID-19-related measures have been separately reviewed for potential SICR, refer to section 'Impact of COVID-19 pandemic' for further detail.

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

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

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

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

Default and credit impairment

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

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

An instrument is classified as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

1. significant financial difficulty of the issuer or the client;
2. a breach of contract, such as a default or past due event;
3. NIBC, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the client a concession(s) that NIBC would not otherwise consider;
4. it is becoming probable that the client will enter bankruptcy or other financial reorganisation;
5. the disappearance of an active market for that financial asset because of financial difficulties; or
6. the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

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

Write-off

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

Measurement of Expected Credit Losses

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

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

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

The measurement of the ECL is summarised as follows:

ECL	Measurement
Stage 1	The 12M-ECL is calculated as the portion of LT-ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months or a shorter period if applicable after the reporting date. NIBC calculates the 12M-ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
Stage 2	When a loan has shown a SICR since origination, NIBC records an allowance for the LT-ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but ECL calculations are summed over the remaining lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. The EIR calculation for the corporate exposures comprises of the current base rate plus an add-on. This rate is fixed to discount the cash-flows over the remaining life of the loan until its legal maturity. This rate applies to all financial instruments, including undrawn loan commitments and financial guarantees. The EIR calculation for retail mortgage loans is based on the current coupon rate. The rate is fixed over the remaining life of the loan until its contractual maturity date.
Stage 3	For loans considered credit-impaired, NIBC recognises the LT-ECL, based on facility level individual cash flow estimates determined by the department *Restructuring & Distressed Assets* (**RDA**). RDA applies at least three scenarios (unless it is 100% impaired) and assigns probabilities to each of these scenarios. Focus is on recovery of the client, while in parallel an enforcement strategy, a loan trade or sale of the company are considered as alternative scenarios. The method is conceptually similar to that for Stage 2 assets, but requires an individual assessment. For the purpose of impairment calculation, the EIR is approximated by the sum of the applicable swap curve plus the original contractual margin.

POCI	POCI assets are financial assets that are credit impaired on initial recognition. NIBC only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.
Loan commitments and letters of credit	When estimating LT-ECLs for undrawn loan commitments, NIBC estimates the expected portion of the loan commitment that will be drawn down over its contractual life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For loan commitments relating to revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For fully undrawn loan commitments and letters of credit, the ECL is recognised within *Provisions*.
Financial guarantee contracts	NIBC's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, NIBC estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within *Provisions*.

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

Refer to note 55 Credit risk for full disclosure on scenarios and scenario weights as well as used macro-economic and other factors.

Expected Credit Losses measurement period

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

Significant Increase in Credit Risk

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

The following table discloses the SICR triggers for the three major asset classes subject to ECL determination ('Yes' refers to the trigger being present, and 'RMS' refers to the Rating Monitoring System). Refer to section 'Impact of COVID-19 pandemic' for case by case SICR assessment due to COVID-19.

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

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

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

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

Impairment of non-financial assets

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

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

Intangible assets

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

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

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

Tangible assets

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

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

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

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

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

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

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

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

Investment property

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

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

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

Leases

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

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

A group company is the lessee

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

- the amount of the initial measurement of the lease liability,
- lease payments made at or before the commencement date of the lease contract, less lease incentives received;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial guarantees

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

Cash and cash equivalents

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

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

Provisions

Provisions contains:

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

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

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

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

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

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

Restructuring and/or reorganisation provisions
Provisions for restructuring costs and legal claims are recognised when:

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

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

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

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

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

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

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

Equity-settled transactions
The group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (shares or options) of the group. The fair value of the employee services received in exchange for the grant of the shares or

options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares or options granted:

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

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

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

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

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

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

Cash-settled transactions

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

Profit-sharing and bonus plans

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

Accruals, deferred income and other liabilities

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

Income tax

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

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

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

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

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

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

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

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

Equity

Share capital

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

Capital securities

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

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

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

Revenue recognition

As detailed in the sub-sections below, NIBC recognises the revenue on financial instruments in:
- net interest income;
- investment income;
- net trading income;
- net gains or (losses) from assets and liabilities at FVtPL;
- net gains or (losses) on derecognition of financial assets measured at AC,

in accordance with IFRS 9.

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

NIBC recognises revenue in relation to:
- net fee income;
- other operating income,

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

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

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

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

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

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

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

Net fee income

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

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

Over time services

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

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

Point in time services

Fees earned from providing transaction-type services are recognised when the service has been completed provided such fees are not highly probable subject to refund or another contingency beyond the control of NIBC.

Measurement

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

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

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

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

Investment income
Investment income includes the following income items:

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

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

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

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

- FX gains and losses.

Net gains or (losses) from assets and liabilities at Fair value through profit or loss
Net gains or (losses) from assets and liabilities at FVtPL comprises
- all gains and losses from financial assets and financial liabilities measured at FVtPL,
- excluding those presented under
  - investment income,
  - net trading income, and
  - OCI (the results from movements in the fair value of financial liabilities that are attributable to changes in NIBC's own credit risk).

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

Statement of cash flows
The statement of cash flows, based on the indirect method of calculation, gives details of the source of cash and cash equivalents that became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operating activities, including banking activities, investment activities and financing activities. Movements in loans and receivables and inter-bank deposits are included in the cash flow from operating activities. Investing activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in and sales of subsidiaries and associates, property, plant and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Movements due to currency translation differences as well as the effects of the consolidation of acquisitions, where of material significance, are eliminated from the cash flow figures.

Fiduciary activities
NIBC acts in fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets are excluded from these financial statements as they are not assets of the group. Related fee income arising thereon is recognised under fee income.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

NIBC makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and judgements are principally made in the following areas:

- Fair value of certain financial instruments;

- ECL of financial instruments not measured at FVtPL;

- Income taxes, and

- Consolidation of SEs.

Fair value of certain financial instruments

The fair value of financial instruments is determined based on quoted market prices in an active market or, where no active market exists, by using valuation techniques. In cases where valuation techniques are used, the fair values are estimated from market observable data, if available, or by using models. Where market-observable inputs are not available, they are estimated based on appropriate assumptions.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those who prepared them. All models are reviewed prior to use and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent possible, models use only observable data; however, in areas such as applicable credit spreads (both own credit spread and counterparty credit spreads), volatilities and correlations may require management to estimate inputs.

Changes in assumptions could affect the reported fair value of financial instruments. For the identification of assumptions used in the determination of fair value of financial instruments and for estimated sensitivity information for level 3 financial instruments, except for own liabilities see note 45 Fair value of financial instruments.

Own liabilities designated at Fair value through profit or loss

At 31 December 2020, the fair value of these liabilities was estimated to be EUR 336 million (31 December 2019: EUR 390 million). This portfolio is designated at FVtPL and is reported on the face of the balance sheet under the following headings:

- Financial liabilities at FVtPL: Own debt securities in issue;
- Financial liabilities at FVtPL: Debt securities in issue structured;
- Financial liabilities at FVtPL: Subordinated liabilities.

The portion of fair value changes on these liabilities designated at FVtPL during 2020 attributable to the movement in credit spreads as reported in note 35 Own debt securities in issue (designated at fair value through profit or loss), note 36 Debt securities in issue structured (designated at fair value through profit or loss) and note 41 Subordinated liabilities (designated at fair value through profit or loss) reflects gross amounts.

The bank estimates its own credit risk from market observable data such as NIBC senior unsecured issues, NIBC subordinated issues and secondary prices for its traded debt.

The valuation of all the above classes of financial liabilities designated at FVtPL is sensitive to the estimated credit spread used to discount future expected cash flows.

Refer to note 45.7 Own credit adjustments on financial liabilities designated at fair value for the sensitivity analysis.

Valuation of corporate derivatives (Credit Valuation Adjustments & Debit Valuation Adjustments)

CVAs and DVAs are incorporated into derivative valuations to reflect the risk of default of respectively the counterparty and NIBC. In essence, CVA represents an estimate of the discounted *Expected Loss* (**EL**) on an *Over The Counter* (**OTC**) derivative during the lifetime of a contract. DVA represents the estimate of the discounted EL from the counterparty's perspective. Both CVA and DVAs are applied to all OTC derivative contracts, except those that benefit from a strong collateral agreement where cash collateral is regularly exchanged, mitigating credit risk.

Fair value of equity investments

The group estimates the fair value of its equity investments using valuation models, and it applies the valuation principles set forth by the International Private Equity and Venture Capital Valuation Guidelines to the extent that these are consistent with IFRS 9.

On 31 December 2020, the fair value of this portfolio, reported as equity investments (including investments in associates) at FVtPL, was estimated to be EUR 212 million (31 December 2019: EUR 253 million).

For the determination of the fair value of equity investments and for estimated sensitivity to key assumptions in the valuation, see note 45 Fair value of financial instruments.

Expected Credit Loss of financial instruments not measured at fair value through profit or loss

The calculation of ECL requires management to apply significant judgment and make estimates and assumptions that involve significant uncertainty at the time they are made. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECL to be recognised. Reference is made to the corresponding notes for the nature and carrying amounts of the ECL of financial instruments not measured at FVtPL. Refer to section Impact of COVID-19 pandemic for the impact of COVID-19 measures on the ECL process.

Determination of a Significant Increase of Credit Risk

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

Scenarios, scenario weights and macroeconomic factors

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

The macroeconomic projections in the baseline scenario are the most important determinant of the final ECL amount. The combined impact of macroeconomic scenarios, applied to the corporate loan and mortgage loan portfolios, on the ECL is limited.

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

Modelling and management adjustments
A number of complex models have been developed or modified to calculate ECL. Internal counterparty rating changes, new or revised models and data may significantly affect ECL. Management adjustments, based on counterparty details, can be applicable to resolve technical issues in the processing of stage 1 and stage 2 ECL. The models are governed by NIBC's risk department, which aims to ensure independent verification.

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

Analysis on Sensitivity
Refer to note 13 Impairments of financial and non-financial assets.

Income taxes

Deferred tax assets (**DTA**) are included only if it is probable that taxable profits will be realised in the near future against which these temporary differences can be offset. When determining future taxable profits, estimates are used since these are subject to uncertainty.

On 31 December 2020 there was a realistic expectation that sufficient taxable profits would be generated within the applicable periods for the recognised DTA based on internal (medium term) forecasts. The terms to maturity of the Dutch carry forward losses year-end 2020 varies between up to 5 years (EUR 69 million) and up to 7 years (EUR 180 million).

Consolidation of structured entities

The consolidation of SEs is a critical estimate that requires judgement and is described in note 53 Structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Segment report

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

Operating segments

The operating segments are as follows:

Corporate Client Offering

Corporate Client Offering provides advice and debt, leasing, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany and the UK. Sectors in which NIBC is specialised are: Financial Sponsors, Fintech, Infrastructure, Life Sciences, Food Mobility and Manufacturing, Offshore Energy, *Commercial Real Estate* (**CRE**), Technology and Shipping.

Retail Client Offering

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

Treasury and Group Functions

Treasury and Group Functions includes the Bank's treasury function, asset and liability management, risk management and the bank's Corporate Centre which includes HR & Corporate Communications, *Internal Audit* (**IA**), Legal & Compliance, Sustainability, Operations & Facilities, Information Technology and Finance, Tax & Strategy. A substantial part of the operating expenses as well as the full time equivalents of Group functions are allocated to Corporate and Retail Client Offering.

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

Certain financial assets and liabilities are not allocated to Corporate Client Offering and Retail Client Offering as they are managed on a group basis. These financial assets and liabilities are held within the segment Treasury and Group Functions and mainly comprise cash, debt investments, derivative assets and liabilities as well as majority of the holding's funding. As the assets of Corporate Client Offering and Retail Client Offering are largely funded internally with transfer pricing, the majority of NIBC'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 tables present the Segment report comprising to the consolidated results under IFRS for the years ended 31 December 2020 and 31 December 2019.

	For the year ended 31 December 2020			
in EUR millions	Corporate Client Offering	Retail Client Offering	Treasury & Group Functions	Total (consolidated financial statements)
Net interest income	161	148	78	386
Net fee income	15	28	0	43
Investment income	6	-	1	7
Net trading income	(8)	-	2	(6)
Net gains or (losses) from assets and liabilities at fair value through profit or loss	(10)	-	(18)	(27)
Net gains or (losses) on derecognition of financial assets measured at amortised cost	(1)	-	4	3
Other operating income	0	-	0	0
Operating income	**163**	**175**	**68**	**407**
Other operating expenses[1]	101	66	27	194
Regulatory charges and levies	-	10	6	16
Operating expenses	**101**	**76**	**33**	**210**
Credit loss expense	126	7	1	134
Impairments of non-financial assets	-	-	1	1
Profit before tax	**(64)**	**92**	**34**	**62**
Tax	(16)	23	(6)	1
Profit after tax	**(49)**	**69**	**40**	**61**
Attributable to				
Shareholders of the company	(49)	69	28	49
Holders of capital securities (non-controlling interests)			12	12
Total FTEs	367	169	108	644
EC Usage (start of the year)	1,019	320	160	1,499
Available capital (start of the year)				1,756
ROE (SBU based on EC Usage)	-4.8%	21.7%		3.3%
ROE (on available capital)				2.8%
Cost/income ratio	62%	43%		52%
Segment assets	6,205	9,860	4,990	21,055
Return on assets	-0.6%	0.7%		0.2%
Risk-weighted assets	5,709	1,232	698	7,640

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

Income and expenses per country

in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
	For the year ended 31 December 2020				
Operating income	340	51	6	10	407
Operating expenses	178	26	4	3	210
Credit loss expense	137	(4)	-	-	134
Impairments of non-financial assets	1	-	-	-	1
Profit before tax	**24**	**29**	**2**	**7**	**62**
Tax	(5)	5	-	1	1
Profit after tax	**29**	**23**	**2**	**6**	**61**
FTEs	552	61	25	6	644

Operating income per sector per country

in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
	For the year ended 31 December 2020				
Corporate Client Offering					
Commercial Real Estate	27	-	-	-	27
Energy	9	-	-	-	9
Financial Sponsors & Leveraged Finance	18	8	2	-	28
Fintech & Structured Finance	10	5	-	-	15
Infrastructure	15	2	-	-	17
Mezzanine & Equity Partners	13	-	-	-	13
Mid-Market Corporates	12	5	-	-	17
Shipping	16	-	-	-	16
Other Corporate Client Offering	16	3	4	-	19
Retail Client Offering	137	29	-	10	175
Treasury	69	(1)	0	0	68
	340	**51**	**6**	**10**	**407**

Net fee income per sector

in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
	For the year ended 31 December 2020				
Corporate Client Offering					
Commercial Real Estate	2	-	-	-	2
Energy	1	-	-	-	1
Financial Sponsors & Leveraged Finance	1	0	2	-	2
Fintech & Structured Finance	1	0	-	-	1
Infrastructure	1	-	-	-	1
Mezzanine & Equity Partners	1	-	-	-	1
Mid-Market Corporates	1	0	-	-	1
Shipping	1	-	-	-	1
Other Corporate Client Offering	1	0	4	-	6
Retail Client Offering	27	1	-	-	28
Treasury	-	0	-	-	0
	36	**1**	**5**	**-**	**43**

	For the year ended 31 December 2019			
in EUR millions	Corporate Client Offering	Retail Client Offering	Treasury & Group Functions	Total (consolidated financial statements)
Net interest income	185	137	95	417
Net fee income	25	15	-	40
Investment income	60	-	-	60
Net trading income	5	-	-	5
Net gains or (losses) from assets and liabilities at fair value through profit or loss	1	-	-	1
Net gains or (losses) on derecognition of financial assets measured at amortised cost	(1)	-	-	(1)
Other operating income	-	-	2	2
Operating income	**274**	**152**	**97**	**524**
Other operating expenses[1]	112	59	43	214
Regulatory charges and levies	-	10	5	15
Operating expenses	**112**	**69**	**48**	**229**
Credit loss expense / (recovery)	53	(4)	-	49
Profit before tax	**109**	**87**	**49**	**246**
Tax	13	22	9	44
Profit after tax	**96**	**65**	**40**	**202**
Attributable to				
Shareholders of the company				190
Holders of capital securities (non-controlling interests)				12
Total FTEs	465	144	58	667
EC Usage (start of the year)	759	266	245	1,270
Available capital (start of the year)				1,858
ROE (SBU based on EC Usage)	12.5%	24.6%		14.3%
ROE (on available capital)				10.2%
Cost/income ratio	41%	45%		44%
Segment assets	7,593	9,795	5,019	22,407
Return on assets	1.2%	0.7%		0.9%
Risk-weighted assets	6,811	1,204	582	8,597

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

Income and expenses per country

in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
	For the year ended 31 December 2019				
Operating income	437	71	7	9	524
Operating expenses	186	33	7	3	229
Credit loss expense / (recovery)	25	24	-	-	49
Profit before tax	**226**	**14**	**-**	**6**	**246**
Tax	41	2	1	-	44
Profit after tax	**185**	**12**	**(1)**	**6**	**202**
FTEs	486	121	52	8	667

Operating income per sector per country

in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
	For the year ended 31 December 2019				
Corporate Client Offering					
Commercial Real Estate	29	-	-	-	29
Energy	13	-	-	-	13
Financial Sponsors & Leveraged Finance	20	15	2	-	37
Fintech & Structured Finance	13	10	-	-	23
Infrastructure	20	5	-	-	25
Mezzanine & Equity Partners	75	-	-	-	75
Mid-Market Corporates	19	8	-	-	27
Shipping	28	-	-	-	28
Other Corporate Client Offering	16	1	-	-	17
Retail Client Offering	115	28	-	9	152
Treasury	89	4	5	-	98
	437	**71**	**7**	**9**	**524**

Net fee income per sector

in EUR millions	For the year ended 31 December 2019 The Netherlands	Germany	United Kingdom	Belgium	Total
Corporate Client Offering					
Commercial Real Estate	1	-	-	-	1
Energy	-	-	-	-	-
Financial Sponsors & Leveraged Finance	1	-	2	-	3
Fintech & Structured Finance	3	1	-	-	4
Infrastructure	1	-	-	-	1
Mezzanine & Equity Partners	2	-	-	-	2
Mid-Market Corporates	1	-	-	-	1
Shipping	1	-	-	-	1
Other Corporate Client Offering	11	1	-	-	12
Retail Client Offering	15	-	-	-	15
Treasury	-	-	-	-	-
	36	**2**	**2**	**-**	**40**

2 Net interest income

in EUR millions	2020	2019
Interest and similar income		
Interest income from financial instruments measured at amortised cost and fair value through other comprehensive income	**528**	**585**
Cash and balances central banks	6	7
Due from other banks	-	3
Debt investments	1	1
Loans	243	314
Lease receivables	1	6
Mortgage loans	303	308
Derivatives related to assets at amortised cost	(27)	(54)
Interest income from financial instruments measured at fair value through profit or loss	**12**	**15**
Debt investments	6	7
Loans	2	3
Derivatives	4	5
	540	**600**
Interest expense and similar charges		
Interest expense from financial instruments measured at amortised cost	**147**	**174**
Cash and balances central banks	6	5
Due to other banks	5	7
Deposits from customers	70	85
Debt securities	64	72
Subordinated liabilities	4	5
Derivatives related to liabilities at amortised cost	(5)	(4)
Other	2	5
Interest expense from financial instruments measured at fair value through profit or loss	**6**	**9**
Debt securities	7	9
Subordinated liabilities	6	8
Derivatives	(7)	(9)
Other	1	-
	153	**183**
	386	**417**

Derivatives related to amortised cost positions are linked to hedge accounting applied by NIBC. For further details on hedge accounting refer to note 20 Derivatie financial instruments (fair value through profit or loss).

Interest income includes negative interest from liabilities for an amount of EUR 35 million (2019: EUR 21 million). This amount includes the negative interest from TLTRO loans for an amount of EUR 5 million in 2020 (2019: EUR 5 million). NIBC has drawn amounts under the TLTRO II and III programs in 2020 and 2019. TLTRO II will mature in 2021 and TLTRO III has a remaining maturity of two and half years and will end in 2023.

Interest expense includes negative interest from financial assets for an amount of EUR 53 million (2019: EUR 48 million).

The interest expense on derivatives at fair value through profit or loss relates mainly to the structured funding portfolio. The net interest on the structured funding portfolio is an expense.

3 Net fee income

in EUR millions	2020	2019
Fee income per segment and major service lines		
Corporate Client Offering		
Originate-to-Manage loans	5	7
Lending related fees	7	11
M&A fees	2	4
Brokerage fees	-	3
Fee income Corporate Client Offering	**15**	**25**
Retail Client Offering		
Originate-to-Manage mortgage loans	28	15
Fee income Retail Client Offering	**28**	**15**
Total fee income (from contracts with customers)	**43**	**40**
Fee expense		
Other non-interest related fees	-	-
	-	**-**
	43	**40**

The increase in the *Originate-to-Manage* (**OTM**) fees in the Retail Client Offering is the result of the continued growth of the OTM portfolio.

The decline of lending related fees is mainly driven by lower origination levels, which are a consequence of the COVID-19 pandemic and rebalancing.

4 Investment income

in EUR millions	2020	2019
Share in result of associates and joint ventures accounted for using the equity method	-	5
Equity investments (fair value through profit or loss)		
Gains less losses from associates	(2)	21
Gains less losses from other equity investments	9	34
	7	**60**

The value of the investment portfolio has been affected by the COVID-19 pandemic, leading to negative fair value changes on several investments. This movement partly offsets the positive results in the portfolio, which were generated by several successful exits.

5 Net trading income or (loss)

in EUR millions	2020	2019
Financial instruments mandatory measured at fair value through profit or loss		
Debt investments held for trading	(9)	1
Other assets and liabilities held for trading	2	4
Other net trading income	1	-
	(6)	**5**

In 2020 the debt investments held for trading includes a negative fair value movement of EUR 9 million on the retained non-rated positions of the North Westerly CLO transactions.

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

in EUR millions	2020	2019
Financial instruments		
Financial instruments mandatory at fair value through profit or loss other than those included in net trading income		
Debt securities	1	1
Derivatives held for hedge accounting		
Fair value hedges of interest risk rate	(8)	(7)
Cash flow hedges of interest risk rate	(1)	(1)
Interest rate instruments	(7)	3
Loans	(10)	1
Other		
Foreign exchange	-	4
Non-financial instruments		
Investment property		
Investment property - revaluation result	(3)	-
	(27)	**1**

Debt securities report a gain of EUR 1 million, related market making activities in NIBC's own debt securities (2019: EUR 1 million).

Fair value hedges of interest risk rate increased from a loss of EUR 7 million in 2019 to a loss of EUR 8 million in 2020. This can be attributed to a gain of EUR 40 million on the hedged items (2019: gain of EUR 129 million) and a loss of EUR 48 million on the hedging instruments (2019: loss of EUR 136 million). Cash flow hedges report a loss of EUR 1 million, same as the loss of EUR 1 million in 2019.

Interest rate instruments (economic hedge) decreased from a gain of EUR 3 million in 2019 to a loss of EUR 7 million in 2020. This result includes a gain of EUR 2 million CVA (2019: gain of EUR 3 million), a loss of EUR 8 million due to hedges that cannot be included in hedge accounting

(2019: loss of EUR 1 million) and a gain of EUR 2 million in cross currency swaps (2019: gain of EUR 2 million).

Loans report a loss of EUR 10 million (2019: EUR 1 million gain), which includes EUR 5 million positive revaluations and EUR 15 million negative revaluations, related to several corporate loans recorded at fair value (see note 19 Loans at fair value through profit or loss).

Investment property revaluation includes land and buildings revalued as of 31 December 2020 based on an independent external appraisal. Land and buildings with the available for rental status were revalued as of 31 December 2020 based on an external appraisal. This revaluation results to a loss of EUR 3 million in 2020.

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

in EUR millions	2020	2019
Loans	3	(1)
	3	**(1)**

The 2020 result relates to the sale of a fixed rate position. This gain compensated the release of the associated hedge adjustment, which is included in note 6 Net gains or (losses) from assets and liabilities at fair value through profit or loss.

8 Other operating income

in EUR millions	2020	2019
Other operating income	-	2
	-	**2**

9 Personnel expenses and share-based payments

in EUR millions	2020	2019
Salaries	63	65
Severance payments	6	7
Compensation external employees	7	13
Variable compensation:		
Cash bonuses[1]	2	6
Share-based and deferred bonuses including expenses relating to previous years' grants	1	1
One-off transaction bonus	2	0
One-off retention package	0	1
Pension and other post-retirement charges:		
Defined-contribution plan[2]	15	13
Other post-retirement charges/(releases) including own contributions of employees	(2)	(1)
Social security charges	7	8
Other staff expenses	0	2
	101	**114**

1 Cash bonuses includes a one-off compensation for the fiscal consequences of the release of the remaining holding periods for CDR's under the DRPP 2018 and DRPP 2019

2 2020 includes a one-off additional contribution of EUR 1 million to NIBC's pension fund due to the takeover of NIBC by Flora Acquisition B.V.

Full-Time Equivalents (FTEs)

The number of FTEs decreased from 667 at 31 December 2019 to 644 at 31 December 2020. The average number of FTEs decreased from 659 in 2019 to 657 in 2020. The number of FTEs outside of the Netherlands decreased from 107 at 31 December 2019 to 92 at 31 December 2020.

Salaries

As of 2020 the majority of the employees in the Netherlands is no longer eligible for variable compensation. As the abolishment of the variable compensation has been partially compensated in fixed salaries, the salaries of the involved employees increased in 2020 in comparison with 2019 by EUR 3.1 million. Salaries in 2020 include an amount of EUR 0.8 million for one-off expenses due to various staff changes in the organisational structure during 2020 (2019: EUR 2.5 million).

Severance payments

In 2020 decisions were announced and (partly) executed regarding restructuring of the organisational set-up. The total staff reduction costs in 2020 related to this restructuring amounts to EUR 5.8 million.

One-off transaction bonus

Due to the successful acquisition of NIBC Holding N.V. by Flora Acquisition B.V. a one-off transaction bonus of EUR 2.500 gross was granted and paid to all staff employed by NIBC on 30 December 2020.

Variable compensation

As a consequence of abandoning the variable compensation for the majority of the Dutch staff base into the salaries the cash bonuses are substantially lower in 2020 in comparison with 2019. The variable compensation in cash charged to the income statement decreased in 2020 by EUR 4.0 million. The total amount of variable income paid in 2020, with respect to the performance over 2019, amounts to EUR 4.3 million.

In 2020, one employee was awarded a total compensation of more than EUR 1 million (2019: one employee).

Due to the acquisition of NIBC by Flora Acquisition B.V., the employer agreed to pay a one-off pension contribution of EUR 1 million to the premium reserve of the Pension Fund which was paid before the end of December 2020.

Information on the remuneration of the members of the Statutory Board and current and former members of the Supervisory Board can be found in note 54 Remuneration of the Statutory Board members and Supervisory Board members.

Expenses related to Statutory Board

in EUR	2020	2019
The breakdown of the total remuneration of the Statutory Board is as follows:[1]		
Cash compensation (base salary)[2]	2,424,876	2,075,828
Short-term incentive compensation (cash bonus)	0	124,550
Short-term incentive compensation (phantom share units)	0	124,550
One-off retention package	0	383,384
Vesting of prior years' short-term deferred share awards compensation[3]	139,223	153,211
Pension costs	637,258	546,574
Other remuneration elements	135,109	135,454
	3,336,466	**3,543,551**

1 Statutory Board is equal to Managing Board.
2 As the start of the financial year 2020 the members of the Statutory Board are no longer bonus eligible and have been partly compensated in fixed compensation.
3 Expensed through the income statement in the current year, related to remuneration in prior year(s).

As at 31 December 2020, current members of the Statutory Board held 349,237 *Common Depositary Receipts* (**CDRs**) (31 December 2019: 349,237). Due to fiscal and regulatory restrictions the 349,237 NIBC shares related to CDRs held by the members of the Statutory Board were exchanged by *Stichting Administratiekantoor NIBC Holding N.V.* (**STAK**) like for like into 2.786.106 ordinary A- shares of Flora Holdings III Limited in January 2021.

in EUR	2020	2019
Total remuneration of the Supervisory Board is as follows:		
Annual fixed fees, committee fees	532,327	491,195
Value added tax charged on Supervisory Board remuneration	74,157	66,555
	606,484	**557,750**

Components of variable compensation
As of the financial year 2020 the majority of the employees in the Netherlands are no longer eligible for variable compensation and have been partly compensated in fixed compensation.

Only staff in the international offices and some predetermined specifically agreed departments in the Netherland are eligible for variable compensation.

The following table gives an overview of the current and former components of variable compensation and their main characteristics:

Components of variable compensation	Share based	Equity/Cash-settled	Vesting conditions
Common Depositary Receipt (CDR)[1]	Yes	Equity-settled	None
CDRs awarded under one-off retention package ExCo	Yes	Equity-settled	1 year vesting
CDRs under Depositary Receipt Purchase Plan 2018 and 2019 (DRPP)	Yes	Equity-settled	None
Phantom Share Unit (PSU)	Yes	Cash-settled	None
Restricted Phantom Share Unit (RPSU)	Yes	Cash-settled	3 years pro rata vesting
Deferred cash	No	Cash-settled	3 years pro rata vesting

1 After the acquisition by Flora Acquisition B.V. no CDRs related to NIBC shares will be granted anymore to NIBC staff.

Depositary receipts
The CDR are issued by STAK in accordance with its relevant conditions of administration (administratievoorwaarden).

The STAK issues a CDR for each ordinary share it holds in NIBC. The STAK exercises the voting rights in respect of each of these ordinary shares at its own discretion, unless holders of CDRs request a power of attorney from the STAK to vote in respect of the underlying ordinary shares, except for CDRs obtained under the one-off retention package (*Executive Committee* (**ExCo**)) not entitled to the dividends and other distributions declared payable in respect of the underlying ordinary share.

Under the conditions of administration, the holders of CDRs have pre-emption rights similar to other shareholders of NIBC, subject to the Foundation having been given pre-emptive rights. Consequently, when given these pre-emptive rights, the Foundation will exercise the pre-emption rights attached to the ordinary shares underlying the CDRs if these holders so elect.

One-off retention package Executive Committee members
On 23 March 2018, the date of the *Initial Public Offering* (**IPO**), NIBC granted a retention package of CDRs to the members of the ExCo. For Statutory Board members of the ExCo, the monetary value of the retention package was set at 180 per cent of their fixed annual gross salary. At that date the fixed annual gross salary was EUR 825,000 for the *Chief Executive Officer* (**CEO**) and EUR 600,000 for each of the CFO and CRO, therefore the gross monetary value of the retention package was EUR 1,485,000 for the CEO and EUR 1,080,000 for each of the *Chief Financial Officer* (**CFO**) and *Chief Risk Officer* (**CRO**). For non-statutory members of the ExCo, the monetary value of the retention package was set at 165 per cent of their fixed annual gross salary. The fixed annual gross salary for each of the non-statutory members of the ExCo was EUR 350,000 and therefore the gross monetary value of the retention package was EUR 577,500.

Under the one-off retention package, CDRs were granted and will be vested for dividend eligibility in accordance with a predefined vesting schedule.

The number of CDRs is calculated by converting the gross monetary amount of the retention package into the number of CDRs corresponding to ordinary shares at the initial offering price of EUR 8.75. The number of CDRs issued pursuant to the retention package awarded at the first anniversary of the IPO date was calculated by converting the gross monetary amount of the retention package into the number of CDRs corresponding to the ordinary shares at the listed share price at 23 March 2019 of EUR 8.01. In addition, for a period of five years from the date of award, being either the IPO date or the first anniversary thereof, the members of the ExCo may not dispose of any CDRs received pursuant to the retention package. The lock-up period cannot be waived, and the retention package arrangement does not provide for any circumstances which may result in automatic waiver of the lock-up period. Following the expiry of the applicable lock-up period, the ExCo member (i) may request the Foundation to convert the CDRs into ordinary shares and transfer the ordinary shares to a third party investment account; or (iii) may offer all or part of their entire holding of CDRs for sale to the Foundation against cancellation of such CDRs with the sale being settled in cash and the value of the cash payments being calculated by multiplying the number of CDRs cancelled by the price of one ordinary share on Euronext Amsterdam as at the date of cancellation. After the lock-up period of five years, the underlying shares of the CDRs will be delivered by the STAK to the personal securities accounts of the ExCo members or the underlying shares of the CDRs will be sold on the stock exchange on behalf of the respective ExCo member.

The retention package is subject to the holdback and claw back provisions as set out in the remuneration policy of NIBC and as set out in article 2:135 of the Dutch Civil Code and article 1:126 and 1:127 of the Dutch Financial Supervision Act.. After the change of control of NIBC Holding N.V. at 30 December 2020 these provisions remain in place.

To ensure the necessary stability and continuity of the Company following the acquisition of NIBC Holding N.V. by Blackstone, a retention package has been introduced for the Managing Board members, the Executive Committee members and a limited group of key staff. This retention package with a magnitude of EUR 5.7 million will be unconditionally granted as of December 30, 2021.

Depositary Receipts Purchase Plan (DRPP)

In view of the IPO at 23 March 2018 and at the first anniversary of the IPO in 2019 (for practical reasons set at 1 April 2019), all employees of NIBC (for 2018 including members of Statutory Board and other members of the ExCo) were offered an opportunity to participate in the DRPP to purchase CDRs in the company.

The one-off opportunities to invest in CDRs in the company are not continued as of the start of the financial year 2020.

Phantom Share Units (PSUs) and Restricted Phantom Share Units (RPSUs)

The short-term compensation in share-related awards consists of PSUs and/or RPSUs. RPSU awards are subject to a three-year vesting with one third vesting each year on 1 April. All PSUs and RPSUs are subject to a one-year retention period as measured from the date of vesting. For the Statutory Board the lock-up period of the equity-linked instruments is five years. RPSUs are not eligible for dividend. After the IPO the fair value is based on the listed share price of NIBC Holding. This short-term compensation can be converted into cash immediately after the retention period and therefore is recognised as cash-settled.

Share plans

Common Depositary Receipts

	Depositary Receipt (in numbers)		Fair value at balance sheet date (in EUR)	
	2020	2019	2020	2019
Balance at 1 January	**1,007,871**	**872,750**		
Investments from own funds under DRPP	-	19,765		
Granted (one-off retention package, 2nd tranche)	-	158,960		
Decertification CDRs in ordinary shares[1]	(144,491)	(43,604)		
Release due to tender of underlying ordinary shares	(392,892)	-		
Balance at 31 December	**470,488**	**1,007,871**	**7.00**	**7.52**
Of which relates to investment from own funds at 31 December	**94,133**	**354,096**		

1 (Former) employees of NIBC requested in 2020 and 2019 to transfer underlying ordinary shares of CDRs, not subject to any lock-up, to their own securities account.

In respect of the all-cash offer of Flora Acquisition B.V. on the issued and outstanding shares of NIBC Holding, the STAK has tendered 392.892 of its shares related to CDR's. Settlement of the tendered shares took place on 30 December 2020. Due to fiscal and regulatory restrictions the 470,488 NIBC shares related to CDRs held by ExCo-members were exchanged by Stichting Administratiekantoor NIBC Holding N.V. like for like into 3.002.438 ordinary A shares of Flora Holdings III Limited in January 2021.

The fair value at balance sheet date is equal to the share-price paid by Flora Acquisition B.V. at transaction date. Prior to the transaction the fair value of CDRs was equal to the listed share price of NIBC Holding. The fair value at 31 December 2020 was EUR 7.00 (31 December 2019: EUR 7.52).

Phantom Share Units

As at year-end 2020, 280,973 (2019: 319,635) PSUs had been issued to employees. The total outstanding position is cash-settled.

	Phantom Share Units (in numbers)		Weighted average fair value at grant date (in EUR)	
	2020[1]	2019	2020	2019
Changes in phantom share units:				
Balance at 1 January	**319,635**	**330,510**	**7.99**	**8.94**
Granted	28,181	96,922	7.00	7.52
Vesting of RPSUs	80,111	73,073	8.07	8.20
Exercised	(146,954)	(180,870)	8.18	8.16
Balance at 31 December	**280,973**	**319,635**	**7.56**	**7.99**

1 The number of (restricted) phantom share units of 2020 is calculated based upon the share price paid by Flora Acquisition B.V. at transaction date (EUR 7.00). The number of (restricted) phantom share units that will be finally granted will be based upon the latest valuation per 'Share', being an ordinary share in the share capital of NIBC Holding N.V. ('NIBC Holding') on the Award Date, based on the valuation used by The Blackstone Group Inc. or its affiliates ('Blackstone') to value its investment in NIBC Holding through Flora Holdings III Limited and Flora Acquisition B.V. for the purposes of Blackstone's own investors.

The fair value at balance sheet date is equal to the share-price paid by Blackstone at transition date. Prior the transaction with Blackstone the fair value of CDRs was equal to the listed share price of NIBC Holding. The fair value at balance sheet date was EUR 7.00 (2019: EUR 7.52).

Restricted Phantom Share Units

As at year end 2020, 169,061 (2019: 248,432) RPSUs had been issued to employees. The total outstanding position is cash-settled.

	Restricted Phantom Share Units (in numbers)		Weighted average fair value at grant date (in EUR)	
	2020[1]	2019	2020	2019
Changes in restricted phantom share units:				
Balance at 1 January	**248,432**	**245,612**	**7.91**	**9.02**
Granted	15,657	84,530	7.00	7.52
Vesting of RPSUs	(80,111)	(73,073)	8.07	8.20
Forfeited	(14,917)	(8,637)	7.58	8.10
Balance at 31 December	**169,061**	**248,432**	**7.44**	**7.91**

1 The number of (restricted) phantom share units of 2020 is calculated based upon the share price paid by Flora Acquisition B.V. at transaction date (EUR 7.00). The number of (restricted) phantom share units that will be finally granted will be based upon the latest valuation per 'Share', being an ordinary share in the share capital of NIBC Holding N.V. ('NIBC Holding') on the Award Date, based on the valuation used by The Blackstone Group Inc. or its affiliates ('Blackstone') to value its investment in NIBC Holding through Flora Holdings III Limited and Flora Acquisition B.V. for the purposes of Blackstone's own investors.

The fair value at balance sheet date is equal to the share-price paid by Blackstone at transition date. Prior the transaction with Blackstone the fair value of CDRs was equal to the listed share price of NIBC Holding. The fair value at balance sheet date was EUR 7.00 (2019: EUR 7.52).

Result recognition

With respect to all components of variable compensation (CDRs, PSUs, RPSUs and deferred cash), an amount of EUR 1 million was expensed through personnel expenses in 2020 (2019: EUR 2 million), of which EUR 1 million (2019: EUR 1 million) refers to cash-settled instruments (deferred cash and vested PSUs) and EUR nil (2019: EUR 1 million) to equity-settled instruments.

With respect to the cash-settled instruments (PSUs, RPSUs and deferred cash), the amount expensed during the vesting period through the income statement is based on the number of instruments originally granted outstanding at balance sheet date, their fair value at balance sheet date, the vesting period and estimates of the number of instruments that will forfeit during the remaining vesting period. The liability in the balance sheet with respect to cash-settled instruments is EUR 3 million (2019: EUR 5 million).

10 Other operating expenses

in EUR millions	2020	2019
Other operating expenses		
Building, housing and services expenses	3	4
Car, travel and accommodation expenses	1	3
Project expenses and consultants	19	17
Control and supervision	4	4
Corporate brand, brochures, (re-)presentation expenses	2	2
Other employee expenses	2	5
ICT expenses	25	28
Communication expenses	1	2
Data expenses	5	7
Process outsourcing	22	18
Other general expenses	2	(1)
Short-term lease expenses	-	1
Low-value assets lease expenses	1	1
Fees of auditors	3	4
	89	**95**

The increase in the expenses for projects and consultants is mainly caused by the regulatory change agenda. Expenses related to process outsourcing increases with EUR 4 million in 2020, mainly caused by higher volumes in mortgages originations.

The rental income from investment property, included in building, housing and services expenses, amounts to EUR 1 million in 2020 (2019: EUR 1 million).

The costs incurred in 2020 for the preparation for and the materialisation of the legal merger excluding the restructuring provision taken in the Frankfurt Branch amounts to EUR 2 million.

Fees of auditors 2020

in EUR thousands	External auditor	Other network	Other audit firms	Total
Fees of auditors				
Audit of financial statements NIBC	2,304	-	-	2,304
Audit of financial statements Subsidiaries	-	40	181	221
Other audit-related services NIBC	398	-	-	398
Other audit-related services Subsidiaries	-	47	66	113
Other non-audit related services NIBC	-	-	30	30
Other non-audit related services Subsidiaries	-	-	4	4
Tax services NIBC	-	-	48	48
Tax services Subsidiaries	-	-	-	-
	2,702	**87**	**328**	**3,117**

Fees of auditors 2019

in EUR thousands	External auditor	Other network	Other audit firms	Total
Fees of auditors				
Audit of financial statements NIBC	2,621	-	-	2,621
Audit of financial statements Subsidiaries	607	18	59	684
Other audit-related services NIBC	130	-	-	130
Other audit-related services Subsidiaries	-	-	126	126
Other non-audit related services NIBC	40	-	53	93
Other non-audit related services Subsidiaries	-	12	4	16
Tax services NIBC	-	-	24	24
Tax services Subsidiaries	-	-	6	6
	3,398	**30**	**272**	**3,700**

The fees listed above relate to the procedures applied to NIBC and its consolidated group entities by accounting firms and external independent auditors as referred to in Section 1(1) of the Dutch Audit Firms Supervision Act (Dutch acronym: Wta), as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

11 Depreciation and amortisation

in EUR millions	2020	2019
Property and equipment (in own use)	5	5
	5	**5**

12 Regulatory charges and levies

in EUR millions	2020	2019
Resolution levy	6	5
Deposit Guarantee Scheme	10	10
	16	**15**

13 Impairments of financial and non-financial assets

Financial assets

in EUR millions	2020	2019
Financial assets at amortised cost/fair value through other comprehensive income		
Debt investments	1	-
Loans	120	43
Lease receivables	4	10
Mortgage loans	7	(4)
Total for on-balance sheet financial assets (in scope of ECL requirements)	**133**	**49**
Off-balance sheet financial instruments and credit lines		
Committed facilities with respect to mortgage loans	-	(1)
Irrevocable loan commitments	1	1
Total for off-balance sheet financial assets (in scope of ECL requirements)	**1**	**-**
	134	**49**

Credit loss expenses report a significant increase compared to prior year, mainly reflecting the impact of the COVID-19 pandemic on the economic environment and consequently on NIBC's lending portfolios.

The credit losses for loans are mainly related to changes stage 3 assets. A management overlay of EUR 6 million has been added to credit losses on loans to reflect the increasing pressure of COVID-19 on the performance of corporate loans, refer to note 23 Loans AC.

The credit losses for lease receivables increased in 2020 as the economic circumstances impact the also growing lease receivables portfolio.

Credit losses on mortgage loans are mainly related to the outcome of the management overlay adjustment of EUR 9 million refer to management overlay paragraph below.

Management overlay

To the extent NIBC believes that the increased credit risk of the COVID-19 pandemic is not fully reflected in the IFRS 9 models, a management overlay has been recognised.

Modelled credit factors do not fully reflect the underlying fundamentals of the sector specific circumstances, causing the requirement for a management overlay for both corporate loans and mortgage loans.

The nature of the management overlay focuses on sectors with elevated risk exposures. Analysis has indicated that the models do not sufficiently reflect the credit deterioration of certain sectors as the impact of COVID-19 is not sufficiently absorbed in the PD-curve considering the uncertainties on the GDP and oil price development.

The resulting coverage ratios are reported below. The impact of the adjustments per stage shows the coverage ratios per asset class, including the effects of the any management overlay for both corporate as well as retail impairment coverage ratios.

	Stage 1	Stage 2	Stage 3
Corporate Client Offering			
Commercial Real Estate (incl. OIMIO)	0.19%	3.16%	28.58%
Energy	0.38%	3.64%	13.64%
Financial Sponsors & Leveraged Finance	0.65%	4.87%	48.86%
Fintech & Structured Finance (incl. Mobility and FinQuest)	0.34%	1.71%	54.35%
Infrastructure	0.13%	7.61%	
Mezzanine & Equity Partners	1.23%	2.88%	53.35%
Mid-Markets Corporates	0.21%	3.16%	32.55%
Shipping	0.47%	2.15%	24.71%
Retail Client Offering			
Mortgages	0.02%	4.00%	16.67%

The management overlay for corporate exposures amounts to EUR 6 million (2019: nil). This is the result of an increase of 14 bps (stage 1) and 200 bps (stage 2) on Energy exposures and an increase of 11 bps (stage 1) and 86 bps (stage 2) on Fintech & Structured Finance exposures. The management overlay on mortgage loan exposures amounts to EUR 9 million (2019: nil).

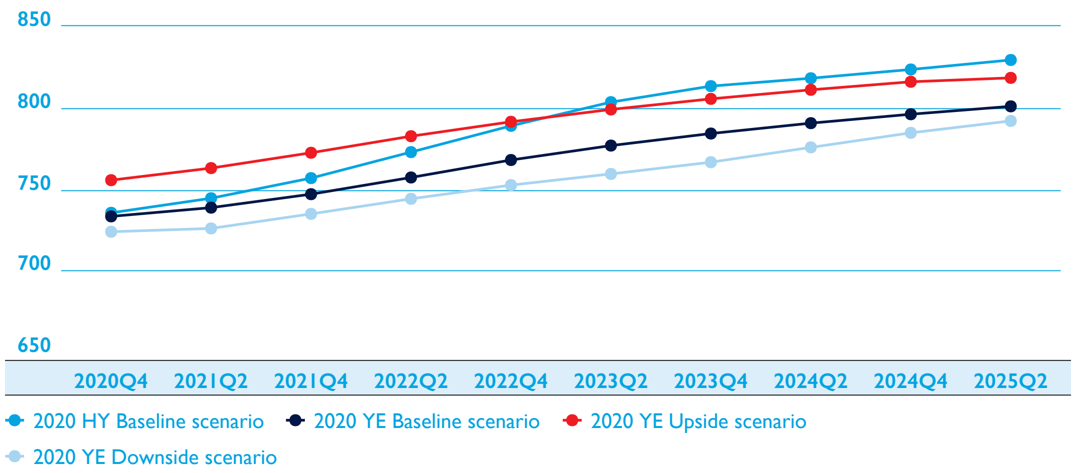
With regards to the ECL provision on mortgage loans, NIBC has decided to include a management overlay to address identified limitations in the existing ECL models in addressing the present uncertainties regarding economic developments. One important input factor that has been considered for determining the management overlay on mortgage loans is the unemployment rate, as this is not part of the used MES inputs. Applying scenario analysis, the impact of this input factor has been quantified. This way, NIBC believes to have addressed the increased uncertainty regarding e.g. (long-term) impact on unemployment in an appropriate manner.

NIBC has internal governance in place to monitor (through senior management review) the effectiveness of the ECL models and the requirement for a potential management overlay.

Macro-economic scenarios

NIBC updates the macro-economic scenarios twice a year. For the year-end ECL calculations, NIBC has made significant adjustments on the macro-economic scenarios to reflect the impact of the on-going COVID-19 pandemic as well as the response by governments and monetary authorities. Key changes to macro-economic assumptions and the related economic scenarios which affect the ECL estimate are disclosed below.

The macro-economic scenarios applied have incorporated governments' actions in the fourth quarter in response to the continued pandemic, including renewed lockdowns. They are also based on the expectation that the *European Central Bank* (**ECB**) will keep policy rates unchanged for several years and will continue large-scale asset purchases; Stock, money and bond market sentiment does not worsen, while oil prices remain low; political developments in euro zone countries do not result in anti-EU sentiment.



The following table shows significant changes to the economic outlook with regards to Dutch *Gross Domestic Product* (**GDP**), Oil Price and House Price index.

	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2020FY	2021FY
GDP (NL)	-0.3%	0.3%	0.4%	0.6%	0.7%	-4.3%	1.8%
GDP (UK)	-1.6%	1.7%	0.5%	2.4%	1.9%	-10.7%	4.5%
GDP (DE)	0.0%	0.4%	0.8%	1.0%	1.1%	-5.5%	3.1%
Oil Price	-2.3%	6.9%	8.4%	4.1%	6.9%	-31.9%	21.6%
House Price Index (NL)	-1.2%	-1.1%	-1.0%	-0.9%	-0.5%	6.8%	-1.9%
House Price Index (DE)	1.1%	-1.3%	-0.9%	0.0%	0.5%	9.2%	1.2%

In the assessment of the macroeconomic scenarios for potential management overlay, NIBC has noted that various sectors of the Dutch economy have been able to absorb the impact of the COVID-19 pandemic relatively well due to the existing digital infrastructure and quick and large stimulus packages.

NIBC has considered altering the number of scenarios and weights assigned to individual scenarios but decided to retain the 2019 assumptions. Also assumptions made in relation to the forecast period used for scenario modelling has remained unchanged. After year five from the reporting date, all PD forecasts are subject to meanreversion, which ends in year ten. This means that macro-economic forecasts have the largest impact in the first five years and have no impact after year 10 from the reporting date. Summarising, the updates of the macroeconomic scenarios during 2020 have led to an increase in ECL of EUR 2 million.

Significant Increase of Credit Risk

NIBC has considered the SICR methodology in the light of the COVID-19 measures, but decided to maintain the current methodology.

Next to financial forward looking information NIBC also considers non-financial forward looking information in determining ECL levels.

Payment deferral schemes, guaranteed loans and other forms of customer support

Since the start of the COVID-19 pandemic, NIBC has provided specific measures to customers, supporting them in addressing the impact of the pandemic. A file-by-file review has led to a total corporate exposure per year end of EUR 200 million that received one or more of these measures, which includes total deferrals of approximately EUR 30 million. None of the files were flagged as forborne. The support provided consisted of payment holidays or a credit guarantee. NIBC has to date not participated in any moratoria. The deferred payments either have been timely repaid or further extension has been granted against market terms. No waivers of interest or fees have been granted. The duration of the programme will be extended as long as deemed necessary by NIBC.

Analysis on sensitivity

In the following tables show the ECL sensitivities of financial instruments not measured at FVtPL.

Sensitivity analysis ECL stages 1 and 2 Corporate loans (drawn and undrawn, excluding management overlay and POCI

Scenario	Macro- economic variables[1]	2020	2021	2022	Unweighted ECL stages 1 and 2	Probability weighing in %	Reported ECL stages 1 and 2
		% year-on-year change			in EUR million	%	in EUR million
Upside scenario	GDP (NL)	-2.0%	0.4%	1.5%			
	GDP (UK)	-5.2%	0.4%	1.4%			
	GDP (DE)	-2.8%	0.2%	0.9%			
	HPI (NL)	1.0%	-0.7%	0.6%	37	30.0%	
	HPI (DE)	6.0%	3.3%	2.7%			
	Oil Price	-41.3%	-7.3%	3.1%			
Baseline scenario	GDP (NL)	-4.7%	-0.6%	0.8%			
	GDP (UK)	-7.4%	-1.2%	0.3%			
	GDP (DE)	-5.6%	-0.8%	0.2%			
	HPI (NL)	0.5%	-1.8%	-0.6%	41	32.5%	41
	HPI (DE)	6.0%	2.8%	1.9%			
	Oil Price	-45.8%	-12.9%	-0.4%			
Downside scenario	GDP (NL)	-5.6%	-1.5%	0.2%			
	GDP (UK)	-8.2%	-2.3%	-0.2%			
	GDP (DE)	-6.4%	-1.7%	-0.4%			
	HPI (NL)	0.0%	-3.2%	-2.3%	44	37.5%	
	HPI (DE)	6.0%	2.6%	1.6%			
	Oil Price	-53.1%	-20.8%	-2.2%			

1 GDP is real 'Gross Domestic Product ' HPI is House Price Index

Sensitivity analysis ECL stages 1 and 2 Mortage loans (drawn and undrawn, excluding management overlay)

Scenario	Macro- economic variables	2020	2021	2022	Unweighted ECL stages 1 and 2	Probability weighing in %	Reported ECL stages 1 and 2
		% year-on-year change			in EUR million	%	in EUR million
Upside scenario	NL House Price Index (y-o-y change)	3.6%	-0.7%	2.7%			
	DE House Price Index (y-o-y change)	7.2%	1.7%	5.2%	1	30.0%	
Baseline scenario	NL House Price Index (y-o-y change)	3.6%	-3.0%	0.5%			
	DE House Price Index (y-o-y change)	7.1%	-1.3%	3.9%	1	32.5%	2
Downside scenario	NL House Price Index (y-o-y change)	3.6%	-5.5%	-1.8%			
	DE House Price Index (y-o-y change)	7.0%	-2.7%	3.2%	2	37.5%	

Non-financial assets

Impairments of non-financial assets relate to an impairment of tangible assets (leasehold improvements of the former office of NIBC Markets in Amsterdam to an amount of EUR 1 million).

14 Tax

in EUR millions	2020	2019
Current tax	1	58
Deferred tax	-	(14)
	1	**44**

Further information on deferred tax is presented in note 31 Deferred tax. The actual tax charge on NIBC's profit before tax differs from the theoretical amount that would arise using the basic tax rate, as follows:

in EUR millions	2020	2019
Tax reconciliation		
Profit before tax	**62**	**246**
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2019: 25.0%)	16	58
Impact of income not subject to tax	(3)	(14)
Effect of different tax rates other countries	1	-
Actualisation including true-ups and revaluations	(13)	-
	1	**44**

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

The positive effect of true-ups and revaluations on the corporate income tax line of EUR 13 million can be explained as follows:

- the rehabilitation of the tax deductibility of interest coupons paid on the issued AT1-instruments in 2019 what leads to a positive tax effect of EUR 3 million in 2020;
- the enacted tax rate increase of the Dutch corporate income tax effective as per 2021 from 21.7% to 25% leads to an increase of NIBC's DTA of approximately EUR 6 million in 2020;
- the true-up effect of approximately EUR 4 million primarily due to corporate income tax return filings made in 2020.

The expectation is that NIBC's tax loss carry forward can be fully utilised in the future.

This results in an effective tax rate of 1.7% for the year ended 31 December 2020 (for the year ended 31 December 2019: 17.8%).

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.

15 Cash and balances with central banks

in EUR millions	2020	2019
Cash and balances with central banks (amortised cost)	1,909	1,965
	1,909	**1,965**
Cash and balances with central banks can be categorised as follows		
Receivable on demand	1,747	1,806
Not receivable on demand	162	159
	1,909	**1,965**
Legal maturity analysis of cash and balances with central banks not receivable on demand		
Three months or less	-	-
Longer than three months but not longer than one year	8	-
Longer than one year but not longer than five years	-	8
Longer than five years	-	-
Assets with central banks due to mandatory reserve deposits	154	151
	162	**159**

Cash and balances with central banks included EUR 1,747 million on the current account balance held with Dutch Central Bank (2019: EUR 1,632 million).

Balances held with central banks are interest-bearing.

The fair value of this balance sheet item does not materially differ from its face value, due to the short-term nature of the underlying assets.

The total credit loss allowance for cash and balances with central banks is limited to stage 1, and amounts to nil (2019: nil).

16 Due from other banks

in EUR millions	2020	2019
Current accounts	526	497
Deposits with other banks	120	191
	645	**688**
Due from other banks can be categorised as follows		
Receivable on demand	526	501
Cash collateral placements posted under CSA agreements	120	187
Not receivable on demand	-	-
	645	**688**

There were no subordinated loans outstanding due from other banks in 2020 and 2019.

The fair value of this balance sheet item does not materially differ from its face value, due to the short-term nature of the underlying assets.

The total credit loss allowance for due from other banks is limited to stage 1, and amounts to nil (2019: nil).

17 Debt investments (fair value through profit or loss, including trading)

in EUR millions	2020	2019
Debt investments (mandatory at fair value through profit or loss)	69	91
	69	**91**

The maximum exposure to credit risk for this financial asset amounts to EUR 69 million as per 31 December 2020 (2019: EUR 91 million).

The decline in debt investments (held-for-sale) from EUR 91 million to EUR 69 million is mainly due to the termination of NIBC's capital market activities.

18 Equity investments (fair value through profit or loss, including investments in associates)

in EUR millions	2020	2019
Investments in associates	118	128
Other equity investments	93	124
Long position in listed and actively traded equities	-	1
	212	**253**

in EUR millions	2020	2019
Movement schedule of investments in associates		
Balance at 1 January	**128**	**92**
Additions	13	27
Disposals	(20)	(12)
Changes in fair value	(2)	21
Balance at 31 December	**118**	**128**
Movement schedule of other equity investments		
Balance at 1 January	**124**	**93**
Additions	3	13
Disposals	(38)	(18)
Changes in fair value	9	34
Other (including exchange rate differences)	(4)	2
Balance at 31 December	**93**	**124**
Movement schedule of long position in listed and actively traded equities		
Balance at 1 January	**1**	**2**
Additions	-	64
Disposals	(1)	(66)
Other (including exchange rate differences)	-	1
Balance at 31 December	**-**	**1**

The disposals in equity investments in 2020 of EUR 38 million relate to asset sales to strategic investors and divestments of equity funds which are in their liquidation phase.

At the end of 2020 and 2019, all investments in associates and other equity investments were unlisted. Other disclosure requirements for associates are presented in note 52 Principal subsidiaries and associates.

19 Loans (fair value through profit or loss)

in EUR millions	2020	2019
Loans	130	142
	130	**142**
Legal maturity analysis of loans		
Three months or less	4	4
Longer than three months but not longer than one year	34	20
Longer than one year but not longer than five years	75	96
Longer than five years	17	22
	130	**142**
Movement schedule of loans		
Balance at 1 January	**142**	**148**
Additions	58	43
Disposals	(60)	(51)
Changes in fair value	(11)	1
Other (including exchange rate differences)	-	1
Balance at 31 December	**130**	**142**

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

The cumulative change in fair value included in the balance sheet amount attributable to changes in interest rates and credit risk amounts to a loss of EUR 31 million (2019: loss of EUR 20 million).

The portion of fair value changes in 2020 included in the balance sheet amount as at 31 December 2020 relating to the movements in market interest rates and credit spreads amounted to almost nil (2019: nil).

The maximum exposure to credit risk without taking account of any collateral or other credit enhancement for this financial asset amounts to EUR 161 million as per 31 December 2020 (2019: EUR 188 million). This credit risk exposure is mitigated by the collateral held as security and other credit enhancements on these assets, for which the fair value amounts as per 31 December 2020 to EUR 139 million (2019: EUR 142 million).

The most significant types of collateral securing these loans are tangible assets, such as real estate, vessels, rigs and equipment.

20 Derivative financial instruments (fair value through profit or loss)

in EUR millions	2020	2019
Derivative financial assets		
Derivative financial assets used for hedge accounting	4	6
Derivative financial assets - other	490	476
	494	**482**
Derivative financial liabilities		
Derivative financial liabilities used for hedge accounting	3	4
Derivative financial liabilities - other	97	221
	100	**225**

Derivative financial assets and liabilities used for hedge accounting are derivatives designated in hedge accounting relationships as defined in IAS 39. The derivative financial assets and liabilities in the category 'other' are classified as held for trading.

Derivative financial assets used for hedge accounting are products that are settled to market.

The derivatives consist of:
- Interest rate swaps to hedge the interest rate risk of the mortgage portfolio;
- Interest rate swaps to transform fixed rate funding into floating rate funding;
- FX and cross-currency swaps to fund the non-euro loans to customers or to transform non-euro funding into euros;
- Client-driven derivative transactions;
- Limited money market trading.

Economically all these derivatives, with the exception of the limited money market trading and client-driving transactions, are used to hedge interest rate or FX risk. The limited money market trading is controlled by a facilitating *Value at Risk* (**VaR**) limit of EUR 2.25 million. For further details see note 57 Market risk.

Derivatives used for hedging are asigned in a hedge accounting relationship, which can be ineffective retrospectively. Sources of ineffectiveness are the behaviour of the curve shift, the volatility of the basis spread over the curve and the distribution of cash flows of assets and liabilities compared to the hedging derivatives. Additionally, the low interest rate environment, with periods of limited changes, also leads to the small number problem. The small number problem' does not lead to ineffectiveness, but could be an explanation of a false ineffectiveness in a model.

Derivative financial instruments used for hedge accounting

Hedge accounting - fair value hedges

The following table provides information about the hedging instruments included in the derivative financial instruments line items of NIBC's consolidated statement of financial position.

	Carrying amount at 31 December 2020		Carrying amount at 31 December 2019	
in EUR millions	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges				
Interest rate swaps	3	-	4	-
	3	**-**	**4**	**-**
Portfolio fair value hedges				
Interest rate swaps	1	3	2	4
	1	**3**	**2**	**4**

In the following table, NIBC sets out the accumulated fair value adjustments arising from the corresponding continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the years.

		Carrying amount of hedged items at 31 December 2020		Accumulated amount of fair value adjustments on the hedged items at 31 December 2020	
in EUR millions	Hedged items	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges					
Micro fair value hedge of plain vanilla funding	Own debt securities in issue at AC	-	302	-	11
Micro fair value hedge of Liquidity portfolio debt investments	Debt investments at FVOCI	41	-	-	-
		41	**302**	**-**	**11**
Portfolio fair value hedges					
Portfolio fair value hedge of loans	Loans at AC	28	-	3	-
Portfolio fair value hedge of plain vanilla funding	Own debt securities in issue at AC	-	52	-	10
Portfolio fair value hedge of assets and liabilities	Deposits from customers and Mortgage loans	3,507	2,910	255	35
		3,534	**2,962**	**258**	**45**
		3,575	**3,263**	**258**	**57**

in EUR millions	Hedged items	Carrying amount of hedged items at 31 December 2019		Accumulated amount of fair value adjustments on the hedged items at 31 December 2019	
		Assets	Liabilities	Assets	Liabilities
Micro fair value hedges					
Micro fair value hedge of plain vanilla funding	Own debt securities in issue at AC	-	314	-	8
Micro fair value hedge of Liquidity portfolio debt investments	Debt investments at FVOCI	56	-	-	-
		56	**314**	**-**	**8**
Portfolio fair value hedges					
Portfolio fair value hedge of loans	Loans at AC	52	-	7	-
Portfolio fair value hedge of plain vanilla funding	Own debt securities in issue at AC	-	53	-	11
Portfolio fair value hedge of assets and liabilities	Deposits from customers and Mortgage loans	1,898	1,704	184	12
		1,950	**1,757**	**191**	**23**
		2,006	**2,071**	**191**	**31**

The following tables set out the changes in the fair value of the hedged items and hedging instruments in the current year, used as the basis for recognising ineffectiveness.

in EUR millions	Gains/(losses) attributable to the hedged risk at 31 December 2020		Hedge ineffectiveness at 31 December 2020	Gains/(losses) attributable to the hedged risk at 31 December 2019		Hedge ineffectiveness at 31 December 2019
Hedged items (hedge instruments)	Hedged items	Hedging instruments		Hedged items	Hedging instruments	
Micro fair value hedge relationships hedging liabilities						
Micro fair value hedge of plain vanilla funding (interest rate swaps)	(4)	4	-	(1)	3	2
Total micro fair value hedge	**(4)**	**4**	**-**	**(1)**	**3**	**2**

in EUR millions	Gains/(losses) attributable to the hedged risk at 31 December 2020		Hedge ineffectiveness at 31 December 2020	Gains/(losses) attributable to the hedged risk at 31 December 2019		Hedge ineffectiveness at 31 December 2019
Hedged items (hedge instruments)	Hedged items	Hedging instruments		Hedged items	Hedging instruments	
Portfolio fair value hedges hedging assets						
Portfolio fair value hedge of assets (interest rate swaps)	90	(77)	13	156	(147)	9
	90	**(77)**	**13**	**156**	**(147)**	**9**
Portfolio fair value hedges hedging liabilities						
Portfolio fair value hedge of plain vanilla funding (interest rate swaps)	-	-	-	-	-	-
Portfolio fair value hedge of liabilities (interest rate swaps)	(25)	25	-	(12)	12	-
	(25)	**25**	**-**	**(12)**	**12**	**-**
Total portfolio fair value hedge	**65**	**(52)**	**13**	**144**	**(135)**	**9**

Hedge accounting - cash flow hedges

The following table sets out the outcome of NIBC's hedging strategy, in particular, the notional and the carrying amounts of the derivatives NIBC uses as hedging instruments and the their changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Hedge accounting - cash flow hedges at 31 December 2020

	Carrying value[1]		Changes in fair value of hedging instruments used for measuring hedge ineffectiveness: In total	Effective portion	Hedge ineffectiveness	Reclassified into income statement as	
in EUR millions	Assets	Liabilities		Recognised in OCI	Recognised in the income statement in gains or (losses) from assets and liabilities at FVtPL	Interest expense calculated using the effective interest method	Gains or (losses) from assets and liabilities at FVtPL
Cash flow hedges							
Interest rate swaps	-	-	-	2	(2)	-	1
	-	**-**	**-**	**2**	**(2)**	**-**	**1**

1 The underlying hedged item of the cash flow hedges are corporate loans.

Hedge accounting - cash flow hedges at 31 December 2019

in EUR millions	Carrying value[1] Assets	Carrying value[1] Liabilities	Changes in fair value of hedging instruments used for measuring hedge ineffectiveness: In total	Effective portion: Recognised in OCI	Hedge ineffectiveness: Recognised in the income statement in gains or (losses) from assets and liabilities at FVtPL	Reclassified into income statement as: Interest expense calculated using the effective interest method	Reclassified into income statement as: Gains or (losses) from assets and liabilities at FVtPL
Cash flow hedges							
Interest rate swaps	-	-	-	3	(3)	-	1
	-	**-**	**-**	**3**	**(3)**	**-**	**1**

1 The underlying hedged item of the cash flow hedges are corporate loans.

in EUR millions	Change in fair value of hedged item in the year 2020 used for ineffectiveness measurement	Cash flow hedge reserve at 31 December 2020: Continuing hedges	Cash flow hedge reserve at 31 December 2020: Discontinued hedges	Change in fair value of hedged item in the year 2019 used for ineffectiveness measurement	Cash flow hedge reserve at 31 December 2019: Continuing hedges	Cash flow hedge reserve at 31 December 2019: Discontinued hedges
Cash flow hedges:						
Floating rate notes	(2)	(10)	(7)	(3)	(9)	(12)
	(2)	**(10)**	**(7)**	**(3)**	**(9)**	**(12)**

Hedge accounting impact on equity

in EUR millions	2020	2019
Opening balance cash flow hedging reserve as at 1 January	**(21)**	**(26)**
Cash flow hedges		
Effective portion of changes in fair value arising from:		
Interest rate swaps	(2)	(3)
Net amount reclassified to profit or loss into		
Other interest expense	5	6
Gains or (losses) from assets and liabilities at FVtPL	1	2
Closing balance cash flow hedging reserve as at 31 December	**(17)**	**(21)**

At year-end 2020 the cash flow hedge reserve consists of an amount of EUR 10 million (2019: EUR 9 million) relating to continuing hedges and an amount of EUR 7 million (2019: EUR 12 million) to hedging relationships for which hedge accounting is no longer applied.

Derivative financial instruments used for hedge accounting at 31 December 2020

in EUR millions	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Carrying value Assets	Liabilities
Derivatives accounted for as fair value hedges of interest rate risk						
OTC products:						
Average fixed rate	-	0%	0%	0%		
Interest rate swaps	-	11	6,361	6,372	1	3
Interest currency rate swaps	-	17	-	17	3	-
	-	**27**	**6,361**	**6,388**	**4**	**3**
Derivatives accounted for as cash flow hedges of interest rate risk						
OTC products:						
Average fixed rate	-	-	2%	2%		
Interest rate swaps	-	-	111	111	-	-
	-	**-**	**111**	**111**	**-**	**-**
Total derivatives used for hedge accounting	**-**	**27**	**6,472**	**6,500**	**4**	**3**

Derivative financial instruments used for hedge accounting at 31 December 2019

in EUR millions	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Carrying value Assets	Liabilities
Derivatives accounted for as fair value hedges of interest rate risk						
OTC products:						
Average fixed rate	-	0%	1%	1%		
Interest rate swaps	-	23	3,602	3,625	2	4
	-	**23**	**3,619**	**3,642**	**6**	**4**
Derivatives accounted for as cash flow hedges of interest rate risk						
OTC products:						
Average fixed rate	-	-	2%	2%		
Interest rate swaps	-	-	141	141	-	-
	-	**-**	**141**	**141**	**-**	**-**
Total derivatives used for hedge accounting	**-**	**23**	**3,760**	**3,783**	**6**	**4**

Interbank Offered Rate (IBOR) reform

Amendments to IAS 39 provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with a RFR.

The following tables contain details of the gross notional amounts of hedging instruments as at 31 December 2020 that are used in NIBC's (active) hedge accounting relationships for which the amendments were applied:

Benchmark	Notional amount (in EUR million)	Weighted average remaining maturity (in years)
GBP Libor	389	2.97

The notional amounts of the derivative hedging instruments (in the previous table) provide a close approximation of the extent of the risk exposure NIBC manages through these hedging relationships.

In July 2020 the *Euro OverNight Index Average* (**EONIA**) has been replaced by €STR in hedged positions of bonds. Due to a related decrease of 8.5bps in the discount curve, the decrease of market value of the swaps held by NIBC amounted to EUR 1.2 million. NIBC received a cash compensation of EUR 1.0 million, leading to a loss of EUR 0.2 million in 2020.

Derivative financial instruments - other at 31 December 2020

	Notional amount with remaining life of				Carrying value	
in EUR millions	Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
Interest rate derivatives						
OTC products:						
Interest rate swaps	1,962	5,110	10,876	17,948	402	54
Interest rate options (purchase)	-	139	554	693	2	1
Interest rate options (sale)	-	125	568	693	-	
	1,962	**5,374**	**11,998**	**19,334**	**404**	**56**
Currency derivatives						
OTC products:						
Interest currency rate swaps	272	482	1,106	1,860	57	4
Currency/cross-currency swaps	154	-	-	154	1	5
	426	**482**	**1,106**	**2,014**	**58**	**9**
Other derivatives (including credit derivatives)						
OTC products:						
Credit default swaps (guarantees received)	-	-	4	4	-	1
Other swaps	-	-	14	14	28	31
	-	**-**	**18**	**18**	**28**	**32**
Total derivatives - other	**2,388**	**5,856**	**13,122**	**21,366**	**490**	**97**

Derivative financial instruments - other at 31 December 2019

in EUR millions	Notional amount with remaining life of: Less than three months	Between three months and one year	More than one year	Total	Carrying value: Assets	Liabilities
Interest rate derivatives						
OTC products:						
Interest rate swaps	911	2,843	12,853	16,607	439	66
Interest rate options (purchase)	-	67	623	690	1	-
Interest rate options (sale)	-	69	572	641	-	1
	911	**2,979**	**14,048**	**17,938**	**440**	**67**
Currency derivatives						
OTC products:						
Interest currency rate swaps	210	898	987	2,095	3	114
Currency/cross-currency swaps	241	-	-	241	2	5
	451	**898**	**987**	**2,336**	**5**	**119**
Other derivatives (including credit derivatives)						
OTC products:						
Credit default swaps (guarantees received)	-	-	4	4	-	1
Other swaps	-	-	40	40	31	34
	-	**-**	**44**	**44**	**31**	**35**
Total derivatives - other	**1,362**	**3,877**	**15,079**	**20,318**	**476**	**221**

The average remaining maturity (in which the related cash flows are expected to enter into the determination of profit or loss) is six years (2019: six years).

Fair value hedges of interest rate risk

The following table discloses the fair value of the swaps designated in fair value hedging relationships:

in EUR millions	2020	2019
Fair value pay - fixed swaps (hedging assets) | assets	-	-
Fair value pay - fixed swaps (hedging assets) | liabilities	(3)	(4)
	(3)	**(4)**
Fair value pay - floating swaps (hedging liabilities) | assets	4	5
Fair value pay - floating swaps (hedging liabilities) | liabilities	-	-
	4	**5**

Portfolio fair value hedge of Assets & Liabilities

According to NIBC's Hedging Policy, NIBC should not be exposed to interest rate risk from its fixed rate asset and liability activities such as mortgages, loans and retail deposits above certain limits prescribed by the ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on these primarily fixed rate mortgages, loans and retail deposits. To mitigate any accounting mismatches, NIBC has defined a portfolio fair value hedge for the assets and liabilities with a contractual duration longer than three months and the corresponding hedging transactions.

The hedged risk is the benchmark interest rate (IBOR up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2020 was EUR 2 million credit (2019: EUR 3 million credit). The losses on the hedging instruments were EUR 52 million (2019: loss of EUR 137 million). The gains on the hedged items attributable to the hedged risk were EUR 65 million (2019: gain of EUR 144 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness and pipeline hedging. The pipeline consists of mortgage loans offered to customers but not yet have been accepted.

Micro fair value hedge accounting of plain vanilla funding
According to NIBC 's hedging policy, NIBC should not be exposed to interest rate and FX risk from its fixed rate plain vanilla funding activities above certain limits prescribed by ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk on this fixed rate funding. To mitigate any accounting mismatches, NIBC has defined a micro fair value hedge for fixed rate plain vanilla funding and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2020 was EUR 3 million debit (2019: EUR 4 million debit). The gains on the hedging instruments were EUR 4 million (2019: gain of EUR 2 million). The losses on the hedged items attributable to the hedged risk were EUR 4 million (2019: loss of EUR 1 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Portfolio fair value hedge accounting of loans
According to NIBC's hedging policy, NIBC should not be exposed to interest rate risk from its corporate loan activities above certain limits as set by ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising from these fixed rate loans. To mitigate any accounting mismatches, NIBC has defined a portfolio fair value hedge for the fixed rate loan and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these hedge relationships at 31 December 2020 was nil (2019: nil). Gains on the hedging instruments were nil (2019: gain of EUR 2 million). The losses on the hedged items attributable to the hedged risk were nil (2019: nil). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Micro fair value hedge accounting of the Liquidity portfolio debt investments
According to NIBC's hedging policy, NIBC should not be exposed to fair value interest rate risk from its fixed rate debt investments held in the Liquidity portfolios above certain limits prescribed by ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate debt investments. To mitigate any accounting mismatches, NIBC has defined a micro fair value hedge for fixed rate debt investments and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2020 was nil (2019: nil). The losses on the hedging instruments were nil (2019: nil). The gains on the hedged items attributable to the hedged risk were nil (2019: nil). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Cash flow hedges

NIBC has classified a large part of its corporate loans as loans and receivables at AC. Therefore, variability in the cash flows of the floating rate corporate loans is accounted for in future periods, when the coupons are recorded in the income statement on an AC basis. Interest rate swaps are used to hedge the floating cash flows of its floating corporate loans. These swaps are reported at FVtPL. This accounting mismatch creates volatility in the income statement of NIBC. Therefore NIBC applies hedge accounting on these positions. Hedge accounting is applied to all swaps that are used to hedge the cash flow risk of the floating corporate loans by defining a macro cash flow hedge relationship with the floating corporate loans.

The variability in interest cash flows arising on floating rate corporate loans is hedged on a portfolio basis with interest rate swaps that receive fixed and pay floating (generally one, three and six months floating rates). The highly probable cash flows being hedged relate both to the highly probable cash flows on outstanding corporate loans and to the future reinvestment of these cash flows. NIBC does not hedge the variability of future cash flows of corporate loans arising from changes in credit spreads.

Interest rate swaps with a net fair value of nil (2019: nil) were designated in a cash flow hedge relationship. The cash flow on the hedged item will be reported in income over the next five years. In 2020 the ineffectiveness recognised in the income statement that arose from cash flow hedges was a loss of EUR 2 million (2019: loss of EUR 3 million).

Some macro cash flow hedging relationships ceased to exist during 2019 and therefore the related cumulative hedge adjustment as from that date, is being amortised over the remaining contractual maturity of the hedged item.

The amount that was recognised in equity for the year 2020 was EUR 2 million credit (2019: EUR 3 million credit). The amount that was transferred from equity to the income statement in 2020 was a loss of EUR 4 million net of tax (2019: loss of EUR 6 million).

21 Debt investments (fair value through other comprehensive income)

in EUR millions	2020	2019
Debt investments	886	954
	886	**954**

In 2020 EUR 64 million of debt investments consisted of government bonds (2019: EUR 81 million).

in EUR millions	2020	2019
Listed	886	954
Unlisted	-	-
	886	**954**
Legal maturity analysis of debt investments		
Three months or less	80	15
Longer than three months but not longer than one year	56	133
Longer than one year but not longer than five years	695	709
Longer than five years	55	97
	886	**954**

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

There are no contractual amounts outstanding on debt investments that have been written off and are still subject to enforcement activity for 2020 and 2019.

The following table shows the credit quality and the maximum exposure to credit risk based on NIBC's internal credit rating system and year-end stage classification. Details of NIBC's internal grading system are in explained in note 55 Credit Risk.

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2020
Internal rating grade				
Investment	883	-	-	883
Sub-investment	-	3	-	3
	883	**3**	**-**	**886**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of carrying value debt investments				
Balance at 1 January	**951**	**3**	**-**	**954**
New financial assets originated or purchased	330	-	-	330
Financial assets that have been derecognised	(395)	-	-	(395)
Changes in fair value	-	-	-	-
Foreign exchange and other movements	(3)	-	-	(3)
Balance at 31 December	**883**	**3**	**-**	**886**

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2019
Internal rating grade				
Investment	951	-	-	951
Sub-investment	-	3	-	3
	951	**3**	**-**	**954**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2019
Movement schedule of carrying value debt investments				
Balance at 1 January	**784**	**4**	**-**	**788**
New financial assets originated or purchased	388	-	-	388
Financial assets that have been derecognised	(229)	(1)	-	(230)
Changes in fair value	6	-	-	6
Foreign exchange and other movements	2	-	-	2
Balance at 31 December	**951**	**3**	**-**	**954**

22 Debt investments (amortised cost)

in EUR millions	2020	2019
Debt investments	22	10
	22	**10**
Listed	22	10
Unlisted	-	-
	22	**10**
Legal maturity analysis of debt investments		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	10	-
Longer than five years	13	10
	22	**10**

There are no contractual amounts outstanding on debt investments that were written off and are still subject to enforcement activity for 2020 and 2019.

The following table shows the credit quality and the maximum exposure to credit risk based on NIBC's internal credit rating system and year-end stage classification. Details of NIBC's internal grading system are explained in note 55 Credit Risk.

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2020
Internal rating grade				
Investment	22	-	-	22
	22	**-**	**-**	**22**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of carrying value debt investments				
Balance at 1 January	**10**	**-**	**-**	**10**
New financial assets originated or purchased	13	-	-	13
Foreign exchange and other movements	(1)	-	-	(1)
Balance at 31 December	**22**	**-**	**-**	**22**

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2019
Internal rating grade				
Investment	10	-	-	10
	10	**-**	**-**	**10**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2019
Movement schedule of carrying value debt investments				
Balance at 1 January	**-**	**-**	**-**	**-**
New financial assets originated or purchased	10	-	-	10
Financial assets that have been derecognised	-	-	-	-
Balance at 31 December	**10**	**-**	**-**	**10**

The maximum credit risk exposure including undrawn credit facilities arising on debt investments at AC amounted to nil (2019: nil).

23 Loans (amortised cost)

in EUR millions	2020	2019
Loans	5,639	7,003
Loans with group companies	670	633
	6,309	**7,636**
Legal maturity analysis of loans		
Three months or less	476	464
Longer than three months but not longer than one year	897	925
Longer than one year but not longer than five years	3,892	4,727
Longer than five years	1,044	1,520
	6,309	**7,636**

The legal maturity analysis is based upon the earliest contractual cash flows which best represents the short and long term nature of the cash flows. The expected prepayments within the coming 12 months varies in the range between 9% and 21% of the outstanding exposure.

The decrease in loans at AC reflects NIBC's effort to rebalance the portfolio, in which reduction of exposure in specific sub portfolios has been realised. Furthermore growth in targeted product market combinations has not been realised mainly due to the COVID-19 pandemic.

The following table shows the credit quality and the maximum exposure to credit risk based on NIBC's internal credit rating system and year-end stage classification. Details of NIBC's internal grading system are explained in note 55 Credit Risk.

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total 2020
Internal rating grade of loans					
Investment	1,518	-	-	-	1,518
Sub-investment	3,611	646	-	13	4,270
Default	-	-	104	53	156
Unrated	332	33	-	-	365
	5,461	**679**	**104**	**66**	**6,309**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total 2020
Movement schedule of carrying value loans					
Balance at 1 January	**6,755**	**684**	**137**	**60**	**7,636**
New financial assets originated or purchased	1,406	46	6	40	1,498
Financial assets that have been derecognised	(2,181)	(236)	(193)	(43)	(2,652)
Write-offs and restructurings	-	-	106	3	109
Net remeasurement of loss allowance	3	(7)	(91)	10	(85)
Changes in models/risk parameters	(10)	(10)	-	-	(20)
Foreign exchange and other movements	(149)	(19)	(3)	(5)	(176)
Transfers:					
Transfer from stage 1 to stage 2	(467)	465	-	-	(2)
Transfer from stage 1 to stage 3	-	-	(1)	-	(1)
Transfer from stage 2 to stage 1	79	(77)	-	-	2
Transfer from stage 2 to stage 3	-	(175)	175	-	-
Transfer from stage 3 to stage 1	26	-	(26)	-	-
Transfer from stage 3 to stage 2	-	7	(7)	-	-
Balance at 31 December	**5,461**	**679**	**103**	**65**	**6,309**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total 2020
Movement schedule of credit loss allowances on loans					
Balance at 1 January	**9**	**15**	**87**	**41**	**152**
Movements with no impact on credit loss allowances of financial assets in the income statement					
Transfers:					
Transfer from stage 2 to stage 3	-	(4)	4	-	-
New financial assets originated or purchased	-	-	-	16	16
Write-offs and restructurings	-	-	(109)	(16)	(125)
Unwind of discount due to passage of time stage 3 within interest income	-	-	(1)	-	(1)
Foreign exchange and other movements	-	-	(5)	2	(4)
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**(4)**	**(112)**	**2**	**(114)**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	3	1	-	-	4
Financial assets that have been derecognised	(3)	(2)	-	-	(4)
Net remeasurement of loss allowance	(3)	7	94	-	99
Changes in model assumption and methodologies	10	10	-	-	20
Unwind of discount due to passage of time stage 1 and stage 2	-	-	1	-	1
Transfers:					
Transfer from stage 1 to stage 2	(2)	4	-	-	2
Transfer from stage 1 to stage 3	-	-	1	-	1
Transfer from stage 2 to stage 1	2	(4)	-	-	(2)
Movements with impact on credit loss allowances of financial assets in the income statement	**8**	**16**	**96**	**-**	**120**
Balance at 31 December	**17**	**27**	**72**	**43**	**158**

The credit loss allowance on loans in 2020 includes EUR 6 million of additional allowances, following the management overlay applied per 31 December 2020. This additional allowance is included in stage 1 (EUR 1 million) and stage 2 (EUR 5 million). See note 13 for more information on the management overlay.

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total 2019
Internal rating grade of loans					
Investment	1,778	-	-	-	1,778
Sub-investment	4,703	683	-	-	5,386
Default	-	-	137	60	197
Unrated	274	1	-	-	275
	6,755	**684**	**137**	**60**	**7,636**

	Stage 1	Stage 2	Stage 3		
in EUR millions	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total 2019
Movement schedule of carrying value loans					
Balance at 1 January	**6,586**	**849**	**249**	**33**	**7,717**
Reclassification to lease receivables	-	-	-	-	-
New financial assets originated or purchased	2,333	62	3	45	2,443
Financial assets that have been derecognised	(2,197)	(264)	(184)	(3)	(2,648)
Write-offs and restructurings	-	-	59	-	59
Recoveries of amounts previously written off	-	-	2	-	2
Net remeasurement of loss allowance	3	(2)	(27)	(10)	(36)
Foreign exchange and other movements	94	9	1	(5)	99
Transfers:					
Transfer from stage 1 to stage 2	(555)	550	-	-	(5)
Transfer from stage 1 to stage 3	-	-	-	-	-
Transfer from stage 2 to stage 1	491	(486)	-	-	5
Transfer from stage 2 to stage 3	-	(73)	73	-	-
Transfer from stage 3 to stage 2	-	39	(39)		-
Balance at 31 December	**6,755**	**684**	**137**	**60**	**7,636**

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 2019
Movement schedule of credit loss allowances on loans					
Balance at 1 January	**9**	**16**	**113**	**25**	**163**
Movements with no impact on credit loss allowances of financial assets in the income statement					
Transfers:					
Transfer from stage 2 to stage 3	-	(4)	4	-	-
Write-offs and restructurings	-	-	(59)	-	(59)
Unwind of discount due to passage of time stage 3 within interest income	-	-	(5)	(1)	(6)
Foreign exchange and other movements	-	-	5	6	11
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**(4)**	**(55)**	**5**	**(54)**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	3	3	-	-	6
Financial assets that have been derecognised	(1)	(2)	(1)	-	(4)
Recoveries of amounts previously written off	-	-	(2)	-	(2)
Net remeasurement of loss allowance	(2)	2	28	10	38
Changes in model assumption and methodologies	-	-	-	-	-
Unwind of discount due to passage of time stage 1 and stage 2	-	-	4	1	5
Transfers:					
Transfer from stage 1 to stage 2	(4)	9	-	-	5
Transfer from stage 2 to stage 1	4	(9)	-	-	(5)
Movements with impact on credit loss allowances of financial assets in the income statement	**-**	**3**	**29**	**11**	**43**
Balance at 31 December	**9**	**15**	**87**	**41**	**152**

There are no contractual amounts outstanding on loans that were written off and are still subject to enforcement activity for 2020 and 2019.

The maximum credit risk exposure including undrawn credit facilities arising on loans at AC amounted to EUR 7,572 million (2019: EUR 9,164 million).

The total amount of subordinated loans in this item amounted to EUR 102 million in 2020 (2019: EUR 136 million).

As per 31 December 2020, EUR 14 million (2019: EUR 21 million) was guaranteed by the Dutch State.

24 Lease receivables (amortised cost)

in EUR millions	2020	2019
Lease receivables	16	25
	16	**25**
Legal maturity analysis of gross investment in lease receivables		
Three months or less	16	22
Longer than three months but not longer than one year	-	2
Longer than one year but not longer than five years	-	1
Longer than five years	-	-
	16	**25**
Unearned future finance income on finance leases	-	-
Net investment in finance leases	**16**	**25**
Legal maturity analysis of net investment in lease receivables		
Three months or less	16	22
Longer than three months but not longer than one year	-	2
Longer than one year but not longer than five years	-	1
Longer than five years	-	-
	16	**25**

The following table shows the credit quality and the maximum exposure to credit risk based on NIBC's internal credit rating system and year-end stage classification. Details of NIBC's internal rating system are explained in note 55 Credit Risk.

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2020
Internal rating grade of lease receivables				
Unrated	-	-	16	16
	-	**-**	**16**	**16**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of carrying value on lease receivables				
Balance at 1 January	**4**	**-**	**21**	**25**
Financial assets that have been derecognised	(4)	-	(8)	(12)
Net remeasurement of loss allowance	-	-	4	4
Balance at 31 December	**-**	**-**	**16**	**16**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of credit loss allowances on lease receivables				
Balance at 1 January	**-**	**-**	**10**	**10**
Movements with impact on credit loss allowances of financial assets in the income statement				
New financial assets originated or purchased	-	-	-	-
Net remeasurement of loss allowance	-	-	4	4
Movements with impact on credit loss allowances of financial assets in the income statement	**-**	**-**	**4**	**4**
Balance at 31 December	**-**	**-**	**14**	**14**

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2019
Internal rating grade of lease receivables				
Unrated	4	-	21	25
	4	**-**	**21**	**25**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2019
Movement schedule of carrying value on lease receivables				
Balance at 1 January	**53**	**-**	**-**	**53**
New financial assets originated or purchased	-	-	-	-
Financial assets that have been derecognised	(28)	-	-	(28)
Transfers:				
Transfer from stage 1 to stage 3	(21)	-	21	-
Balance at 31 December	**4**	**-**	**21**	**25**

25 Mortgage loans (amortised cost)

in EUR millions	2020	2019
Owner occupied mortgage loans	9,041	8,932
Buy-to-Let mortgage loans	861	705
	9,902	**9,637**
Legal maturity analysis of mortgage loans		
Three months or less	10	12
Longer than three months but not longer than one year	18	18
Longer than one year but not longer than five years	150	141
Longer than five years	9,724	9,466
	9,902	**9,637**

NIBC believes that the legal maturity analysis based upon the earliest contractual cash flows best represents the term nature of the cash flows. The contractual maturity may be extended over a longer period. The expected prepayments within the coming 12 months varies in the range between 7% and 15% of the outstanding exposure.

The following table shows the credit quality and the maximum exposure to credit risk based on NIBC's use of PD and year-end stage classification. Details of NIBC's use of PD are explained in note 55 Credit Risk.

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2020
Probability of default				
<= 1%	9,652	88	1	9,741
1%> <=2%	31	3	-	33
2%> <=5%	11	12	-	22
5%> <100%	14	62	-	76
100%	-	26	4	30
	9,707	**190**	**5**	**9,902**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of carrying value mortgage loans				
Balance at 1 January	**9,509**	**118**	**10**	**9,637**
New financial assets originated or purchased (including transfers from consolidated SPEs)	1,547	-	-	1,547
Financial assets that have been derecognised (sale and/or redemption)	(1,249)	(20)	(4)	(1,273)
Net remeasurement of loss allowance	(1)	(8)	(1)	(10)
Changes in models/risk parameters	1	-	-	1
Transfers:				
Transfer from stage 1 to stage 2	(133)	133	-	-
Transfer from stage 1 to stage 3	(2)	-	2	-
Transfer from stage 2 to stage 1	35	(35)	-	-
Transfer from stage 2 to stage 3	-	(1)	1	-
Transfer from stage 3 to stage 1	1	-	(1)	-
Transfer from stage 3 to stage 2	-	2	(2)	-
Balance at 31 December	**9,707**	**190**	**5**	**9,902**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of credit loss allowances on mortgage loans				
Balance at 1 January	**1**	**-**	**2**	**3**
Movements with no impact on credit loss allowances of financial assets in the income statement				
Transfers:				
Transfer from stage 3 to stage 2	-	1	(1)	-
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**1**	**(1)**	**-**
Movements with impact on credit loss allowances of financial assets in the income statement				
New financial assets originated or purchased	1	-	-	1
Financial assets that have been derecognised	(1)	-	(1)	(2)
Net remeasurement of loss allowance	1	8	1	10
Changes in model assumption and methodologies	(1)	-	-	(1)
Transfers:				
Transfer from stage 2 to stage 1	1	(1)	-	-
Movements with impact on credit loss allowances of financial assets in the income statement	**1**	**7**	**-**	**8**
Balance at 31 December	**2**	**8**	**1**	**11**

The credit loss allowance on loans in 2020 includes EUR 9 million of additional allowances, following the management overlay applied per 31 December 2020. This management overlay comprises an additional provision on stage 1 (EUR 1 million) and stage 2 (EUR 8 million). See note 13 Impairments of financial and non-financial assets for more information on the management overlay.

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2019
Probability of default				
<= 1%	9,428	53	1	9,482
1%> <=2%	39	1	-	40
2%> <=5%	19	9	-	28
5%> <100%	23	48	-	71
100%	-	7	9	16
	9,509	**118**	**10**	**9,637**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2019
Movement schedule of carrying value mortgage loans				
Balance at 1 January	**8,891**	**82**	**17**	**8,990**
New financial assets originated or purchased (including transfers from consolidated SPEs)	1,693	-	-	1,693
Financial assets that have been derecognised (sale and/or redemption)	(1,026)	(14)	(7)	(1,047)
Net remeasurement of loss allowance	4	-	(2)	2
Transfers:				
Transfer from stage 1 to stage 2	(68)	68	-	-
Transfer from stage 1 to stage 3	(7)	-	6	(1)
Transfer from stage 2 to stage 1	18	(18)	-	-
Transfer from stage 2 to stage 3	-	(2)	2	-
Transfer from stage 3 to stage 1	4	-	(4)	-
Transfer from stage 3 to stage 2	-	2	(2)	-
Balance at 31 December	**9,509**	**118**	**10**	**9,637**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2019
Movement schedule of credit loss allowances on mortgage loans				
Balance at 1 January	**5**	**1**	**1**	**7**
Movements with no impact on credit loss allowances of financial assets in the income statement				
Transfers:				
Transfer from stage 3 to stage 1	1	-	(1)	-
Transfer from stage 3 to stage 2	-	1	(1)	-
Movements with no impact on credit loss allowances of financial assets in the income statement	**1**	**1**	**(2)**	**-**
Movements with impact on credit loss allowances of financial assets in the income statement				
New financial assets originated or purchased	1	-	-	1
Financial assets that have been derecognised (sale and/or redemption)	(3)	-	-	(3)
Net remeasurement of loss allowance	(4)	(1)	3	(2)
Transfers:				
Transfer from stage 2 to stage 1	1	(1)	-	-
Movements with impact on credit loss allowances of financial assets in the income statement	**(5)**	**(2)**	**3**	**(4)**
Balance at 31 December	**1**	**-**	**2**	**3**

Relating to committed facilities with respect to mortgage loans a release of EUR 1 million has been recognised in 2020 (2019: a credit loss of EUR 1 million).

The contractual amount outstanding on mortgage loans that were written off and are still subject to enforcement activity amounts to EUR 40 million (2019: EUR 42 million).

The maximum credit exposure including committed but undrawn facilities was EUR 10,388 million at 31 December 2020 (31 December 2019: EUR 9,965 million).

26 Securitised mortgage loans (amortised cost)

in EUR millions	2020	2019
Securitised mortgage loans	343	407
	343	**407**
Legal maturity analysis of securitised mortgage loans		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	1	-
Longer than five years	342	407
	343	**407**

The following table shows the credit quality and the maximum exposure to credit risk based on NIBC's use of probability of default and year-end stage classification.

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2020
Probability of default				
<= 1%	338	2	-	340
1%> <=2%	-	-	-	-
2%> <=5%	1	-	-	1
5%> <100%	-	1	-	2
100%	-	-	-	-
	339	**3**	**-**	**343**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of carrying value securitised mortgage loans				
Balance at 1 January	**406**	**1**	**-**	**407**
Financial assets that have been derecognised (sale and/or redemption)	(64)	-	-	(64)
Transfers:				
Transfer from stage 1 to stage 2	(3)	3	-	-
Balance at 31 December	**339**	**4**	**-**	**343**

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2019
Probability of default				
<= 1%	404	1	-	405
1%> <=2%	-	-	-	-
2%> <=5%	1	-	-	1
5%> <100%	1	-	-	1
100%	-	-	-	-
	406	**1**	**-**	**407**

	Stage 1	Stage 2	Stage 3	
in EUR millions	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total 2019
Movement schedule of carrying value securitised mortgage loans				
Balance at 1 January	**460**	**1**	**-**	**461**
Financial assets that have been derecognised (sale and/or redemption)	(54)	-	-	(54)
Balance at 31 December	**406**	**1**	**-**	**407**

In 2020 and 2019 no ECL were recognised (see note 55 Credit risk).

27 Investment property

in EUR millions	2020	2019
Investment property	21	23
	21	**23**
Movement schedule of investment property		
Balance at 1 January	**23**	**-**
Reclassification from property and equipment	-	20
Additions	1	2
Changes in fair value	(3)	1
Balance at 31 December	**21**	**23**

Land and buildings were revalued as of 31 December 2020 based on an independent external appraisal. Land and buildings with the available for rental status decreased in value, leading to a loss of EUR 3 million (EUR 2.4 million net of tax) in 2020. For the revaluation result reference is made to note 6 Net gains or (losses) from assets and liabilities at fair value through profit or loss.

The rental income from investment property amounts to EUR 1 million in 2020 (2019: EUR 1 million).

28 Investments in associates and joint ventures (equity method)

in EUR millions	2020	2019
Investments in associates	12	16
Investments In joint ventures	3	5
	15	**21**
Movement schedule of investments in associates		
Balance at 1 January	**16**	**9**
Purchases and additional payments	1	4
Disposals	(8)	-
Share in result	1	3
Dividend received	1	-
Balance at 31 December	**12**	**16**
Movement schedule of joint ventures		
Balance at 1 January	**5**	**3**
Share in result	(2)	2
Balance at 31 December	**3**	**5**

At the end of 2020 and 2019, all investments in associates and joint ventures were unlisted.

The cumulative impairment losses amounted to nil for 2020 and 2019.

Other disclosure requirements for associates and joint ventures which are equity accounted are included in note 52 Principal subsidiaries and associates.

29 Property and equipment

in EUR millions	2020	2019
Land and buildings	27	30
Other fixed assets	2	3
Right-of-use assets	5	6
	33	**39**

in EUR millions	2020	2019
Movement schedule of land and buildings		
Balance at 1 January	**30**	**42**
Reclassification to investment property	-	(20)
Additions	-	2
Revaluation	(1)	8
Depreciation	(2)	(2)
Impairments	(1)	-
Balance at 31 December	**27**	**30**
Gross carrying amount	94	95
Accumulated depreciation	(67)	(65)
	27	**30**
Movement schedule of revaluation surplus		
Balance at 1 January	**17**	**10**
Revaluation	(1)	8
Depreciation	-	(1)
Balance at 31 December	**17**	**17**
Movement schedule of other fixed assets		
Balance at 1 January	**3**	**2**
Additions	-	3
Depreciation	(1)	(2)
Balance at 31 December	**2**	**3**
Gross carrying amount	29	29
Accumulated depreciation	(27)	(26)
	2	**3**

in EUR millions	2020	2019
Right-of-use assets[1]		
Rented offices	5	6
	5	**6**
Movement schedule of right-of-use asset: offices		
Balance at 1 January	**6**	**4**
Additions	-	3
Depreciation	(1)	(1)
Balance at 31 December	**5**	**6**

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

Land and buildings were revalued as of 31 December 2020 based on an independent external appraisal. The negative difference with the carrying amount arising from the revaluation of land and buildings in own use to an amount of EUR 0.3 million net of tax is debited to revaluation reserves in equity.

Buildings in use by NIBC are insured for EUR 93 million (2019: EUR 88 million). Other fixed assets are insured for EUR 25 million (2019: EUR 25 million).

Refer to note 38 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.

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

30 Current tax

in EUR millions	2020	2019
Current tax assets	-	5
Current tax liabilities	3	-

Current tax will be settled within 12 months.

31 Deferred tax

in EUR millions	2020	2019
Deferred tax assets	5	10
Deferred tax liabilities	6	12
	-	**(2)**
Amounts of deferred income tax assets, without taking into consideration the offsetting of balances within the same jurisdiction		
Property and equipment	1	-
Tax losses carried forward	4	10
	5	**10**
Amounts of deferred income tax liabilities, without taking into consideration the offsetting of balances within the same jurisdiction		
Debt investments	1	1
Cash flow hedges	5	5
Property and equipment	-	1
Temporary tax differences	-	5
	6	**12**
	-	**(2)**

in EUR millions	2020	2019
Gross movement on the deferred income tax account may be summarised as follows		
Balance at 1 January	**(2)**	**1**
Debt investments		
Fair value remeasurement charged/(credited) to revaluation reserve	-	(2)
Cash flow hedges		
Fair value remeasurement charged/(credited) to hedging reserve	-	1
Property and equipment		
Fair value remeasurement charged/(credited) to revaluation reserve	2	(1)
Temporary tax differences		
IFRS - HGB deferred tax	5	(3)
Tax losses carried forward	(5)	2
Balance at 31 December	**-**	**(2)**

DTA and liabilities are measured for all temporary differences using the liability method.

32 Other assets

in EUR millions	2020	2019
Pending settlements	-	9
Other accruals and receivables	44	10
	44	**19**

The fair value of this balance sheet item does not materially differ from its face value, due to the short-term nature of its related assets.

The increase in other assets includes payments to be received as a result of sold loans.

33 Due to other banks

in EUR millions	2020	2019
Due to other banks	310	269
Due to central banks	690	1,134
	1,000	**1,403**
Due to other banks		
Payable on demand	36	1
Not payable on demand	965	1,402
	1,000	**1,403**
Legal maturity analysis of due to other banks not payable on demand		
Three months or less	566	69
Longer than three months but not longer than one year	35	780
Longer than one year but not longer than five years	316	500
Longer than five years	48	53
	965	**1,402**

Interest is recognised in interest expense from financial instruments measured at AC on an effective interest basis.

At 31 December 2020, an amount of EUR 123 million (2019: EUR 61 million) relates to cash collateral received from third parties.

According to management's best estimate achieving the conditions attached to the TLTRO-loans, especially achievement of the lending performance thresholds, during the term of the TLTRO-loans is considered remote at 31 December 2020. NIBC considers the applicable interest rates on the outstanding TLTRO II and TLTRO III loans to be comparable to rates on other secured funding instruments. Consequently, the drawings under the existing TLTRO-program are accounted for as financial instruments in line with IFRS 9.

As the original expected cash flows will remain unchanged there is no necessity to adjust the carrying amounts of the TLTRO-loans at 31 December 2020. The carrying amount of the TLTRO-loans (drawings under TLTRO II and TLTRO III with a fixed interest coupon of minus 40 basis points and minus 50 basis points), including the accrued interest receivable of EUR 8 million, is EUR 690 million at 31 December 2020. The legal maturity date of the current TLTRO-loans lies between March 2021 (TLTRO II) and June 2023 (TLTRO III), although there is a voluntary redemption option starting one year after the settlement date of the respective TLTRO participation.

Interest payments will be settled in arrears. The collateral for the TLTRO-program consists of *Dutch Central Bank* (**DNB**) eligible debt investments and securitised mortgage loans. The interest rate, which is fixed for the entire maturity of the TLTRO II, was set in June 2018 and was set in June 2020 for TLTRO III.

The fair value does not materially differ from its face value.

34 Deposits from customers

in EUR millions	2020	2019
Retail deposits	10,244	9,756
Institutional/corporate deposits	893	1,641
	11,137	**11,397**
Deposits from customers		
On demand	7,123	6,401
Term deposits	4,014	4,996
	11,137	**11,397**
Legal maturity analysis of term deposits		
Three months or less	1,046	793
Longer than three months but not longer than one year	1,526	1,786
Longer than one year but not longer than five years	1,305	1,472
Longer than five years	137	945
	4,014	**4,996**

Interest is recognised in interest expense from financial instruments measured at AC on an effective interest basis.

The total amount of savings value with respect to mortgage loans in this item amounted to EUR 152 million in 2020 (2019: EUR 161 million).

The announcement of the legal merger between NIBC Bank Deutschland A.G. and NIBC Bank N.V. gave the institutional and corporate clients the one-off opportunity to early redeem their deposits before the original contractual date of maturity. Mainly as a consequence of this one-off opportunity the amounts of institutional/corporate deposits declined by EUR 1.131 million to EUR 510 million at 31 December 2020 (31 December 2019: EUR 1.641 million). The change in institutional/corporate deposits mainly shows in the term deposits with a legal maturity.

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

in EUR millions	2020	2019
Bonds and notes issued	-	39
	-	**39**
Legal maturity analysis of own debt securities in issue		
Three months or less	-	39
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
	-	**39**
Movement schedule of own debt securities in issue		
Balance at 1 January	**39**	**39**
Additions	-	1
Disposals	(37)	-
Changes in fair value	(2)	(1)
Balance at 31 December	**-**	**39**

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

EUR 37 million relates to cash inflow items included in the consolidated statement of cash flows.

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

in EUR millions	2020	2019
Bonds and notes issued	171	184
	171	**184**
Legal maturity analysis of debt securities in issue structured		
Three months or less	25	-
Longer than three months but not longer than one year	-	4
Longer than one year but not longer than five years	65	70
Longer than five years	81	110
	171	**184**
Movement schedule of debt securities in issue structured		
Balance at 1 January	**184**	**282**
Disposals	(4)	(105)
Changes in fair value	(7)	5
Other (including exchange rate differences)	(2)	2
Balance at 31 December	**171**	**184**

The disposals of debt securities in issue designated at FVtPL for 2020 include redemptions at the scheduled maturity date to an amount of EUR 4 million (2019: EUR 5 million) and repurchases of debt securities before the legal maturity date to an amount to nil (2019: EUR 100 million).

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 166 million at 31 December 2020 (2019: EUR 212 million).

The cumulative change in fair value included in the balance sheet amounts (designated at FVtPL) attributable to changes in interest rates and credit risk for 2020 amounts to a loss of EUR 3 million and the change for the current year is a gain of EUR 4 million recognised in OCI (2019: loss of EUR 5 million). See note 45.7 for further information with respect to own credit risk.

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

Other (including exchange rate differences) movement of EUR 2 million relates to cash outflow items (EUR 4 million) and EUR 2 million relates to net FX differences included in the consolidated statement of cash flows.

37 Provisions

in EUR millions	2020	2019
ECL allowances for off-balance sheet financial instruments	4	3
Restructuring provisions	-	9
Other provisions	-	1
Employee benefits	2	2
	6	**15**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total 2020
Movement schedule of credit loss allowances on provisions					
Balance at 1 January	**1**	**2**	**-**	**-**	**3**
Movements with no impact on credit loss allowances of financial assets in the income statement					
Transfers:					
Transfer from stage 2 to stage 3	-	(1)	1	-	-
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**(1)**	**1**	**-**	**-**
Movement schedule of ECL allowances for off-balance sheet financial instruments in the income statement					
Off-balance sheet financial instruments that have been derecognised	(1)	(1)	-	-	(2)
Net remeasurement of loss allowance	-	1	(1)	1	-
Changes in model assumption and methodologies	2	1	-	-	2
	1	**1**	**(1)**	**1**	**1**
Balance at 31 December	**2**	**1**	**-**	**1**	**4**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total 2019
Movement schedule of credit loss allowances on provisions					
Balance at 1 January	**1**	**1**	**-**	**-**	**2**
Movement schedule of ECL allowances for off-balance sheet financial instruments in the income statement					
New committed off-balance balance sheet financial instruments	1	-	-	-	1
Net remeasurement of loss allowance	(1)	1	-	-	-
Transfers:					
Transfer from stage 1 to stage 2	-	1	-	-	1
Transfer from stage 2 to stage 1	-	(1)	-	-	(1)
	-	**1**	**-**	**-**	**1**
Balance at 31 December	**1**	**2**	**-**	**-**	**3**

in EUR millions	2020	2019
Movement schedule of employee benefits		
Balance at 1 January	**2**	**3**
Releases	-	(1)
Balance at 31 December	**2**	**2**

Employee benefit obligations of EUR 1 million at 31 December 2020 are related to payments to be made in respect of other leave obligations (2019: EUR 2 million).

in EUR millions	2020	2019
The amounts of pension charges recognised in personnel expenses in the income statement were as follows		
Collective Defined Contribution plans		
Employer's contribution	14	13
Participants' contributions	(1)	(1)
One-off employers pension contribution	1	-
	13	**12**

Employer's contributions in 2020 includes EUR 3 million (2019: EUR 2 million) intended to compensate for the pension gap that arose as a result of changed tax rules that became effective as of 1 January 2015.

In 2020, in negotiation with the Works Council, new arrangements were agreed for the annual pension contribution for the period 2021 - 2023. As from 1 January 2021 the total contribution will be 32% of which 5% will be borne by the participants and 27% by the employer.

Obligations and expense under pension plans

A *Collective Defined Contribution* (**CDC**) plan is a pension plan under which NIBC each year pays a fixed percentage of the salaries of the members into the scheme. The size of the fund on retirement will be determined by how much was contributed to the scheme and the investment return achieved.

For defined-contribution plans, NIBC pays contributions directly into the member's scheme. NIBC has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The CDC-plan is based on an average salary plan. The retirement age is set at 68 years as per 1 January 2018. The contribution payable by participants in the CDC-plan is maximised at 4% per annum. Under the CDC-plan the annual pension contributions are calculated according to a fixed contribution calculation mechanism. The annual pension contribution of NIBC is maximised at 26% of the pensionable salary (salary minus a social security deductible). By paying the agreed fixed annual contribution NIBC Holding is released from all its obligations.

38 Accruals, deferred income and other liabilities

in EUR millions	2020	2019
Payables	35	36
Lease liabilities[1]	5	7
Other accruals (including earn-out commitments)	21	25
Pending settlements	-	9
Taxes and social securities	9	9
	71	**86**
Legal maturity analysis of lease liabilities		
Three months or less	-	-
Longer than three months but not longer than one year	1	1
Longer than one year but not longer than five years	2	4
Longer than five years	1	2
	5	**7**
Movement schedule of lease liabilities		
Balance at 1 January	**7**	**5**
Additions	-	3
Repayments	(2)	(1)
Balance at 31 December	**5**	**7**

1 Refer to note 29 Property and equipment for the right-of-use assets corresponding to the lease liabilities.

For the year 2020, there are no variable lease payments included in the measurement of the lease liabilities (2019: nil).

For the period ended 31 December 2020, interest expense on lease liabilities amounted to nil (2019: nil). Interest expense on lease liabilities is recognised within interest expense from financial instruments measured at AC (refer to note 2 Net interest income).

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

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

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

Pending settlements are related to the brokerage activities and settled within 3 days.

Taxes and social securities relate to EUR 2 million VAT (2019: EUR 2 million), EUR 3 million payroll tax (2019: EUR 3 million) and EUR 4 million withholding tax (2019: EUR 4 million).

39 Own debt securities in issue (amortised cost)

in EUR millions	2020	2019
Bonds and notes issued	5,954	6,305
	5,954	**6,305**
Legal maturity analysis of own debt securities in issue		
Three months or less	34	204
Longer than three months but not longer than one year	106	365
Longer than one year but not longer than five years	2,923	2,317
Longer than five years	2,891	3,419
	5,954	**6,305**
Movement schedule of own debt securities in issue		
Balance at 1 January	**6,305**	**5,451**
Additions	783	2,202
Matured / redeemed	(1,095)	(1,381)
Other (including exchange rate differences)	(40)	33
Balance at 31 December	**5,954**	**6,305**

In 2020 NIBC issued an EUR 200 million and a EUR 50 million fixed rate senior unsecured transaction with a maturity of 4 year. The total additions also include a EUR 2 million increase of the cumulative hedge adjustment (2019: increase of EUR 3 million).

The disposals of own debt securities in issue at AC for 2020 include redemptions at the scheduled maturity date and repurchases to an amount of EUR 612 million (2019: EUR 1,298 million) and temporary buyback of positions for EUR 483 million (2019: EUR 83 million).

EUR 783 million relates to cash inflow items, EUR 1,095 million relates to cash outflow items and EUR 40 million relates to net FX differences included in the consolidated statement of cash flows.

40 Debt securities in issue related to securitised mortgages (amortised cost)

in EUR millions	2020	2019
Bonds and notes issued	327	392
	327	**392**
Legal maturity analysis of debt securities in issue related to 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	327	392
	327	**392**
Movement schedule of debt securities in issue related to securitised mortgage loans		
Balance at 1 January	**392**	**447**
Matured / redeemed	(65)	(55)
Balance at 31 December	**327**	**392**

The disposals of own debt securities at AC for 2020 include repayments of debt securities before the legal maturity date to an amount of EUR 65 million (2019: EUR 55 million).

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

in EUR millions	2020	2019
Non-qualifying as grandfathered additional Tier 1 capital	52	57
Subordinated loans other	113	110
	165	**167**
Legal maturity analysis of subordinated liabilities		
One year or less	-	-
Longer than one year but not longer than five years	-	-
Longer than five years but not longer than ten years	-	-
Longer than ten years	165	167
	165	**167**
Movement schedule of subordinated liabilities		
Balance at 1 January	**167**	**162**
Additions	2	2
Changes in fair value	-	2
Other (including exchange rate differences)	(4)	1
Balance at 31 December	**165**	**167**

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

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 250 million at 31 December 2020 (2019: EUR 260 million).

The cumulative change in fair value included in the balance sheet amounts (designated at FVtPL) attributable to changes in interest rates and credit risk amounts to a gain of EUR 93 million in 2020 (2019: gain of EUR 100 million) and the change for the current year is a loss of EUR 2 million recognised in OCI (2019: loss of EUR 3 million). See note 45.7 for further information with respect to own credit risk.

All of the above loans are subordinated to the other liabilities of NIBC Holding. The non-qualifying as grandfathered additional Tier 1 capital consists of perpetual securities and may be redeemed by NIBC Holding only with the prior approval of the DNB.

Interest expense of EUR 6 million was recognised on subordinated liabilities during the year 2020 (2019: EUR 8 million). In 2020 and 2019, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

NIBC has not had any defaults of principal, interest or redemption amounts on its liabilities during 2020 or 2019.

EUR 2 million relates to cash inflow and EUR 4 million relates to foreign currency differences included in the consolidated statement of cash flows.

42 Subordinated liabilities (amortised cost)

in EUR millions	2020	2019
Subordinated loans other	113	117
	113	**117**
Legal maturity analysis of subordinated liabilities		
One year or less	-	-
Longer than one year but not longer than five years	51	-
Longer than five years but not longer than ten years	12	63
Longer than ten years	50	54
	113	**117**
Movement schedule of subordinated liabilities		
Balance at 1 January	**117**	**116**
Other (including exchange rate differences)	(5)	1
Balance at 31 December	**113**	**117**

All of the above loans are subordinated to the other liabilities of NIBC. As a result of *Capital Requirements Regulation/Capital Rquirements Directive IV* (**CRR/CRD IV**) requirements regarding additional Tier-1 capital instruments non-qualifying subordinated loans amount to EUR 50 million

(2019: EUR 54 million). Interest expense of EUR 4 million was recognised on subordinated liabilities during 2020 (2019: EUR 5 million).

EUR 5 million related to FX differences included in the consolidated statement of cash flows.

43 Equity

The ultimate company is NIBC Holding N.V., a listed company incorporated in the Netherlands.

in EUR millions	2020	2019
Equity attributable to the equity holder		
Share capital	80	80
Share premium	238	238
Revaluation reserves		
Revaluation reserve - hedging revaluations	13	16
Revaluation reserve - debt investments	3	3
Revaluation reserve - property	13	14
Revaluation reserve - own credit risk	89	87
Retained profit	1,367	1,427
	1,803	**1,865**

Share capital

The share capital is fully paid-up.

	2020	2019	2020	2019
	Numbers x 1,000		in EUR millions	
Authorised share capital	183,598	183,598	215	215
Unissued share capital	121,011	121,011	135	135
Issued share capital A shares	**62,587**	**62,587**	**80**	**80**
	Numbers x 1,000		in EUR millions	
The number and total amounts of authorised shares				
Class A ordinary shares	110,938	110,938	142	142
Class B, C, D, E1 and E3 preference shares	72,600	72,600	73	73
Class E4 preference shares	60	60	-	-
	183,598	**183,598**	**215**	**215**
			In EUR	
Classes and par values of authorised shares				
Class A ordinary shares			1.28	1.28
Class B, C, D, E1 and E3 preference shares			1.00	1.00
Class E4 preference shares			5.00	5.00

Share premium

This reserve comprises the difference between the par value of NIBC shares and the total amount received for issued shares. The share premium reserve is credited for equity-related expenses and is also used for issued shares.

Revaluation reserves

Revaluation reserve - hedging revaluation

This reserve comprises the portion of the gains or losses on hedging instruments in a cash flow hedge that is determined to be an effective hedge (net of tax).

Revaluation reserve - debt investments

This reserve comprises changes in fair value of debt investments (net of tax).

Revaluation reserve - property

This reserve comprises changes in fair value of land and buildings (net of tax).

At reclassification date of land and buildings to Investment Property, 1 January 2019, the related existing reserve has been frozen.

Revaluation reserve - own credit risk

This reserve includes the cumulative changes in the fair value of the financial liabilities designated as at FVtPL that are attributable to changes in the credit risk of these liabilities other than those recognised in profit or loss (net of tax).

Retained profit

Retained profit reflects accumulated earnings less dividends paid to shareholders and transfers from share premium.

Dividend restrictions

NIBC and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital, and reserves required by law. Additionally, certain Bank companies are subject to restrictions on the amount of funds they may transfer in the form of dividend or otherwise to the parent company.

Changes in share premium and revaluation reserves in 2020

in EUR millions	Share premium	Hedging revaluation	Debt investments	Property[1]	Own credit risk	Total
Balance at 1 January 2020	**238**	**16**	**3**	**14**	**87**	**358**
Net result on hedging instruments	-	(3)	-	-	-	(3)
Revaluation/remeasurement (net of tax)	-	-	-	(1)	2	1
Total recognised directly through other comprehensive income in equity during the year	**-**	**(3)**	**-**	**(1)**	**2**	**(2)**
Transfer to retained earnings	-	-	-	-	-	-
Balance at 31 December 2020	**238**	**13**	**3**	**13**	**89**	**356**

1 Part of the revaluation reserve relates to reclassified property and equipment with the available for rental status to investment property. The revaluation reserve relating to this reclassification on 1 January 2019 to an amount of EUR 7 million has been frozen.

Changes in share premium and revaluation reserves in 2019

in EUR millions	Share premium	Hedging revaluation	Debt investments	Property	Own credit risk	Total
Balance at 1 January 2019	**238**	**20**	**(2)**	**8**	**96**	**360**
Net result on hedging instruments	-	(4)	-	-	-	(4)
Revaluation/remeasurement (net of tax)	-	-	5	6	(9)	2
Total recognised directly through other comprehensive income in equity	**-**	**(4)**	**5**	**6**	**(9)**	**(2)**
Transfer to retained earnings	-	-	-	-	-	-
Balance at 31 December 2019	**238**	**16**	**3**	**14**	**87**	**358**

Information on NIBC's solvency ratios is included in the risk management section of this Annual Report.

44 Capital securities

in EUR millions	2020	2019
Capital securities issued by NIBC	200	200
	200	**200**
Movement schedule of capital securities issued by NIBC		
Balance at 1 January	**200**	**200**
Profit attributable to holders of capital securities	12	12
Paid coupon on capital securities	(12)	(12)
Balance at 31 December	**200**	**200**

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

The principal amount of the capital securities will be written down if the CET1 ratio of NIBC falls below 5.125%. Following such reduction, the principal amount may, at NIBC's discretion, be written-up to the original principal amount if certain conditions are met. In addition, the capital securities may be subject to a permanent write-down or conversion into equity in circumstances where the competent resolution authority would determine that NIBC has reached the point of non-viability or the occurrence of a bail-in.

45 Fair value of financial instruments

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

45.1 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).

45.2 Valuation governance

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

45.3 Financial instruments by fair value hierarchy

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

Fair value of financial instruments at 31 December 2020

in EUR millions	Level 1	Level 2	Level 3	2020
Financial assets at fair value through profit or loss (including trading)				
Debt investments	18	50	1	69
Equity investments (including investments in associates)	-	-	212	212
Loans	-	97	33	130
Derivative financial assets	-	494	-	494
	18	**641**	**246**	**905**
Financial assets at fair value through other comprehensive income				
Debt investments	870	16	-	886
	870	**16**	**-**	**886**
	888	**657**	**246**	**1,791**

in EUR millions	Level 1	Level 2	Level 3	2020
Financial liabilities at fair value through profit or loss (including trading)				
Own debt securities in issue	-	-	-	-
Debt securities in issue structured	-	171	-	171
Derivative financial liabilities	-	100	-	100
Subordinated liabilities	-	165	-	165
	-	**436**	**-**	**436**

Fair value of financial instruments at 31 December 2019

in EUR millions	Level 1	Level 2	Level 3	2019
Financial assets at fair value through profit or loss (including trading)				
Debt investments	16	73	2	91
Equity investments (including investments in associates)	2	-	251	253
Loans	-	108	34	142
Derivative financial assets	-	482	-	482
	18	**663**	**287**	**968**
Financial assets at fair value through other comprehensive income				
Debt investments	820	134	-	954
	820	**134**	**-**	**954**
	838	**797**	**287**	**1,922**

in EUR millions	Level 1	Level 2	Level 3	2019
Financial liabilities at fair value through profit or loss (including trading)				
Own debt securities in issue	-	39	-	39
Debt securities in issue structured	-	184	-	184
Derivative financial liabilities	-	225	-	225
Subordinated liabilities	-	167	-	167
	-	**615**	**-**	**615**

45.4 Valuation techniques

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

Financial assets at fair value through profit or loss

Debt investments - level 1
For the determination of fair value at 31 December 2020, NIBC used market-observable prices. NIBC has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Equity investments - 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 31 December 2020.

Debt investments - level 2
For the determination of fair value at 31 December 2020, NIBC applied market-observable prices, interest rates and credit spreads derived from market-observable data. NIBC has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Loans - level 2 and 3
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.

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

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

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

The fair value of equity investments is established by applying capitalisation multiples to maintainable earnings. Maintainable earnings are estimated based on the normalised last 12 months' *Earnings before Interest, Tax, Depreciation and Amortisation* (**EBITDA**). Capitalisation multiples are derived from the enterprise value and the normalised last twelve months EBITDA. On each reporting date, the capitalisation multiple of each equity investment is compared against those derived from the publicly available enterprise value and earnings information of traded peers, where these can be identified. Peer capitalisation multiples are normalised for factors such as differences in regional and economic environment, time lags in earnings information and one-off gains and losses.

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

Financial assets at fair value through other comprehensive income

Debt investments - level 1
For the determination of fair value at 31 December 2020, NIBC used market-observable prices (including broker quotes). NIBC has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Debt investments - level 2
For the determination of fair value at 31 December 2020, NIBC used market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

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

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

Debt securities in issue structured consist of notes issued with embedded derivatives that are tailored to specific investors' needs. The return on these notes is dependent upon the level of certain underlying equity, interest rate, currency, credit, commodity or inflation-linked indices. The embedded derivative within each note issued is 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 FVtPL, 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.

45.5 Valuation adjustments and other inputs and considerations

Credit and debit valuation adjustments

NIBC calculates CVA/DVA (as defined in Critical accounting estimates and judgements) on a counterparty basis over the entire life of the exposure.

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). As of the 31st December 2020, NIBC is able to retrieve only bid prices from our independent sources. Thus, a mid-bid adjustment is not relevant anymore.

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 data market data.

45.6 Impact of valuation adjustments

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

in EUR millions	2020	2019
Type of adjustment		
Credit value adjustment / Debit value adjustment	-	-
Totally Risk related	**-**	**-**
Bid-offer adjustment		-
Day-1 profit (see the following table)	10	12
	10	**12**

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

in EUR millions	2020	2019
Movement schedule of day-1 profit		
Balance at 1 January	**12**	**7**
Deferral of profit on new transactions	-	-
Recognised in the income statement during the period		
Subsequent recognition due to amortisation	(2)	5
Balance at 31 December	**10**	**12**

45.7 Own credit adjustments on financial liabilities designated at fair value

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

in EUR millions	2020	2019
	Included in OCI	
Recognised during the period (before tax)		
Unrealised gain/(loss)	2	(9)
	2	**(9)**
Unrealised life-to-date gain/(loss)	89	87
	89	**87**

A 10 basis point change in the weighted average credit spread used to discount future expected cash flows would change the fair value of financial liabilities at 31 December 2020 by EUR 2 million (31 December 2019: EUR 2 million).

45.8 Transfers between level 1 and level 2

Transfers between levels are reviewed semi-annually at the end of the reporting period.

45.9 Movements in level 3 financial instruments measured at fair value

In 2020 no debt investments at FVtPL have been transferred from level 2 to level 3.

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

in EUR millions	At 1 January 2020	Amounts recognised in the income statement	Purchases/ Additions	Sales	Settle-ments/ Disposals	Transfers into level 3	At 31 December 2020
Financial assets at fair value through profit or loss (including trading)							
Debt investments	2	(1)	1	-	-	(1)	1
Equity investments (including investments in associates)	251	3	16	(59)	-	-	212
Loans	34	(8)	1	-	-	6	33
	287	**(6)**	**18**	**(59)**	**-**	**5**	**246**

in EUR millions	At 1 January 2019	Amounts recognised in the income statement	Purchases/ Additions	Sales	Settle-ments/ Disposals	Transfers into level 3	At 31 December 2019
Financial assets at fair value through profit or loss (including trading)							
Debt investments	2	1	-	-	(1)	-	2
Equity investments (including investments in associates)	184	57	40	-	(30)	-	251
Loans	49	2	13	(8)	(22)	-	34
	321	**60**	**53**	**(8)**	**(53)**	**-**	**287**

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

in EUR millions	For the years ended 31 December 2020 Net trading income	31 December 2020 Net gains or (losses) from assets and liabilities at fair value through profit or loss	31 December 2020 Invest-ment income	31 December 2020 Total	31 December 2019 Net trading income	31 December 2019 Net gains or (losses) from assets and liabilities at fair value through profit or loss	31 December 2019 Invest-ment income	31 December 2019 Total
Financial assets at fair value through profit or loss (including trading)								
Debt investments	(1)	-	-	(1)	1	-	-	1
Equity investments (including investments in associates)	-	-	3	3	-	-	57	57
Loans	-	(8)	-	(8)	-	2	-	2
	(1)	**(8)**	**3**	**(6)**	**1**	**2**	**57**	**60**

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

in EUR millions	For the years ended 31 December 2020 Held at balance sheet date	31 December 2020 Derecognised during the period	31 December 2019 Held at balance sheet date	31 December 2019 Derecognised during the period
Financial assets at fair value through profit or loss (including trading)				
Debt investments	-	(1)	-	1
Equity investments (including investments in associates)	(2)	5	57	-
Loans	(8)	-	2	-
	(10)	**4**	**59**	**1**

Recognition of unrealised gains and losses in level 3

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

	For the years ended					
	31 December 2020			31 December 2019		
in EUR millions	Net gains or (losses) from assets and liabilities at fair value through profit or loss	Invest-ment income	Total	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)						
Equity investments (including investments in associates)	-	4	4	-	41	41
Loans	(8)	-	(8)	2	-	2
	(8)	**4**	**(4)**	**2**	**41**	**43**

45.10 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 45.11 Sensitivity of fair value measurements to changes in observable market data.

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

	31 December 2020		31 December 2019	
	Fair value of level 3 assets	Fair value of level 3 liabilities	Fair value of level 3 assets	Fair value of level 3 liabilities
Financial assets at fair value through profit or loss (including trading)				
Debt investments	1	-	2	-
Equity investments (including investments in associates)	212	-	251	-
Loans	33	-	34	-
	246	**-**	**287**	**-**

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

Discount spreads
Discount spread is the spread above a market interest rate, based on EURIBOR, which is used to discount the projected cash flows. The discount spread is derived from residential mortgage market quotes of lenders in the Dutch residential mortgage market after deduction of relevant upfront costs.

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

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

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

	For the years ended			
	31 December 2020		31 December 2019	
in EUR millions	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets at fair value through profit or loss (including trading)				
Debt investments	1	-	2	-
Equity investments (including investments in associates)	212	11	251	13
Loans	33	2	34	2

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

- For the debt investments, NIBC adjusted the weighted average calculated model price by 100 basis points as a reasonably possible alternative outcome. The primary unobservable input in the calculated model price is the applicable credit spread;
- For equity investments, the material unobservable input parameters, such as capitalisation multiple, that are applied to the maintainable earnings to determine fair value are adjusted by 5%;
- For loans, the sensitivity in unobservable input parameters, such as the change in discount factor due to macro economic developments, company specific risk profile and yield offer vs. demand in sector is determined as 5%.

In 2020, there were no significant changes in the business or economic circumstances, excluding COVID-19, that affect the fair value of the NIBC's financial assets and liabilities and there were no reclassifications of financial assets.

45.12 Fair value of financial instruments not measured at fair value

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

	Fair value information at 31 December 2020				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Debt investments	-	22	-	22	22
Loans	-	6,309	-	6,309	6,285
Lease receivables	-	16	-	16	16
Mortgage loans	-	-	9,902	9,902	10,198
Securitised mortgage loans	-	-	343	343	365
Financial liabilities at amortised cost					
Own debt securities in issue	-	5,954	-	5,954	6,413
Debt securities in issue related to securitised mortgages and lease receivables	-	-	327	327	330
Subordinated liabilities	-	113	-	113	124

	Fair value information at 31 December 2019				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,636	-	7,636	7,563
Lease receivables	-	25	-	25	25
Mortgage loans	-	-	9,637	9,637	9,964
Securitised mortgage loans	-	-	407	407	434
Financial liabilities at amortised cost					
Own debt securities in issue	-	6,305	-	6,305	6,701
Debt securities in issue related to securitised mortgages and lease receivables	-	-	392	392	395
Subordinated liabilities	-	117	-	117	151

The fair value disclosed for the mortgage loans is based on the retail spread. The retail spread in turn is determined by comparing mortgage quotes of Dutch mortgage lenders to the risk free curve and subsequently deducting the appropriate upfront costs.

NIBC determines the fair value of mortgage loans (both those it holds in part of its own warehouse and those it has securitised) by using a valuation model developed by NIBC. This model discounts expected cash flows to present value using inter-bank zero-coupon rates, adjusted for a spread that principally takes into account the costs and the risks of the assets. Subsequently NIBC calculates a discount spread via a top-down approach.

The top-down approach derives a discount spread by taking into account the mortgage rates of newly originated loans in the consumer market. The offered mortgage rate is determined by collecting mortgage rates from other professional lenders sorted by product, *Loan-to-Value* (**LtV**) class and the fixed-rate period. The discount spread is derived by comparing the offered mortgage rate to the market interest rates taking into account various upfront costs embedded in the offered mortgage rate. Where deemed necessary, surcharges are added to reflect the illiquidity of certain sub-portfolios.

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

45.13 Non-financial assets valued at fair value

Property and equipment / Investment Property
NIBC's land and buildings (for-own-use) are valued at fair value through equity, the carrying amount (level 3) at 31 December 2020 is EUR 27 million (31 December 2019: EUR 30 million).

NIBC's investment property (available-for-rental) are valued at FVtPL, the carrying amount (level 3) at 31 December 2020 is EUR 21 million (31 December 2019: EUR 23 million). The fair value of the right-of-use assets does not materially deviates from the carrying amount.

46 Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	At 31 December 2020					
				Related amounts not set off in the balance sheet		
in EUR millions	Gross amount of recognised financial assets	Gross amount of recognised financial assets set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Financial instruments collateral	Cash collateral paid	Net amount
Assets						
Derivative financial assets	494	-	494	-	123	371
	494	**-**	**494**	**-**	**123**	**371**

	At 31 December 2020					
				Related amounts not set off in the balance sheet		
in EUR millions	Gross amount of recognised financial liabilities	Gross amount of recognised financial liabilities set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Financial instruments collateral	Cash collateral received	Net amount
Liabilities						
Derivative financial liabilities	100	-	100	-	120	(20)
	100	**-**	**100**	**-**	**120**	**(20)**

in EUR millions	At 31 December 2019					
				Related amounts not set off in the balance sheet		
	Gross amount of recognised financial assets	Gross amount of recognised financial assets set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Financial instruments collateral	Cash collateral paid	Net amount
Assets						
Derivative financial assets	482	-	482	-	61	421
	482	**-**	**482**	**-**	**61**	**421**

in EUR millions	At 31 December 2019					
				Related amounts not set off in the balance sheet		
	Gross amount of recognised financial liabilities	Gross amount of recognised financial liabilities set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Financial instruments collateral	Cash collateral received	Net amount
Liabilities						
Derivative financial liabilities	225	-	225	-	186	39
	225	**-**	**225**	**-**	**186**	**39**

Related amounts which cannot be set off in the balance sheet position are amounts which are part of *International Swaps and Derivatives Association* (**ISDA**) netting agreements. The related amounts are reported on the asset side and the liability side of the balance sheet as the ISDA agreements do not meet all requirements for offsetting in IAS 32.

47 Repurchase and resale agreements and transferred financial assets

Repurchase and resale agreements

As per year-end 2020 NIBC did not have any repurchase and resale agreement related positions asdescribed in this note (2019: nil).

Transferred financial assets

This disclosure provides insight into the relationship between these transferred financial assets and associated financial liabilities in order to understand which risks NIBC is exposed to when the assets are transferred.

If transferred financial assets continue to be recognised on the balance sheet, NIBC is still exposed to changes in the fair value of the assets.

Transferred financial assets that are not derecognised in their entirety

The following table shows transferred financial assets that are not derecognised in their entirety:

in EUR millions	2020 RMBS programme Securitised mortgage loans (AC)	2020 Covered Bond programme Mortgage loans own book (AC)	2019 RMBS programme Securitised mortgage loans (AC)	2019 Covered Bond programme Mortgage loans own book (AC)
Securitisations				
Carrying amount transferred assets	343	3,540	407	3,661
Carrying amount associated liabilities	327	999	391	998
Fair value of assets	343	3,686	407	3,824
Fair value of associated liabilities	330	1,029	395	1,023
Net position	**13**	**2,656**	**12**	**2,801**

Residential Mortgage-Backed Securities (RMBS) programme
NIBC uses securitisations as a source of funding whereby the *SE* issues debt securities. Pursuant to a securitisation transaction utilising true sale mechanics, NIBC transfers the title of the assets to SEs. When the cash flows are transferred to investors in the notes issued by consolidated securitisation vehicles, the assets (residential mortgage loans) are considered to be transferred.

The Covered Bond programme
Under NIBC's Covered Bond programme, notes are issued by NIBC from its own balance sheet. Bond holders are protected from suffering a loss even in the event that NIBC defaults because at the point the notes were issued, NIBC also transferred the legal title of a portfolio of mortgages to a SE to act as collateral for the covered bond investors. From a legal perspective, the SE guarantees the repayment of the Covered Bonds. The title transfer of the mortgages has been achieved by NIBC providing an inter-company loan on the same terms and conditions as the external bonds to the SE. The SE used the proceeds to purchase the mortgage portfolio. The net result is that the SE retains the legal title, but proceeds from the mortgages are passed through the intercompany loan to the covered bond holders. NIBC consolidates the SE on the basis that, in addition to having power as the sole owner, NIBC also is entitled to substantial variable returns through the over-collateralised portion of the sold mortgages.

Continuing involvement in transferred financial assets that are derecognised in their entirety
NIBC does not have any material transferred assets that are derecognised in their entirety, but where NIBC has continuing involvement.

48 Commitments and contingent assets and liabilities

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

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

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

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

in EUR millions	2020	2019
Contract amount		
Committed facilities with respect to corporate loan financing	1,319	1,662
Committed facilities with respect to mortgage loans	443	267
Capital commitments with respect to equity investments	25	29
Guarantees granted (including guarantees related to assets held for sale)	23	69
Irrevocable letters of credit	48	70
	1,857	**2,347**

Refer to note 37 Provisions for the ECL-allowances on off-balance sheet financial instrument positions.

in EUR millions	2020	2019
Remaining legal maturity analysis of issued financial guarantees & commitments loans		
One year or less	480	316
Longer than one year but not longer than five years	261	335
Longer than five years but not longer than ten years	867	1170
Longer than ten years	249	276
	1,857	**2,347**

The following tables show the credit quality and the maximum exposure to credit risk on financial guarantees and irrevocable letters of credit based on the NIBC's internal credit rating system and year-end stage classification.

Outstanding exposure - Guarantees granted & irrevocable letters of credit

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Total 2020
Internal rating grade					
Investment	4	-	-	-	4
Sub-investment	31	6	-	29	65
Default	-	-	1	-	1
Unrated	1	-	-	-	1
	35	**6**	**1**	**29**	**71**

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2019
Internal rating grade				
Investment	-	-	-	-
Sub-investment	62	11	-	73
Default	-	-	36	36
Unrated	27	3	-	30
	89	**14**	**36**	**139**

An analysis of changes in the outstanding exposures - financial guarantees and letters of credit is, as follows:

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Total 2020
Outstanding as at 1 January 2020	**89**	**14**	**36**	**-**	**139**
New exposures	-	-	-	31	31
Exposures derecognised of matured/lapsed	(50)	(9)	(37)	-	(96)
Transfers:					
Transfers from stage 1 to stage 2	(9)	9	-	-	-
Transfers from stage 2 to stage 1	-	(2)	2	-	-
Transfers from stage 3 to stage 2	6	(6)	-	-	-
Foreign exchange adjustments	(1)	-	-	(3)	(4)
At 31 December 2020	**35**	**6**	**1**	**29**	**71**

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2019
Outstanding as at 1 January 2019	**100**	**18**	**2**	**120**
New exposures	21	-	-	21
Exposures derecognised of matured/lapsed	-	(3)	-	(3)
Transfers:				
Transfers from stage 1 to stage 2	(49)	49	-	-
Transfers from stage 2 to stage 1	15	(15)	-	
Transfers from stage 2 to stage 3	-	(36)	36	
Transfers from stage 3 to stage 2	-	2	(2)	
Foreign exchange adjustments	2	(1)	-	1
At 31 December 2019	**89**	**14**	**36**	**139**

The following tables show the credit quality and the maximum exposure to credit risk on other undrawn commitments based on the NIBC's internal credit rating system and year-end stage classification.

Outstanding exposure - Other undrawn commitments

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Fair value	Total 2020
Internal rating grade						
Investment	345	-	-	-	-	345
Sub-investment	872	44	-	7	28	951
Default	-	-	2	-	-	2
Default grade (bankruptcy filing)	-	-	-	-	-	-
Unrated	21	-	-	-	-	21
	1,238	**44**	**2**	**7**	**28**	**1,319**

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Fair value	Total 2019
Internal rating grade						
Investment	409	-	-	-	-	409
Sub-investment	1,122	71	-	-	31	1,224
Default	-	-	2	4	-	6
Default grade (bankruptcy filing)	-	-	-	-	-	-
Unrated	20	1	-	-	2	23
	1,551	**72**	**2**	**4**	**33**	**1,662**

An analysis of changes in the outstanding exposures - other undrawn commitments is, as follows:

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Fair value	Total 2020
Outstanding as at 1 January 2020	**1,551**	**72**	**2**	**4**	**33**	**1,662**
New exposures	113	-	-	3	-	116
Exposures derecognised or matured/lapsed	(379)	(37)	(26)	-	(6)	(448)
Transfers:						
Transfers from stage 1 to stage 2	(72)	72	-	-	-	-
Transfers from stage 2 to stage 1	36	(36)	-	-	-	-
Transfers from stage 2 to stage 3	-	(27)	27	-	-	-
Foreign exchange adjustments	(11)	1	(2)	-	-	(12)
At 31 December 2020	**1,238**	**44**	**2**	**7**	**28**	**1,319**

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Fair value	Total 2019
Outstanding as at 1 January 2019	**1,582**	**81**	**1**	**-**	**40**	**1,704**
New exposures	-	-	-	4	-	4
Exposures derecognised or matured/lapsed	(35)	(15)	(2)	-	(7)	(59)
Transfers:						
Transfers from stage 1 to stage 2	(76)	76	-	-	-	-
Transfers from stage 2 to stage 1	69	(69)	-	-	-	-
Transfers from stage 2 to stage 3	-	(1)	1	-	-	-
Foreign exchange adjustments	11	-	2	-	-	13
At 31 December 2019	**1,551**	**72**	**2**	**4**	**33**	**1,662**

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

Details of concentrations of credit risk including concentrations of credit risk arising from commitments and contingent liabilities as well as NIBC's policies for collateral for loans are set out in note 55 Credit risk.

Claims, investigations, litigation or other proceedings or actions may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

NIBC is involved in a number of proceedings and settlement negotiations that arise with customers, counterparties, current or former employees or others in the course of its activities. Proceedings may relate to, for example, alleged violations of NIBC's duty of care (zorgplicht) vis-a-vis its (former) customers, the provision of allegedly inadequate investment advice or the provision of allegedly inadequate services. Negative publicity associated with certain sales practices, compensation payable in respect of such issues or regulatory changes resulting from such issues could have a material adverse effect on NIBC's reputation, business, results of operations, financial condition and prospects. Dutch financial services providers are increasingly exposed to collective claims from groups of customers or consumer organisations seeking damages for an unspecified or indeterminate amount or involving unprecedented legal claims in respect of assumed mis-selling or other violations of law or customer rights.

While NIBC has made considerable investment in reviewing and assessing historic sales and *Know Your Customer* (**KYC**) practices and in the maintenance of risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historic sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated. Assessments of the likelihood of claims arising from former activities are often difficult to accurately assess, due to the difficulties in applying more recent standards or court judgements to past practices. Furthermore many individual transactions are heavily fact-specific and the likelihood of applicability to more transactions of a court decision received on one particular transaction, is difficult to predict until a claim actually materialises and is elaborated. Changes in customer protection regulations and in interpretation and perception by both the public at large and governmental authorities of acceptable market practices might also influence client expectations. One example of past practice that is currently being subjected to a review of the correctness of such behaviour relates to EURIBOR-based mortgages. In 2017 NIBC acquired a portfolio of mortgages and, as part of such acquisition, took over a number of such EURIBOR-based mortgages. Such types of mortgages are currently the subject of claims towards another financial institution within the Netherlands. The claimants have been contesting the contractual right of such mortgage lender to have adjusted the margin and alleged that the mortgage lender violated its duty of care towards the relevant customers. Given the similarity of the facts to the EURIBOR-based mortgages within the portfolio acquired by NIBC, NIBC is monitoring such developments and has notified the relevant clients that it will apply the final judicial outcome to the EURIBOR-based loans acquired by NIBC. The risks related to this legal issue were taken into account at the time of acquisition of this mortgage portfolio and factored into the consideration paid by NIBC at the time.

It is difficult for NIBC to predict the outcome of many of the pending or future claims, regulatory proceedings and other adversarial proceedings. The costs and staffing capacity required to defend against future actions may be significant. Counterparties in these proceedings may also seek publicity, over which NIBC will have no control, and this publicity could lead to reputational harm to NIBC and potentially decrease customer acceptance of NIBC's services, regardless of whether the allegations are valid or whether NIBC is ultimately found liable. In addition, NIBC's provisions for defending these claims may not be sufficient.

On the basis of legal advice, taking into consideration the facts known at present NIBC is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated results.

49 Assets transferred or pledged as collateral

in EUR millions	2020	2019
Assets have been pledged as collateral in respect of the following liabilities and contingent liabilities		
Liabilities		
Due to other banks/Own debt securities in issue	3,746	4,202
Debt securities in issue related to securitised loans and mortgages	653	760
Derivative financial liabilities	46	169
	4,446	**5,131**
Details of the carrying amounts of assets pledged as collateral		
Assets pledged		
Debt investments/Mortgage loans own book	4,509	5,105
Securitised loans and mortgages	825	927
Cash collateral (due from other banks)	120	203
	5,454	**6,235**

As part of NIBC's funding and credit risk mitigation activities, the cash flows of selected financial assets are transferred or pledged to third parties. Furthermore, NIBC pledges assets as collateral for derivative transactions. Substantially all financial assets included in these transactions are mortgage loans, other loan portfolios, debt investments and cash collateral. The extent of NIBC's continuing involvement in these financial assets varies by transaction.

The asset encumbrance ratio (encumbered assets and total collateral received re-used divided by total assets and total collateral re-used) at year end 2020 was 26% (2019: 28%).

50 Assets under management

NIBC provides collateral management services, whereby it holds and manages assets or invests funds received in various financial instruments on behalf of customers. NIBC receives fee income for providing these services. Assets under management are not recognised in the consolidated balance sheet. NIBC is not exposed to any credit risk relating to these assets, as it does not guarantee these investments.

in EUR millions	2020	2019
Assets held and managed by NIBC on behalf of customers	8,619	5,091
	8,619	**5,091**

Assets under management consist of the following activities:
- NIBC *Leveraged Finance Markets* (**LFM**) manages external investors' funds invested in sub-investment grade secured and unsecured debt. LFM focuses predominantly on European leveraged loans, infrastructure debt and high yield bonds;
- NIBC Infrastructure and Renewables manages external investors' funds invested in Infrastructure debt mainly located in the United Kingdom;
- The *NIBC European Infrastructure Fund* (**NEIF**) was established for institutional clients, and in addition acts directly for pension fund investors, assisting them with the acquisition and on-going management of infrastructure investments. Core sectors, reflecting the expertise and experience of the NIBC team, include PPP projects, waste management projects, energy storage and distribution assets and renewable energy projects in the wind, solar and waste-to-energy sectors;
- Under OTM mandates, NIBC's Retail Client Offering manages external investors' funds invested in Dutch mortgages;

Refer to note 3 Net fee income for related investment management and OTM fee income.

NIBC's sustainability policy framework, including applicable sector policies, is also applicable to the investments made under these programmes.

For more information please see our website.

51 Related party transactions

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

in EUR millions	2020	2019
Transactions involving NIBC's shareholder:		
Assets	136	170
Liabilities	-	-
Off-balance sheet commitments	-	-
Income received	1	1
Expenses paid	-	-

Transactions with other entities controlled by the parent company

in EUR millions	2020	2019
Transactions involving NIBC's shareholder		
Assets	534	463
Liabilities	(36)	(28)
Off-balance sheet commitments	119	6
Income received	4	6
Expenses paid	-	-

All intended deals with related parties, including the JC Flowers Fund IV related to the majority shareholder of NIBC, are (pre)discussed in the Related Party Transaction Committee. The transaction with JC Flowers Fund IV are at arm's length.

Transactions with other entities controlled by NIBC's shareholders

In 2020 and 2019 there were no transactions between NIBC and other entities controlled by NIBC's shareholders.

Transactions related to associates

in EUR millions	2020	2019
Transactions related to associates		
Assets	174	151
Liabilities	-	-
Off-balance sheet commitments	36	52
Income received	9	9
Expenses paid	-	-

Assets, liabilities, commitments and income related to associates result from transactions which are executed as part of the normal banking business. Summarised financial information for the group's investments in associates and joint ventures is set out in note 52 Principal subsidiaries and associates.

Key management personnel investments

NIBC's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of NIBC (directly or indirectly). Key management personnel of NIBC consist of the ExCo members (including Statutory Board members).

Details of the remuneration of the Statutory Board members and Supervisory Board members are disclosed in note 54 Remuneration of the Statutory Board members and Supervisory Board members. For details of the holdings of Statutory Board members and other staff in NIBC Choice instruments reference is made to note 9 Personnel expenses and share-based payments.

Other transactions with key management personnel and related parties

Details of the remuneration of the Statutory Board members and Supervisory Board members are disclosed in note 54 Remuneration of the Statutory Board members and Supervisory Board. For details of the holdings of Statutory Board members in NIBC Choice instruments reference is also made to note 54 Remuneration of the Statutory Board members and Supervisory Board members.

IAS 24 'Related party disclosures' requires the following additional information for key management compensation (i.e. ExCo, including the Statutory Board).

Compensation of ExCo members over the year 2020

	Short term incentive compensation					
in EUR	Base salary	Cash bonus	Deferred cash	Pension related short term allowance[1]	Other remuneration elements	Total short-term incentive compen-sation
Current Statutory Board (3)	2,424,876	-	-	523,951	135,109	3,083,936
Current Executive Board members, not Statutory board (3)	1,270,503	-	-	235,357	92,481	1,598,341
	3,695,379	**-**	**-**	**759,308**	**227,590**	**4,682,277**

1 A collective allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 110,111.

	Long-term (incentive) compensation	Share based payments	Share based payments[1]	
in EUR	Post employment contribution	One-off retention package	(Restricted) Phantom Share Units	Total
Current Statutory Board (3)	113,308	-	-	3,197,243
Current Executive Board members, not Statutory board (3)	98,278	-	-	1,696,619
	211,585	**-**	**-**	**4,893,862**

1 Phantom share units.

Compensation of ExCo members over the year 2019

in EUR	Short term incentive compensation: Base salary	Cash bonus	Deferred cash	Pension related short term allowance[1]	Other remuneration elements	Total short-term incentive compen-sation
Current Statutory Board (3)	2,075,828	124,550	83,033	438,577	135,454	2,857,442
Current Executive Board members, not Statutory board (3)	1,050,000	94,500	63,000	182,120	92,826	1,482,446
	3,125,828	**219,050**	**146,033**	**620,697**	**228,280**	**4,339,888**

1 A collective allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 107,593.

in EUR	Long-term (incentive) compensation: Post employment contribution	Share based payments: One-off retention package	Share based payments[1]: (Restricted) Phantom Share Units	Total
Current Statutory Board (3)	107,997	-	207,583	3,173,021
Current Executive Board members, not Statutory board (3)	91,670	-	157,500	1,731,616
	199,667	**-**	**365,083**	**4,904,637**

1 Phantom share units.

Holdings of NIBC Choice instruments and NIBC Ordinary Shares of ExCo members at 31 December 2020

	Number of phantom share units	Number of restricted phantom share units	Number of CDRs granted under the one-off retention package (vested)	Number of CDRs granted under the one-off retention package (unvested)	Number of CDRs acquired via the DRPP	Number of ordinary shares (own investments before and after the IPO date)
Current Statutory Board (3)	91,266	21,865	182,535	72,569	94,133	-
Current Executive Board members, not Statutory board (3)	20,933	16,749	86,760	34,491	-	-
	112,199	**38,614**	**269,295**	**107,060**	**94,133**	**-**

Due to fiscal and regulatory restrictions the 269.295 CDRs (vested) and 107.060 CDRs (unvested) held by the ExCo-members were exchanged by Stichting Administratiekantoor NIBC Holding N.V. like for like into 3.002.438 ordinary A- shares of Flora Holdings III Limited in January 2021.

The 94.133 NIBC shares related to investments of the Statutory Board members in CDRs of NIBC were exchanged by Stichting Administratiekantoor NIBC Holding N.V. like for like into 750.964 ordinary A- shares of Flora Holdings III Limited in January 2021.

Holdings of NIBC Choice instruments and NIBC Shares of ExCo members at 31 December 2019

	Number of phantom share units	Number of restricted phantom share units	Number of CDRs granted under the one-off retention package (vested)	Number of CDRs granted under the one-off retention package (unvested)	Number of CDRs acquired via the DRPP	Number of ordinary shares (own investments before and after the IPO date)[1]
Current Statutory Board (3)	80,214	30,170	131,514	123,590	94,133	669,826
Current Executive Board members, not Statutory board (3)	30,342	23,029	62,511	58,740	33,332	-
	110,557	**53,198**	**194,025**	**182,330**	**127,465**	**669,826**

1 For the acquisition of ordinary shares NIBC Holding by Statutory Board members loans were provided by the Shareholders of NIBC Holding.

Statutory Board member	Loans provided by shareholders of NIBC Holding N.V. 2020	2019	Number of shares 2020	2019
	in EUR	in EUR		
P.A.M. de Wilt (CEO)	-	1,200,000	-	258,140
H.H.J. Dijkhuizen (CFO)	-	800,000	-	172,093
R.D.J. van Riel (CRO)	-	800,000	-	172,093
	-	**2,800,000**	**-**	**602,326**

Loans provided by former majority shareholders NIBC Holding N.V.

- The loans provided by former majority shareholders of NIBC Holding N.V. are bearing interest at 5 per cent, including the premium of the put options. The term of the loans is five years;
- The ordinary shares have been pledged to the providers of the loans;
- The voting rights of the ordinary shares have been transferred to the providers of the loans;
- The management participants have a put option with an exercise price at 80% of the purchase price, adjusted for the accrued and capitalised interest and an exercise date five years after the purchase date;
- The providers of the loans have a call option with an exercise price at 80% of the purchase price, adjusted for the accrued and capitalised interest and an exercise date five years after the purchase date;
- Any future transactions in shares will be executed at fair value.

The ordinary shares purchased cannot be sold for five years, except in the situation of a change of control of NIBC Holding N.V. In that case the loans including capitalised and accrued interest must be repaid. If a member of the Statutory Board ceases employment during the five year period, the ordinary shares may not be sold.

As a consequence of the change of control of NIBC Holding the 602.326 ordinary shares were sold by the Statutory Board members to Flora Acquisition B.V. for EUR 7,00 each on 30 December 2020. With the cash proceeds the loans provided by the former shareholders of NIBC Holding including capitalised and accrued interest until that date were repaid.

To ensure the necessary stability and continuity of the Company following the acquisition of NIBC Holding N.V. by Blackstone, a retention package has been introduced for the Managing Board members, the Executive Committee members and a limited group of key staff. This retention package with a magnitude of EUR 5.7 million will be unconditionally granted as of December 30, 2021.

NIBC Holding N.V. ordinary shares held by Supervisory Board Members

Supervisory board members are permitted to hold NIBC Holding N.V. ordinary shares as a long term investment. The table below shows the holdings by current and former members of the Supervisory Board at 31 December 2020 and 31 December 2019 respectively.

	Number of ordinary shares	
Supervisory Board member	**2020**	**2019**
M. Christner	-	20,000
	-	**20,000**

Ordinary shares held by Supervisory Board members are only disclosed for the period for which they have been part of the Supervisory Board.

52 Principal subsidiaries and associates

Information on principal subsidiaries

Composition of NIBC

NIBC consists of 45 (2019: 45) consolidated entities, including 13 (2019: 11) consolidated SEs (for further details see note 53 Structures entities). 32 (2019: 34) of the entities controlled by NIBC are directly or indirectly held by NIBC at 100% of the ownership interests (share of capital). Third parties also hold ownership interests in 13 (2019: 11) of the consolidated entities (non-controlling interests).

Accounting for investment in subsidiaries

In the company financial statements of NIBC, investments in subsidiaries are stated at net asset value.

Principal subsidiaries

NIBC's principal subsidiaries are set out in the following table. This includes those subsidiaries that are most significant in the context of NIBC's business, results or financial position.

	Principal place of business	Country	Nature of relationship	Percentage of voting rights held
Subsidiaries of NIBC Bank N.V.[1]				
Parnib Holding N.V.	The Hague	Netherlands	Financing	100%
Counting House B.V.	The Hague	Netherlands	Financing	100%
B.V. NIBC Mortgage-Backed Assets	The Hague	Netherlands	Financing	100%
NIBC Principal Investments B.V.	The Hague	Netherlands	Financing	100%
NIBC Financing N.V.	The Hague	Netherlands	Financing	100%

1 On 1 November 2020 the cross border legal merger between NIBC Bank Deutschland AG, the disappearing company of which the entire share capital was held by NIBC Bank N.V. Zweigniederlassung Frankfurt am Main and NIBC Bank N.V. the remaining or acquiring company took place.

Significant judgements and assumptions used to determine the scope of the consolidation
Determining whether NIBC has control of an entity is generally straightforward, based on ownership of the majority of the voting rights. However, in certain instances this determination will involve significant judgement, particularly in the case of SEs where voting rights are often not the determining factor in decisions over the relevant activities. This judgement may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether NIBC, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

There is also often considerable judgement involved in the ongoing assessment of control over SEs. In this regard, where market conditions have deteriorated such that the other investors' exposures to the structure's variable returns have been substantively eliminated, NIBC may conclude that the managers of the SE are acting as its agent and therefore NIBC will consolidate the SE.

An interest in equity voting rights exceeding 50% (or in certain circumstances large minority shareholding) would typically indicate that NIBC has control of an entity. However certain entities are excluded from consolidation because NIBC does not have exposure to their variable returns and/or are managed by external parties and consequently are not controlled by NIBC. Where appropriate, interests relating to these entities are included in note 53 Structured entities.

See the basis of consolidation section of the Accounting policies for further information on other factors affecting consolidation of an entity.

Significant restrictions to access or use NIBC's assets
Legal, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of NIBC to access and transfer assets freely to or from other entities within NIBC and to settle liabilities of NIBC.

Since NIBC did not have any material non-controlling interests at the balance sheet date, any protective rights associated with these did not give rise to significant restrictions.

Restrictions impacting NIBC's ability to use assets:
- NIBC has pledged assets to collateralise its obligations under repurchase agreements, securities financing transactions, collateralised loan obligations and for margining purposes of OTC derivative liabilities;
- The assets of consolidated SEs are held for the benefit of the parties that have bought the notes issued by these entities;
- Regulatory and central bank requirements or local corporate legislation may restrict NIBC's ability to transfer assets to or from other entities within NIBC in certain jurisdictions.

Carrying amounts of restricted assets

	At 31 December 2020		At 31 December 2019	
in EUR millions	Assets	Restricted assets	Assets	Restricted assets
Cash and balances with central banks	1,909	125	1,965	122
Due from other banks	645	550	688	602
Financial assets at fair value through profit or loss (including trading)				
Debt investments	69	-	91	-
Equity investments (including Investments in associates)	212	87	253	107
Loans	130	-	142	-
Financial assets at fair value through other comprehensive income				
Debt investments	886	-	954	-
Financial assets at amortised cost				
Debt investments	22	-	10	-
Loans	6,309	708	7,636	764
Lease receivables	16	-	25	-
Mortgages own book	9,902	6,999	9,637	6,844
Securitised mortgage loans	343	343	407	407
Other				
Investments in associates and joint ventures (equity method)	15	9	21	13
	20,458	**8,821**	**21,829**	**8,255**

The previous table excludes assets which are solely subject to restrictions in terms of their transferability within NIBC, caused by e.g. local lending requirements or similar regulatory restrictions. Regulatory minimum liquidity requirements are also excluded from the table. NIBC identifies the volume of liquidity reserves in excess of local stress liquidity outflows. The aggregate amount of such liquidity reserves that are considered restricted for this purpose is EUR 125 million and EUR 122 million as per 31 December 2020 and 2019, respectively.

A list of participating interests and companies for which a statement of liability have been issued has been filed at the Chamber of Commerce in The Hague.

Information on associates

NIBC holds interests in 27 (2019: 21) associates. Two associates are considered to be material to NIBC, based on the carrying value of the investment and NIBC's income from these investees. There are no joint arrangements which are considered individually significant.

Accounting classification and carrying value

in EUR millions	2020	2019
Investments in associates (fair value through profit or loss)	118	128
Investments in associates and joint ventures (equity method)	15	21
	133	**149**

Significant associates

NIBC's interests in significant associates are classified as associates FVtPL and are all unlisted.

The following tables illustrate the summarised financial information of NIBC's investments in associates material to NIBC.

	Principal place of business	Country	Nature of relationship	Percentage of voting rights held
Name of the associate:				
Arles I B.V.	Vianen	Netherlands	Hotel	38%
Finco Fuel Benelux B.V.	Dordrecht	Netherlands	Oil company	30%

The amounts shown in the following table are of the investees, not just NIBC's share for the year ended 31 December 2020. These associates are highly leveraged by equity.

in EUR millions	Assets	Liabilities	Operating income	Other comprehensive income	Total comprehensive income[1]
Arles I B.V.	237	196	(8)	-	(8)
Finco Fuel Benelux B.V.	176	145	10	-	10

1 The figures are based on the latest publicity available financial information of the investee.

NIBC received no dividends from above significant associates in 2020 and 2019.

Investments in associates and joint ventures (equity method)

NIBC's investments in associates and joint ventures (equity method) are EUR 15 million for the year ended 31 December 2020 (31 December 2019: EUR 21 million).

Associates

in EUR millions	2020	2019
Profit or loss from continuing operations	3	1
Other comprehensive income/(loss)	-	-
	3	**3**

in EUR millions	2020	2019
Aggregated amount of NIBC's share of profit/(loss) from continuing operations	-	5
Aggregated amount of NIBC's share of post-tax profit/(loss) from discontinued operations	-	-
Aggregated amount of NIBC's share of other comprehensive income	-	-
	-	**5**

Unrecognised share of the losses of individually immaterial associates was nil in 2020 and 2019.

Other information on associates

NIBC's associates are subject to statutory requirements such that they cannot make remittances of dividends or make loan repayments to NIBC without agreement from the external parties.

NIBC's share of contingent liabilities or capital commitments of its associates and joint ventures was nil in 2020 and 2019.

53 Structured entities

A *structured entity* (**SE**) is an entity in which voting or similar rights are not the dominant factor in deciding control. SEs are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

The principal use of SEs is to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitising financial assets. SEs may be established as corporations, trusts or partnerships. SEs generally finance the purchase of assets by issuing notes that are collateralised by and/or indexed to the assets held by the SEs. The notes issued by SEs may include tranches with varying levels of subordination.

SEs are consolidated when the substance of the relationship between NIBC and the SEs indicate that the SEs are controlled by NIBC, as discussed in the Accounting policies section Basis of consolidation. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated structured entities

Nature, purpose and extent of NIBC's interests in consolidated structured entities
Securitisation vehicles
NIBC primarily has contractual arrangements for securitisation vehicles which may require it to provide financial support. NIBC uses securitisation as a source of financing and a means of risk transfer. At 31 December 2020, there were no significant outstanding loan commitments to these entities (2019: outstanding junior loan commitment of EUR 12 million).

Financial support provided or to be provided to consolidated structured entities
Financial support provided or to be provided to consolidated SEs NIBC has not provided any non-contractual financial support during 2020 and 2019 and does not anticipate providing non-contractual support to consolidated SEs in the future.

Unconsolidated structured entities

Nature, purpose and extent of NIBC's interests in unconsolidated structured entities
The SEs covered by this section are not consolidated since NIBC does not has control them through voting rights, contract, funding agreements and/or other means. The extent of NIBC's interests in unconsolidated SEs will vary depending on the type of SE. Examples of interests in unconsolidated SEs include debt or equity investments, liquidity facilities and guarantees in which NIBC is absorbing variability of returns from the SEs.

Securitisation vehicles
NIBC establishes securitisation vehicles which purchase diversified pools of assets, including fixed-income securities, corporate loans, and asset-backed securities (predominantly commercial, residential and mortgage-backed assets). The securitisation vehicles fund these purchases by issuing multiple tranches of notes.

Third-party fund entities
NIBC provides funding to SEs that hold a variety of assets. These entities may take the form of funding entities, trusts and private investment companies. The funding is collateralised by the asset in the SEs. NIBC's involvement involves predominantly equity investments.

Income derived from involvement with unconsolidated structured entities
NIBC earns management fees and, occasionally, performance-based fees for its investment management services in relation to funds. Interest income is recognised on the funding provided to SEs. Movements in the value of different types of notes held by NIBC in SEs are recognised in net trading income.

Maximum exposure to unconsolidated structured entities
The maximum exposure to loss is determined by considering the nature of the interest in the unconsolidated SE. The maximum exposure for loans and trading instruments is reflected in their carrying amounts in the consolidated balance sheet. The maximum exposure for off-balance sheet instruments such as guarantees, liquidity facilities and loan commitments under IFRS 12, as interpreted by NIBC, is reflected by the notional amounts. Such amounts do not reflect the economic risks faced by NIBC because they do not take into account the effects of collateral or hedges nor the probability of such losses being incurred.

At 31 December 2020 off-balance sheet instruments amounts to EUR 25 million (2019: EUR 29 million). There were no derivatives linked to structured unconsolidated entities.

Size of structured entities
NIBC provides a different measure for the size of SEs depending on their type. The following measures have been considered as appropriate indicators for evaluating the size of SEs:
- Securitisations – notional of notes in issue when NIBC derives its interests through notes its holds and notional of derivatives when NIBC's interests is in the form of derivatives; and
- Third party fund entities – total assets in entities. For third party fund entities, size information is based on the latest available investor reports and financial statements.

Summary of interests in unconsolidated structured entities
The following table shows, by type of unconsolidated SE, the carrying amounts of NIBC's interests recognised in the consolidated statement of financial position as well as the maximum exposure to loss resulting from these interests. It also provides an indication of the size of the SEs. The carrying

amounts presented in the following table do not reflect the maximum exposure to loss because the mitigating effects of collateral and hedges are not taken into consideration.

in EUR millions	Securitisations	Third party fund entities	2020
Financial assets at fair value through profit or loss (including trading)			
Equity investments (including investments in associates)	-	80	80
Financial assets at fair value through other comprehensive income			
Debt investments	206	-	206
Equity investments	-	-	-
Financial assets at amortised cost			
Debt investments	-	-	-
Loans	-	-	-
Total assets	**206**	**80**	**286**
Off-balance sheet exposure	-	25	25
Total maximum exposure to loss	**206**	**104**	**310**
Size of structured entities	11,417	43,682	55,099

in EUR millions	Securitisations	Third party fund entities	2019
Financial assets at fair value through profit or loss (including trading)			
Equity investments (including investments in associates)	-	82	82
Financial assets at fair value through other comprehensive income			
Debt investments	278	-	278
Equity investments	-	-	-
Financial assets at amortised cost			
Debt investments	-	-	-
Loans	-	1	1
Total assets	**278**	**83**	**361**
Off-balance sheet exposure	-	29	29
Total maximum exposure to loss	**278**	**112**	**390**
Size of structured entities	17,148	59,141	76,289

As per year-end 2020 NIBC did not have any loans (2019: EUR 1 million) consist of investments in securisations tranches and financing to third party fund entities.

No debt investments are collateralised by the assets contained in these entities.

Equity investments of EUR 104 million (2019: EUR 112 million) primarily consist of investments of EUR 35 million, EUR 16 million and EUR 12 million in JCF IV Coinvest Neptun I L.P., JC Flowers IV LP and OUTWARD VC FUND LLP C.V. respectively.

Exposure to losses

NIBC's exposure to losses related to securitisations depends on the level of subordination of the interest which indicates the extent to which other parties are obliged to absorb credit losses before NIBC. This is summarised in the following table. There is no significant level of subordination relating to third-party funding.

in EUR millions	Subordinated interests	Mezzanine interests	Senior interests	Most senior interests	2020
Securitisations					
I) Maximum exposure to loss	-	-	-	206	206
II) Potential losses held by other investors	-	177	746	10,289	11,211

in EUR millions	Subordinated interests	Mezzanine interests	Senior interests	Most senior interests	2019
Securitisations					
I) Maximum exposure to loss	-	-	-	278	278
II) Potential losses held by other investors	35	235	1,114	15,487	16,871

Income from interests in unconsolidated structured entities

The following table presents NIBC's total income received from its interests in unconsolidated SEs:

in EUR millions	Securitisations	Third party entities	2020
Net income unconsolidated structured entities			
Net fee income	-	-	-
Investment income	-	9	9
	-	**9**	**9**

in EUR millions	Securitisations	Third party entities	2019
Net income unconsolidated structured entities			
Net fee income	-	1	1
Investment income	-	10	10
	-	**11**	**11**

Financial support provided or to be provided to unconsolidated structured entities

NIBC has not provided any non-contractual financial support during the period and does not intend to provide non-contractual support to unconsolidated SEs in the future.

Sponsored unconsolidated structured entities
As a sponsor, NIBC is involved in the legal structure and marketing of the entity and supports the entity in different ways, namely:
- transferring assets to the entities; and
- providing operational support to ensure the entity's continued operation.

NIBC is also deemed a sponsor for a SE if market participants would reasonably associate the entity with NIBC. Additionally, the use of the NIBC name for the SE indicates that NIBC has acted as a sponsor.

Income from sponsored unconsolidated SEs in which NIBC did not hold an interest as per 31 December 2020 comprised to nil (31 December 2019: nil) interest earned from bonds recognised within interest income.

Assets transferred to unconsolidated sponsored structured entities
The carrying amounts of assets transferred to sponsored unconsolidated SEs during the period were nil.

54 Remuneration of the Statutory Board members and Supervisory Board members

Remuneration of the Statutory Board members
The Supervisory Board reviewed and amended NIBC's Remuneration Policy in 2020. The review took account of all relevant laws, regulations and guidelines: the Dutch Corporate Governance Code, the Dutch Banking Code, the *DNB Principles on Sound Remuneration Policies* (**DNB Principles**), including additional DNB guidance on the implementation of the DNB Principles and the *Committee of European Banking Supervisors Guidelines* (**CEBS Guidelines**) on Remuneration Policies and Practices and CRD IV and the Dutch remuneration legislation for Financial Service Companies (*Wet beloning Financiële ondernemingen* (**Wbfo**)).

Regular annual remuneration
In 2020, the average number of members of the Statutory Board appointed under the articles of association was three (2019: three). For the total regular annual remuneration costs (including pension costs) for members of the Statutory Board, appointed under the articles of association, reference is made to note 9 Personnel expenses and share-based payments. During 2020 no changes occurred in the Statutory Board.

Base salary and short-term incentive compensation (cash bonus)
In 2020, the base salary for the Chairman and for members of the Statutory Board increased by 2.83% which is equal to the average wage increase in March 2020 of the entire staff base. In addition, as per the financial year 2020 the Statutory Board members are no longer eligible for variable compensation and have been partly compensated in fixed compensation.
In 2019, the Statutory Board is entitled to a short-term variable income component at target of 15% of base salary (with a maximum of 20%). The variable compensation was delivered in a pre-defined mix: 30% in cash, 20% in deferred cash, 30% in PSUs and 20% in RPSU.

The compensation awards per member of the Statutory Board at 31 December 2020

in EUR	Short term (incentive) compensation: Base salary	Cash bonus	Granted Deferred cash	Pension related short term allowance[1]	Other remuneration elements	Total short-term incentive compensation
Mr. Paulus de Wilt	987,912	-	-	219,555	47,303	1,254,770
Mr. Herman Dijkhuizen	718,482	-	-	152,198	47,703	918,383
Mr. Reinout van Riel	718,482	-	-	152,198	40,103	910,783
	2,424,876	**-**	**-**	**523,951**	**135,109**	**3,083,936**

1 A collective allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 110,111

	Long-term (incentive) compensation	Share based payments	Share based payments	Share based payments	
in EUR	Post employment contribution	One-off retention package	Phantom Share Units	Restricted Phantom Share Units[1]	Total
Mr. Paulus de Wilt	39,560	-	-	-	1,294,330
Mr. Herman Dijkhuizen	37,433	-	-	-	955,816
Mr. Reinout van Riel	36,315	-	-	-	947,098
	113,308	**-**	**-**	**-**	**3,197,243**

1 These granted remuneration elements will be expensed based upon pre-agreed vesting criteria.

The compensation awards per member of the Statutory Board at 31 December 2019

in EUR	Short term (incentive) compensation: Base salary	Cash bonus	Deferred cash[1]	Pension related short term allowance[2]	Other remuneration elements	Total short-term incentive compensation
Mr. Paulus de Wilt	845,708	50,742	33,828	184,634	47,418	1,162,330
Mr. Herman Dijkhuizen	615,060	36,904	24,602	126,972	47,818	851,356
Mr. Reinout van Riel	615,060	36,904	24,602	126,972	40,218	843,756
	2,075,828	**124,550**	**83,033**	**438,577**	**135,454**	**2,857,442**

1 These granted remuneration elements will be expensed based upon pre-agreed vesting criteria.
2 A collective allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 107,593.

in EUR	Long-term (incentive) compensation Post employment contribution	Share based payments One-off retention package	Share based payments Phantom Share Units	Share based payments Restricted Phantom Share Units[1]	Total
Mr. Paulus de Wilt	37,414	-	50,742	33,828	1,284,315
Mr. Herman Dijkhuizen	35,878	-	36,904	24,602	948,739
Mr. Reinout van Riel	34,706	-	36,904	24,602	939,967
	107,997	**-**	**124,550**	**83,033**	**3,173,021**

1 These granted remuneration elements will be expensed based upon pre-agreed vesting criteria.

The short term compensation share related awards ((restricted) phantom share units) per member of the Statutory Board

	Number of phantom share units		Number of restricted phantom share units	
	2020	2019[1]	2020	2019[1]
Mr. Paulus de Wilt	-	6,748	-	4,498
Mr. Herman Dijkhuizen	-	4,907	-	3,272
Mr. Reinout van Riel	-	4,907	-	3,272
	-	**16,562**	**-**	**11,042**

1 The number of (restricted) phantom share units of 2019 was calculated based upon the listed share price at 31 december 2019 (EUR 7.52).

The following information reconciles the compensation granted and the related expenses in the income statement for Statutory Board members as disclosed in note 9 Personnel expenses and share-based payments. Under the current remuneration structure, rewards are paid out over a number of years, or in case of shares, deferred cash and RPSUs, vest over a number of years.

Remuneration expenses per member of the Statutory Board over 2020

	Short term (incentive) compensation					
in EUR	Base salary	Cash bonus	Deferred cash	Pension related short term allowance	Other remuneration elements	Total short-term incentive compen-sation
Mr. Paulus de Wilt	987,912	-	33,066	219,555	47,303	1,287,836
Mr. Herman Dijkhuizen	718,482	-	23,823	152,198	47,703	942,206
Mr. Reinout van Riel	718,482	-	23,998	152,198	40,103	934,781
	2,424,876	**-**	**80,887**	**523,951**	**135,109**	**3,164,823**

in EUR	Long-term (incentive) compensation Post employment contribution	Share based payments One-off retention package	Share based payments Phantom Share Units	Share based payments Restricted Phantom Share Units	Total
Mr. Paulus de Wilt	39,560	-	-	33,066	1,360,462
Mr. Herman Dijkhuizen	37,433	-	-	12,547	992,186
Mr. Reinout van Riel	36,315	-	-	12,722	983,818
	113,308	**-**	**-**	**58,335**	**3,336,466**

Remuneration expenses per member of the Statutory Board at 31 December 2019

	Short term (incentive) compensation					
in EUR	Base salary	Cash bonus	Deferred cash	Pension related short term allowance	Other remuneration elements	Total short-term incentive compen-sation
Mr. Paulus de Wilt	845,708	50,742	31,568	184,634	47,418	1,160,070
Mr. Herman Dijkhuizen	615,060	36,904	22,274	126,972	47,818	849,027
Mr. Reinout van Riel	615,060	36,904	22,764	126,972	40,218	841,917
	2,075,828	**124,550**	**76,606**	**438,577**	**135,454**	**2,851,014**

in EUR	Long-term (incentive) compensation Post employment contribution	Share based payments One-off retention package	Share based payments Phantom Share Units	Share based payments Restricted Phantom Share Units	Total
Mr. Paulus de Wilt	37,414	156,194	50,742	31,568	1,435,988
Mr. Herman Dijkhuizen	35,878	113,595	36,904	22,273	1,057,677
Mr. Reinout van Riel	34,706	113,595	36,904	22,764	1,049,886
	107,997	**383,384**	**124,550**	**76,606**	**3,543,551**

Remuneration of the Supervisory Board members

The remuneration of the current and former Supervisory Board members relates to their position within NIBC Holding and NIBC Bank.

	2020			2019		
in EUR	Before tax	Value Added Tax	Incl. tax	Before tax	Value Added Tax	Incl. tax
Members:						
Mr. D.M. Sluimers	108,047	22,690	130,736	101,656	21,348	123,004
Ms. A.G.Z. Kemna	89,600	18,816	108,416	85,426	17,939	103,365
Mr. Q. Abbas[1]	-	-	-	-	-	-
Mr. R.L. Carrión[2]	63,247	-	63,247	61,506	-	61,506
Mr. M.J. Christner[3]	63,247	-	63,247	61,506	-	61,506
Mr. N.D.E.D. El Gabbani[4]	-	-	-	-	-	-
Mr. J.C. Flowers[5]	52,706	-	52,706	51,255	-	51,255
Mr. W.M. van den Goorbergh[6]	-	-	-	35,024	7,355	42,379
Mr. J.J.M. Kremers	86,964	18,263	105,227	28,190	5,920	34,110
Ms. S.M. Zijderveld	68,518	14,389	82,906	66,632	13,993	80,625
	-	-	-	-	-	-
Total remuneration	**532,327**	**74,157**	**606,484**	**491,195**	**66,555**	**557,750**

1 Mr. Q. Abbas was appointed as a member of the Supervisory Board as per 30 December 2020
2 Mr. R.L. Carrión stepped down as member of the Supervisory Board as per 30 December 2020
3 Mr. M.J. Christner stepped down as member of the Supervisory Board as per 30 December 2020
4 Mr. N.D.E.D. El Gabbani was appointed as a member of the Supervisory Board as per 30 December 2020
5 Mr. J.C. Flowers stepped down as member of the Supervisory Board as per 30 December 2020
6 Mr. W.M. van den Goorbergh stepped down at the end of his term on 30 April 2019. He was chair of the SB and RPTC and member of the AC, RPCC and RNC.

The remuneration of the Supervisory Board members consists of annual fixed fees and committee fees. As at 31 December 2020 and 31 December 2019, no loans, advance payments or guarantees had been provided by the company to Supervisory Board members.

Depositary receipts

Common Depositary Receipts

The following tables show the holdings by current members of the Statutory Board:

Number of common depositary receipts (investment under DRPP/co-investment programme)	2020	2019
Mr. Paulus de Wilt	54,498	54,498
Mr. Herman Dijkhuizen	39,635	39,635
Total number of common depositary receipts (investment from own funds)	**94,133**	**94,133**

Number of common depositary receipts (one-off retention package, 1st and 2nd tranche)	2020	2019
Mr. Paulus de Wilt	103,932	103,932
Mr. Herman Dijkhuizen	75,586	75,586
Mr. Reinout van Riel	75,586	75,586
Total number of common depositary receipts (one-off retention package)	**255,104**	**255,104**

The previous table shows the numbers of CDRs, following the first and second tranche of the one-off retention package granted in view of the IPO at 23 March 2018. The CDRs related to the first tranche of the one-off retention package were unconditionally awarded on 23 March 2018, the CDRs related to the second tranche of the one-off retention package were unconditionally awarded on 23 March 2019.

Due to fiscal and regulatory restrictions the 349,237 NIBC shares related to CDRs held by the members of the Statutory Board were exchanged by STAK like for like into 2.786.106 ordinary A-shares of Flora Holdings III Limited in January 2021.

(Restricted) Phantom Share Units

Phantom Share Unites

Since 2010, an equity-linked reward instrument is part of the *Short-Term Incentive* (**STI**) plan. The short-term compensation in share-related awards consists of PSUs and/or RPSUs. RPSU awards are subject to a three-year vesting with one third vesting each year on 1 April. The PSUs, whether vested or restricted, held by the members of the Statutory Board are subject to a five-year retention period as measured from the date of vesting. This short-term compensation can be converted into cash immediately after the retention period.

The following table shows the holdings by members of the Statutory Board:

Number of phantom share units	2020	2019
Mr. Paulus de Wilt	39,388	34,914
Mr. Herman Dijkhuizen	27,354	24,197
Mr. Reinout van Riel	24,524	21,103
Total number of phantom share units	**91,266**	**80,214**

Restricted Phantom Share Units

The following table shows the holdings by members of the Statutory Board:

Number of restricted phantom share units	2020	2019
Mr. Paulus de Wilt	8,951	12,306
Mr. Herman Dijkhuizen	6,457	8,800
Mr. Reinout van Riel	6,457	9,064
Total number of restricted phantom share units	**21,865**	**30,170**

55 Credit risk

This section includes all financial assets subject to 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 do. In case a client defaults on its obligation, the option to collect and sell the collateral can be exercised as a last resort, thereby significantly reducing the amount of non-recoverable assets. Non-credit obligations fall under other risk types, such as market risk, and equity is subject to investment risk.

Figures may not always add up due to rounding. In presented tables where exposure is mentioned, a gross carrying amount should be understood. The following portfolios that contain credit risk have been identified:

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

57-1 Credit risk exposure breakdown per portfolio

in EUR millions	2020	2019
Corporate/investment loans	7,770	9,496
Corporate loans	7,604	9,282
Investment loans	166	214
Lease receivables	31	35
Mortgage loans	9,860	9,714
Debt investments	1,003	848
Debt from financial institutions and corporate entities	305	334
Securitisations	698	514
Cash management	2,465	2,485
Derivatives	494	482
Total	**21,623**	**23,059**

Table 57-1 presents the maximum credit risk exposure per portfolio, without taking collateral or any other credit risk reduction into consideration. For all portfolios except derivatives, this is generally the total commitment of NIBC, which also includes off-balance sheet commitments such as guarantees and undrawn credit lines.

The figures in table 57-1 are not directly comparable to the figures on the balance sheet. Mortgage loans are recognised on the balance sheet under mortgage loans own book and securitised mortgage loans. Debt investments (securitisations) differ from the figure on the balance sheet due to off-balance sheet exposures as disclosed in the Risk Management notes.

Methodology for quantifying credit quality

NIBC employs an internally-developed methodology under the *Advanced Internal Ratings Based* (**AIRB**) approach for quantifying the credit quality of corporate and retail counterparties. The AIRB methodology for corporate counterparties was approved by NIBC's regulatory authority, the DNB, in 2008. In 2019, NIBC received an increase for *Risk Weighted Assets* (**RWAs**) on corporate exposures from the DNB pending approval of eventual additional measures to address the model observations raised by DNB in its Internal Model Investigation report. This increase is still in place.

Capital Requirements Regulation/Capital Requirements Directive IV

In line with CRR/CRD IV regulations, the methodology consists of three elements:

- CCR, reflecting the through-the-cycly PD of the borrower. The default definition is in line with the CRR/CRD IV definition;
- LGD, defined as an anticipated loss in the event of default and under an economic downturn assumption, which takes into account the presence and the value of collateral;

- EAD, which is the amount that is expected to be outstanding at the moment a counterparty defaults.

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

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

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

Expected Credit Loss determination

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

Scenarios and scenario weights

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

	Assigned weights in %	
ECL scenario	**2020**	**2019**
Upturn	30.0%	30.0%
Baseline	32.5%	32.5%
Downturn	37.5%	37.5%

Macro-economic and other factors

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

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

The following table discloses the macro-economic variables for the period 2020-2022 used in the ECL calculation:

Macro-ecoomic variables in percentages for the period 2020-2022	Baseline	Downturn	Upturn
NL House Price Index (compounded)	1.20%	-0.13%	2.47%
DE House Price Index (compounded)	4.10%	3.49%	5.48%
NL GDP (compounded)	0.09%	-0.48%	0.77%
GB GDP (compounded)	-0.12%	-0.79%	0.73%
DE GDP (compounded)	0.44%	-0.14%	1.47%
Crude Oil WTI (compounded)	-0.37%	-2.98%	2.87%

The following table discloses the macro-economic variables for the period 2019-2021 used in the previous year's ECL calculation:

Macro-ecoomic variables in percentages for the period 2019-2021	Baseline	Downturn	Upturn
NL House Price Index (compounded)	4.83%	3.34%	5.91%
DE House Price Index (compounded)	5.06%	3.76%	7.10%
NL GDP (compounded)	1.52%	0.59%	2.40%
GB GDP (compounded)	1.09%	0.25%	2.18%
DE GDP (compounded)	0.91%	0.05%	2.03%
Crude Oil WTI (compounded)	-1.85%	-4.10%	6.07%

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

The ECL consists of three elements:

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

Corporate loans

Corporate loan distribution

The tables in the Credit risk - Corporate loans note contain both the corporate loans and the investment loans to better follow NIBC's internal business operations. NIBC steers its business on internal Asset Classes where in the tables below we include OIMIO in Commercial Real Estate and Mobilitly in Fintech & Structured Finance. However, the internal Asset Classes can be mapped to the industry sectors of *Statistical Classification of Economic Activities in the European Community* (**NACE)** classification, if necessary. The investment loans can be found in the portfolio: Mezzanine Equity Partners.

Tables 55-2 and 55-3 display a breakdown of the Corporate Loan portfolio among regions and portfolio, at year-end 2020 and 2019. The Corporate Loan portfolio decreased in 2020 due to exposure decreases in a number of Asset Classes including CRE and Energy as well as lower origination volumes due to COVID-19 market conditions. The decreases in the geographic region were mainly in The Netherlands and The rest of Europe. The relative weight of NIBC's core growth market the Netherlands decreased slightly.

55-2 Corporate loan exposure per portfolio and region, 31 December 2020

in %	Commercial Real Estate	Energy	Financial Sponsors & Leveraged Finance	Fintech & Structured Finance	Infrastructure	Corporate Treasury	Mezzanine Equity Partners	Mid Market Corporates	Shipping	Total	Total (in EUR millions)
The Netherlands	13	1	5	9	3	7	2	6	3	48	3,760
Germany	1	-	4	5	3	0	0	4	0	18	1,375
United Kingdom	-	1	1	1	12	-	0	0	1	17	1,296
The rest of Europe	0	2	1	4	2	-	-	0	4	12	971
Asia / Pacific	-	0	-	-	-	-	-	-	1	1	106
North America	-	1	-	-	-	-	-	-	2	2	188
Other	-	0	-	-	-	-	-	-	1	1	74
Total	**14**	**5**	**11**	**19**	**20**	**7**	**2**	**10**	**11**	**100**	**7,770**
Total (in EUR millions)	**1,096**	**424**	**855**	**1,492**	**1,575**	**535**	**166**	**772**	**856**		**7,770**
Expected Recovery[1]	**887**	**346**	**583**	**1,238**	**1,297**	**454**	**80**	**581**	**762**		**6,228**

1 Including the financial effect of collateral.

55-3 Corporate loan exposure per portfolio and region, 31 December 2019

in %	Commercial Real Estate	Energy	Financial Sponsors & Leveraged Finance	Fintech & Structured Finance	Infrastructure	Corporate Treasury	Mezzanine Equity Partners	Mid Market Corporates	Shipping	Total	Total (in EUR millions)
The Netherlands	16	1	5	9	4	4	2	6	2	50	4,756
Germany	1	-	4	4	3	-	0	4	0	15	1,454
United Kingdom	-	1	1	1	10	-	0	1	1	15	1,464
The rest of Europe	0	3	1	4	2	-	-	0	4	13	1,215
Asia / Pacific	-	1	-	-	-	-	-	-	1	2	143
North America	-	1	-	-	-	-	-	-	2	3	294
Other	-	0	-	-	-	-	-	1	1	2	171
Total	**17**	**8**	**11**	**18**	**18**	**4**	**2**	**12**	**11**	**100**	**9,496**
Total (in EUR millions)	**1,578**	**735**	**1,020**	**1,687**	**1,729**	**420**	**214**	**1,104**	**1,011**		**9,496**
Expected Recovery[1]	**1,243**	**596**	**699**	**1,443**	**1,434**	**367**	**130**	**799**	**919**		**7,630**

1 Including the financial effect of collateral.

Credit approval process

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

Credit ratings

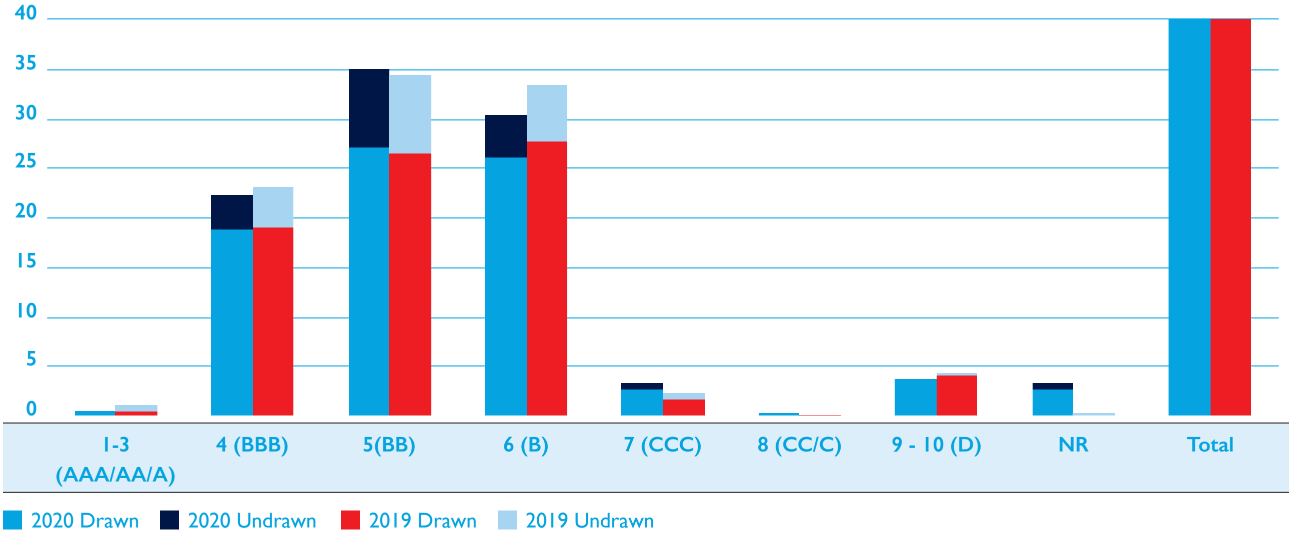
NIBC uses an internal through-the-cycle CCR rating scale which consists of 10 grades (1-10) and a total of 22 notches. This internal rating table relates to the tables in note 21 Debt investments (fair value through othecomprehensive income) and note 23 Loans (amortised cost) showing the credit quality and the maximum exposure to credit risk. The CCRs 9 and 10 are assigned to counterparties that have already defaulted and therefore carry a PD of 100%.

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

The weighted average CCR of the non-defaulted clients (excluding investment loans) remained stable during 2020 at 6+ with an average PD of 1.9% at 31 December 2020 (31 December 2019: 2.1%). The credit quality in terms of CCRs remained concentrated in the sub-investment grade categories 5 and 6 (BB and B categories in external rating agencies' scales).

Graph 55-4 shows the distribution of the drawn and undrawn corporate loan exposure per CCR. The numbers on the horizontal axis refer to NIBC's internal rating scale, whereas the letters in parentheses refer to the equivalent rating scale of Standard & Poor's. NR stands for not ratable, which was a negligible portion of the corporate loans (3.4% or EUR 267 million at 31 December 2020; 0.6% or EUR 56 milllion at 31 December 2019). NR is assigned to entities for which NIBC's corporate rating models were not suitable at the time of rating or capital/RWA treatment is based on the standardised approach.

55-4 Drawn and undrawn corporate loan exposure per CCR rating

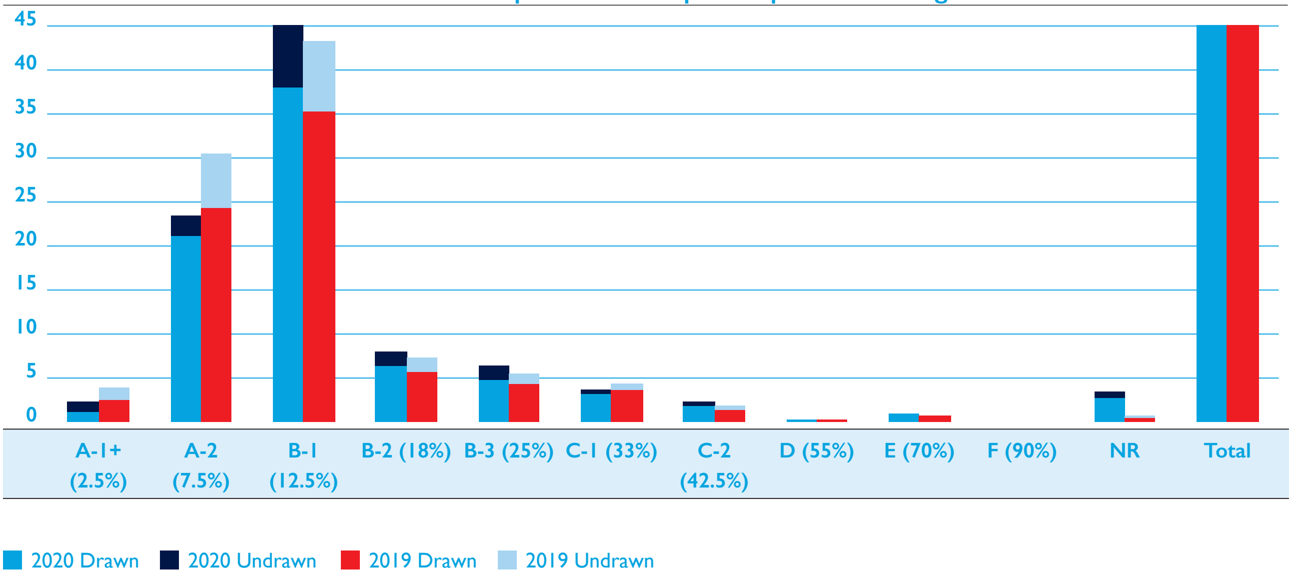


Collateral and Loss Given Default

NIBC's internal LGD scale consists of 7 grades (A-F) and 10 notches, each of which represents a different degree of recovery prospects and loss expectations. LGD ratings are facility-specific. The weighted average LGD remained stable at B-1 grade with slightly deteriorated average LGD of 14.4% at 31 December 2020 (31 December 2019: 13.8%). The weighted average LGD is calculated for non-defaulted loans and is weighted by EAD. Nearly all facilities within NIBC have some form of collateralisation, resulting in LGDs concentrated (at inception) in those LGD categories which correspond to high recoveries in the range of 80% and 90%.

Graph 55-5 shows the distribution of drawn and undrawn corporate loan exposures per LGD. The letters on the horizontal axis refer to NIBC's LGD grades and notches, whereas the numbers in parentheses refer to the loss percentage assigned to each LGD rating. NR was negligible (3.6% of corporate loans at 31 December 2020; 1.0% at 31 December 2019).

55-5 Drawn and undrawn non-defaulted corporate loan exposure per LGD rating



Note that the corporate loan exposure of graph 55-5 refers to non-defaulted exposure as the LGD is a measure of anticipated loss for facilities of a non-defaulted counterparty.

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

Arrears

The total arrears in the Corporate Loan portfolio to the total outstanding increased to 1.47% at 31 December 2020 (31 December 2019: 0.9%). An overview of the amounts in arrear per arrear bucket is provided in tables 55-6 and 55-7. The exposure amounts refer to drawn and undrawn amounts of those facilities with an arrear. The "% of On-balance" in the table 55-6 and 55-7 refers to drawn amounts only. The amounts in arrear are the actual amounts overdue at 31 December 2020 and 31 December 2019. The column labelled 'Impairment Amount' includes stage 3 assets as well as *Purchased Originated Credit Impaired* (**POCI**) assets currently in stage 3 . Tables 55-11 and 55-12 provide more information on impairment amount.

55-6 Corporate loan amounts in arrear, 31 December 2020

	Exposure						Amount in arrear		
in EUR millions	Total	% of Exposure	Stage 3 ECL	Stage 1 and Stage 2 ECL	POCI	FVtPL	Total	% of On-balance	Impairment amount[1]
Age of payment in arrear									
1 - 5 days	22	0.3%	14	8	-	-	13	0.2%	0
6 - 30 days	22	0.3%	-	22	-	-	0	0.0%	-
31 - 60 days	-	0.0%	-	-	-	-	0	0.0%	-
61 - 90 days	1	0.0%	-	-	-	1	1	0.0%	-
Subtotal less than 90 days	**45**	**0.6%**	**14**	**30**	**-**	**1**	**14**	**0.2%**	**0**
Over 90 days	124	1.6%	72	8	39	5	75	1.2%	49
No payment in arrear	7,601	97.8%	94	7,253	101	153		0.0%	65
Total	**7,770**	**100.0%**	**179**	**7,292**	**140**	**159**	**89**	**1.4%**	**115**

1 Impairment amount includes Stage 3 assets as well as Stage 3 assets classified as POCI

55-7 Corporate loan amounts in arrear, 31 December 2019

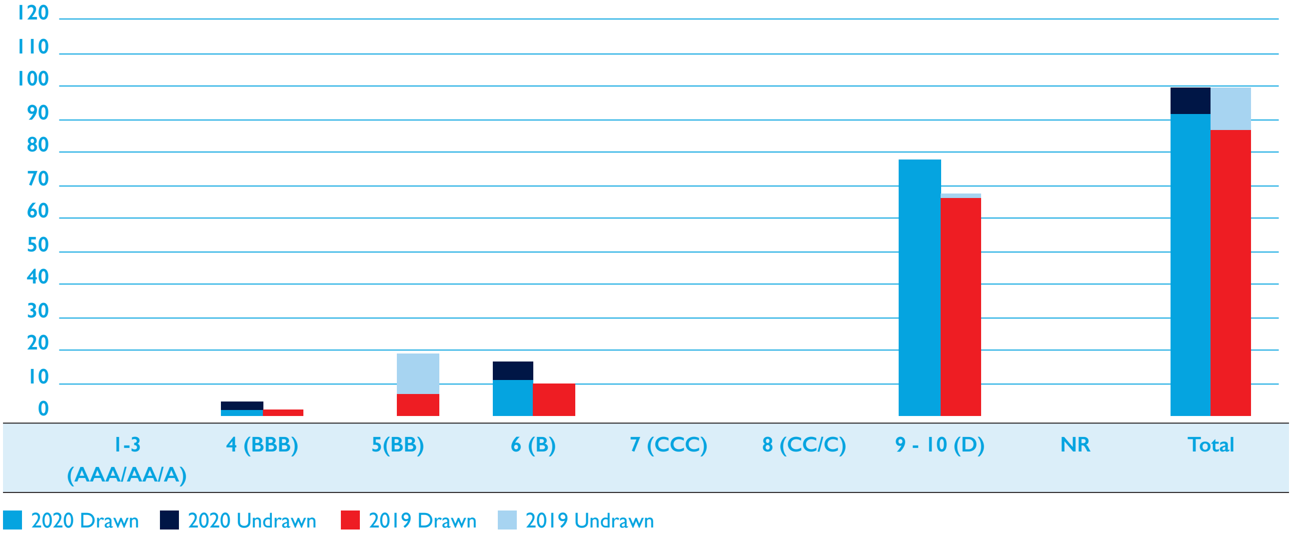
	Exposure						Amount in arrear		
in EUR millions	Total	% of Exposure	Stage 3 ECL	Stage 1 and Stage 2 ECL	POCI	FVtPL	Total	% of On-balance	Impairment amount[1]
Age of payment in arrear									
1 - 5 days	19	0.2%	-	19	-	-	1	0.0%	-
6 - 30 days	40	0.4%	-	40	-	-	1	0.0%	-
31 - 60 days	-	0.0%	-	-	-	-	1	0.0%	-
61 - 90 days	0	0.0%	-	0	-	-	0	0.0%	-
Subtotal less than 90 days	**59**	**0.6%**	**-**	**59**	**-**	**-**	**3**	**0.1%**	**-**
Over 90 days	123	1.3%	118	-	4	-	54	0.8%	60
No payment in arrear	9,315	98.1%	150	8,870	106	189		0.0%	68
Total	**9,496**	**100.0%**	**268**	**8,929**	**110**	**189**	**57**	**0.9%**	**128**

1 Impairment amount includes Stage 3 assets as well as Stage 3 assets classified as POCI

NIBC applies a threshold for determining whether a loan carries a non-material arrear. If the total of the sum of all individual arrears on facility level is lower than 1% of the loan amount outstanding and EUR 500, and the oldest due date of individual counterparty is less than 90 days, then the arrear is considered insignificant. If arrears fall within the threshold, the exposure is placed on the 'no payment in arrear' line on tables 55-6 and 55-7. The application of this threshold does not influence the total arrears.

Graph 55-8 displays the rating distribution of the exposure amounts (expressed as the sum of drawn and undrawn amounts) of all loans with an amount in arrears. The total exposure amount at 31 December 2020 was EUR 169 million (31 December 2019: EUR 182 million) and the total drawn amount at 31 December 2020 was EUR 155 million (31 December 2019: EUR 158 million).

55-8 Distribution of drawn and undrawn amounts with an arrear per rating category



Forbearance and non-performing Corporate Loans

NIBC considers a client to be forborne if:

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

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

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

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

- Material exposures are more than 90 days past due;
- The obligor is unlikely to pay its credit obligations in full, without realisation of collateral;
- A performing forborne facility under probation is extended additional forbearance measures or becomes more than 30 days past due.

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

Tables 55-9 and 55-10 provide the total forborne outstanding in the corporate and investment loan portfolio per portfolio and per region as at 31 December 2020. The forborne outstanding is divided in performing and non-performing outstanding. NIBC considers a client 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. At the end of December 2020, EUR 88 million non-performing outstanding was not forborne. Comparable figures for 2019 can be seen in tables 55-11 and 55-12.

Table 55-9 Forborne exposure per portfolio, 31 December 2020

In EUR millions	Exposure Non-performing	Exposure Performing	Total Exposure	Impairment amount[1]
Commercial Real Estate	63	4	67	19
Corporate Treasury	-	-	-	-
Energy	18	84	102	5
Financial Sponsors & Leveraged Finance	50	47	97	35
Fintech & Structured Finance	28	9	37	20
Infrastructure	-	4	4	-
Mezzanine Equity Partners	11	29	40	9
Mid Market Corporates	16	36	52	3
Shipping	32	22	55	7
Total	**219**	**236**	**455**	**98**

1 The impairment amount contains the ECL Stage 3 amounts and the ECL stage 3 amounts of assets classified as POCI.

Table 55-10 Forborne exposure per region, 31 December 2020

In EUR millions	Exposure Non-performing	Exposure Performing	Total Exposure	Impairment amount[1]
The Netherlands	61	117	178	35
Germany	108	37	145	48
United Kingdom	15	4	19	8
The rest of Europe	34	58	92	6
Asia / Pacific	-	11	11	-
North America	-	8	8	-
Other	1	-	1	1
Total	**219**	**236**	**455**	**98**

1 The impairment amount contains the ECL Stage 3 amounts and the ECL stage 3 amounts of assets classified as POCI.

Table 55-11 Forborne exposure per portfolio, 31 December 2019

In EUR millions	Exposure Non-performing	Exposure Performing	Total Exposure	Impairment amount[1]
Commercial Real Estate	65	64	129	18
Corporate Treasury	-	-	-	-
Energy	90	70	160	27
Financial Sponsors & Leveraged Finance	46	7	53	23
Fintech & Structured Finance	-	-	-	-
Infrastructure	40	-	40	1
Mezzanine Equity Partners	25	22	48	7
Mid Market Corporates	33	24	57	19
Shipping	58	30	88	16
Total	**358**	**217**	**575**	**112**

1 The impairment amount contains the ECL Stage 3 amounts and the ECL stage 3 amounts of assets classified as POCI.

Table 55-12 Forborne exposure per region, 31 December 2019

	Exposure			
In EUR millions	Non-performing	Performing	Total Exposure	Impairment amount[1]
The Netherlands	77	128	204	20
Germany	169	-	169	57
United Kingdom	26	-	26	8
The rest of Europe	61	65	126	11
Asia / Pacific	11	-	11	10
North America	-	-	-	-
Other	14	24	38	7
Total	**358**	**217**	**575**	**112**

1 The impairment amount contains the ECL Stage 3 amounts and the ECL stage 3 amounts of assets classified as POCI.

Impairments of forborne facilities amounted to EUR 98 million at 31 December 2020, which represented 21.6% of the total forborne balances. The total impairments (ECL Stage 3 amounts) of the corporate and investment loan portfolio amounted to EUR 115 million at 31 December 2020, which represented 1.5% of the total Corporate Loan portfolio of EUR 7.8 billion.

The following table provides an overview of the total forborne facilities with ECL amounts under three stages:

Table 55-13 Forborne exposure per ECL stages

	2020			2019		
In EUR millions	Exposure amount	Expected credit loss	Write-offs	Exposure amount	Expected credit loss	Write-offs
Stage 1						
Commercial Real Estate	-	-		64	0	
Corporate Treasury	-	-		-	-	
Energy	17	0		-	-	
Financial Sponsors & Leveraged Finance	-	-		-	-	
Fintech & Structured Finance	-	-		-	-	
Infrastructure	-	-		-	-	
Mezzanine Equity Partners	-	-		0	-	
Mid Market Corporates	28	0		14	0	
Shipping	-	-		-	-	
Total stage 1	**45**	**0**	**-**	**78**	**0**	
Stage 2						
Commercial Real Estate	4	0		-	-	
Corporate Treasury	-	-		-	-	
Energy	67	1		70	2	
Financial Sponsors & Leveraged Finance	33	1		7	0	
Fintech & Structured Finance	9	0		-	-	
Infrastructure	4	0		-	-	
Mezzanine Equity Partners	24	0		22	1	
Mid Market Corporates	10	1		10	0	
Shipping	22	1		30	0	
Total stage 2	**173**	**4**	**-**	**138**	**3**	
Stage 3						
Commercial Real Estate	24	10	-	24	10	-
Corporate Treasury	-	-	-	-	-	-
Energy	18	5	76	86	27	-
Financial Sponsors & Leveraged Finance	14	8	-	-	-	-
Fintech & Structured Finance	28	20	-	-	-	-
Infrastructure	-	-	-	5	1	-
Mezzanine Equity Partners	11	9	-	21	5	0
Mid Market Corporates	9	3	13	28	19	1
Shipping	32	7	-	41	9	2
Total stage 3	**136**	**62**	**89**	**204**	**71**	**3**

Expected credit losses amounts

Refer to section 'Expected credit losses' in the 'Summary of significant accounting policies' for full detail on ECL determination.

NIBC determines a default on a borrower level, whereas the credit-impaired definition is applied at facility level. When a default occurs, the entire exposure and outstanding amount of the borrower are classified as defaulted. If, however, stage 3 ECL amount is taken on a facility, only the exposure amount of that particular facility is classified as credit-impaired.

In 2020, the total write-offs increased, mainly in Energy and Mid Market Corporates. The stock of impairments (related to stage 3 assets including stage 3 assets classified as POCI) decreased and amounted to EUR 115 million at year-end 2020 (year-end 2019: EUR 128 million).

Tables 55-14 and 55-15 display an overview of stage 1, stage 2 and stage 3 ECL amounts at 31 December 2020 and 31 December 2019, subdivided in portfolios and regions, respectively. The column labelled 'Exposure' includes both drawn and undrawn amounts.

55-14 Expected credit losses per portfolio

	2020			2019		
In EUR millions	Exposure amount	Expected credit loss	Write-offs	Exposure amount	Expected credit loss	Write-offs
Stage 1						
Commercial Real Estate	907	2		1,362	1	
Corporate Treasury	535	-		420	-	
Energy	151	0		404	1	
Financial Sponsors & Leveraged Finance	585	4		759	3	
Fintech & Structured Finance	1,315	4		1,571	2	
Infrastructure	1,490	2		1,615	1	
Mezzanine Equity Partners	111	1		138	1	
Mid Market Corporates	680	1		964	1	
Shipping	779	4		911	1	
Total stage 1	**6,553**	**18**	**-**	**8,145**	**10**	**-**
Stage 2						
Commercial Real Estate	4	0		33	0	
Corporate Treasury	-	-		-	-	
Energy	205	3		191	3	
Financial Sponsors & Leveraged Finance	193	9		214	9	
Fintech & Structured Finance	146	2		114	0	
Infrastructure	65	5		73	2	
Mezzanine Equity Partners	30	1		30	1	
Mid Market Corporates	70	2		88	2	
Shipping	26	1		42	1	
Total stage 2	**739**	**23**	**-**	**784**	**16**	**-**
Stage 3						
Commercial Real Estate	24	10	-	24	10	0
Corporate Treasury	-	-	-	-	-	-
Energy	45	9	80	135	33	21
Financial Sponsors & Leveraged Finance	20	12	-	-	-	33
Fintech & Structured Finance	30	22	-	2	2	-
Infrastructure	-	-	-	5	1	0
Mezzanine Equity Partners	11	9	1	21	5	0
Mid Market Corporates	16	3	25	41	29	1
Shipping	32	7	-	41	9	2
Total stage 3	**179**	**72**	**106**	**268**	**88**	**57**

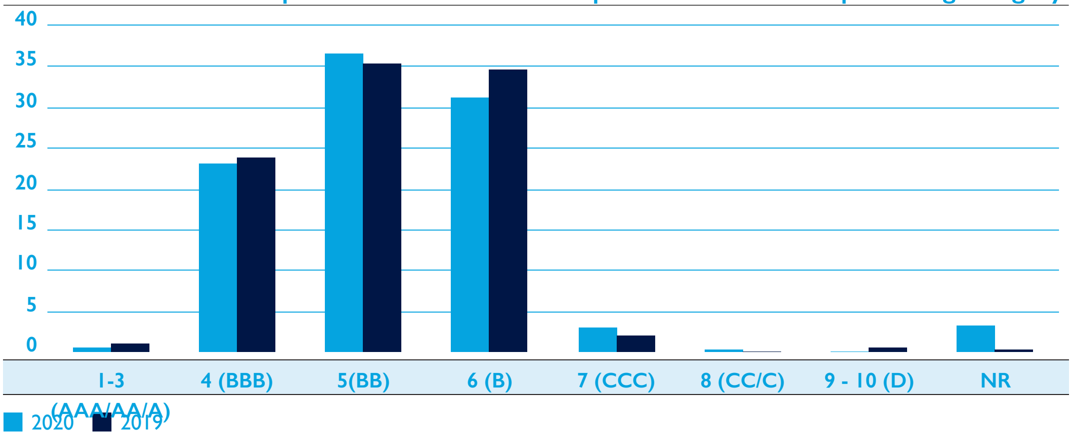
55-15 Expected credit losses per region

in EUR millions	2020 Exposure amount	2020 Expected credit loss	2020 Write-offs	2019 Exposure amount	2019 Expected credit loss	2019 Write-offs
Stage 1						
The Netherlands	3,290	9		4,266	5	
Germany	1,050	3		1,049	2	
United Kingdom	1,142	2		1,322	1	
The rest of Europe	778	2		1,011	1	
Asia / Pacific	80	0		106	0	
North America	143	0		258	0	
Other	71	0		132	0	
Total stage 1	**6,553**	**18**		**8,145**	**10**	
Stage 2						
The Netherlands	243	6		257	5	
Germany	174	7		233	4	
United Kingdom	126	6		115	4	
The rest of Europe	145	3		128	2	
Asia / Pacific	26	0		26	0	
North America	24	0		-	-	
Other	-	-		24	1	
Total stage 2	**739**	**23**	**-**	**784**	**16**	**-**
Stage 3						
The Netherlands	67	39	16	80	27	14
Germany	35	14	9	48	27	0
United Kingdom	28	12	-	5	1	21
The rest of Europe	48	6	35	76	16	22
Asia / Pacific	-	-	9	10	10	-
North America	-	-	-	36	1	-
Other	1	1	35	14	7	-
Total stage 3	**179**	**72**	**106**	**268**	**88**	**57**
Total of stages 1, 2 and 3						
The Netherlands	3,600	53	16	4,603	37	14
Germany	1,259	25	9	1,330	33	0
United Kingdom	1,296	20	-	1,443	6	21
The rest of Europe	971	12	35	1,215	18	22
Asia / Pacific	106	1	9	142	10	-
North America	167	1	-	294	1	-
Other	73	1	35	171	8	-
Total stages 1, 2 and 3	**7,471**	**112**	**106**	**9,197**	**114**	**57**
Other loans						
POCI	140	43	3	110	41	-
FVtPL	159			189		
Total amounts	**7,770**	**155**	**109**	**9,496**	**155**	**57**

Corporate loans without impairments or arrears

At 31 December 2020, the size of the corporate loan exposure carrying stage 1 and stage 2 credit losses equalled EUR 7,292 million or 93.8% of the total Corporate Loan portfolio (31 December 2019: EUR 8,929 million or 94%). Graph 55-16 displays the distribution of exposure amounts without (stage 3) impairments or arrears, at 31 December 2020 and 31 December 2019. Of this exposure 91.7% is rated in CCR categories 4, 5 and 6 (BBB, BB and B categories in external rating agencies' scales). NR represents a negligible part of the portfolio (31 December 2020: 3.6% of all loans without stage 3 credit losses or amounts in arrear; 31 December 2019: 0.6%).

55-16 Distribution of exposure amount without impairments or arrears per rating category



Country risk

Country risk is the risk that an entity defaults due to political, social, economical or financial turmoil in its applicable jurisdiction(s). Country risk can potentially be an important cause of increased counterparty default risk since a large number of individual debtors could default at the same time. NIBC did not experience any counterparty defaults from this risk in 2020.

Lease receivables

The main part of the lease receivable exposure is related one single counterparty with an exposure of EUR 31 million (2019: EUR 30 million). This exposure is 100% defaulted, non-performing and impaired.

Mortgage loans

The composition of the Mortgage loan portfolio at year-end 2020 and at year-end 2019 is displayed in table 55-22. The credit risk exposure is equal to the exposures in note 25 Mortgage loans (amortised cost), note 26 Securitised mortgage loans (amortised cost) and the mortgage savings values in note 34 Deposits from customers.

55-22 Breakdown of Mortgage loan portfolio

In EUR millions	2020	2019
Mortgage loan portfolio		
Owner occupied mortgage loans - Netherlands	8,986	8,989
Buy-to-Let Mortgage loans	861	706
Owner occupied mortgage loans - Germany (closed book)	13	19
Total Mortgage Loan portfolio	**9,860**	**9,714**

Dutch Mortgage loan portfolio

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

At 31 December 2020, 18% of the Mortgage loan portfolio (31 December 2019: 21%) had a *National Mortgage Guarantee* (**NHG guarantee**) in accordance with the general terms and conditions set by the *Stichting Waarborgfonds Eigen Woningen* (**WEW** , Social Housing Guarantee Fund).

A part of the Dutch Mortgage loan portfolio has been securitised to obtain external funding. NIBC generally retains the junior notes. As a result the securitisation programmes are consolidated on NIBC's balance sheet. The total amount of the retained positions at 31 December 2020 was EUR 29.3 million (31 December 2019: EUR 31.4 million).

Risk governance Dutch mortgage loans

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

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

In 2020, the following amendment was implemented:

- The maximum NHG guaranteed loan amount increased to EUR 310,000.

Management of loans in arrears Dutch mortgage loans

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

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

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

Table 55-23 shows the arrears overview of the total Dutch Mortgage loan portfolio at 31 December 2020 and 31 December 2019. Overall, the notional amount in arrears decreased compared to year end 2019 while the portfolio volume has remained relatively stable.

55-23 Arrears overview, Dutch Mortgage loan portfolio

	Arrears allocation		IFRS 9 Stage 3		IFRS 9 Stage 1 and Stage 2	
in EUR millions	2020	2019	2020	2019	2020	2019
No payment in arrear	9,724	9,583	1	1	9,722	9,582
0-30 days	70	83	0	0	69	83
31-60 days	23	13	0	0	23	13
61-90 days	14	6	0	0	14	6
Over 90 days	18	10	4	2	13	8
Total	**9,847**	**9,695**	**6**	**3**	**9,842**	**9,692**

Forbearance Dutch mortgage loans

NIBC has developed a forbearance policy for mortgage clients experiencing financial difficulties and who consequently are unable to meet the original terms and conditions of the contract. The forbearance policy is defined, formalised and implemented in the standard working routines and processes and is similar to the policy applied for the corporate loan portfolio.

NIBC has been providing a forbearance program to its mortgagees who are experiencing financial difficulties since May 2013. The Client Retention team of the Special Servicing department has the responsibility of assessing the nature and the expected duration of a client's financial distress, and will determine necessity of providing forbearance measures to that client and the conditions that should apply. The team considers forbearance solutions for clients who do not fully meet their financial obligations to NIBC. Forbearance solutions are also submitted to the Arrears Management Committee for further approval. At 31 December 2020, EUR 118 million was reported as forborne. At 31 December 2019, EUR 29 million was forborne. The increase in forborne exposures is a result of the inclusion of a large part of COVID-19 payment holidays under the existing forbearance definition.

Risk measurement Dutch mortgage loans

NIBC's rating methodology for residential mortgage loans has been used for determining RC requirements since 2008. The calculation of PD, LGD and EAD for owner- occupied mortgages is performed by an internally-developed CRR/CRD IV AIRB model (for BtL mortgages, Basel standardised approach for credit risk is used).

The PD estimates are dependent on a variety of factors, of which the key factors are debt- to-income and loan-to-value ratios. Minor factors that play a role in the PD estimates are several other mortgage loan characteristics, borrower characteristics and payment performance information. The PD scale is based on a continuous scale ranging from 0-100%.

The validation of these estimates is performed on historical data and is carried out annually. For the PD, the estimates are back tested against realised defaults and realised losses. In this way, it is ensured that the model functions correctly in a changing economic environment. Moreover, NIBC is closely following recent regulatory proposals regarding the adjusted capital requirements under standardised approach and introducing of capital floors also known as Basel IV.

Table 55-24 shows the PD distribution of the Dutch Mortgage loan portfolio at 31 December 2020 and 31 December 2019. A PD of 100% means that a borrower is close to or more than 90 days in arrears.

55-24 PD allocation of Dutch mortgage loans

	Own book Dutch mortgages loans		Securitised Dutch mortgage loans	
in %	2020	2019	2020	2019
Probability of default				
<= 1%	98	98	99	100
1%> <=2%	0.4	0.5	0.1	-
2%> <=5%	0.3	0.3	0.2	0.1
5%> <100%	0.7	0.8	0.5	0.3
100%	0.3	0.2	-	-
Total	100	100	100	100

Impairment amounts or ECL are calculated on individual residential mortgage loans.

For ECL for mortgages the staging can be summarised as follows:
- Stage 1 – For newly originated loans and loans with no significant increase in their credit risk, the ECL is determined on a 12-month horizon;
- Stage 2 – For loans with a SICR, ECL is determined on a lifetime basis.
- Stage 3 - For defaulted loans the ECL is determined on a lifetime basis and based on facility-specific cash flow scenarios. The EL is measured as the difference between the EAD and the sale proceeds of the collateral through private sale or auction.

Taking into account probability weighted scenarios for the forward looking macro economy, the ECL per individual mortgage loan consists of three risk parameters:
- PiT PD of the borrower, which is an estimate of the default rate over any specified horizon based on the current state of the credit cycle and the anticipated macroeconomic scenarios.
- PiT LGD, defined as the unbiased loss estimate at a future default date, which takes into account the presence and the value of collateral;
- PiT EAD, which is the estimation of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments and prepayments of principal and interest and arrears.

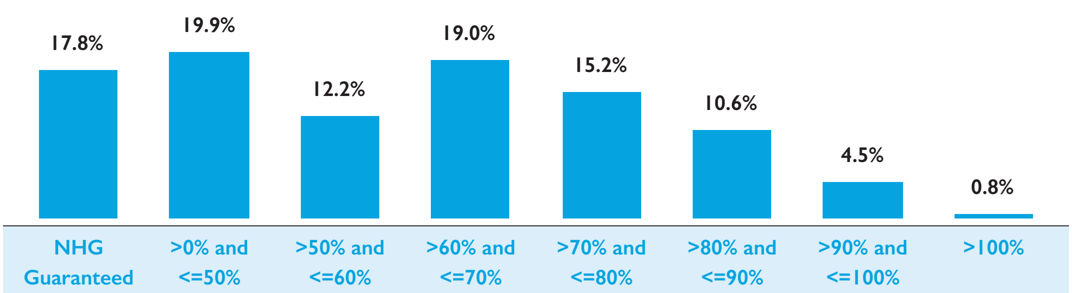
Risk mitigation and collateral management Dutch mortgage loans
Credit losses are mitigated in a number of ways:
- The underlying property is pledged as collateral;
- 17% of the Dutch own book portfolio and 30% of the securitised portfolio are covered by the NHG programme;

- For the part of the Dutch portfolio that has been securitised, credit losses higher than the retained positions, excess spread and reserve accounts are attributable to investors in the securitisation programmes.

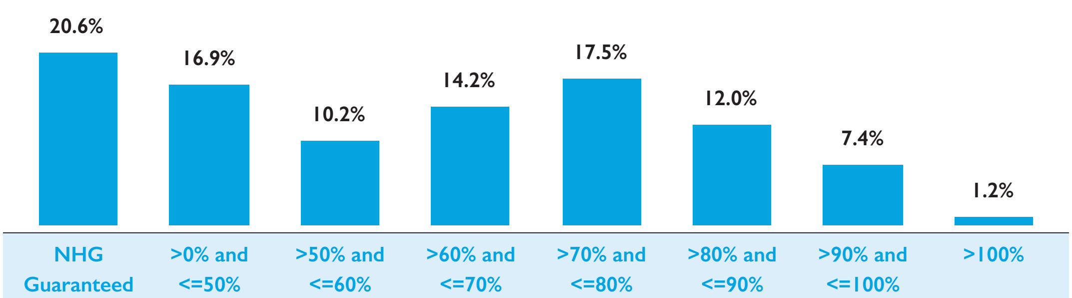
For the portfolio not covered by the NHG programme, the underlying property is the primary collateral for any mortgage loan granted, though savings, life insurance and investment deposits may also serve as additional collateral.

An indicator for potential losses, taking into account indexation of house prices and seasoning, is the *Loan-to-Indexed-Market-Value* (**LTIMV**). The indexation is made by using the CBS/Kadaster index, which is based on market observables. The Kadaster (national property register) is a public government register of real estate and their vested rights (e.g. ownership and mortgages). This register contains transaction data as well as CBS (Statistics Netherlands) data, which are used to construct a pricing index. Graphs 55-25 and 55-26 show a breakdown of the LTIMV for the total Dutch Mortgage loan portfolio at 31 December 2020 and 31 December 2019. The average seasoning of the total portfolio is approximately 6 years (7 years in 2019, 1% of the total portfolio has an LTIMV above 100%. For the remainder of the portfolio, the indexed collateral value is less than or equal to the nominal loan balance outstanding or is a NHG guaranteed mortgage loan.

55-25 LTIMV of Dutch Mortgage loan portfolio (EUR9,847 million), 31 December 2020



55-26 LTIMV of Dutch Mortgage loan portfolio (EUR 9,695 million), 31 December 2019



German Mortgage loan portfolio

The German Mortgage loan portfolio amounted to EUR 13 million at 31 December 2020 (31 December 2019: EUR 19 million). The collateral value of this portfolio amounted to EUR 31 million at 31 December 2020 (31 December 2019: EUR 42 million). The majority of this portfolio was acquired from third parties via two portfolio purchases. The purchased portfolios contain highly seasoned loans with low LTMV.

As is the case in the Netherlands, the underlying property is the primary collateral for the granted mortgage loan. The majority of mortgage loans in Germany contain an annuity debt profile, leading to a lower outstanding balance during the lifetime of the loan.

Debt investments

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

Risk monitoring and measurement

Risk is controlled by setting single issuer limits and, in some cases, programme limits. All single issuer limits are approved by the TC or by delegated authority to the *Financial Markets Credit Risk* (**FMCR**) department. Apart from single issuer limits, risk is also monitored by assessing credit spread risk. Both sensitivity analysis (*basis point values,* **BPV**s) and *Value at Risk* (**VaR**) numbers are used[1].

Note 57 on Market Risk contains more information on these variables.
In the remainder of this section, the exposure has been divided into the following two sub-portfolios:
- Debt from financial institutions, corporate entities and sovereigns;
- Securitisations.

Debt from financial institutions and corporate entities

NIBC invests in debt (bonds) issued by financial institutions and corporate entities. The size of this sub-portfolio decreased in the course of 2020. Covered bonds represent a large portion of the portfolio.

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

55-27 Debt of financial institutions and corporate entities, 31 December 2020

In EUR millions	AAA	AA	A	BBB	BB	<BB	NR	Total[1]
Financial institutions	100	26	85	20	-	-	-	231
Corporate entities	-	-	-	-	10	-	-	10
Sovereigns	47	17	-	-	-	-	-	64
Total	**146**	**43**	**85**	**20**	**10**	**-**	**-**	**305**

1 Source ratings: internal rating model (excluding sovereigns), based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1.

1 Sensitivity Analysis for NIBC Markets is accounted for in Note57 Market Risk

55-28 Debt of financial institutions and corporate entities, 31 December 2019

In EUR millions	AAA	AA	A	BBB	BB	<BB	NR	Total[1]
Financial institutions	129	21	72	20	-	-	-	243
Corporate entities	-	-	-	-	10	-	-	10
Sovereigns	75	6	-	-	-	-	-	81
Total	**204**	**27**	**72**	**20**	**10**	**-**	**-**	**334**

1 Source ratings: internal rating model (excluding sovereigns), based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1.

At both 31 December 2020 and 31 December 2019, the portfolio of debt from financial institutions, corporate entities and sovereigns had no credit losses and contained no arrears.

Securitisations

NIBC has been an active participant on the securitisation market in the past decade, both as an originator and investor in securitisations.

Tables 55-29 and 55-30 present an overview of NIBC's total securitisation exposure resulting from its activities as investor in securitisations. The exposure relating to NIBC's activities as an originator can be split into exposures related to consolidated and non-consolidated securitisations. If a securitisation programme is consolidated on NIBC's balance sheet, the exposure to the underlying collateral is excluded from the securitisation exposure and included in the total exposures presented in note 55 on credit risk in the corporate loans or mortgage loans sections. NIBC's total exposure as an originator to consolidated securitisations was EUR 182 million at 31 December 2020 (31 December 2019: EUR199 million).

NIBC distinguishes two Securitisation sub-portfolios: the portfolio of Western European Securitisations and the Liquidity Investments portfolio.

NIBC's total securitisation exposure (investor and non-consolidated originator) increased in 2020, mainly due to an increase of the Liquidity portfolio.

The portfolio of investments in Western European securitisations contains NIBC's investor securitisations in Western Europe as well as all investments in NIBC's own non-consolidated securitisations. All investments in NIBC's own securitisations are subject to approval from both Risk Management and Finance. The Liquidity Investments portfolio was set up to invest part of NIBC's excess liquidity in the securitisation market. Investments are in majority AAA rated RMBS transactions backed by Dutch collateral or (predominantly AAA rated) European ABS and are eligible to be pledged as collateral with the ECB. Apart from the strict mandate, each investment is pre-approved by FMCR. Exposure in this portfolio increased in 2020. The underlying assets in the collateral pools of NIBC's securitisation investments comprise Dutch residential mortgage loans (NL-RMBS AAA Liquidity Portfolio) and French and German car loans and credit card receivables (EU-ABS AAA Liquidity Portfolio). As of 2020, NIBC no longer uses Fitch as a provider of external ratings and as such securitisations with only a rating of Fitch are classified as Not Rated (NR).

55-29 Exposure to securitised products, 31 December 2020

Book value, in EUR millions	AAA	AA	A	BBB	BB	<BB	NR	Total
EU - ABS	-	-	-	-	-	1	-	1
EU - CDO	13	-	2	1	1	2	17	36
EU - CMBS	-	-	-	-	-	3	-	3
EU - RMBS	-	18	29	9	-	3	-	58
Total Western European securitisations	**13**	**18**	**31**	**11**	**1**	**8**	**17**	**98**
NL - RMBS AAA Liquidity portfolio	329	-	-	-	-	-	70	398
EU- ABS AAA Liquidity portfolio	176	-	-	-	-	-	25	201
Total securitisation exposure	**517**	**18**	**31**	**11**	**1**	**8**	**112**	**697**

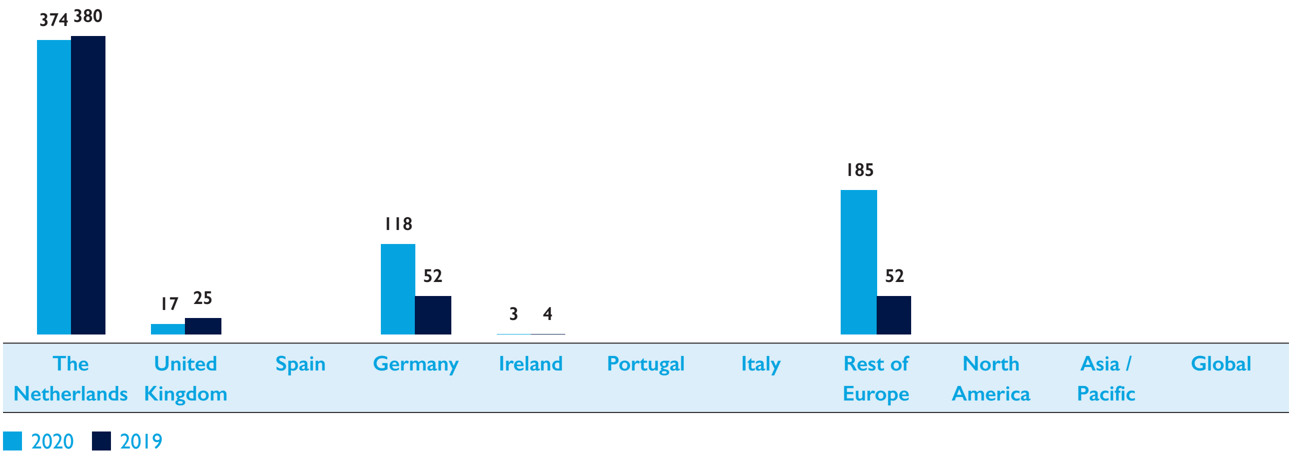
55-30 Exposure to securitised products, 31 December 2019

Book value, in EUR millions	AAA	AA	A	BBB	BB	<BB	NR	Total
EU - ABS	-	-	-	-	-	1	-	1
EU - CDO	-	-	-	-	-	27	-	27
EU - CMBS	-	-	-	-	2	3	-	4
EU - RMBS	2	4	20	-	-	3	-	29
Total Western European securitisations	**2**	**4**	**20**	**-**	**2**	**33**	**-**	**61**
NL - RMBS AAA Liquidity portfolio	385	-	6	-	-	-	-	391
EU- ABS AAA Liquidity portfolio	64	-	-	-	-	-	-	64
Total securitisation exposure	**451**	**4**	**26**	**-**	**2**	**33**	**-**	**515**

Geographic distribution of securitisations

Graph 55-31 presents the distribution of the Securitisations portfolio by geographic region at 31 December 2020 and 31 December 2019. NIBC allocates exposure to a region based on the geographic location in which the cash flows are generated. The geographic distribution illustrates that the majority of these assets are located in Western Europe, mainly in the Netherlands (54%), Germany (17%) and the United Kingdom (2%). NIBC's exposure in Ireland, Italy, Spain and Portugal is limited and had decreased to EUR 3 million at 31 December 2020 (31 December 2019: EUR 4 million). Approximately 83% of this exposure is investment grade exposure. NIBC had no exposure in Greece at 31 December 2020 or 2019.

55-31 Distribution of securitisations per region, 31 December 2020 (EUR 698 million) and 31 December 2019 (EUR 514 million)



Expected credit losses on securitisations
The majority of the Securitisations portfolio is reported at AC or fair value for accounting purposes and the respective assets are subject to a quarterly credit-impaired analysis. ECL related to stage 3 are taken when the expected future cashflows are insufficient to meet the payment obligatons. The stock of stage 3 credit losses increased to EUR 1.5 million at 31 December 2020 (31 December 2019: EUR 0.1 million).

Table 55-32 presents the rating breakdown of securitisation exposure that did not carry stage 3 credit losses.

55-32 Distribution of securitisation exposure without impairments per rating category, 31 December 2020

Book value, in EUR millions	AAA	AA	A	BBB	BB	<BB	NR	Total
Securitisation exposure without impairments	517	18	31	11	1	7	112	696

55-33 Distribution of securitisation exposure without impairments per rating category, 31 December 2019

Book value, in EUR millions	AAA	AA	A	BBB	BB	<BB	NR	Total
Securitisation exposure without impairments	451	4	26	-	-	32	-	512

Cash management

NIBC is exposed to credit risk as a result of cash management activities. In 2020, NIBC's risk management framework for cash management continued its conservative approach, taking into account the vulnerable financial markets.

Risk monitoring and measurement

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

Correspondent banking and third-party account providers

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

Exposures

NIBC's total cash amount remained relatively stable compared to 2019 with the majority of funds being held at DNB, Deutsche Bundesbank, and the central bank in Belgium. Cash with corporate entities represents securitisation-related liquidity facilities.

55-34 Cash, 31 December 2020

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

1 Source ratings: internal rating model (excluding Cash and balances with central banks), based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1 regulatory capital.

55-35 Cash, 31 December 2019

In EUR millions	AAA	AA	A	≤BBB	Total[1]
Cash and balances with central banks	1,945	20	-	-	1,965
Due to banks	-	41	479	-	520
Financial institutions	4	-	10	-	14
Corporate entities	-	-	-	-	-
Total	**1,949**	**61**	**489**	**-**	**2,499**

1 Source ratings: internal rating model (excluding Cash and balances with central banks), based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1 regulatory capital.

At year-end 2020, EUR 120 million cash collateral has been excluded from the cash management exposure (year-end 2019: EUR 191 million) as this amount is restricted cash that relates to derivatives with a negative fair value. At both 31 December 2020 and 31 December 2019, this portfolio carried no impairments and no arrears.

Credit risk in derivatives

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

Risk monitoring and measurement

Credit risk in derivatives is based on the marked-to-market value and *Potential Future Exposure* (**PFE**) of the derivative. The PFE reflects a potential future change in marked-to- market value during the remaining lifetime of the derivative contract. For financial institutions, separate limits for credit risk are in place, based on the external rating. For corporate clients, NIBC enters into a derivative transaction as part of its overall relationship with the client. The credit approval process for these derivatives is closely linked with the credit approval process of the loan. Limit-setting proposals for both financial institutions and corporate counterparties are reviewed in the TC. For financial institutions, collateral postings under a CSA are taken into account. In 2020 NIBC offsetted assets and liabilities with central clearing members. Derivatives with the same characteristics, being counterparty, maturity bucket and currency are netted. For corporate counterparties, both the loan and derivative are treated as a single package whereby the derivative often benefits from the security/collateral supporting the loan exposure.

Exposures

Tables 55-36 and 55-37 display NIBC exposures from credit risk in derivatives allocated across the rating class of the underlying counterparty. Exposure is the sum of the positive marked-to-market value of derivative contracts, excluding the effect of netting and collateral exchange. The total derivative exposure excluding netting and collateral increased slightly in 2020.

55-36 Derivative exposure excluding netting and collateral, 31 December 2020

In EUR millions	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR	Total[1]
Financial institutions	-	37	70	-	-	-	-	-	-	-	-	107
Corporate entities	12	-	30	236	52	38	2	16	-	-	-	387
Total	**12**	**37**	**100**	**236**	**52**	**38**	**2**	**16**	**-**	**-**	**-**	**494**

1 Source ratings: internal rating model (excluding sovereigns), based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1.

55-37 Derivative exposure excluding netting and collateral, 31 December 2019

In EUR millions	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR	Total[1]
Financial institutions	-	34	57	4	-	-	-	-	-	-	-	95
Corporate entities	16	-	1	262	89	7	10	-	2	-	-	387
Total	**16**	**34**	**58**	**266**	**89**	**7**	**10**	**-**	**2**	**-**	**-**	**483**

1 Source ratings: internal rating model (excluding sovereigns), based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1.

Collateral

To the extent possible, NIBC attempts to limit credit risk arising from derivatives. NIBC enters into bilateral collateral agreements with financial institutions to mitigate credit risk in OTC derivatives by means of CSAs. Positive marked-to-market values can be netted with negative marked-to-market values and the remaining exposure is mitigated through bilateral collateral settlements (as in tables 55-38 and 55-39). Accepted collateral is mainly cash collateral, which is usually exchanged on a daily basis. The primary counterparties in these CSAs are large international banks with ratings of A or higher. NIBC generally carries out daily cash collateral exchanges to account for changes in the market value of the contracts included in the CSA.

Terms and conditions of these CSAs are in line with general ISDA credit support documents. Collateral from CSAs significantly decreases the credit exposure on derivatives, as presented in table 59-38 at 31 December 2020 and in table 55-39 at December 2019.

55-38 Derivative exposure including netting and collateral, 31 December 2020

In EUR millions	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR	Total[1]
Financial institutions	-	6	13	-	-	-	-	-	-	-	-	18
Corporate entities	12	-	3	220	51	38	2	16	-	-	-	343
Total	**12**	**6**	**16**	**220**	**51**	**38**	**2**	**16**	**-**	**-**	**-**	**361**

1 Source ratings: internal rating model (excluding sovereigns), based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1.

55-39 Derivative exposure including netting and collateral, 31 December 2019

In EUR millions	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR	Total[1]
Financial institutions	-	5	27	4	-	-	-	-	-	-	-	36
Corporate entities	16	-	1	250	89	7	10	-	2	-	-	375
Total	**16**	**5**	**28**	**254**	**89**	**7**	**10**	**-**	**2**	**-**	**-**	**411**

1 Source ratings: internal rating model (excluding sovereigns), based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1.

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

Arrears

NIBC applies a threshold for determining whether a derivative carries a non-material arrear. The criteria for this threshold are the same as for the portfolio of corporate loans. If amounts in arrear fall below the threshold (EUR 100,000), they are considered insignificant and are therefore excluded. The application of the threshold does not influence the total arrears for 2020 and 2019.

Table 55-40 displays an overview of the arrears for corporate derivatives at 31 December 2020 and 31 December 2019 as well as the exposures (marked-to-market values) these arrears refer to. There were no amounts in arrear for derivatives with financial institutions. As shown in Table 55-40, at 31 December 2020, no marked-to-market exposure in arrear (31 December 2019: no marked-to-market exposure in arrear).

55-40 Arrears overview, corporate derivative exposure

	2020		2019	
In EUR millions	Exposure (MtM)[1]	Amount in arrear	Exposure (MtM)[1]	Amount in arrear
Age of payment in arrear				
1- 5 days	-	-	-	-
6 - 30 days	-	-	-	-
31 - 60 days	-	-	-	-
61 - 90 days	-	-	-	-
Subtotal less than 90 days	**-**	**-**	**-**	**-**
Over 90 days	-	-	-	-
No payment in arrear	343	-	375	-
Total	343	-	375	-

1 MtM: Marked-to-Market value.

56 Interest Rate Risk in the Banking Book

NIBC defines *Interest Rate tisk in the Banking Nook* (**IRRBB**) as the risk of losses from interest rate sensitive positions in non-trading activities due to movements in interest rates. Interest rate risk is measured both from an economic value perspective and an earnings perspective. The first perspective considers the impact on the market value, while the latter considers the impact on the net interest income.

NIBC's banking book consists of:

- Corporate treasury
- Commercial Treasury
- Corporate banking
- Retail banking

Risk appetite

The risk appetite for IRRBB from an economic value perspective is measured by the modified duration of equity and equal to 5 (with a tolerance of 7.5), while the risk appetite from an earnings perspective is measured by the impact on 1Y earnings and equal to EUR 18 million (assuming a shift in interest rates of 100 bps).

Risk monitoring and measurement

From an economic value perspective the impact of an instantaneous shift in interest rates on a static portfolio is considered. Interest BPV and interest VaR measures are calculated on a daily basis and reviewed by the Market Risk department:

- Interest BPV measures the sensitivity of the market value to an instantaneous change of one basis point in each time bucket of the interest rate curve. The BPV as displayed in the tables represents the sensitivity of the market value to a one-basis-point, parallel upward shift of the underlying curve;
- The interest VaR measures the threshold value, which daily marked-to-market losses with a confidence level of 99% will not exceed, based on four years of historical data for daily changes in interest rates. These daily changes are superimposed on the current market rates. The VaR is calculated by means of full valuation to take non-linearity into account.

In measuring BPV and VaR for the Banking book the (credit) spreads have been excluded from cashflows and discounting, in line with EBA guidelines. This change in calculation was gradually implemented during 2019 and finalised in February 2020.
From the earnings perspective changes in interest rates occur both instantaneously and gradually over time. *Earnings at risk* (**EaR**) is calculated by means of the following measure:

- 12 months earnings impact due to a 200 bps gradual upwards or downwards interest rate shock per currency

EaR as displayed in the tables represents the 200 bps gradual upwards measure.

The interest rate risk analysis is complemented by a set of scenarios, including scenarios intended as stress testing and vulnerability identification, both based on historical events and on possible future events.

Limits are set on the above measures, both those from the economic value perspective and from an earnings perspective. The limits and utilisation are reported to the ALCO once every month. Any major breach of IRRBB limits is reported to the CRO immediately.

Interest rate risk

Interest Rate Risk in the Banking Book
IRRBB from an economic value perspective is mainly present in the Mismatch book.

NIBC accepts a certain economic value risk exposure in the Mismatch book. We call this our strategic mismatch exposure.

The Mismatch book exclusively contains interest rate swaps in EUR and GBP as these are, next to USD, the major currencies in which also lending activities take place. The Mismatch book contained no USD position in 2020. At year-end of 2020 the total notional position is EUR 400 million, with 72% of the mismatch position held in EUR and 28% in GBP. Duration based the relative positions would be 80% in EUR and 20% in GBP.

The Mortgage loan book consists of:

- The White Label portfolio which has a size of 3.2 billion EUR at year-end 2020 with EUR 13 million in Germany.
- The NIBC Direct portfolio which was launched in 2013. At year-end 2020 this portfolio has a size of EUR 6.8 billion.
- The LOT portfolio was launched in 2020 and is EUR 46 million at year-end 2020.

The mortgage loan portfolios are accounted on AC and notional hedging is applied to hedge the interest rate risk.

The Corporate Treasury book contains mainly the funding activities of NIBC and the corporate loan books. The Liquidity portfolio, Collateral portfolio and Debt Investments portfolio are part of the Banking Book and consist mainly of investments in financial institutions and securitisations.

Tables 56-1 and 56-2 illustrate in EUR the interest rate sensitivity for EUR, USD and GBP in the Mismatch and remaining Banking book at year-end 2020 and 2019. For other currencies, the interest rate risk is minimal.The Earnings perspective number are the result of applying a gradual 200 bps upward shift

56-1 Interest rate statistics Banking book, 31 December 2020

	Economic value perspective (BPV)			Earnings perspective (EaR)		
in EUR thousands	Mismatch	Other	Total	Mismatch	Other	Total
EUR	(107)	74	(33)	(2,280)	11,004	8,724
USD	-	(4)	(4)	-	935	935
GBP	(26)	(2)	(29)	(756)	(990)	(1,746)
Other	-	(1)	(1)	-	1,146	1,146
TOTAL	**(133)**	**66**	**(67)**	**(3,036)**	**12,094**	**9,058**

56-2 Interest rate statistics Banking book, 31 December 2019

	Economic value perspective (BPV)			Earnings perspective (EatR)		
in EUR thousands	Mismatch	Other	Total	Mismatch	Other	Total
EUR	(137)	24	(112)	(2,542)	11,577	9,035
USD	-	(5)	(5)	-	554	554
GBP	(39)	(6)	(46)	(944)	(1,105)	(2,049)
Other	-	-	-	-	294	294
TOTAL	**(176)**	**13**	**(163)**	**(3,486)**	**11,320**	**7,834**

From the economic value perspective more detailed statistics with respect to the Mismatch book are presented in the following table.

56-3 Interest rate statistics Mismatch book

	2020		2019	
in EUR thousands	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max[1]	(169)	808	(219)	1,223
Average	(156)	742	(200)	1,045
Min [2]	(133)	596	(176)	813
YEAR-END	**(133)**	**596**	**(176)**	**814**

In the following table the interest BPV statistics of the Banking Book are presented. Credit spreads were excluded from the calculation, in line with EBA guidelines. Averages, min, and max for 2019 differ substantially from figures for 2020, as in 2019 the credit spread was still included in the calculations for the largest part of the year.

56-4 Interest rate BPV statistics Banking book

	2020		2019	
in EUR thousands	Banking Book	Banking Book excluding Mismatch	Banking Book	Banking Book excluding Mismatch
Max[1]	(150)	228	528	713
Average	(60)	96	335	536
Min [2]	(34)	12	191	398
YEAR-END	**(67)**	**66**	**(164)**	**12**

57 Market risk

NIBC defines market risk as:

- the risk of losses in the Trading book arising from adverse movements in market rates and;
- the risk of losses in the Banking Book from NIBC's credit spread risk position;
- the risk of losses in both the banking and trading book from adverse movements in currencies with respect to the Euro.

The predominant market risk drivers for NIBC are interest rate risk and credit spread risk . In Money Markets & Trading, NIBC takes short-term positions in the EUR, GBP and USD yield curves. This book also contains interest rate risk related to derivative transactions of NIBC's clients. Note that due to the divestment of NIBC Markets in the beginning of 2020 this portfolio is not relevant anymore and therefore not included in this overview.

Risk appetite

The risk appetite for market risk is moderate. For all market risk types limits are set and monitored on a daily basis.

Risk monitoring and measurement

From an economic value perspective the impact of an instantaneous shift in interest rates on a static portfolio is considered. Interest and credit spread BPV and interest and credit spread and equity VaR measures are calculated on a daily basis and reviewed by the Market Risk department. VaR is calculated using 4 years of historical data and a confidence level of 99%.

The market risk analysis is complemented by a set of scenarios, including scenarios intended as stress testing and vulnerability identification, both based on historical events and on possible future events.

Limits are set on the above measures. The limits and utilisation are reported to the ALCO once every month. Any major breach of market risk limits is reported to the CRO immediately.

Interest rate risk, credit spread risk and equity risk

Money Markets & Trading contains plain vanilla interest rate derivatives only. Figures per year-end 2020 versus 2019 are displayed below.

57-1 Interest rate statistics Trading book NIBC excluding NIBC Markets

	2020		2019	
in EUR thousands	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max[1]	(20)	150	44	316
Average	(2)	76	(7)	94
Min [2]	0	52	0	48
YEAR-END	10	52	(12)	88

NIBC's Banking book has credit spread risk mainly in the Liquidity portfolio, Collateral portfolio, the Structured Credits portfolio and the fair value mortgages portfolio. Year-end 2020 credit spread risk figures versus 2019 are displayed below.

57-2 Credit spread risk statistics Banking book

	2020		2019	
in EUR thousands	Credit spread BPV	Credit spread VaR	Credit spread BPV	Credit spread VaR
Liquidity / Collateral	(187)	2,191	(218)	1,997
Structured Credits	(17)	786	(37)	1,015

Currency risk
NIBC manages its overall currency position based on the currency positions in the monthly balance sheets. The main exposures in foreign currencies for NIBC are USD and GBP; with smaller exposures in for example JPY and CHF. NIBC uses matched funding and other measures to apply its policy of not taking any currency positions. Any currency position which does show at month end is caused by movements in the fair value of assets or liabilities or interest income in foreign currencies and is hedged by entering into FX spot transactions. The total open foreign currency position, by nominal amount, was EUR 11.5 million at year-end 2020. This currency position is the position prior to hedging, which is always done shortly after month-end. Regulatory capital for currency risk is equal to 0.8 million EUR per year-end 2020.

Furthermore, the impact of a *reasonably possible* yearly change (in absolute terms) of EUR against other currencies was calculated. Per end of 2020 the impact of these reasonably possible changes is as follows for NIBC (only currencies with the larger exposures are displayed).

57-3 Currency risk analysis

	2020		2019	
Currency	Change in currency in %	Impact P&L in EUR million	Change in currency in %	Impact P&L in EUR million
USD	+08	0.2	+08	-0.1
GBP	+14	0.7	+14	-2.5
JPY	+09	0.0	+09	0.0
CHF	+09	0.0	+09	0.0

The sum of the absolute values of the impact for all currencies is equal to around EUR 1.1 million.

58 Liquidity risk
NIBC defines liquidity risk as the inability of NIBC to fund its assets and meet its obligations as they become due, at acceptable cost.

Maintaining a sound liquidity and funding profile is one of NIBC's most important risk management objectives. NIBC analyses its funding profile by mapping all assets and liabilities into time buckets that correspond to their maturities. Based on projections prepared by the business units and reviewed by Risk Management, and the current asset and liability maturity profiles, several liquidity stress tests are prepared and presented once every two weeks to the ALCO, in order to create continuous monitoring of the liquidity position.

Assumptions
One of the stress scenarios, the market-wide stress test, assumes a world-wide liquidity shortage in which no new market funding can be attracted by NIBC. Furthermore, it is assumed that assets cannot be sold, but that they can only be made liquid by making them eligible for collateralised and ECB funding. In addition, the following assumptions are made:

- In order to maintain NIBC's business franchise, it is assumed that new corporate loan production continues at a level where the current books are maintained constant;
- Conservative assumptions with respect to for example collateral cash outflows (payments from CSAs) and drawdowns of undrawn commitments are made; and
- A one notch downgrade is assumed.

The projection of NIBC's liquidity in this way is necessarily a subjective process and requires management to make assumptions about, for example, the fair value of eligible collateral and potential outflow of cash collateral placed by NIBC with derivative counterparties.

In light of these projections, NIBC is confident that sufficient liquidity is available to meet maturing obligations over the next 12 months.

Maturity calendar consolidated balance sheet

The following tables present the cash flows payable by NIBC in respect of non-derivative financial liabilities relevant for liquidity risk by the remaining contractual maturities at 31 December. The amounts disclosed in the tables for the non-derivative financial liabilities are contractual future undiscounted cash flows. Financial liabilities at FVtPL are therefore restated to future nominal amounts. The financial assets relevant for managing liquidity risk are based on the fair value (discounted cash flows) for those assets which are classified at FVOCI.

The differences between the table and the stress scenario are caused mainly by the following items that are included in the stress scenario analysis but not in the maturity calendar of the consolidated balance sheet:

- New asset production;
- Collateralised funding capacity of internal securitisations and individual bonds; and
- Conservative assumptions with respect to possible cash outflows (e.g. CSA collateral, callable funding).

58.1 Liquidity maturity calendar, 31 December 2020

in EUR millions	Not dated	Payable on demand	Due within three months	Due between three and twelve months	Due between one and five years	Due after five years	Total
Liabilities (undiscounted future cash flows)							
Due to other banks	-	137	1,116	34	316	-	1,604
Deposits from customers	-	7,058	1,007	1,526	1,304	111	11,005
Financial liabilities at fair value through profit or loss (including trading)							
Own debt securities in issue	-	-	-	-	-	-	-
Debt securities in issue structured	-	-	25	-	40	40	105
Deferred tax	-	-	-	-	6	-	6
Provisions	-	-	-	-	-	2	2
Accruals, deferred income and other liabilities	-	-	-	71	-	-	71
Financial liabilities at amortised cost							
Own debt securities in issue	-	-	648	105	3,043	2,573	6,370
Debt securities in issue related to securitised mortgages and lease receivables	-	-	-	-	-	327	327
Subordinated liabilities							
Fair value through profit or loss	-	-	-	-	-	290	290
Amortised cost	-	-	-	-	50	61	111
Total liabilities (excluding derivatives and interest cash flows	**-**	**7,196**	**2,795**	**1,737**	**4,759**	**3,403**	**19,889**
Total assets relevant for managing liquidity risk at fair value (excluding derivatives and interest cash flows)	**469**	**2,427**	**586**	**1,057**	**4,823**	**11,194**	**20,556**

58.2 Liquidity maturity calendar, 31 December 2019

in EUR millions	Not dated	Payable on demand	Due within three months	Due between three and twelve months	Due between one and five years	Due after five years	Total
Liabilities (undiscounted future cash flows)							
Due to other banks	-	34	673	789	505	-	2,001
Deposits from customers	-	6,296	769	1,736	2,079	317	11,197
Financial liabilities at fair value through profit or loss (including trading)							
Own debt securities in issue	-	-	37	-	-	-	37
Debt securities in issue structured	-	-	-	-	42	63	105
Liabilities held for sale	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	12	-	12
Provisions	-	-	-	-	-	2	2
Accruals, deferred income and other liabilities	-	-	-	86	-	-	86
Financial liabilities at amortised cost							
Own debt securities in issue	-	-	370	1,081	2,737	3,210	7,398
Debt securities in issue related to securitised mortgages and lease receivables	-	-	-	-	-	391	391
Subordinated liabilities							
Fair value through profit or loss	-	-	-	-	-	116	116
Amortised cost	-	-	-	-	-	296	296
Total liabilities (excluding derivatives and interest cash flows	**-**	**6,330**	**1,849**	**3,692**	**5,375**	**4,395**	**21,641**
Total assets relevant for managing liquidity risk at fair value (excluding derivatives and interest cash flows)	**619**	**2,458**	**517**	**1,117**	**5,682**	**11,522**	**21,915**

58.3 Liquidity maturity calendar of derivatives, 31 December 2020

Liquidity maturity calendar derivatives

The following tables present the derivative financial instruments that will be settled on a net basis into relevant maturity classes based on the contractual maturity date at 31 December 2020 and 2019. The amounts disclosed in the tables are the contractual undiscounted cash flows.

in EUR millions	Less than three months	Between three months and one year	One to five years	Five years or more	Total
Derivatives held for trading					
Interest rate derivatives (net settled)					
Inflow	507	592	1,494	384	2,977
Outflow	(528)	(574)	(1,442)	(448)	(2,992)
Credit derivatives					
Inflow	-	-	-	1	1
Outflow	-	-	-	-	-
Derivatives used for hedging					
Interest rate derivatives (net settled)					
Inflow	13	38	39	-	90
Outflow	(13)	(34)	(46)	(1)	(94)
FX forwards					
Inflow	246	1	-	-	247
Outflow	(250)	(1)	-	-	(251)
Total inflow	**766**	**631**	**1,533**	**385**	**3,315**
Total outflow	**(791)**	**(609)**	**(1,488)**	**(449)**	**(3,337)**

58.4 Liquidity maturity calendar of derivatives, 31 December 2019

in EUR millions	Less than three months	Between three months and one year	One to five years	Five years or more	Total
Derivatives held for trading					
Interest rate derivatives (net settled)					
Inflow	284	979	1,342	472	3,077
Outflow	(291)	(1,027)	(1,332)	(515)	(3,165)
Credit derivatives					
Inflow	-	-	-	1	1
Outflow	-	-	-	-	-
Derivatives used for hedging					
Interest rate derivatives (net settled)					
Inflow	-	46	105	-	151
Outflow	(2)	(45)	(103)	(1)	(151)
FX forwards					
Inflow	1,087	-	-	-	1,087
Outflow	(1,092)	-	-	-	(1,092)
Total inflow	**1,371**	**1,025**	**1,447**	**473**	**4,316**
Total outflow	**(1,385)**	**(1,072)**	**(1,435)**	**(516)**	**(4,408)**

58.5 Liquidity maturity calendar off-balance sheet, 31 December 2020

Liquidity maturity calendar off-balance sheet
The following table shows the contractual maturity of NIBC's contingent liabilities and commitments.

Each undrawn loan or capital commitment is included in the time band containing the earliest date it can be drawn down.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

in EUR millions	Less than three months	Between three months and one year	One to five years	Five years or more	Total
Contract amount					
Committed facilities with respect to corporate loan financing	1,319	-	-	-	1,319
Committed facilities with respect to residential mortgages financing	443	-	-	-	443
Capital commitments	25	-	-	-	25
Guarantees granted	23	-	-	-	23
Irrevocable letters of credit	48	-	-	-	48
	1,858	**-**	**-**	**-**	**1,858**

58.6 Liquidity maturity calendar off-balance sheet, 31 December 2019

in EUR millions	Less than three months	Between three months and one year	One to five years	Five years or more	Total
Contract amount					
Committed facilities with respect to corporate loan financing	1,662	-	-	-	1,662
Committed facilities with respect to residential mortgages financing	267	-	-	-	267
Capital commitments	29	-	-	-	29
Guarantees granted	69	-	-	-	69
Irrevocable letters of credit	70	-	-	-	70
	2,097	**-**	**-**	**-**	**2,097**

59 Capital management

Overview
It is NIBC's policy to maintain a strong capital base, to meet RC requirements at all times and to support the development of its business by allocating capital efficiently. Allocation of capital to the business is based on an EC approach. EC is the amount of capital which NIBC allocates as a buffer against potential losses from business activities, based upon its assessment of risks. The EC that NIBC allocates to each business is based on the assessment of risk of its activities. It differs from the

CRR/CRD IV capital requirements, i.e. RC, as in certain cases NIBC assesses the specific risk characteristics of its business activities in a different way than the CRR/CRD IV method. Total RC however, in combination with a minimum benchmark Tier 1 ratio, does form a limit to the maximum amount of EC that can be allocated to the business.

Comparing the risk-based EC of each business to its profit delivers a RAROC for each business. EC and RAROC are key tools in NIBC's capital allocation and usage process, assisting in allocating Own Funds as efficiently as possible, based on expectations of both risks and return. Usage of EC is assessed once every two weeks in the ALCO. The ALCO resets the maximum allocation level of EC to and within each business, taking into account business expectations, NIBC's desired risk profile and the regulatory requirements.

Methodology

NIBC uses the business model of each activity as the basis for determining the EC. If the business model of an activity is trading, distribution or investing for a limited period, a market risk approach based upon VaR and scaled to a one-year horizon is used to calculate the EC usage. A business model based on 'buy-to-hold' or investing to maturity leads to a credit risk approach being applied, based upon estimations of PD and LGD. Add-ons for operational risk and country risk are also calculated. Furthermore, NIBC allocates EC for business risk, reputation risk and model risk on a group-wide level.

The EC approach differs from the CRR/CRD IV approach in which only the trading books are assigned a market risk approach. In the CRR/CRD IV framework, activities that are not trading but have a business model based on distribution or investment for a limited period are often assigned a credit risk approach, following CRR/CRD IV regulations or regulatory industry practice, whereas in the EC framework NIBC applies a market risk approach similar to that of the trading activities. Risks and EC are monitored accordingly.

The main differences between the EC capital and CRR/CRD IV framework come from the Mortgage loan portfolio, the Securitisations portfolio and NIBC's interest rate mismatch position. EC is determined by a market risk approach for these activities. The CRR/CRD IV approach is either a credit risk approach (mortgage loans and securitisations) or is not part of the CRR/CRD IV Pillar 1 at all (mismatch position).

Capital allocation

NIBC allocates EC to all its business activities in the form of limits set by the ALCO and calculates the amount of EC usage of each business based on the risk of its activities:

- For the Corporate Loan portfolio, NIBC calculates EC usage by means of a credit risk approach largely based upon the CRR RC formula and an add-on for concentration risk;
- For the Debt Investments and Trading portfolios, the Mortgage loan portfolio and the interest rate mismatch position, NIBC uses a market risk approach to determine EC usage. EC usage for these portfolios is calculated using VaR, calculated with four years of historical data and scaled to a one-year horizon;
- For the Investment loans, NIBC calculates EC usage by applying a credit approach based upon the CRR RC formula. NIBC uses fixed percentages for the equity investments.

Capital Requirements Regulation/Capital Requirements Directive IV regulatory capital

The objective of CRR/CRD IV is to enhance the capital adequacy of the banking industry by making it more responsive to risk. CRR/CRD IV is structured on three pillars:

- Pillar 1 describes the capital adequacy requirements for three risk types; credit risk, market risk and operational risk;
- Pillar 2 describes the additional *Supervisory Review and Evaluation Process* (**SREP**), where regulators analyse the *Internal capital Adequacy Assessment Process* (**ICAAP**) of the individual banks. Since the end of 2011, Dutch Central Bank also analyses the *Internal Liquidity Adequacy Assessment Process* (**ILAAP**);
- In Pillar 3 the required risk reporting standards are displayed, supporting additional market discipline in the international capital markets.

Under CRR/CRD IV and subject to approval from the regulator, banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from 'standardised' to 'advanced'.

For credit risk, NIBC adopted the AIRB approach as further specified in CRR/CRD IV for its corporate, retail and institutional exposure classes. NIBC started using the AIRB approach at 1 January 2008. The residue of exposures is measured on the standardised approach.

For market risk, NIBC adopted an internal model VaR approach.

For measuring operational risk, NIBC adopted the standardised approach, which is based on prescribed business-line activities.

The basis for Pillar 2 is NIBC's ICAAP, which is NIBC's self-assessment of risks not captured by Pillar 1, i.e. the link between NIBC's risk profile, its risk management and risk mitigation, and NIBC's capital planning.

Under Pillar 3, NIBC publishes its regulatory disclosures regarding its capital structure, capital adequacy, liquidity risk, risk management objectives/policies and RWAs each year. The Pillar 3 disclosures are published on the same date as the Annual Report on our website.

The following table displays the composition of RC as at 31 December 2020 and 31 December 2019. As from 2019, non-eligible profits attributable to the shareholders are no longer added to RC. The RC is based on the CRR/CRDIV scope of consolidation, calculated for NIBC consolidated on a fully loaded base including the eligible profit after tax of the year. For 2020 no profit after tax is included in the Common Equity Tier 1 (2019: profit after tax over the first half year of 2019 is eligible to be included in the Common Equity Tier 1 after receiving permission of DNB). NIBC complies with the CRR/CRDIV capital requirements as per 31 December 2020, which formally requires a minimum Common Equity Tier 1 ratio (including capital buffer) of 8.9%, a minimum Tier 1 ratio (including capital buffer) of 11.0% and a minimum Total Capital ratio (including capital buffer) of 13.8%.

in EUR millions	2020	2019
Tier 1		
Called-up share capital	80	80
Share premium	237	237
Eligible reserves	1,485	1,547
Profit after tax not included in CET 1 capital	(49)	(109)
Regulatory adjustments	(122)	(150)
Common equity Tier 1 capital	**1,631**	**1,605**
Additional Tier 1 capital	200	200
Total Tier 1 capital	**1,831**	**1,805**
Tier 2		
Qualifying subordinated liabilities	90	317
Regulatory adjustments	22	-
Total Tier 2 capital	**111**	**317**
Total BIS capital	**1,942**	**2,122**

COMPANY FINANCIAL STATEMENTS

TABLE OF CONTENTS

COMPANY INCOME STATEMENT

for the years ended 31 December

in EUR millions	note	2020	2019
Interest and similar income	1	445	567
Interest expense and similar charges	1	201	295
Net interest income		**245**	**272**
Fee income	2	28	29
Fee expense	2	-	-
Net fee income		**28**	**29**
Income from investments	14	6	(2)
Income from interests in group companies	16	98	152
Income from group companies and (other) equity investments		**104**	**150**
Results from financial transactions	3	(26)	(1)
Total operating income		**351**	**450**
Personnel expenses	4	91	102
Depreciation and amortisation	5	4	4
Other operating expenses	6	83	90
Credit loss expense / (recovery)	7	129	31
Regulatory charges and levies	8	15	13
Total operating expenses		**322**	**240**
Profit from ordinary operations before tax		**29**	**210**
Tax	9	(32)	8
Profit after tax		**61**	**202**

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December

			2020			2019
in EUR millions	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
Profit for the year	**29**	**(32)**	**61**	**210**	**8**	**202**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Revaluation of property and equipment	(1)	-	(1)	8	2	6
Revaluation of own credit risk reserve	2	-	2	(9)	-	(9)
Items that may be reclassified subsequently to profit or loss						
Net result on hedging instruments	(3)	-	(3)	(5)	(1)	(4)
Financial assets measured at fair value through other comprehensive income						
Movement in revaluation for debt investments at FVOCI	-	-	-	6	1	5
Total other comprehensive income	**(2)**	**-**	**(2)**	**-**	**2**	**(2)**
Total comprehensive income	**27**	**(32)**	**59**	**210**	**10**	**200**
Total comprehensive income attributable to						
Shareholder of the company	15	(32)	47	198	10	188
Holders of capital securities	12	-	12	12	-	12
Total comprehensive income	**27**	**(32)**	**59**	**210**	**10**	**200**

COMPANY BALANCE SHEET

before profit appropriation, as at 31 December

in EUR millions	note	2020	2019
Assets			
Cash and balances with central banks	10	1,909	1,790
Due from other banks	11	225	494
Interest-bearing securities	12	977	1,164
Loans and advances to customers	13	18,897	18,764
Equity investments	14	33	29
Derivative financial instruments	15	792	794
Interests in group companies	16	1,221	1,337
Investment property	17	14	14
Property and equipment	18	24	29
Other assets	19	46	29
Total assets		**24,138**	**24,444**
Liabilities and equity			
Due to other banks	20	1,002	1,566
Customer deposits and other fund on deposit	21	14,534	13,643
Debt securities in issue	22	6,125	6,528
Derivative financial instruments	15	138	287
Provisions	23	11	20
Other liabilities	24	47	51
Subordinated liabilities	25	278	284
Total liabilities		**22,135**	**22,379**
Equity			
Share capital	26	80	80
Share premium	26	238	238
Revaluation reserves	26	118	120
Retained earnings	26	1,306	1,225
Profit after tax for the year	26	61	202
Equity attributable to shareholder of the company		**1,803**	**1,865**
Capital securities	27	200	200
Total parent equity		**2,003**	**2,065**
Total liabilities and equity		**24,138**	**24,444**
Contingent liabilities	28	66	102
Irrevocable liabilities	28	1,335	1,519

COMPANY STATEMENT OF CHANGES IN EQUITY

in EUR millions	Share capital	Share premium	Revaluation reserves	Retained earnings including net profit	Equity of the parent company	Capital securities	Total equity
	Attributable to						
Balance at 1 January 2020	**80**	**238**	**120**	**1,427**	**1,865**	**200**	**2,065**
Net profit for the year	-	-	-	49	49	12	61
Total comprehensive income for the period ended 31 December 2020	-	-	(2)	-	(2)	-	(2)
Transfer of realised depreciation revalued property and equipment	-	-	-	-	-	-	-
Distributions:							
Paid coupon on capital securities	-	-	-	-	-	(12)	(12)
Dividend paid during the year	-	-	-	(109)	(109)	-	(109)
Balance at 31 December 2020	**80**	**238**	**118**	**1,367**	**1,803**	**200**	**2,003**

in EUR millions	Share capital	Share premium	Revaluation reserves	Retained earnings including net profit	Equity of the parent company	Capital securities	Total equity
	Attributable to						
Balance at 1 January 2019	**80**	**238**	**122**	**1,471**	**1,911**	**200**	**2,111**
Net profit for the year	-	-	-	190	190	12	202
Total comprehensive income for the period ended 31 December 2019	-	-	(2)	-	(2)	-	(2)
Transfer of realised depreciation revalued property and equipment	-	-	(1)	1	-	-	-
Adjustment deferred tax asset due to lower corporate income tax rate in 2021 and onwards		-	-	1	1	-	1
Other	-	-	1	(1)	-	-	-
Distributions:							
Paid coupon on capital securities	-	-	-	-	-	(12)	(12)
Dividend paid during the year	-	-	-	(235)	(235)		(235)
Balance at 31 December 2019	**80**	**238**	**120**	**1,427**	**1,865**	**200**	**2,065**

in EUR millions	2020	2019
Equity[1]	1,803	1,865
Share capital	(80)	(80)
Legal reserves		
Within retained earnings	(11)	-
Revaluation reserves	(29)	(34)
Legal reserves profit participation	-	(1)
	(40)	**(35)**
Available distribution amount	**1,683**	**1,750**

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

COMPANY ACCOUNTING POLICIES

Basis of preparation

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

The company financial statements have been prepared in accordance with the legal requirements for financial statements contained in Title 9 of Book 2 of the Netherlands Civil Code. NIBC applies the provisions in Section 362, paragraph 8, Title 9 of Book 2 of the Netherlands Civil Code that make it possible to prepare the company financial statements in accordance with the accounting policies (including those for the presentation of financial instruments as equity or liability) used in its consolidated financial statements.

The company financial statements are presented in euros rounded to the nearest million. The euro is the functional and presentation currency of NIBC .

Summary of significant accounting policies

Except as set forth below, the accounting policies applied in the company financial statements are the same as those for the consolidated financial statements.

Interests in group companies

Interests in group companies, as defined in the Subsidiaries section in the basis of consolidation in the notes to the consolidated financial statements, are measured at net asset value. Net asset value is determined by measuring the assets, provisions, liabilities and income based on the accounting policies used in the consolidated financial statements. The company's share of its group companies profits or losses is recognised in the income statement. The bank applies paragraph 107a of the Dutch Accounting Standard 100. Under this paragraph the bank eliminates the expected credit losses on loans to subsidiaries in the same line item.

If losses of group companies that are attributable to the company exceed the carrying amount of the interest in the group company (including separately presented goodwill, if any, and including other unsecured receivables), further losses are not recognised unless the company has incurred obligations or made payments on behalf of the group company to satisfy obligations of the group company. In such a situation, NIBC recognises a provision up to the extent of its obligation.

Neither IFRS 3 Business Combinations nor any other IFRS require or prohibit the application of a specific approach for transactions under common control. By absence thereof NIBC defines its own accounting policy for transactions under common control. From now on the predecessor value method (carry-over accounting) for legal mergers within NIBC or the group will be consistently applied.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For a specification of segment information, please see note 1 of the consolidated financial statements.

1 Net interest income

Interest income consists of interest income on loans and advances to customers, interest-bearing securities and other interest and similar income.

Interest expense consists of interest expense on liabilities, whether or not embodied in debt securities, and derivatives, as well as commissions having an interest nature, penalty interest on early redemptions, premiums and discounts. Premiums and discounts on debts, whether or not embodied in debt securities, not stated at fair value are recognised using the effective interest method, together with the relevant interest expense.

in EUR millions	2020	2019
Interest and similar income		
Interest income from financial instruments measured at amortised cost and fair value through other comprehensive income	428	546
Interest income from financial instruments measured at fair value through profit or loss	18	21
	445	**567**
Interest expense and similar charges		
Interest expense from financial instruments measured at amortised cost	195	287
Interest expense from financial instruments measured at fair value through profit or loss	6	9
	201	**295**
	245	**272**

Interest income from debt and other fixed-income instruments at fair value through profit or loss is recognised in interest and similar income at the effective interest rate.

Interest income includes negative interest from liabilities for an amount of EUR 35 million (2019: EUR 21 million).

For the year ended 31 December 2020, interest expense related to deposits from customers amounted to EUR 54 million (31 December 2019: EUR 65 million).

Interest expense includes negative interest from financial assets for an amount of EUR 53 million (2019: EUR 48 million).

2 Net fee income

in EUR millions	2020	2019
Fee income of major service lines		
Investment management	5	5
Lending related fees	7	10
M&A fees	2	3
Originate-to-Manage	14	8
Brokerage fees	-	3
	28	**29**
Fee expense		
Other non-interest related	-	-
	-	**-**
	28	**29**

3 Results from financial transactions

This item relates to gains and losses and fair value movements from financial transactions, other than related to financial fixed assets and neither related to interest income and similar income.

in EUR millions	2020	2019
Debt securities (designated at fair value through profit or loss)	1	1
Debt investments (fair value through profit or loss)	(9)	1
Mortgage loans own book and securitised mortgage loans	-	(1)
Loans (fair value through profit or loss)	(11)	(1)
Assets and liabilities held for trading	2	4
Cross currency swaps	(2)	2
Interest rate Instruments (derivatives)	(9)	(5)
Foreign exchange	2	3
Fair value hedges of interest rate risk	(4)	(5)
Cash flow hedges of interest rate risk	(1)	-
Other net trading income	1	-
Net gains or (losses) on derecognition of financial assets measured at amortised cost	3	-
Other gains less losses	(1)	-
	(26)	**(1)**

4 Personnel expenses

in EUR millions	2020	2019
Salaries	62	71
Severance payments	5	7
Variable compensation		
Cash bonuses	1	5
Share-based and deferred bonuses including expenses relating to previous years' grants	1	1
One-off transaction bonus	2	-
One-off retention bonus package	-	1
Pension and other post-retirement charges		
Defined-contribution plan	14	13
Other post-retirement charges/(releases) including own contributions of employees	(2)	(2)
Social security charges	7	7
Other staff expenses	-	(1)
	91	**102**

The number of FTEs increased from 607 at 31 December 2019 to 644 at 31 December 2020, due to the merger of NIBC Bank Deutschland AG with NIBC Bank N.V. The number of FTEs employed outside of the Netherlands increased from 47 at 31 December 2019 to 92 at 31 December 2020.

5 Depreciation and amortisation

in EUR millions	2020	2019
Property and equipment	4	4
	4	**4**

6 Other operating expenses

in EUR millions	2020	2019
Other operating expenses		
Building, housing and services expenses	4	5
Car, travel and accommodation expenses	1	3
Project expenses and consultants	18	17
Control and supervision	4	4
Corporate brand, brochures, (re-)presentation expenses	2	3
General employee expenses	2	4
ICT expenses	24	28
Communication expenses	1	2
Data expenses	4	7
Process outsourcing	20	16
Other general expenses	(1)	(3)
Low-value assets lease expenses	1	1
Fees of auditors	3	3
	83	**90**

The costs incurred in 2020 for the preparation for and the materialisation of the legal merger excluding the restructuring provision taken in the Frankfurt Branch amounts to EUR 2 million.

Fees of auditors 2020

in EUR thousands	External auditor	Other network	Other audit firms	Total
Fees of the external independent auditors can be categorised as follows				
Audit of financial statements	2,304	28	32	2,363
Other audit-related services	398	-	18	415
Other non-audit related services	-	-	30	30
Tax services	-	-	48	48
	2,702	**28**	**127**	**2,857**

Fees of auditors 2019

in EUR thousands	External auditor	Other network	Other audit firms	Total
Fees of the external independent auditors can be categorised as follows				
Audit of financial statements	2,725	-	-	2,725
Other audit-related services	-	130	8	138
Other non-audit related services	40	-	34	74
Tax services	-	-	31	31
	2,765	**130**	**73**	**2,968**

The fees listed above relate to the procedures applied to NIBC and its consolidated group entities by accounting firms and external independent auditors as referred to in Section 1(1) of the Dutch Audit

Firms Supervision Act (Dutch acronym: Wta), as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

These fees relate to the audit of the 2020 and 2019 annual reports, regardless of whether the work was performed during the financial year.

7 Credit loss expense / (recovery)

This item relates to credit loss expense / (recovery) of loans and advances to customers and banks, interest-bearing securities classified at amortised cost or at fair value through other comprehensive income. In addition it is also related to expected credit losses of off-balance sheet commitments.

Financial assets

in EUR millions	2020	2019
Credit loss expense		
Loans and advances to customers		
Loans classified at amortised cost	127	34
Interest-bearing interests		
Debt investments classified at fair value through other comprehensive income	1	-
Non-financial assets		
Non-financial assets classified at amortised cost	1	-
	129	**34**
Recovery of credit losses		
Loans and advances to customers		
Loans classified at amortised cost	-	(2)
Mortgage loans own book classified at amortised cost	-	(1)
	129	**31**

8 Regulatory charges and levies

in EUR millions	2020	2019
Resolution levy	5	4
Deposit Guarantee Scheme	10	9
	15	**13**

9 Tax

in EUR millions	2020	2019
Current tax	(30)	8
Deferred tax	(2)	-
	(32)	**8**

10 Cash and balances with central banks

This item consists of balances with De Nederlandsche Bank N.V. (the Dutch Central Bank) as well as balances with foreign central banks in countries where NIBC operates.

in EUR millions	2020	2019
Cash and balances with central banks	1,909	1,790
	1,909	**1,790**
Cash and balances with central banks can be categorised as follows		
Receivable on demand	1,747	1,632
Not receivable on demand	162	158
	1,909	**1,790**
Legal maturity analysis of cash and balances with central banks not receivable on demand		
Three months or less	-	-
Longer than three months but not longer than one year	8	-
Longer than one year but not longer than five years	-	8
Longer than five years	-	-
Assets with central banks due to mandatory reserve deposits	154	150
	162	**158**

Cash and balances with central banks included EUR 1,747 million on the current account balance held with Dutch Central Bank (2019: EUR 1,632 million).

Balances held with central banks are interest-bearing.

The fair value of this balance sheet item does not materially differ from its face value, due to the short-term nature.

11 Due from other banks

This item represents loans and advances to other banks, other than in the form of interest-bearing securities.

in EUR millions	2020	2019
Current accounts with other banks	103	77
Deposits with other banks	120	191
Due from group companies	2	226
	225	**494**
Due from other banks can be categorised as follows		
Receivable on demand	105	303
Cash collateral placements posted under CSA agreements	120	191
	225	**494**

There were no subordinated loans outstanding due from other banks in 2020 and 2019.

The fair value of this balance sheet item does not materially differ from its face value due to the short-term nature of the underlying assets and the credit quality of the counterparties.

No credit losses were recognised in 2020 and 2019 on the amounts due from other banks at AC.

12 Interest-bearing interests

The following table displays the IFRS accounting classification of interest bearing securities.

in EUR millions	2020	2019
Amortised cost	22	10
Fair value through other comprehensive income	886	955
Held for trading	69	199
	977	**1,164**

All interest-bearing securities are non-government, except for EUR 64 million, and are issued by third parties.

in EUR millions	2020	2019
Interest-bearing securities analysed by listing		
Listed	977	1,056
Unlisted	-	108
	977	**1,164**
Legal maturity analysis of interest-bearing securities		
Three months or less	91	153
Longer than three months but not longer than one year	76	735
Longer than one year but not longer than five years	706	139
Longer than five years	104	137
	977	**1,164**
Movement schedule of interest-bearing securities		
Balance at 1 January	**1,164**	**969**
Additions	371	3,193
Disposals	(555)	(3,015)
Gains/(losses) from changes in fair value recognised in the income statement	2	11
Other (including exchange rate differences)	(4)	6
Balance at 31 December	**977**	**1,164**

There were no subordinated loans outstanding in interest-bearing interests in 2020 and 2019.

As at 31 December 2020, interest-bearing interests from group companies amounted to nil (2019: EUR 108 million).

13 Loans and advances to customers

This item consists of loans and advances arising in the course of business operations, other than receivables from banks and interest-bearing securities.

in EUR millions	2020	2019
Amortised cost	5,742	5,591
Fair value through profit or loss	116	134
Group companies - amortised cost	13,038	13,039
	18,897	**18,764**
Legal maturity analysis of loans		
Three months or less	12,755	12,707
Longer than three months but not longer than one year	917	689
Longer than one year but not longer than five years	3,906	3,863
Longer than five years	1,318	1,505
	18,897	**18,764**
Movement schedule of loans		
Balance at 1 January	**18,764**	**18,292**
Additions	2,639	2,164
Disposals	(2,365)	(1,975)
Other (including exchange rate differences)	(142)	283
Balance at 31 December	**18,897**	**18,764**
Movement schedule of credit loss allowances on loans		
Balance at 1 January	**110**	**136**
Additional allowances	130	36
Write-offs / disposals	(108)	(59)
Amounts released	(4)	(5)
Unwinding of discount adjustment	(1)	(5)
Other (including exchange rate differences)	38	7
Balance at 31 December	**165**	**110**

The total amount of subordinated loans in this item amounted to EUR 46 million in 2020 (2019: EUR 84 million).

As a policy, NIBC does not provide loans to its key management personnel (see note 32).

14 Equity investments

in EUR millions	2020	2019
Fair value through profit or loss	33	29
	33	**29**
Movement schedule of equity investments		
Balance at 1 January	**29**	**32**
Additions	-	64
Disposals (sales and/or capital repayments)	(1)	(65)
Changes in fair value through income statement	5	(2)
Balance at 31 December	**33**	**29**

The traded equity investments have a maturity shorter than twelve months and the other equity investments longer than twelve months.

15 Derivative financial instruments

in EUR millions	2020	2019
Derivative financial assets		
Derivative financial assets used for hedge accounting	4	6
Derivative financial assets - other	788	788
	792	**794**
Derivative financial assets can be broken down as follows		
Derivative with third parties	494	482
Derivative with group companies	299	312
	792	**794**
Derivative financial liabilities		
Derivative financial liabilities used for hedge accounting	3	4
Derivative financial liabilities - other	135	283
	138	**287**
Derivative financial liabilities can be broken down as follows		
Derivative with third parties	78	225
Derivative with group companies	60	62
	138	**287**

Derivative financial assets and liabilities used for hedge accounting are derivatives designated in hedge accounting relationships as defined in IAS 39. The derivative financial assets and liabilities in the category 'other' are classified as held for trading.

Derivative financial assets used for hedge accounting are products that are settled to market.

The derivatives consist of:

- Interest rate swaps to hedge the interest rate risk of the mortgage portfolio;
- Interest rate swaps to transform fixed rate funding into floating rate funding;
- FX and cross-currency swaps to fund the non-euro loans to customers or to transform non-euro funding into euros;
- Client-driven derivative transactions;
- Limited money market trading.

Economically all these derivatives, with the exception of the limited proprietary trading .and client driven transactions, are used to hedge interest rate or FX risk. The limited proprietary trading is controlled by a small facilitating VaR limit of EUR 2.25 million. For further details see note 57 Market risk of the consolidated financial statements.

Derivatives used for hedging are asigned in a hedge accounting relationship and can be ineffective. Sources of ineffectiveness are the behaviour of the curve shift, the volatility of the basis spread over the curve and the distribution of cash flows of assets and liabilities compared to the hedging derivatives.

Derivative financial instruments used for hedge accounting at 31 December 2020

in EUR millions	Notional amount with remaining life of: Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
Derivatives accounted for as fair value hedges of interest rate risk						
OTC products:						
Interest rate swaps	-	11	6,361	6,372	1	3
Interest currency rate swaps	-	-	17	17	3	-
	-	**11**	**6,378**	**6,389**	**4**	**3**
Derivatives accounted for as cash flow hedges of interest rate risk						
OTC products:						
Interest rate swaps	-	-	111	111	-	-
	-	**-**	**111**	**111**	**-**	**-**
Total derivatives used for hedge accounting	**-**	**11**	**6,489**	**6,500**	**4**	**3**

Derivative financial instruments used for hedge accounting at 31 December 2019

in EUR millions	Notional amount with remaining life of: Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
Derivatives accounted for as fair value hedges of interest rate risk						
OTC products:						
Interest rate swaps	-	23	3,602	3,625	6	4
Interest currency rate swaps	-	-	17	17	-	-
	-	**23**	**3,619**	**3,642**	**6**	**4**
Derivatives accounted for as cash flow hedges of interest rate risk						
OTC products:						
Interest rate swaps	-	-	141	141	-	-
	-	**-**	**141**	**141**	**-**	**-**
Total derivatives used for hedge accounting	**-**	**23**	**3,760**	**3,783**	**6**	**4**

Derivative financial instruments- other at 31 December 2020

in EUR millions	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
Interest rate derivatives						
OTC products:						
Interest rate swaps	2,197	6,732	21,955	30,884	713	105
Interest rate options (purchase)	-	139	554	692	2	-
Interest rate options (sale)	-	125	568	693	-	1
	2,197	**6,996**	**23,077**	**32,269**	**715**	**106**
Derivatives accounted for as cash flow hedges of interest rate risk						
OTC products:						
Interest rate swaps	272	482	1,106	1,860	57	4
Currency/cross-currency swaps	154	-	-	154	1	5
	426	**482**	**1,106**	**2,014**	**58**	**9**
Other derivatives (including credit derivatives)						
OTC products:						
Credit default guarantees received	-	-	4	4	-	1
Other swaps	-	-	17	17	16	19
	-	**-**	**21**	**21**	**16**	**20**
Total derivatives - other	**2,623**	**7,478**	**24,203**	**34,304**	**788**	**135**

Derivative financial instruments- other at 31 December 2019

in EUR millions	Notional amount with remaining life of: Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
Interest rate derivatives						
OTC products:						
Interest rate swaps	1,449	5,066	25,279	31,794	765	142
Interest rate options (purchase)	-	68	623	691	1	-
Interest rate options (sale)	-	69	572	641	-	1
	1,449	**5,203**	**26,474**	**33,126**	**766**	**143**
Derivatives accounted for as cash flow hedges of interest rate risk						
OTC products:						
Interest rate swaps	209	898	987	2,094	3	114
Currency/cross-currency swaps	241	-	-	241	2	5
	450	**898**	**987**	**2,335**	**5**	**119**
Other derivatives (including credit derivatives)						
OTC products:						
Credit default guarantees received	-	-	4	4	-	1
Other swaps	-	-	53	53	17	20
	-	**-**	**57**	**57**	**17**	**21**
Total derivatives - other	**1,899**	**6,101**	**27,518**	**35,518**	**788**	**283**

Fair value hedges of interest rate risk

The interest rate risk of financial assets with a fixed interest rate classified at available-for-sale or at amortised costs are hedged with interest rate swaps under which NIBC pays a fixed rate and receives floating rates. Fair value hedge accounting is applied to these hedge relationships.

Interest rate swaps under which NIBC pays a floating rate and receives a fixed rate are used in fair value hedges of fixed-interest rate liabilities (as far as not held for trading purposes or designated at fair value through profit or loss).

The following table discloses the fair value of the swaps designated in fair value hedging relationships:

in EUR millions	2020	2019
Fair value pay - fixed swaps (hedging assets) | assets	-	-
Fair value pay - fixed swaps (hedging assets) | liabilities	(3)	(4)
	(3)	**(4)**
Fair value pay - floating swaps (hedging liabilities) | assets	4	5
Fair value pay - floating swaps (hedging liabilities) | liabilities	-	-
	4	**5**

The average remaining maturity (within which the related cash flows are expected to enter into the determination of profit and loss) is six years (2019: seven years).

16 Interests in group companies

in EUR millions	2020	2019
Interests in group companies	1,221	1,337
	1,221	**1,337**

Movement schedule of interests in group companies		
Balance at 1 January	**1,337**	**1,181**
Disposals	(223)	-
Revaluation	-	4
Results of group companies	98	152
Dividends received	10	-
Balance at 31 December	**1,221**	**1,337**

On 1 November 2020 the cross border legal merger between NIBC Bank Deutschland AG, the disappearing company of which the entire share capital was held by NIBC Bank N.V. Zweigniederlassung Frankfurt am Main and NIBC Bank N.V. the remaining or acquiring company took place. Until 1 November 2020 the 100% share interest in the AG was presented as interest in group companies on the company balance sheet of NIBC Bank N.V.. After that date the underlying assets and liabilities became apparent on the company balance sheet of NIBC Bank N.V.

List of principal interests of NIBC	
Parnib Holding N.V., The Hague	100%
Counting House B.V., The Hague	100%
B.V. NIBC Mortgage Backed Assets, The Hague	100%
NIBC Principal Investments B.V., The Hague	100%
NIBC Financing N.V., The Hague	100%

17 Investment property

in EUR millions	2020	2019
Investment property	14	14
	14	**14**

Movement schedule of investment property		
Balance at 1 January	**14**	**-**
Reclassification from property and equipment	-	12
Additions	1	2
Changes in fair value	(1)	-
Balance at 31 December	**14**	**14**

18 Property and equipment

in EUR millions	2020	2019
Land and buildings	17	20
Other fixed assets	2	3
Right-of-use assets	5	6
	24	**29**
Movement schedule of land and buildings		
Balance at 1 January	**20**	**27**
Reclassification to investment property	-	(11)
Additions	-	3
Revaluation	-	3
Depreciation	(2)	(2)
Impairments	(1)	-
Balance at 31 December	**17**	**20**
Gross carrying amount	62	63
Accumulated depreciation	(44)	(43)
	17	**20**
Movement schedule of revaluation surplus		
Balance at 1 January	**9**	**7**
Revaluation	-	3
Depreciation	-	(1)
Balance at 31 December	**9**	**9**
Movement schedule of other fixed assets		
Balance at 1 January	**3**	**1**
Revaluation	-	3
Depreciation	(1)	(1)
Balance at 31 December	**2**	**3**
Gross carrying amount	28	27
Accumulated depreciation	(27)	(24)
	2	**3**

in EUR millions	2020	2019
Right-of-use assets[1]		
Rented offices	5	6
	5	**6**
Movement schedule of right-of-use asset: offices		
Balance at 1 January	**6**	**4**
Additions	-	3
Depreciation	(2)	(1)
Balance at 31 December	**5**	**6**

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

Buildings in use by NIBC and the investment property are insured for EUR 93 million (2019: EUR 88 million).

There is no property and equipment pledged as security for liabilities.

There were no contractual commitments for the acquisition of property and equipment at 31 December 2020 and 31 December 2019.

NIBC's land and buildings in own use were revalued as of 31 December 2020 based on an external appraisal (a valuation is carried out every 6 months).

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

19 Other assets

This item relates to goods and warehouse receipts, current and deferred tax assets and assets that cannot be classified under any other heading.

in EUR millions	2020	2019
Current tax assets	-	4
Deferred tax assets	6	9
Accrued income and repayments	40	16
	46	**29**
Deferred tax assets	6	9
Deferred tax liabilities[1]	6	6
	1	**3**

1 Deferred tax liabilities are presented in note 23 Provisions.

in EUR millions	2020	2019
Deferred income tax assets, without taking into consideration the offsetting of balances within the same jurisdiction		
Property and equipment	2	-
Tax losses carried forward	4	9
	6	**9**
Deferred income tax liabilities, without taking into consideration the offsetting of balances within the same jurisdiction		
Debt investments	1	1
Cash flow hedges	4	5
	5	**6**
	1	**3**

in EUR millions	2020	2019
Gross movement on the deferred income tax account		
Balance at 1 January	**3**	**2**
Debt investments (reported at fair value through other comprehensive income)		
Fair value remeasurement charged/(credited) to revaluation reserve	-	(2)
Cash flow hedges		
Fair value remeasurement charged/(credited) to hedging reserve	-	2
Property and equipment (reported at fair value)		
Fair value remeasurement (charged)/credited to revaluation reserve	2	(1)
Tax losses carried forward	(4)	2
Balance at 31 December	**1**	**3**

The DTA is recognised to the extent that taxable profit will be available against which the temporary difference can be utilised.

The effective tax rate in the Netherlands for measuring deferred tax is 25% at year-end 2020 for tax losses carried forward. This change is due to the in 2020 enacted tax rate increase of the Dutch corporate income tax effective as per 2021 from 21.7% to 25%.

20 Due to other banks

This item represents amounts owed to credit institutions, other than debt securities and subordinated debt, of which:

in EUR millions	2020	2019
Due to other banks	312	277
Due to central banks	690	1,289
	1,002	**1,566**
Due to other banks:		
Payable on demand	38	196
Note payable on demand	965	1,370
	1,002	**1,566**
Legal maturity analysis of due to other banks:		
Three months or less	604	285
Longer than three months but not longer than one year	35	740
Longer than one year but not longer than five years	316	487
Longer than five years	48	54
	1,002	**1,566**

Interest is recognised in interest expense from financial instruments measured at AC on an effective interest basis.

At 31 December 2020, an amount of 123 EUR million (2019: EUR 61 million) related to cash collateral received from third parties.

According to management's best estimate achieving the conditions attached to the TLTRO-loans, especially achievement of the lending performance thresholds, during the term of the TLTRO-loans is considered remote at 31 December 2020. NIBC considers the applicable interest rates on the outstanding TLTRO II and TLTRO III loans to be comparable to rates on other secured funding instruments. Consequently, the drawings under the existing TLTRO-program are accounted for as financial instruments in line with IFRS 9.

As the original expected cash flows will remain unchanged there is no necessity to adjust the carrying amounts of the TLTRO-loans at 31 December 2020. The carrying amount of the TLTRO-loans (drawings under TLTRO II and TLTRO III with a fixed interest coupon of minus 40 basis points and minus 50 basis points), including the accrued interest receivable of EUR 7.5 million, is EUR 690 million at 31 December 2020. The legal maturity date of the current TLTRO-loans lies between March 2021 (TLTRO II) and June 2023 (TLTRO III), although there is a voluntary redemption option starting one year after the settlement date of the respective TLTRO participation.

Interest payments will be settled in arrears. The collateral for the TLTRO-program consists of DNB eligible debt investments and securitised mortgage loans. The interest rate, which is fixed for the entire maturity of the TLTRO II, was set in June 2018.

21 Customer deposits and other funds on deposit

This item consists of amounts due to customers other than debt securities in issue.

in EUR millions	2020	2019
Customer deposits and other funds on deposit	14,534	13,643
	14,534	**13,643**
Customer deposits and other funds on deposit		
Certificates of deposits	3,501	3,396
Due to customers	11,034	10,247
	14,534	**13,643**
Customer deposits and other funds on deposit		
Payable on demand	10,216	9,585
Not payable on demand	4,318	4,058
	14,534	**13,643**
Legal maturity analysis of deposits from customers and other funds on deposit		
Three months or less	11,225	10,250
Longer than three months but not longer than one year	1,527	1,572
Longer than one year but not longer than five years	1,201	1,371
Longer than five years	582	450
	14,534	**13,643**

Interest is recognised in interest expense and similar charges on an effective interest basis.

The balance sheet item included EUR 3,514 million (2019: EUR 3,867 million) in respect of deposits from customers to group companies.

The balance sheet item includes all non-subordinated liabilities other than debt securities and amounts owed to credit institutions.

22 Debt securities in issue

This item relates to non-subordinated bonds and other interest-bearing securities and fair value hedge accounting adjustments.

in EUR millions	2020	2019
Bonds and notes issued - amortised costs	5,922	6,271
Bonds and notes issued - through profit or loss	171	223
Fair value hedge adjustment on amortised cost bonds and notes issued	32	34
	6,125	**6,528**
Legal maturity analysis of debt securities in issue		
Three months or less	58	243
Longer than three months but not longer than one year	106	369
Longer than one year but not longer than five years	2,988	2,387
Longer than five years	2,972	3,529
	6,125	**6,528**

This item relates to non-subordinated bonds and other interest-bearing securities and fair value hedge accounting adjustments.

23 Provisions

in EUR millions	2020	2019
ECL allowances for off-balance sheet financial instruments	4	2
Restructuring provisions	-	9
Deferred tax liabilities[1]	6	6
Employee benefits	2	3
	11	**20**

1 Deferred tax assets and liabilities are disclosed in note 19 Other assets.

24 Other liabilities

This item includes liabilities that cannot be classified under any other heading, such as liabilities for staff costs and taxes.

in EUR millions	2020	2019
Accruals	20	11
Current tax liabilities	12	5
Payables	14	35
	47	**51**

25 Subordinated liabilities

in EUR millions	2020	2019
Amortised cost	113	117
Designated at fair value through profit or loss	165	167
	278	**284**
Legal maturity analysis of subordinated liabilities at amortised cost:		
One year or less	-	-
Longer than one year but not longer than five years	51	-
Longer than five years but not longer than ten years	12	63
Longer than ten years	50	54
	113	**117**

The subordinated loans classified at amortised cost are subordinated to the other liabilities of NIBC. With respect to the new CRR/CRDIV requirements regarding additional Tier 1 capital instruments, non-qualifying subordinated loans amounted to EUR 50 million (2019: EUR 54 million). Interest expense of EUR 4 million was recognised on subordinated liabilities at amortised cost during the year of 2020 (2019: EUR 5 million). In 2020 and 2019, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

The subordinated liabilities at amortised cost reflect three transactions (2019: three transactions), of which the largest three total EUR 113 million (2019 largest three: EUR 117 million).

Subordinated liabilities - designated at fair value through profit or loss

in EUR millions	2020	2019
Subordinated loans other	165	167
	165	**167**
Legal maturity analysis of subordinated liabilities designated at fair value through profit or loss:		
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 ten years	165	167
	165	**167**

The subordinated loans classified at fair value 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 6 million was recognised on subordinated liabilities at fair value through profit or loss during the year 2020 (2019: EUR 8 million). In 2019 and 2020, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

The subordinated liabilities at fair value through profit or loss reflect five transactions (2019: five transactions), of which the largest three total EUR 116 million (2019 largest three: EUR 118 million).

26 Equity

The ultimate company is NIBC Holding N.V., a company incorporated in the Netherlands (listed until 18 February 2021).

in EUR millions	2020	2019
Equity attributable to the shareholder		
Share capital	80	80
Share premium	238	238
Revaluation reserves		
Revaluation reserve - hedging instruments	13	16
Revaluation reserve - debt investments	3	3
Revaluation reserve - property	13	14
Revaluation reserve - own credit risk	89	87
Retained earnings including net profit	1,367	1,427
	1,803	**1,865**

Share capital

The share capital is fully paid-up.

	2020	2019	2020	2019
	Numbers x 1,000		in EUR millions	
Authorised share capital	183,598	183,598	215	215
Unissued share capital	121,011	121,011	135	135
Issued share capital A shares	**62,587**	**62,587**	**80**	**80**
	Numbers x 1,000		in EUR millions	
The number and total amounts of authorised shares				
Class A ordinary shares	110,938	110,938	142	142
Class B, C, D, E1 and E3 preference shares	72,600	72,600	73	73
Class E4 preference shares	60	60	-	-
	183,598	**183,598**	**215**	**215**

in EUR	2020	2019
Classes and par values of authorised shares		
Class A ordinary shares	1.28	1.28
Class B, C, D, E1 and E3 preference shares	1.00	1.00
Class E4 preference shares	5.00	5.00

Share premium

This reserve comprises the difference between the par value of NIBC shares and the total amount received for issued shares. The share premium reserve is credited for equity-related expenses and is also used for issued shares.

Revaluation reserves

Revaluation reserve - hedging revaluation

This reserve comprises the portion of the gains or losses on hedging instruments in a cash flow hedge that is determined to be an effective hedge (net of tax).

Revaluation reserve - debt investments

This reserve comprises changes in fair value of debt investments (net of tax).

Revaluation reserve - property

This reserve comprises changes in fair value of land and buildings (net of tax).

Revaluation reserve - own credit risk

This reserve includes the cumulative changes in the fair value of the financial liabilities designated as at FVtPL that are attributable to changes in the credit risk of these liabilities other than those recognised in profit or loss (net of tax).

Retained earnings

Retained earnings reflect accumulated earnings less dividends paid to shareholders and transfers from share premium.

Dividend restrictions

NIBC and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital, and reserves required by law. Additionally, certain Bank companies are subject to restrictions on the amount of funds they may transfer in the form of dividend or otherwise to the parent company.

Changes in share premium and revaluation reserves 2020

		Revaluation reserves				
in EUR millions	Share premium	Hedging revaluation	Debt investments	Property	Own credit risk	Total
Balance at 1 January 2020	**238**	**16**	**3**	**14**	**87**	**358**
Net result on hedging instruments	-	(3)	-	-	-	(3)
Revaluation/remeasurement (net of tax)	-	-	1	(1)	2	2
Total recognised directly through other comprehensive income in equity	**238**	**13**	**4**	**13**	**89**	**356**
Transfer to retained earnings	-	-	-	-	-	-
Balance at 31 December 2020	**238**	**13**	**4**	**13**	**89**	**356**

Changes in share premium and revaluation reserves 2019

in EUR millions	Share premium	Revaluation reserves: Hedging revaluation	Debt investments	Property	Own credit risk	Total
Balance at 1 January 2019	**238**	**20**	**(2)**	**8**	**96**	**360**
Net result on hedging instruments	-	(4)	-	-	-	(4)
Revaluation/remeasurement (net of tax)	-	-	5	6	(9)	2
Total recognised directly through other comprehensive income in equity	**238**	**16**	**3**	**14**	**87**	**358**
Transfer to retained earnings	-	-	-	-	-	-
Balance at 31 December 2019	**238**	**16**	**3**	**14**	**87**	**358**

Information on NIBC's solvency ratios is included in the risk management section of this Annual Report.

Legal reserves

This concerns the reserve for unrealised fair value changes on certain non-listed trading assets, derivatives related to these non-listed trading assets and on associates at fair value through profit or loss .

Including the revaluation and hedging reserves, total legal reserves at 31 December 2020 amount to EUR 40 million (31 December 2019: EUR 35 million, including a legal reserve result participations of EUR 1 million).

27 Capital securities

For a specification of the capital securities, see note 44 of the consolidated financial statements.

28 Commitments and contingent assets and liabilities

At any time, NIBC has outstanding commitments to extend credit. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months. Commitments extended to customers related to mortgages at fixed-interest rates or fixed spreads are hedged with interest rate swaps recorded at fair value. These commitments are designated upon initial recognition 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	2020	2019
Contract amount		
Undrawn facilities and capital commitments	1,335	1,519
Guarantees and letters of credit	66	102
	1,402	**1,621**

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

Details of concentrations of credit risk including concentrations of credit risk arising from commitments and contingent liabilities as well as NIBC's policies for collateral for loans are set out in note 48 of the consolidated financial statements.

Guarantees within the meaning of Section 403 Title 9 of Book 2, of the Netherlands Civil Code have been given on behalf of De Nationale Maatschappij voor Industriële Financieringen B.V., Parnib Holding N.V. and B.V. NIBC Mortgage Backed Assets. A complete list of the companies on behalf of which NIBC has given guarantees within the meaning of Section 403 Title 9 of Book 2, of the Netherlands Civil Code has been filed with the Chamber of Commerce in The Hague.

29 Other

NIBC is, together with other group companies and participating interests, a member of one fiscal entity NIBC Holding N.V. Besides NIBC Bank N.V. and NIBC Holding N.V., the principal other members are B.V. NIBC Mortgage Backed Assets, Parnib Holding N.V., Vredezicht 's-Gravenhage 110 B.V. and NIBC Principal Investments Mezzanine B.V.

30 Assets pledged as security

For a specification of the assets pledged as security, please see note 49 of the consolidated financial statements.

31 Assets under management

NIBC provides collateral management services, whereby it holds and manages assets or invests funds received in various financial instruments on behalf of the customer. NIBC receives fee income for providing these services. Assets under management are not recognised in the consolidated balance sheet. NIBC is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

At 31 December 2020, the total assets held by NIBC on behalf of customers were EUR 8,619 million (2019: EUR 5,091 million).

32 Related party transactions

For a specification of the related party transactions, see note 51 of the consolidated financial statements.

33 Principal subsidiaries and associates

For a specification of the principal subsidiaries and associates, see note 52 of the consolidated financial statements.

34 Financial risk management

See notes 55 to 58 of the consolidated financial statements, for NIBC's risk management policies.

35 Remuneration

For the remuneration of the Statutory Board members and Supervisory Board members, see notes 9 and 54 of the consolidated financial statements.

At 31 December 2020 and 31 December 2019, there were no receivables outstanding with current and former members of the Statutory Board and Supervisory Board.

36 Profit appropriation

in EUR millions	2020	2019
Result available for distribution to holders of the company	61	202
	61	**202**
Final and interim dividend	109	190
Holders of capital securities	12	12
Transferred from retained earnings	(60)	-
	61	**202**

The Hague, 3 March 2021

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

Supervisory Board
Mr. D.M. Sluimers, *Chairman*
Ms. A.G.Z. Kemna, *Vice-Chairman*
Mr. Q. Abbas
Mr. N.D.E.D. El Gabbani
Mr J.J.M. Kremers
Ms. S.M. Zijderveld

OTHER INFORMATION

Building a better working world

Independent auditor's report

To: the Shareholders and Supervisory Board of NIBC Bank N.V.

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of NIBC Bank N.V. (hereinafter: NIBC Bank, the group or the bank), based in The Hague. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of NIBC Bank as at 31 December 2020 and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of NIBC Bank as at 31 December 2020 and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2020
- The following statements for the year ended 31 December 2020: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2020
- The company income statement for the year ended 31 December 2020
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of NIBC Bank N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Our understanding of the business

NIBC Bank provides a broad range of financial services to retail and corporate clients. The group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In 2020 and 2021 up until completion of our audit, we were required to perform our procedures to a greater extent remotely due to the COVID-19 measures. This limits our observation and increases the risk of missing certain signals. In order to compensate for the limitations related to physical presence and direct observation, we performed alternative procedures to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	EUR 12 million (2019: EUR 12 million)
Benchmark applied	0.6% of total equity (2019: 5% of profit before tax)
Explanation	Based on our professional judgment, a benchmark of 0.6% of total equity is an appropriate quantitative indicator of materiality as it best reflects the focus of users of the financial statements on the financial position of NIBC Bank. Last year's materiality was based on profit before tax. Due to the impact of the COVID-19 pandemic on the profit for the year ended 31 December 2020, we considered profit before tax not to be an appropriate benchmark for 2020.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 0.6 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

NIBC Bank is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of NIBC Bank. The bank has structured its banking activities in three operating segments: Corporate client offering, Retail client offering and Treasury and Group Functions. Corporate client offering is focused on mid-sized companies and entrepreneurs in the Netherlands, Germany and the United Kingdom. Retail client savings products are offered in the Netherlands, Germany and Belgium, and mortgage loans are offered in the Netherlands.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We assigned a full scope to the banking activities focusing on the three segments mentioned above which are managed centrally and audited by the group audit team.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming, use of specialists

We ensured that the audit team included the appropriate skills and competences which is needed for the audit of a bank. We included specialists in the areas of IT audit, forensics, tax, credit risk modelling, macroeconomic forecasting, regulatory reporting and have made use of our own experts in the areas of valuation of derivatives and financial investments and private equity.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the group and its environment, including the group's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances in close co-operation with our forensic specialists. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the bank's internal control.

Building a better working world

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, and risk management) and the Supervisory Board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud and misappropriation of assets.

In our process of identifying fraud risks, we considered whether the COVID-19 pandemic gives rise to specific fraud risk factors resulting from management overrides and workarounds for internal control or reporting procedures, management being under pressure to meet financial targets, to demonstrate that the actions to limit exposure to losses have been successful, or to meet certain key performance measures. Conversely, we also consider whether management has over-provided in their expected credit losses in the current period when expecting poor results with a view to release excess provisions in future periods. We refer to the key audit matter "Credit losses on corporate and mortgage loans" below for our procedures performed and observations over the fraud risk factors associated to the impact of COVID-19 pandemic.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in Critical Accounting Estimates and Judgments- section in the financial statements. We have also used data analysis to identify and address high-risk journal entries. Our audit procedures to address the assessed fraud risks did not result in a key audit matter.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we re-evaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the Management Board specifically about the procedures management performs to be compliant with the banking regulation, reading minutes, inspection of internal audit and compliance reports, inspection of communication with external regulators, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting. Management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next twelve months.

We discussed and evaluated the assessment with management exercising professional judgment and maintaining professional skepticism, and specifically focusing on the process followed by management to make the assessment, management bias that could represent a risk, the impact of current events and conditions have on the company's operations and forecasted cash flows, with a focus on whether the company will have sufficient liquidity to continue to meet its obligations as they fall due. We reviewed the budget and liquidity forecasts prepared by management, evaluated capital ratios as disclosed within the financial statements. We also inspected board and committee meeting minutes, outcome of the Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process.

We consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matters did not change.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Credit losses on corporate and mortgage loans	
Risk	At 31 December 2020, NIBC Bank reported Loans (amortised cost) of EUR 6,309 million (2019: EUR 7,636 million), net of credit loss allowances of EUR 158 million (2019: EUR 152 million) for expected credit losses (hereinafter: ECL). The (securitised) mortgages loans amount to EUR 10,245 million (2019: EUR 10,044 million) net of credit loss allowances of EUR 11 million (2019: EUR 3 million). The impairment allowance represents the bank's best estimate of ECL on the loans at the balance sheet date. The ECL of stage 1 and stage 2 loans is calculated collectively. The ECL of stage 3 loans is assessed individually.

EY Building a better working world

Credit losses on corporate and mortgage loans	
	Management's judgements and estimates are especially subjective due to significant uncertainty associated with the assumptions used. Uncertainty associated with COVID-19 and its implications on default and recovery assumptions and the impact of government intervention has increased the level of judgement required to calculate ECL. Management's estimates in respect of the timing and measurement of ECL which required significant judgement include: ▶ Allocation of loans to stage 1, 2, or 3 using criteria in accordance with IFRS 9, including the impact of COVID-19 pandemic and related support measures on customer behaviors and the identification of underlying significant deterioration in credit risk ▶ Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL, including the economic impact of COVID-19 on model performance ▶ Inputs and assumptions used to estimate the impact of multiple economic scenarios particularly those impacted by COVID-19 ▶ Appropriateness, completeness and valuation of model adjustments including any COVID-19 specific adjustments ▶ Measurement of individual provisions including the assessment of multiple scenarios and impact of COVID-19 ▶ The completeness, presentation and preparation of disclosures considering the key judgments and sources of data As the loans (amortised cost), (securitised) mortgage loans and the associated credit loss expense are material to the bank's balance sheet and income statement and due to the high estimation uncertainty on the loan impairment allowance, we consider this a key audit matter. *Reference is made to section Impact of COVID-19 pandemic and accounting policies for Expected credit* losses (ECL) as well as Note 13 Impairments of financial and non-financial assets, Note 23 Loans (amortised cost), Note 25 Mortgage loans (amortised cost) and Note 26 "Securitised mortgage loans (amortised cost).
Our audit approach	Our audit procedures included, amongst others, assessing the appropriateness of NIBC Bank's accounting policies related to expected credit losses according to IFRS 9 "Financial Instruments". In addition, we evaluated the design and implementation and, where considered appropriate, tested the operating effectiveness of internal controls across the processes relevant to the ECL. This included the allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, collective and individual provisions, journal entries and disclosures. We performed an overall assessment of the ECL provision levels by stage to determine if they are reasonable considering NIBC Bank's portfolio, risk profile and credit risk management practices. We performed an assessment of the impact of the COVID-19 pandemic on a sample of credit files, on the identification of high-risk sectors and macroeconomic environment. We considered trends in the economy and industries to which NIBC Bank is exposed.

Credit losses on corporate and mortgage loans	
	We reviewed the back-testing procedures to confirm that the criteria used to allocate a financial asset to stage 1, 2 or 3 are in accordance with IFRS 9. We reperformed the allocation of assets in stage 1, 2 and 3 to assess if they were allocated to the appropriate stage. For collectively assessed loan impairment allowances, we tested assumptions, inputs and formulas used in a sample of ECL models with the support of our modelling specialists. This included the appropriateness of model design and formulas used and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models. We tested material in-model adjustments including those which have been applied in response to COVID-19. With our modelling specialists, we assessed the completeness of these adjustments and their appropriateness by considering the data, judgments, methodology, sensitivities, and governance of these adjustments as well as considering model shortcomings. Further, we assessed the selected macro-economic scenarios used with the support of our economic specialists. We considered the latest developments related to COVID-19 pandemic and assessed whether forecasted macroeconomic variables were appropriate, such as GDP, oil price and house price index. With the support of our modelling specialists we assessed the correlation and the overall impact of the macroeconomic factors to the ECL. For individually assessed loan impairment allowances, we reconciled the allowances to the approved loan impairment allowances from NIBC Bank's Transaction Committee and we examined a selection of loan exposures to assess the expected credit loss provision for stage 3 loans. We applied professional judgment in selecting those exposures for our detailed inspection, placing an emphasis on exposures with low coverage ratios. For selected loan exposures we recalculated individually assessed provisions and challenged the recovery scenarios and probability weights assigned. We tested the management overlays applied as a result of COVID-19. We assessed the completeness of these adjustments and their appropriateness by considering the data, judgments, methodology, sensitivities, and governance. We tested the data flows used to populate the disclosures and assessed the adequacy of disclosures for compliance with the accounting standards including expectations of COVID-19 specific disclosures.
Key observations	We are satisfied that provisions for the impairment of loans were reasonable and recognized in accordance with IFRS 9. We concur with the related disclosures in the financial statements.

EY
Building a better working world

Reliability and continuity of the information technology and systems	
Risk	NIBC Bank is highly dependent on the reliability and the continuity of information technology due to the significant number of transactions that are processed daily and the reliance on IT applications to support initiation through reporting of those transactions. An adequate IT infrastructure ensures the reliability and continuity of the bank's business processes and accuracy of financial reporting. As the reliability and continuity of the IT systems may have an impact on automated data processing and given the pervasive nature of IT general controls on the internal control environment, we consider this a key audit matter.
Our audit approach	We obtained an understanding of the IT organization and developments in the IT infrastructure to analyze the impact on the bank's processes. We assessed the impact of changes during the year on the IT systems and IT infrastructure. During the planning and test of design phases of our audit, we performed procedures to assess the cybersecurity program within NIBC Bank and how management evaluates cyber risks and to determine whether the ongoing global COVID-19 pandemic had caused material changes in IT processes or controls and noted no such changes that would result in an increased IT risk. We tested the design and operating effectiveness of IT general controls related to user access management and change management across applications, databases and operating systems. We tested application controls over automated data processing, data feeds and interfaces when relevant for financial reporting. A particular area of attention is related to logical access management, including access rights and segregation of duties. We evaluated the impact of changes during the year following the replacement of the identity and access management tooling. We tested logical access rights to the extent relied upon for the audit of the financial statements. This resulted in the identification of certain control deficiencies with respect to access rights. We performed procedures over management's remediation activities and we performed additional substantive audit procedures to mitigate the related audit risk. We assessed the reliability and continuity of automated data processing only to the extent necessary within the scope of the audit of the financial statements.
Key observations	For the audit of the financial statements we found the reliability and continuity of the information technology adequate.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board report, consisting of At a glance, Key figures the Report of the Managing Board, Corporate Governance and the In Control Report
- Report of the Supervisory Board
- Remuneration report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- Other information, including Letter from the CEO, Alternative Performance Measures, Corporate responsibility reporting scope, Definitions for the non-financial key figures and Abbreviations

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of NIBC Bank N.V. on 10 April 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The *Our audit approach* section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.
In this respect we also submit an additional report to the Audit Committee of the Supervisory Board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 3 March 2021

Ernst & Young Accountants LLP

signed by N.Z.A. Ahmed-Karim

PROFIT APPROPRIATION

The provision and appropriation of the profit after tax is based upon the Articles of Association of 30 December 2020.

Distribution of profits pursuant to Article 41 and 42 of the Articles of Association shall be made following the adoption of the annual report, which shows that such distribution is allowed.

The General Meeting resolves whether dividends shall be paid on one or more series of the preference shares. If the General Meeting resolves to pay dividends on one or more series of the preference shares, to the extent possible, the dividend due to each of the holders of preference shares pursuant to Article 41 paragraph 3 and paragraph 4 shall be paid at times and dates established under Article 42 paragraph 2 under b.

ALTERNATIVE PERFORMANCE MEASURES

NIBC uses, throughout its financial publications, *Alternative Performance Measures* (**APMs**) in addition to the figures that are prepared in accordance with the IFRS, CRR and CRD IV. NIBC uses APMs to provide additional information to investors and to enhance the understanding of the results. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to IFRS, CRR and CRD IV. All measures that are covered by IFRS, CRR and CRD IV are not considered to be APMs.

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

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

NIBC's most recent financial publications at any time are available online at our website.

Dividend pay-out ratio

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

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

Dividend pay-out ratio	2020	2019	2018
Dividend pay-out 2020	49		
Profit after tax 2020	49		
Dividend pay-out ratio 2020 (%)	**100**		
Dividend pay-out 2019 (page 35 annual report NIBC Bank N.V.)		190	
Profit after tax 2019 (page 134 annual report NIBC Bank N.V.)		190	
Dividend pay-out ratio 2019 (%)		**100**	
Dividend pay-out 2018 (page 33 annual report NIBC Bank N.V.)			229
Profit after tax 2018 (page 108 annual report NIBC Bank N.V.)			229
Dividend pay-out ratio 2018 (%)			**100**

Cost/income ratio

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

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

Cost/Income ratio	2020	2019	2018
Operating expenses 2020	210		
Operating income 2020	407		
Cost/income ratio 2020 (%)	**52**		
Operating expenses 2019 (page 134 annual report NIBC Bank N.V.)		229	
Operating income 2019 (page 134 annual report NIBC Bank N.V.)		524	
Cost/income ratio 2019 (%)		**44**	
Operating expenses 2018 (page 106 annual report NIBC Bank N.V.)			224
Operating income 2018 (page 106 annual report NIBC Bank N.V.)			550
Cost/income ratio 2018 (%)			**41**

Return on equity

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

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

Return on equity	2020	2019	2018
Net profit attributable to parent shareholder	49		
Total shareholder's equity at the start of financial year	1,756		
Return on equity 2020 (%)	**2.8**		
Net profit attributable to parent shareholder (page 134 annual report NIBC Bank N.V.)		190	
Total shareholder's equity at the start of financial year (page 138 annual report NIBC Bank N.V.)		1,858	
Return on equity 2019 (%)		**10.2**	
Net profit attributable to parent shareholder (page 106 annual report NIBC Bank N.V.)			229
Total shareholder's equity at the start of financial year (page 110 annual report NIBC Bank N.V.)			1,740
Return on equity 2018 (%)			**13.2**

Return on assets

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

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

Return on assets	2020	2019	2018
Net profit attributable to parent shareholder	49		
Total assets at the beginning of the financial year	22,407		
Return on assets 2020 (%)	**0.22**		
Net profit attributable to parent shareholder (page 134 annual report NIBC Bank N.V.)		190	
Total assets at the beginning of the financial year (page 136 annual report NIBC Bank N.V.)		21,716	
Return on assets 2019 (%)		**0.9**	
Net profit attributable to parent shareholder (page 106 annual report NIBC Bank N.V.)			217
Total assets at the beginning of the financial year (page 108 annual report NIBC Bank N.V.)			21,884
Return on assets 2018 (%)			**0.99**

Cost of risk (on average RWA)

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

$$\textbf{Cost of Risk} = \frac{\textbf{Annualised impairments and the credit losses on fair value residential mortgages and loans (as part of net trading income)}}{\textbf{Average risk weighted assets (Basel III regulations)}}$$

Cost of risk (on average RWA)	2020	2019	2018
Credit losses on AC loans	134		
Credit losses FVTPL loans	10		
Total credit losses	144		
Risk-weighted assets 2020	7,640		
Risk-weighted assets 2019	8,597		
Average risk-weighted assets 2020	8,118		
Cost of risk 2020 (%)	**1.77**		
Credit losses on AC loans (page 134 annual report NIBC Bank N.V.)		49	
Credit losses FVTPL loans		3	
Total credit losses		52	
Risk-weighted assets 2019 (page 13 annual report NIBC Bank N.V.)		8,597	
Risk-weighted assets 2018 (page 13 annual report NIBC Bank N.V.)		7,723	
Average risk-weighted assets 2019		8,160	
Cost of risk 2019 (%)		**0.64**	
Credit losses on AC loans (page 31 annual report NIBC Bank N.V.)			54
Credit losses FVTPL loans			5
Total credit losses			59
Risk-weighted assets 2018 (page 10 annual report NIBC Bank N.V.)			7,723
Risk-weighted assets 2017 (page 10 annual report NIBC Bank N.V.)			8,546
Average risk-weighted assets 2018			8,135
Cost of risk 2018 (%)			**0.72**

Impairment ratio

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

$$\textbf{Impairment ratio} = \frac{\textbf{Annualised impairment expenses}}{\textbf{Average financial assets regarding loans and residential mortgages}}$$

Impairment ratio	2020	2019	2018
Credit losses on amortised cost loans and mortgage loans	134		
Average financial assets at amortised cost: loans[1]	6,993		
Average financial assets at amortised cost: mortgage loans[1]	10,144		
Average financial assets regarding loans and mortgage loans (total)	**17,138**		
Impairment ratio 20202 (%)	**0.78**		
Credit losses on amortised cost loans and mortgage loans (page 134 annual report NIBC Bank N.V.)		49	
Average financial assets at amortised cost: loans (page 136 annual report NIBC Bank N.V.)[1]		7,716	
Average financial assets at amortised cost: mortgage loans (page 136 annual report NIBC Bank N.V.)[1]		9,748	
Average financial assets regarding loans and mortgage loans (total)		17,463	
Impairment ratio 2019 (%)		**0.28**	
Credit losses on amortised cost loans and mortgage loans (page 106 annual report NIBC Bank N.V.)			54
Average financial assets at amortised cost: loans (page 108 annual report NIBC Bank N.V.)			7,796
Average financial assets at amortised cost: mortgage loans (page 108 annual report NIBC Bank N.V.)			9,220
Average financial assets regarding loans and mortgage loans (total)			**17,016**
Impairment ratio 2018 (%)			**0.32**

1 Loans and residential mortgages are represented post IFRS 9 implementation

Non-Performing Loans ratio

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

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

NPL ratio	2020	2019	2018
Non performing exposure corporate loans 2020	307		
Non performing exposure lease exposure 2020	31		
Non performing exposure mortgage loans 2020	19		
Non performing exposure 2020	356		
Total corporate loans drawn and undrawn 2020	7,235		
Total lease exposure 2020	31		
Total retail client assets 2020	9,860		
Total exposure 2019	17,126		
NPL ratio 2020 (%)	**2.1**		
Non performing exposure corporate loans 2019 (page 66 annual report NIBC Bank N.V.)		423	
Non performing exposure lease exposure 2019 (page 66 annual report NIBC Bank N.V.)		30	
Non performing exposure mortgage loans 2019 (page 66 annual report NIBC Bank N.V.)		10	
Non performing exposure 2019		464	
Total corporate loans drawn and undrawn 2019 (page 12 annual report NIBC Bank N.V.)		9,076	
Total lease exposure (page 12 annual report NIBC Bank N.V.)		35	
Total retail client assets 2019 (page 12 annual report NIBC Bank N.V.)		9,795	
Total exposure 2019		18,906	
NPL ratio 2019 (%)		**2.5**	
Non performing exposure corporate loans 2018 (page 57 Annual report NIBC Bank N.V.)			503
Non performing exposure mortgage loans 2018 (page 57 Annual report NIBC Bank N.V.)			20
Non performing exposure 2018			523
Total corporate loans drawn and undrawn 2018 (page 10 Annual report NIBC Bank N.V.)			9,705
Total retail client assets 2018 (page 10 Annual report NIBC Bank N.V.)			9,275
Total exposure 2018			18,980
NPL ratio 2018 (%)			**3**

Impairment coverage ratio

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

$$\text{Impairment coverage ratio} = \frac{\text{Total impairments on corporate and retail loans}}{\text{Total exposure of impaired corporate and retail loans}}$$

Impairment coverage ratio	2020	2019	2018
Balance stage 3 credit losses on loans (loans, leases and mortgages)	130		
Total stage 3 credit impaired exposure 2020	356		
Impairment coverage ratio 2020 (%)	**37**		
Balance stage 3 credit losses on loans		140	
Total stage 3 credit impaired exposure 2019 (page 66 annual report NIBC Bank N.V.)		418	
Impairment coverage ratio 2019 (%)		**33**	
Balance stage 3 credit losses on loans (page 181 annual report NIBC Bank N.V.)			139
Total stage 3 credit impaired exposure 2018 (page 57 annual report NIBC Bank N.V.)			446
Impairment coverage ratio 2018 (%)			**31**

Loan-to-deposit ratio

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

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

Loan to deposit ratio	2020	2019	2018
Financial assets at amortised cost: loans	6,326		
Financial assets at amortised cost: residential mortgages	9,902		
Financial assets at amortised cost: securitised residential mortgages	343		
Financial assets at fair value through profit or loss: loans	130		
Financial assets regarding loans and residential mortgages (total)	16,700		
Deposits from customers	**11,137**		
Loan to deposit ratio 2020 (%)	**150%**		
Financial assets at amortised cost: loans (page 136 annual report NIBC Bank N.V.)		7,661	
Financial assets at amortised cost: residential mortgages (page 136 annual report NIBC Bank N.V.)		9,637	
Financial assets at amortised cost: securitised residential mortgages (page 136 annual report NIBC Bank N.V.)		407	
Financial assets at fair value through profit or loss: loans (page 136 annual report NIBC Bank N.V.)		142	
Financial assets regarding loans and residential mortgages (total)		**17,848**	
Deposits from customers (page 137 annual report NIBC Bank N.V.)		**11,397**	
Loan to deposit ratio 2019 (%)		**157**	
Financial assets at amortised cost: loans (page 108 annual report NIBC Bank N.V.)			7,770
Financial assets at amortised cost: residential mortgages (page 108 annual report NIBC Bank N.V.)			8,990
Financial assets at available for sale: loans (page 108 annual report NIBC Bank N.V.)			461
Financial assets at fair value through profit or loss: loans (page 108 annual report NIBC Bank N.V.)			148
Financial assets regarding loans and residential mortgages (total)			**17,369**
Deposits from customers (page 109 annual report NIBC Bank N.V.)			**11,267**
Loan to deposit ratio 2018 (%)			**154**
Financial assets at amortised cost: loans (page 110 annual report NIBC Bank N.V.)			

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.

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

Net interest margin	2020	2019	2018
Sum interest income last 12 Months	386		
12 Month average interest bearing assets	21,321		
Net interest margin 2020 (%)	**1.81**		
Sum interest income last 12 Months 2019 (page 134 annual report NIBC Bank N.V.)		417	
12 Month average interest bearing assets		20,916	
Net interest margin 2019 (%)		**1.99**	
Sum interest income last 12 Months 2018 (page 106 annual report NIBC Bank N.V.)			432
12 Month average interest bearing assets			20,528
Net interest margin 2018 (%)			**2.10**

CORPORATE RESPONSIBILITY REPORTING SCOPE

This Annual Report is an integrated report. We have chosen to combine all our financial, economic, social and environmental information into one document because all these factors are integral to NIBC's strategy and operations. By providing this additional information we aim to increase transparency for all of our stakeholders and to allow them to make a more informed assessment of NIBC and how we are creating and sustaining value.

The non-financial key figures for this report were confirmed by the departments that are responsible for the data. The reported non-financial key figures were reviewed by IA. IA confirmed that nothing has come to the attention that causes them to believe that the reported non-financial key figures for NIBC Bank N.V. are inadequately presented, in all material respects, in accordance with the reporting criteria.

Scope

Unless specified otherwise, this report includes figures and information for NIBC Bank N.V. (including all international offices and wholly-owned subsidiaries established by NIBC for our business purposes).

NIBC is a signatory to the UN Global Compact. The NIBC Bank N.V. Annual Report contains details of our progress as regards the 10 Global Compact principles.

Criteria

The contents of this Annual Report and the selection of non-financial key figures are based on the following criteria:

- Assessment of materiality. We report on NIBC's strategy and the elements that we have identified as most relevant for us as a company and for our stakeholders. Please see our Materiality Assessment report and materiality matrix for an overview of these elements;
- Legal and regulatory requirements. For NIBC, the principal regulatory requirements are contained in the Dutch Corporate Governance Code, the Dutch Banking Code and the Dutch Decree on disclosure of non-financial information (Besluit bekendmaking niet-financiële informatie), which came into effect on 24 March 2017 as part of the transposition into Dutch law of the EU *Non-Financial Reporting Directive* (**NFRD**) (2014/95/EU, OJEU 201 330). Please see the Corporate Governance[no target-node] sector for more details.

Accountability and reporting standards

NIBC follows the reporting criteria and guidelines of the latest Global Reporting Initiative (GRI) Standards. This report has been prepared in accordance with the GRI Standards: Core option. The GRI content index and glossary of definitions can be found in the appendices available on our website.

The methodology used for the calculation of indicators for 2020 is the same as for 2019 unless otherwise stated in the definitions for non-financial key figures.

Materiality Assessment

We engaged with our stakeholders to verify the focus of our sustainability strategy and materiality in reporting. This materiality assessment process and the outcomes are described here and form the basis for our Annual Report.

Stakeholder consultation confirmed the four most important aspects for stakeholders were financial performance, client satisfaction, climate change, and product responsibility. Given their importance to stakeholders, NIBC will focus on in these areas while continuing to prioritize our efforts across the other aspects which stakeholders found to be most material.

EU-DIRECTIVE NIBC BANK N.V. ANNUAL REPORT 2020

EU Directive 2014/95/EU

Non-financial & Diversity information

Topic	Sub topic	Chapter / Section
Business model	N.A.	■ NIBC's Value Chain ■ Business Review
Relevant social and personal matters (including product responsibility, client satisfaction, diversity, employee engagement)	A decription of the policies pursued, including due diligence	■ Vision and strategy ■ Business Review ■ Sustainability / Core Standards ■ Our people
	The outcome of those policies	■ Sustainability / Risks and Outcomes ■ Sustainability / Due diligence & monitoring ■ Our people/ Main indicators
	Principle risks in own operations and within value chain	■ Vision and strategy ■ Sustainability / Risks and Outcomes ■ Our people
	How risks are managed	■ Business Review ■ Sustainability / How we manage sustainability ■ Our people
	Non-Financial Key Performance indicators	■ At a glance ■ Key Figures ■ Our People / Main indicators
Relevant environmental matters (e.g.climate related impact)	A decription of the policies pursued, including due diligence	■ Sustainability / Core Standards ■ Risk Management / Climate risk ■ Sustainability / Due diligence & monitoring
	The outcome of those policies	■ Sustainability / Risks and Outcomes ■ Risk Management / Climate risk

Topic	Sub topic	Chapter / Section
	Principle risks in own operations and within value chain	■ Risk Management / Climate risk ■ Sustainability / Risks and Outcomes
	How risks are managed	■ Sustainability / How we manage sustainability ■ Risk Management / Climate risk
	Non-Financial Key Performance indicators	■ Sustainability / Risks and Outcomes
Relevant matters with respect for Human Rights	A decription of the policies pursued, including due diligence	■ Sustainability / Core Standards
	The outcome of those policies	■ Sustainability / Due diligence & monitoring ■ Sustainability / Performance
	Principle risks in own operations and within value chain	■ Sustainability / Risks and Outcomes
	How risks are managed	■ Sustainability / How we manage sustainability
	Non-Financial Key Performance indicators	■ Key Figures
Relevant matters with respect to anticorruption and bribery	A decription of the policies pursued, including due diligence	■ Risk Management/ Anti-fraud and anti-corruption
	The outcome of those policies	■ Vision and Strategy
	Principle risks in own operations and within value chain	■ Risk Management/ Anti-fraud and anti-corruption
	How risks are managed	■ Risk Management/ Anti-fraud and anti-corruption
	Non-Financial Key Performance indicators	■ Key Figures
Insight into diversity (managing board and supervisory board)	A decription of the policies pursued, including due diligence	■ Our people ■ Corporate Governance / Managing Board ■ Corporate Governance / Executive Committee
	Diversity targets	■ Our people ■ Corporate Governance / Managing Board ■ Corporate Governance / Executive Committee ■ Supervisory Board / Diversity and succession
	Description of how the policy is implemented	■ Our people ■ Corporate Governance / Managing Board

Topic	Sub topic	Chapter / Section
		■ Corporate Governance / Executive Committee
	Results of the diversity policy	■ Key Figures ■ Our people / main indicators ■ Corporate Governance / Managing Board ■ Corporate Governance / Executive Committee

DEFINITIONS FOR THE NON-FINANCIAL KEY FIGURES

The following definitions have been used for the Non Financial Key Figures presented in NIBC's annual report.

Net Promoter Score

Outcome of *Net Promoter Score* (**NPS**) survey with corporate lending and advisory clients, who executed a (lending) deal/deals with NIBC Corporate Banking during the reporting period, and for existing lending and advisory clients of NIBC.

Stakeholders view this as a material indicator of client satisfaction of our corporate lending and advisory clients as well as an indicator of stakeholder engagement.

The NPS methodology is a widely used methodology in which scores from 0 to 6 are classified as 'detractor', scores. 7 or 8 are classified as 'passive' and only those scores that are 9 or 10 are classified as 'promoters'. The result is calculated by the percentage of promoters minus the percentage of detractors, giving the NPS. The NPS can therefore range from -100% to +100%.

The NPS is measured over a 12 month period, from the 1st December to the 30th November each year. It takes place in four batches and each respondent weighs the same in the score. It is calculated over the corporate lending and advisory client base, where we are in direct contact with the client, excluding distressed asset clients, internal clients and certain legacy clients. In case of multiple deals for one client, the client is counted once. When the online survey is sent to multiple contact persons for a client, only the first response is included.

The total population of NIBC corporate clients in scope is 536 clients in the 12 month period. 382 clients fall within the definition described above and were surveyed, 99 responses were received. NIBC considers this to be representative of the total population. The online surveys are sent by a third party service provider, which transfers the raw results back to NIBC.

NIBC Direct Customer Satisfaction Score

The results of the latest, annual online *Customer Satisfaction Survey* (**CSS**) for the bank's retail clients, i.e. NIBC Direct Savings Netherlands (NL, including Mortgages), Belgium (BE) and Germany (GE, also including Brokerage clients), that was completed in the reporting period.

The digital surveys were conducted in November 2020 through a third party, using a random selection of NIBC's new and existing Dutch NIBC Direct Mortgage and Savings clients, Belgian NIBC Direct Savings clients and German NIBC Direct Savings and Brokerage clients. Clients were selected based amongst other criteria on country and product. The average scores per country and product are totaled and divided by the total number of clients in the population.

2020 score per product: Netherlands Mortgages 8.0; Netherlands Savings 7.9; Germany Savings 7.9; Germany Brokerage 7.9; Belgium Savings 8.1

Stakeholders view this as a material indicator of client satisfaction of our retail clients as well as an indicator of stakeholder engagement.

The population of NIBC Direct CSS was approx. 340.000 clients in November 2020, of which 30000 have been surveyed (10,000 per country), and around 2.550 responses were received.. NIBC considers this to be representative for the population.

Percentage of new Corporate loans screened against sustainability policy framework

New corporate deals which have been assessed for social and environmental risks during the reporting period. A deal may include one or more underlying facilities with different tenors as part of a deal or loan structure. Amendments to existing deals are excluded from this figure.

Stakeholders view this as a material indicator in regard to transparency. Sustainability impacts and good corporate governance are among the financial and non-financial aspects taken into consideration during NIBC's corporate client engagement and financing decision processes.

Screenings were performed by Corporate Banking account managers as part of NIBC's ongoing and mandatory due diligence process using a third party toolkit system.

Number of new clients/transactions with increased sustainability risk assessment

Number of new (potential) clients/transactions for which increased sustainability risks were identified using a third party toolkit assessment. This does not include monitoring of existing client files with sustainability risks nor clients for which a sustainability risk assessment has not (yet) been completed as the transaction is still in an early stage or was cancelled in an early stage.

Stakeholders view this as a material indicator of stakeholder engagement on potential sustainability issues.

In these situations, NIBC performs enhanced sustainability due diligence into potential material environmental, social, and governance aspects that are of potential concern.

Fines or sanctions for non-compliance with laws and regulations

Number of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations. The definition is limited to fines from a regulator. This excludes any pending claims and/or litigation. Significant: values of fine > EUR 10.000 (in line with category 2 and 3 fines of AFM).

Stakeholders view this as a material indicator of regulatory compliance and corporate governance of NIBC's own operations and day-to-day business.

NIBC includes non-punitive fines agreed as part of settlement of regular tax audits within its interpretation of the definition for this indicator.

Number of Full-Time Equivalents end of year

Number of FTEs of NIBC worldwide at the end of the year. Only employees on NIBC's payroll and having an 'internal' position are accounted for. NIBC Bank N.V. includes all its international offices, though excludes minor participations of the bank.

A FTE represents, per employee, the total number of contract hours per week related to the maximum number of contract hours per week (e.g. 40 hours). This maximum can differ per NIBC office (depending on local guidelines) and kind of job contract.

Male/female ratio

Percentage of number of male and female for NIBC worldwide, at the end of the year.

The number of males and females is based upon headcount as reported from NIBC's human resources information management system at the end of the year.

Stakeholders view this metric as a material indicator for gender diversity in the company. NIBC supports all types of diversity and aspires to further diversify its workplace.

Male/female ratio top management

Percentage of number of male and female for NIBC worldwide, at the end of the year. Top management consists of management with corporate title 'Director' or 'Managing Director'.

Stakeholders view this metric as a material indicator for gender diversity of top management.

Gender pay ratio

Ratio of the basic salary and remuneration of women to men for each employee category.

Training expenses per employee

Total of training and education expenses, incurred in the current year based on average headcount calculated by taking the headcount at the beginning and end of the year. For employees traveling for training, this includes travel costs and any related expenses.

Stakeholders view this metric as a material indicator of the bank's commitment to employee development and future employability.

Absenteeism

Absenteeism is the rolling average of the latest absenteeism percentage, annualized for NIBC's employees in The Netherlands. The absenteeism percentage is the number of workdays lost to absenteeism divided by the total number of available workdays, expressed as a percentage. In case of partial absenteeism, the absenteeism percentage only reflects the actual absenteeism (non-working hours). Maternity leave is not included in the figure.

Absenteeism rate may change as the year progresses due to previously unreported cases of absenteeism and/or confirmation of the employee's recovery.

Notifications of illness and recovery are submitted by NIBC to a 3rd party ARBO service organization. NIBC uses its 3rd party health & safety services organization to report on absenteeism figures. The absenteeism percentage relates to the absenteeism in the Netherlands only: absenteeism in Germany, Belgium and United Kingdom is not accounted for in this figure.

Employee turnover (employees started & left)

Employee turnover consists of inflow of new employees ('started') and outflow of existing employees ('left').

Started: The number of employees that joined NIBC worldwide throughout the current calendar year (hire date between 1-1-20 and 31-12-20), divided by total number of employees at the start of the year.

Left: The number of employees that left NIBC worldwide throughout the calendar year divided by the total number of employees at the start of the year.

Stakeholders view this metric as a material indicator of employee engagement of existing employees and further as an indicator of the bank's position as an attractive employer.

CONTACT INFORMATION

Our website, www.nibc.com, offers a wide range of information about NIBC, financial information, corporate information, corporate calendar, press releases and sustainability information. The information is available on our English, Dutch and German website. Financial information (annual reports, full-year and half-year results releases and trading updates) is available in English.
To receive press releases and other NIBC news, please subscribe to our e-mail service by sending an e-mail to info@nibc.com.

Questions and remarks

We invite all stakeholders to ask their questions and share their remarks.

- General questions and remarks can be addressed to Corporate Communications, telephone +31 70 342 56 25 / e-mail info@nibc.com;
- Questions and remarks related to bond investments can be addressed to Debt Investor Relations, Toine Teulings, telephone +31 70 342 98 36 / e-mail toine.teulings@nibc.com;
- Questions and remarks related to CSR can be addressed to the CSR department, e-mail csr@nibc.com;
- You can find NIBC's complaints procedures here. For NIBC Direct in the Netherlands you can find our complaints procedures here, for NIBC Direct Germany here, and for NIBC Direct Belgium you can find our complaints procedure here (Dutch) or here (French).

Offices

THE NETHERLANDS

NIBC Bank N.V. / NIBC Holding N.V.
Carnegieplein 4
2517 KJ The Hague, The Netherlands
P.O. Box 380
2501 BH The Hague, The Netherlands
Telephone +31 (0)70 3425425
Fax +31 (0)70 365 1071

GERMANY

NIBC Bank N.V.
Main Tower, Neue Mainzer Strasse 52
D-60311 Frankfurt am Main, Germany
Telephone +49 (0)69 5050 65 50
Fax +49 (0)69 5050 21 83

UNITED KINGDOM

NIBC Bank N.V.
26th Floor
99 Bishopsgate
London EC2M 3XD, United Kingdom
Telephone +44 (0)207 375 77 77

BELGIUM

NIBC Bank N.V.
Rue Royale 71
1000 Brussels, Belgium
Telephone +32 (0)2 235 88 03
Fax +32 (0)2 235 88 09

DISCLAIMER

Presentation of information

This annual report of NIBC Bank N.V. (**NIBC**) has been prepared in accordance with IFRS-EU and with Title 9 of Book 2 of the Netherlands Civil Code.

The Annual Report is presented in euros (EUR), rounded to the nearest million (unless otherwise stated). Certain figures may not tally due to rounding. Percentages have been calculated using unrounded figures.

Cautionary statement regarding forward-looking statements

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

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

ACKNOWLEDGEMENTS

Text by:
NIBC

Layout by:
KNOEFF COMMUNICATIE-ONTWERP, Amsterdam, The Netherlands

Cover illustration by:
Aart-Jan Venema

NIBC
Carnegieplein 4
2517 KJ The Hague
P.O. Box 380, 2501 BH The Hague
The Netherlands

Telephone: +31 70 3425425
Internet: www.nibc.com

Chamber of Commerce, no: 27032036.

ABBREVIATIONS

12M-ECL	12-month ECL
AC	Audit Committee
AC	Amortised Cost
AGM	Annual General Meeting of Shareholders
AIRB	Advanced Internal Ratings Based
ALCO	Asset & Liability Committee
ALM	Asset & Liability management
AML	Anti-money laundering
APM	Alternative Performance Measure
AT 1	Additional Tier 1
BKR	Bureau Krediet Registratie (Dutch National Credit Register)
BMR	Benchmark Regulation
BPV	Basis Point Value
BtL	But-to-let
CCDRs	Conditional Common Depositary Receipts
CCR	Counterparty Credit Rating
CCyB	Countercyclical Capital Buffer
CDC	Collective Defined Contribution
CDD	Client Due Dilligence
CDRs	Common Depositary Receipts
CEBS Guidlines	Committee of European Banking Supervisors Guidlines
CEO	Chief Executive Officer
CET 1	Common Equity Tier 1 ratio
CFO	Chief Financial Officer
CGUs	Cash-Generating Units
CRD IV	Credit Requirements Directive IV
CRE	Commercial Real Estate
CRO	Chief Risk Officer
CRR	Credit Requirements Regulation
CSA	Credit Support Annexes
CSR	Corporate Social Responsibility
CSS	Customer Satisfaction Survey
CTF	Counter Terrorist Financing
CVAs and DVAs	Credit Valuation Adjustments & Debit Valuation Adjustments
DNB	Dutch Central Bank
DRs	Depositary Receipt
DSCR	Debt Service Coverage Ratio
DTA	Deferred Tax Assets
EAD	Exposure at Default
EatR	Earnings at risk
EBA	European Banking Authority
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EC	Engagement Committee
EC	Economic Capital
ECB	European Central Bank
ECL	Expected Credit Loss
EL	Expected loss
EONIA	EuroOvernight Index Average
EPS	Earnings per share
ESF	Einlagensicherungsfonds
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ExCo	Executive Committee
FBC	Fraud, Bribery and Corruption
FMCR	Financial Markets Credit Risk
FTEs	Full-Time Equivalents
FVtPL	Fair value through profit or loss
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
IA	Internal Audit
IASB	International Accounting Standards Board
IBNR	Incurred But Not Reported
IC	Investment Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IFRS 9	IFRS 9 'Financial instruments'
IFRS-EU	International Financial Reporting Standards as adopted by the European Union
ILAAP	Internal Liquidity Adequacy Assessment Process
IMI	Internal Model Investigation
IPO	Initial public offering
IRBC	International Responsible Business Conduct
IRRBB	Interest Rate Risk in the Banking book
ISDA	International Swaps and Derivatives Association
KYC	Know Your Customer
KYS	Know Your Supplier
LCR	Liquidty Coverage Ratio
LFM	Leveraged Finance Markets
LGD	Loss Given Default
LT-ECL	Lifetime ECL
LTI	Loan-to-Income
LTIMV	Loan-to-Indexed-Market-Value
LTMV	Loan-to-Market Value
LtV	Loan-to-Value
M&A	Mergers and Acquisitions
MtM	Marked-to-Market value
NACE	Statistical Classification of Economic Activities in the European Community

NEIF	NIBC European Infrastructure Fund I C.V.
NHG Guarantee	National Mortgage Guarantee
NIBC	NIBC Bank N.V.
NIBC Holding Funds	Funds set up and managed by NIBC
NPL	Non-performing Loans
NPS	Net Promoter Score
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OTC	Over The Counter
OTM	Originate-to-Manage
PD	Probability of Default
PFE	Potential Future Exposure
PiT	Point-in-Time
POCI	Purchased or originated credit impaired assets
PSUs	Phantom Share Units
RAROC	Risk-adjusted return on capital
RC	Regulatory capital
RDA	Restructuring & Distressed Assets
RFR	Risk Free Rate
RMBS	Residential Mortgage-Backed Securities
RMC	Risk management committee
RNC	Remuneration and Nominating Committee
ROA	Return on Assets
ROE	Return on Equity
RPCC	Risk Policy & Compliance Committee
RPSUs	Restricted Phantom Share Units
RSRS	Responsible Ship Recycling Standards
RWA	Risk Weighted Assets
S&I	Shipping & Intermodal
S&P	Standard & Poor's
SDGs	Sustainable development goals
SE	Structured Entity
SICR	Significant increase in credit risk
SIRA	Systematic integrity risk analysis
SME	Small and medium-sized enterprise
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
SREP	Supervisory review and evaluation process
STAK	Stichting Administratiekantoor
STI	Short-Term Incentive
TC	Transaction Committee
TCFD	Taskforce for Climate-related Financial Disclosures
The Foundation	NIBC Holding
TLTRO II	Targeted Longer Term Refinancing Operation
TMT&S	Telecom, Media, Technology & Services
TPR	Temporary Permissions Regime
TTC	Through-the-cycle
UNGC	United Nations Global Compact
UNGP	UN Guiding Principles for Business and Human Rights
VaR	Value at Risk
Wbfo	Wet beloning financiële ondernemingen
WEW	Stichting Waarborgfonds Eigen Woningen (Social Housing Guarantee Fund)