CONDENSED INTERIM REPORT 2017
NIBC BANK N.V.

NIBC

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The financial information contained in this Condensed Report has been prepared according to the same accounting policies as our Financial Statements 2016, which were prepared in accordance with IFRS EU and drawn up and signed by the Managing Board on 7 March 2017.

The figures contained in this Condensed Report for the first half year of 2017 have been reviewed by our external auditor. Our external auditor has issued an unqualified review report on the Condensed Consolidated Interim Financial Statements for the first half year of 2017.

To provide a better understanding of the underlying results, the income statement presented in the 'Financial Performance' section of this Report differs from the one presented in the 'Condensed Consolidated Interim Financial Report' section. The differences relate to the treatment of non-financial companies controlled by NIBC and the treatment of 'special items' in 2016. These differences only affect the presentation of the income statement and not the bottom-line net profit figures. A reconciliation of the two presentations is provided in the segment report in the Condensed Consolidated Interim Financial Report section and a further explanation of the special items is included in the Financial Performance section of this Report.

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

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

The disclosed expected impact of IFRS 9 on NIBC has not been audited or reviewed by the external auditor.

For a download of this report or more information, we refer to:

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AT A GLANCE

WHO WE ARE

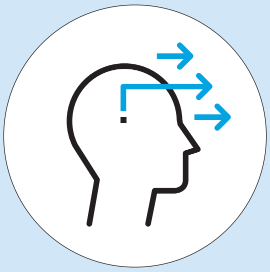
OUR HERITAGE

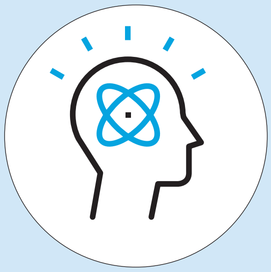
NIBC was founded in 1945 to finance the visionary entrepreneurs who helped rebuild the Netherlands after World War Two. Over time, we evolved from being a long-term lending bank to an enterprising bank offering advisory, financing and co-investing to our clients.

OUR PURPOSE

Making a difference
at decisive moments

OUR VALUES





Professional
Our in-depth sector knowledge, expert financial solutions and agile execution are the foundations of our success.

Entrepeneurial
We are a sound, enterprising bank focused on decisive moments in our clients' business and in life.

Inventive
We provide bespoke solutions and encourage our people to think creatively to meet clients' financial needs.

OUR BUSINESS MODEL

CORPORATE CLIENT OFFERING	RETAIL CLIENT OFFERING
TREASURY & ALM	
RISK MANAGEMENT / CORPORATE CENTER	

WHAT WE DO

CORPORATE CLIENT OFFERING

We offer advice and debt, mezzanine and equity financing solutions to entrepreneurs across select sectors and sub-sectors in which we have strong expertise and market positions among mid-sized businesses.

RETAIL CLIENT OFFERING

We offer residential mortgages, online savings and investment brokerage products. The mortgage offering includes value added products like buy-to-let and products tailored for self-employed entrepreneurs.

OUR STRATEGY

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

PROFESSIONAL

We focus on transactions at decisive moments for our corporate and retail clients such as company takeovers, expansion abroad or buying a house. This means we are also firmly focused on the future, and work hard to anticipate trends and the impact they could have on our clients and their needs.

ENTREPRENEURIAL

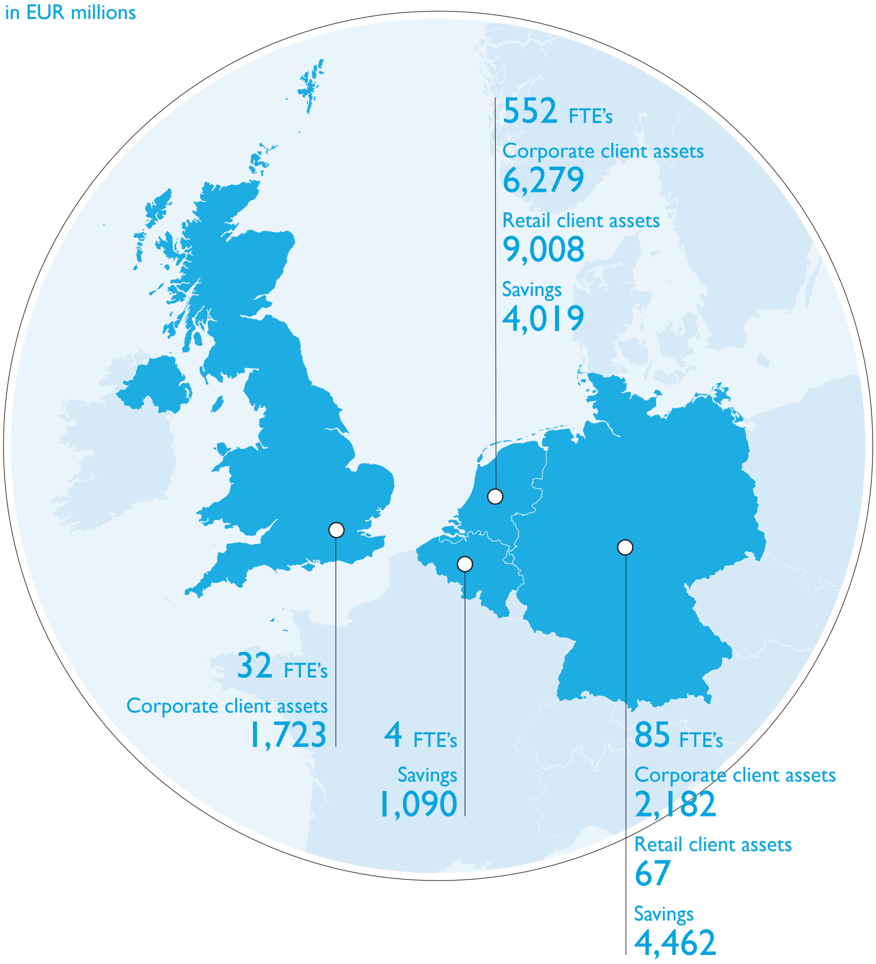
We nurture a culture that is professional, entrepreneurial and inventive, in which employees can develop mostly tailored products and services for our clients. We also cultivate what we call a 'Think YES' mentality, by actively stimulating our people's energy and creativity. It also means we look to develop an in-depth understanding of our clients' business and challenges.

INVENTIVE

We are inventive and future-focused, so we can anticipate and adapt to our fast-changing world and seize on opportunities to meet our clients' needs. Our flexible culture, modest size and short reporting lines keep us close to our clients and to each other, so we can adapt swiftly to new trends.

OUR MARKETS

in EUR millions



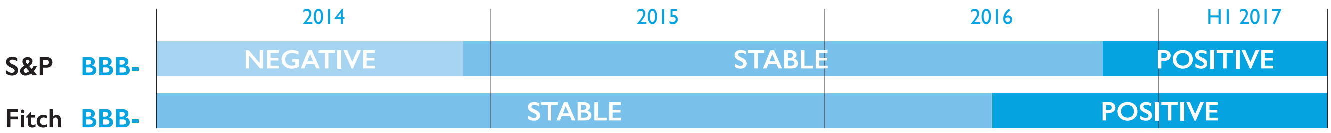
NET PROFIT H1 2017

in EUR millions

COMMERCIAL ASSETS

in EUR millions

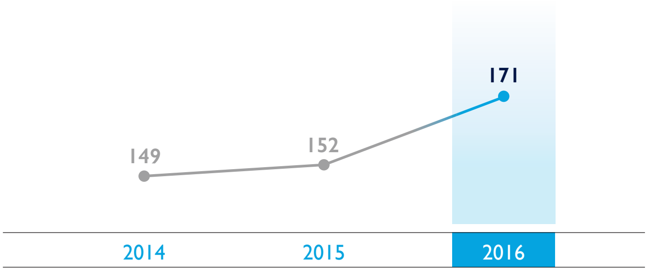
RATING



SUSTAINABILITY

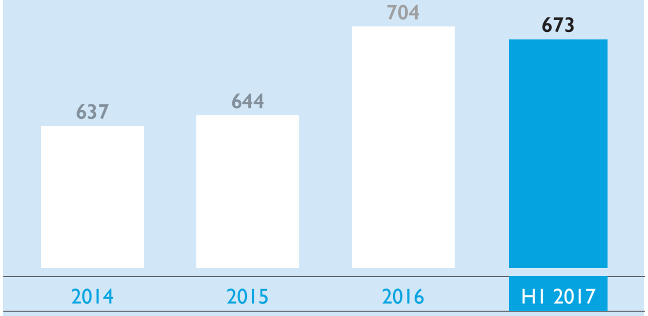
TRANSPARENCY BENCHMARK 2016

total out of 200 points



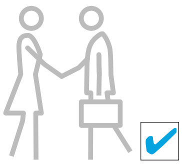
NUMBER OF EMPLOYEES

(FTEs)



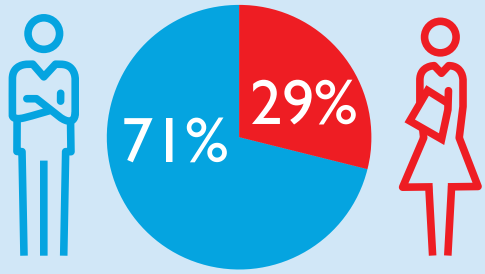
CORPORATE LENDING NPS SCORE H1 2017

+58%



2016: +37% 2015: +40% 2014: +27%

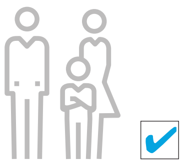
MALE FEMALE RATIO H1 2017



2016: 73 / 27 2015: 70 / 30 2014: 71 / 29

NIBC DIRECT CUSTOMER SURVEY SCORE 2016

7.6



2015: 7.7 2014: 7.5

EMPLOYEE ENGAGEMENT 2016

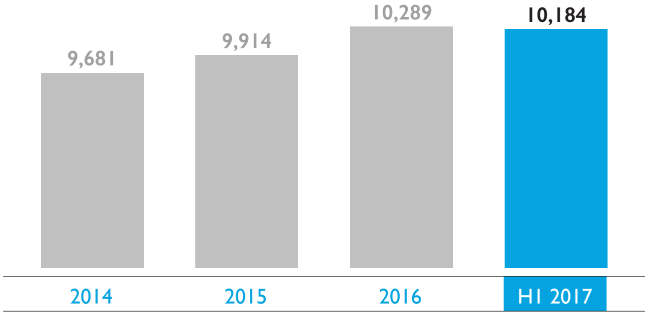
80%

2015: 84% 2014: 85%

FINANCIAL HIGHLIGHTS

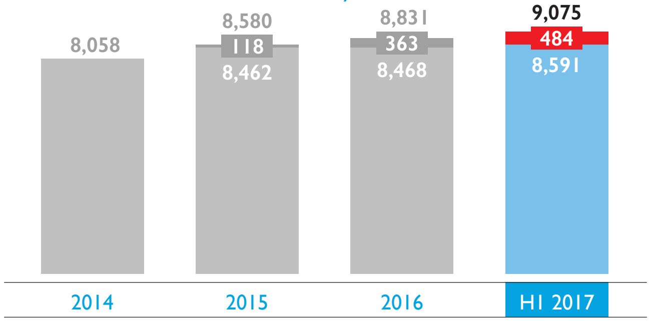
CORPORATE CLIENT ASSETS

in EUR millions



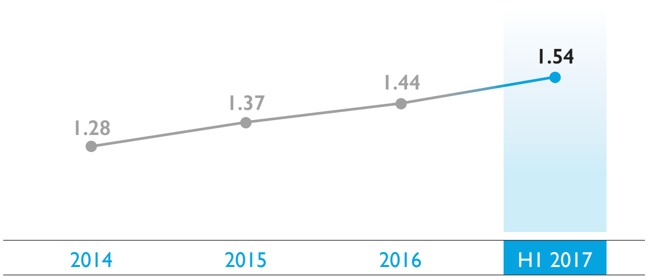
RETAIL CLIENT ASSETS

in EUR millions Residential Buy-to-let



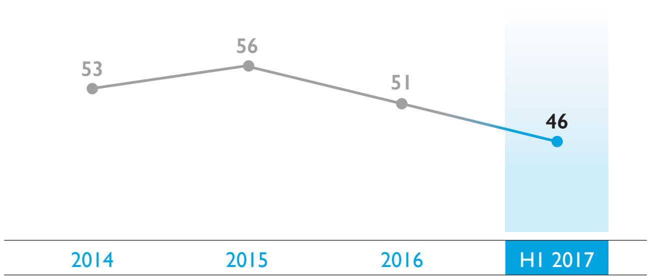
NET INTEREST MARGIN

in %



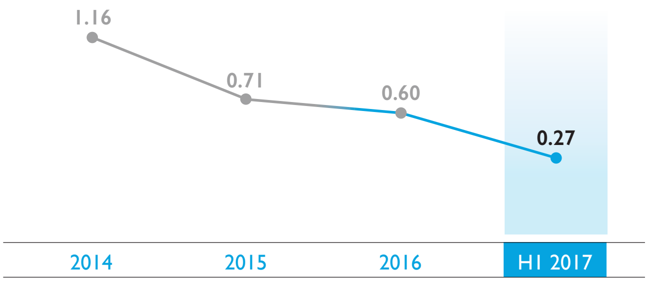
COST INCOME RATIO

in %



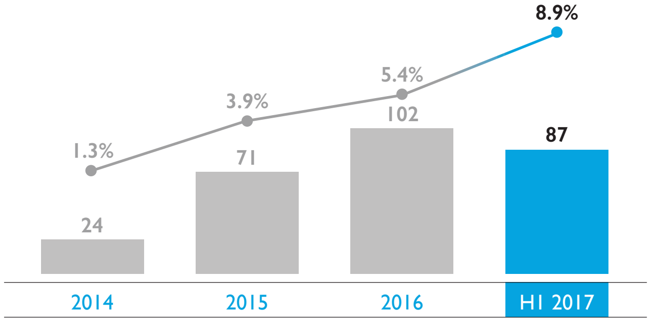
COST OF RISK

in %



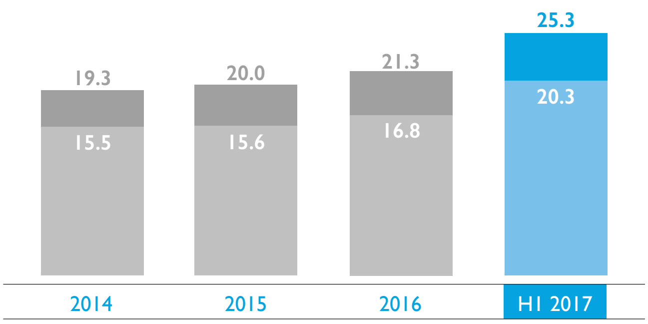
RETURN ON EQUITY AND PROFIT

in EUR millions



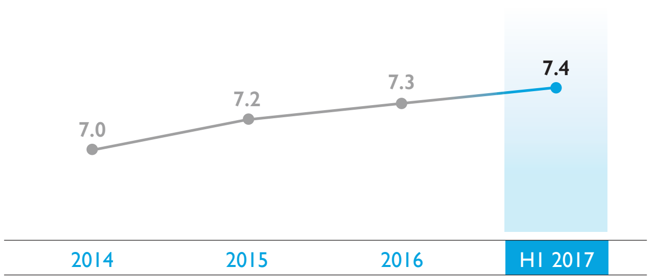
SOLVENCY RATIOS

in % BIS ratio CET 1



LEVERAGE RATIO

in %



KEY FIGURES

in EUR millions	H1 2017	2016	2015	2014
Earnings				
Operating income	226	381	316	295
Operating expenses	105	194	177	155
Net profit attributable to parent shareholder	87	102	71	24
Net profit before special items	**87**	**104**	**71**	**42**
Net interest income	177	306	286	247
Net fee and commission income	20	32	36	27
Net trading income	2	12	(12)	3
Impairments	12	57	63	93
Net interest margin[1]	**1.54%**	**1.44%**	**1.37%**	**1.28%**
Dividend payout ratio	35%	25%	0%	0%
Cost-to-income ratio	46%	51%	56%	53%
Return on equity[2]	**8.9%**	**5.4%**	**3.9%**	**1.3%**
Corporate & retail client offering				
Corporate client assets (drawn & undrawn)				
Commercial Real Estate (CRE)	1,388	1,375	1,293	1,321
Food, Agri, Retail & Health (FAR&H)	1,260	1,149	896	864
Industries & Manufacturing (I&M)	1,766	1,514	1,266	1,118
Infrastructure & Renewables (I&R)	1,582	1,618	1,990	2,070
Oil & Gas Services (O&G)	1,055	1,233	1,282	1,316
Shipping & Intermodal (S&I)	1,366	1,512	1,537	1,357
Telecom, Media, Technology & Services (TMT&S)	1,142	1,257	968	744
Total corporate loans (drawn & undrawn)	**9,560**	**9,658**	**9,232**	**8,789**
Lease receivables	88	123	221	361
Investment loans	258	246	161	154
Equity investments	278	262	300	377
Total corporate client assets (drawn & undrawn)	**10,184**	**10,289**	**9,914**	**9,681**
Corporate client assets (drawn & undrawn) per region				
Netherlands	4,285	3,849	3,304	2,983
Germany	2,182	2,378	2,229	2,293
United Kingdom	1,723	1,678	1,700	1,788
Other	1,994	2,384	2,681	2,617
Total corporate client assets (drawn & undrawn)	**10,184**	**10,289**	**9,914**	**9,681**
Retail client assets				
Mortgages - Netherlands	9,008	8,747	8,463	7,891
Mortgages - Germany	67	84	117	167
Total retail client assets	**9,075**	**8,831**	**8,580**	**8,058**
Retail client savings				
Netherlands	4,019	3,950	4,129	3,867
Germany	4,462	4,542	4,687	3,969
Belgium	1,090	1,229	1,200	1,121
Total retail client savings	**9,571**	**9,721**	**10,016**	**8,957**
Asset quality				
Risk-weighted assets	8,773	10,109	10,162	9,646
Cost of risk[3]	0.27%	0.60%	0.71%	1.16%
Impairment ratio[4]	0.14%	0.34%	0.39%	0.63%
NPL ratio[5]	2.8%	3.8%	3.7%	3.4%

in EUR millions	H1 2017	2016	2015	2014
Impaired exposure	396	629	503	454
Impaired coverage ratio[6]	49%	33%	34%	38%
Top-20 exposure / Common Equity Tier 1	75%	79%	86%	104%
Exposure corporate arrears > 90 days	0.9%	0.9%	0.7%	0.8%
Exposure residential mortgages arrears > 90 days	0.5%	0.6%	0.7%	1.0%
Loan to value Dutch residential mortgages[7]	84%	85%	85%	82%
Loan to value BTL mortgages[7]	61%	56%	61%	-
Solvency information[8]				
Shareholder's equity	2,023	1,969	1,886	1,831
Subordinated liabilities	387	398	400	320
Group capital base	2,409	2,367	2,286	2,151
Balance sheet total	23,769	23,580	23,229	23,331
Common Equity Tier 1 ratio	20.3%	16.8%	15.6%	15.5%
Tier 1 ratio	20.3%	16.8%	15.6%	15.5%
BIS ratio	25.3%	21.3%	20.0%	19.3%
Leverage ratio	7.4%	7.3%	7.2%	7.0%
Funding & liquidity[9]				
LCR	261%	124%	201%	128%
NSFR	118%	112%	113%	108%
Loan-to-deposit ratio	146%	148%	143%	154%
Asset encumbrance ratio[10]	27%	29%	29%	35%
Retail savings / total funding	43%	45%	48%	45%
Secured funding / total funding	21%	22%	24%	29%
ESF / total funding	7%	6%	6%	5%
S&P rating & outlook	BBB- / Positive	BBB- / Positive	BBB- / Stable	BBB- / Stable
Fitch rating & outlook	BBB- / Positive	BBB- / Positive	BBB- / Stable	BBB- / Stable
Other information				
Assets under management for third parties	1,787	1,538	1,703	1,732
NPS score Corporate Lending clients[11]	+58%	+37%	+40%	+27%
Non-financial key figures[12]				
Client & product responsibility				
% of new corporate loans screened against sustainability policy framework	100%	100%	100%	100%
Number of new clients with increased sustainibility risk assessment	5	28	14	43
Fines or sanctions for non-compliance with laws and regulations[13]	0	0	1	0
Employees				
Total number of FTEs end of financial period	673	704	644	637
Male / female ratio	71% / 29%	73% / 27%	70% / 30%	71% / 29%
Male / female ratio top management	89% / 11%	91% / 9%	90% / 10%	88% / 12%
Employee turnover (employees started)	6.0%	24.3%	15.2%	19.7%
Employee turnover (employees left)	11.0%	14.9%	15.2%	13.2%

1 12 months net interest income / 12 months average interest-bearing assets.

2 Net profit attributable to parent shareholder/total shareholder's equity at the beginning of the year.
3 Impairments & credit losses mortgages in net trading income / average total RWA.
4 Impairments / average carrying value of Loans & Mortgages.
5 Total non-performing exposure (corporate and consumer loans) / total exposure (corporate and consumer loans). Non-performing exposure determined at customer level.
6 Impairment amounts recognised on corporate and retail exposures / impaired corporate and retail exposures. Impairment amounts include amounts recognised as IBNR.
7 Loan-to-Indexed-Market-Value (LTIMV) excluding NHG guaranteed mortgages.
8 The solvency information is based on the CRR / CRD IV regulation, calculated for NIBC Bank consolidated on a fully loaded base and including the half year net profit and taking into account proposed dividend payment.
9 All funding & liquidity ratios with exception of loan-to-deposit are calculated at a NIBC Holding level, loan-to-deposit ratio is calculated at a NIBC Bank level.
10 Encumbered assets & total collateral received re-used / total assets & total collateral re-used.
11 The definition of NPS has changed to corporate lending clients compared to portfolio clients in previous years. The score is not comparable to prior years as a result of this change.
12 For further information on the scoping of the Non-Financial Key Figures, please refer to the Definitions for the non-financial key figures in our annual report
13 In 2015, non-punitive fee (EUR 50k) agreed with German tax authorities as part of settlement of regular tax audit.

A WORD FROM THE CEO

Dear reader,

I am delighted to report that NIBC delivered a strong performance in the first half of 2017. Our success is a continuation of the growth in our underlying client franchise, as we reap the rewards of the transformational investments we have made over the last three years. Our culture is thriving, driven by our 'Think YES' attitude and the ever-curious and entrepreneurial mindset of our people. We understand the importance of preserving this capacity to re-invent ourselves where we see the best opportunities for our clients.

With the return of economic growth to the Eurozone, our focused approach to favorable niches has seen us outperform growth in our core markets. The resilience of our business model lies in its flexibility to adjust to changing conditions, but also to proactively manage our relationships with clients in sectors under pressure. This is strongly reflected in the increases in interest and fee income, aided by the profitable revaluation and partial sale of an old real estate portfolio, and a better-than-expected performance of our equity investments.

Looking ahead, and building on this momentum of doing more business with more clients, we have updated our near-term objectives for the bank's performance. In raising our Return on Equity objective, the definitive stamp of our business quality, to a minimum of 10%, we recognize that only by doing extremely well as a bank can we be there to help our clients tomorrow. Demonstrating the improved performance, we propose an interim dividend of EUR 30 million, following last year's full-year pay-out of EUR 25 million.

We are 'moving ahead' with our clients in a balanced way. Our EUR 10.2 billion corporate portfolio is well spread across the different sectors. Increased general lending to Corporates and strong growth in CRE fully compensated the partial sale of our legacy portfolio and the reduction of our Oil & Gas and Shipping exposures. Overall, the composition and quality of the portfolio improved, also backed by a strong pipeline.

NIBC Markets is now fully integrated into the company, following the sale of the non-core part of this business. We have attracted new talent to strengthen our presence in target segments such as healthcare and life sciences and look forward to moving into our new office space in the financial district of Amsterdam by the end of August.

In our Retail client offering business, mortgages showed a very strong first half year. Origination increased to EUR 0.8 billion in a mix of NIBC Direct mortgages and our successful buy-to-let offering, pushing the portfolio up by EUR 300 million to EUR 9.1 billion. In July, we have added a further EUR 220 million through a portfolio purchase. Our new originate-to-manage service, offering mortgages with 30-year fixed interest rates, has reached approximately EUR 300 million at 30 June 2017. In Savings, where we continued to manage a controlled outflow, levels were down 1% to EUR 9.6 billion.

We continue to co-invest in innovative start-ups, particularly fintechs. In May, we acquired a strategic stake in the fast-growing UK fintech company Ebury, which focuses on corporate cross-border (FX) payments and uses advanced big data techniques to detect new acquisition opportunities. Then in July we took an important stake in the Berlin based FinLeap, a 'company builder' specialising in fintech businesses. As one of Europe's leading fintech platforms, FinLeap is helping guide the growth of ventures and supporting them with infrastructure.

Backed by its current shareholders, NIBC has recently commenced a review of its strategic alternatives, which may include a potential Initial Public Offering (IPO). The review is still in a preliminary stage and a final decision will only be made at a later date and be dependent upon market circumstances. Further updates will be provided if or when required.

I am full of confidence about our future, and grateful to our people for their tireless dedication and enthusiasm. Special thanks go to our clients and stakeholders, the foundation and driving force behind everything we do, for their continued trust and support.

I look forward to working with all of you in the remainder of 2017 and beyond. We will remain professional, entrepreneurial and inventive in serving our clients, to ensure sustainable profits for many years to come. Our purpose to make a difference at our clients' most decisive moments is stronger than it has ever been!

The Hague, 22 August 2017

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

FINANCIAL PERFORMANCE

in EUR millions	H1 2017	H1 2016	H1 2017 vs H1 2016	FY 2016
Net interest income	177	149	*19%*	306
Net fee and commission income	20	11	*82%*	32
Investment Income	27	9		31
Net trading income	2	-4		12
Other operating income	0	1		0
Operating income	**226**	**165**	***37%***	**381**
Personnel expenses	54	44	*23%*	96
Other operating expenses	39	37	*5%*	77
Depreciation and amortisation	3	4		7
Regulatory charges	9	9		15
Operating Expenses	**105**	**93**	***13%***	**194**
Net operating income	**122**	**72**	***69%***	**187**
Impairments of financial assets	12	22	*-45%*	57
Tax	22	10		25
Profit after tax	**87**	**40**	***117%***	**104**
Profit attributable to non-controlling interest	0	0		0
Net Profit NIBC Bank	**87**	**44**	***98%***	**102**

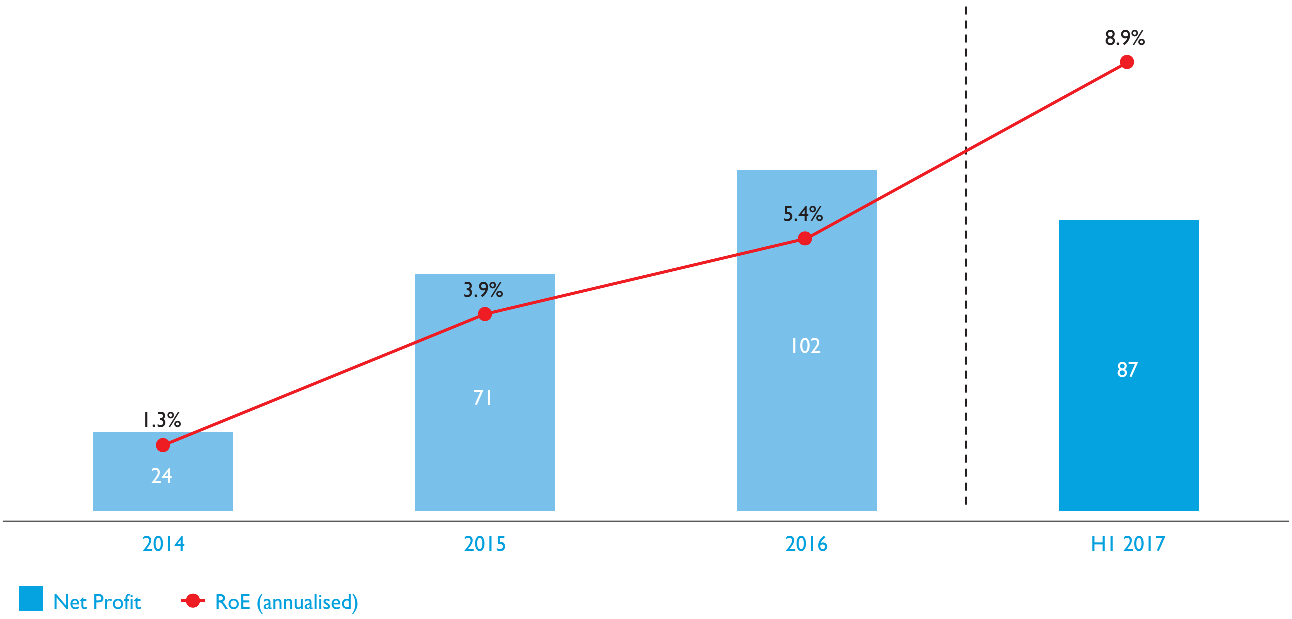
The income statement in the previous table differs from that presented in the consolidated financial statements due to the treatment of non-financial companies controlled by NIBC and the treatment of 'Special items' in 2016, explained further in this section. This only affects the presentation of the income statement and not the bottom-line net profit figures. See note 1 to the (condensed) consolidated interim financial statements for more information and a full reconciliation between the two presentations of the income statement.

As of 30 June 2016, the acquired NIBC Markets is fully accounted for in the NIBC figures. The impact of NIBC Markets on the net profit in H1 2017 is non-material.

Both the first half year 2017 and the full year 2016 figures include the early application as of 1 January 2016 of 'IFRS 9 - own-credit risk', with fair value changes from the portion of our funding portfolio accounted for at fair value through profit or loss being accounted for in comprehensive income. This was not yet the case in the H1 2016 figures published in August 2016, in which these fair value changes were accounted for in net trading income. The amount in net trading income in H1 2016 attributable to own credit risk related fair value changes of our funding portfolio was a net loss of EUR 1 million. As this amount is insignificant, the H1 2016 figures have not been restated.

Small differences are possible in this table due to rounding.

Net profit and Return on equity



Our profitability continued to improve in the first half year of 2017, with both net profit and return on equity displaying substantial growth to respectively EUR 87 million (+98%) and 8.9% (+65%). The driving force behind this performance lies in our Corporate client and Retail client activities, which continued to develop and grow the client franchise. The performance was further boosted by the development of our equity investment portfolio on the back of the positive sentiment in the equity markets and by released impairments - among others due to a partial sale - from a real estate exposure.

Origination of corporate loans in H1 2017 amounted to EUR 1.5 billion, 28% above that for the comparable period in 2016. Corporate client assets decreased by 1% in 2017, with our origination being more than offset by (p)repayments (which include a decrease of the commercial real estate legacy portfolio by approximately EUR 230 million, including the sale of all Breevast-related exposures) and foreign currency effects (mainly the weakening of the USD). Excluding these currency effects and the decrease of the commercial real estate legacy portfolio our corporate client assets increased in 2017 by 3%.

Mortgage origination volumes reached EUR 1.1 billion in H1 2017 (H1 2016: EUR 0.5 billion) of which 0.3 billion for an 'originate to manage' mandate. After normal pre- and repayments, our total mortgage portfolio increased by 3% in 2017 from EUR 8.8 billion at year end 2016 to EUR 9.1 billion midyear 2017.

We continued to decrease our average funding rate in 2017, supporting a further improvement of our net interest margin, and our solvency and liquidity ratios remained solid, well above the minimum SREP-requirements.

Key figures

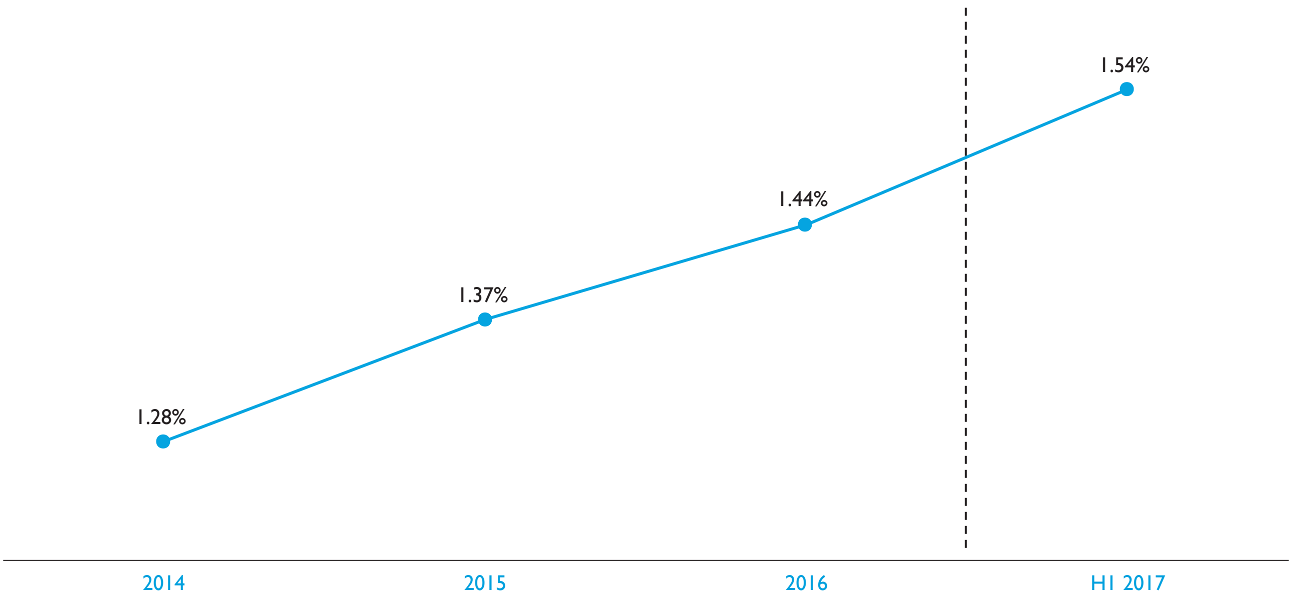
in EUR millions	H1 2017	H1 2016
Return on equity	8.9%	4.7%
Net interest margin	1.54%	1.42%
Cost / income ratio	46%	56%
Risk weighted assets	8,773	10,386
Cost of risk	0.27%	0.61%
Loan to deposit ratio	146%	139%
Asset encumberance ratio	27%	26%
Fully loaded solvency ratios		
CET 1 ratio	20.3%	15.9%
BIS ratio	25.3%	20.1%
Liquidity ratios		
LCR	261%	230%
NSFR	118%	116%
Number of FTEs	673	618
Rating		
Standard & Poor's	BBB- / Positive	BBB- / Stable
Fitch	BBB- / Positive	BBB- / Positive

The following section describes the financial developments and analyses the performance of NIBC in the first half year of 2017. For the income statement the analysis compares the first half year of 2017 to the first half year of 2016. We note that the NIBC Markets activities are consolidated in the income statement as from the 1 July 2016. For the balance sheet the analysis compares 30 June 2017 to end-of-year 2016.

Operating income

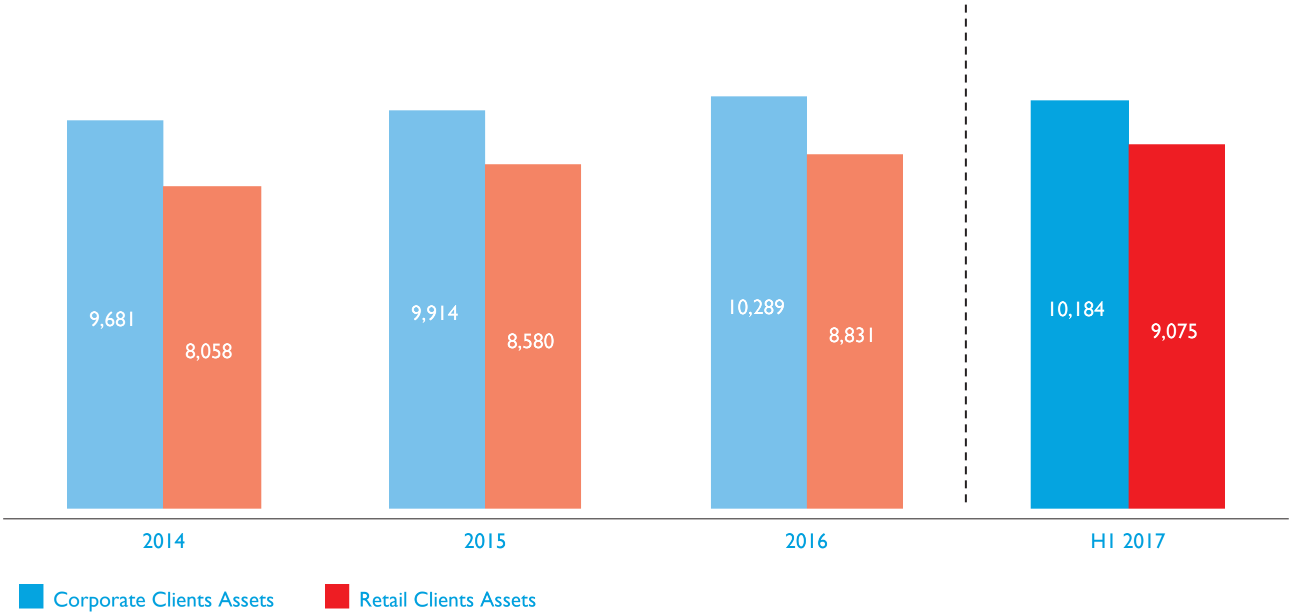
Operating income further increased in 2017 from EUR 165 million to EUR 226 million, an increase of 37% (+32% excluding NIBC Markets, which generated EUR 9 million of revenues in 2017 and nil in H1 2016). The increase of operating income was displayed on all line-items and mainly driven by the strong underlying growth of the corporate and retail franchises, with operating income from corporate activities increasing by 57% and from Retail activities by 7%, as well as by the further reduction of funding costs.

Net interest margin



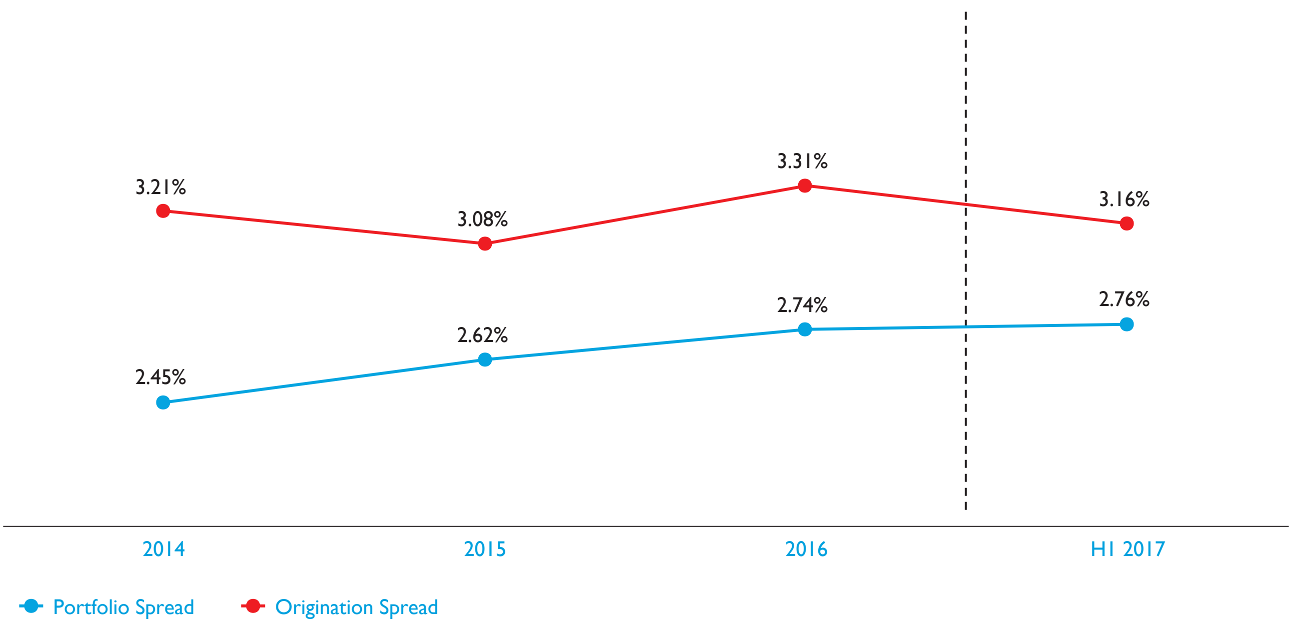
Net interest income continued to increase in 2017 to EUR 177 million from EUR 149 million in H1 2016, an increase of 19%. This increase supported the improvement of our net interest margin from 1.44% at year-end 2016 to 1.54% mid 2017. The growth of net interest income was driven by the increase of our client business in both Corporate and Retail activities, in combination with the improvement of our funding profile:

Corporate and retail client assets

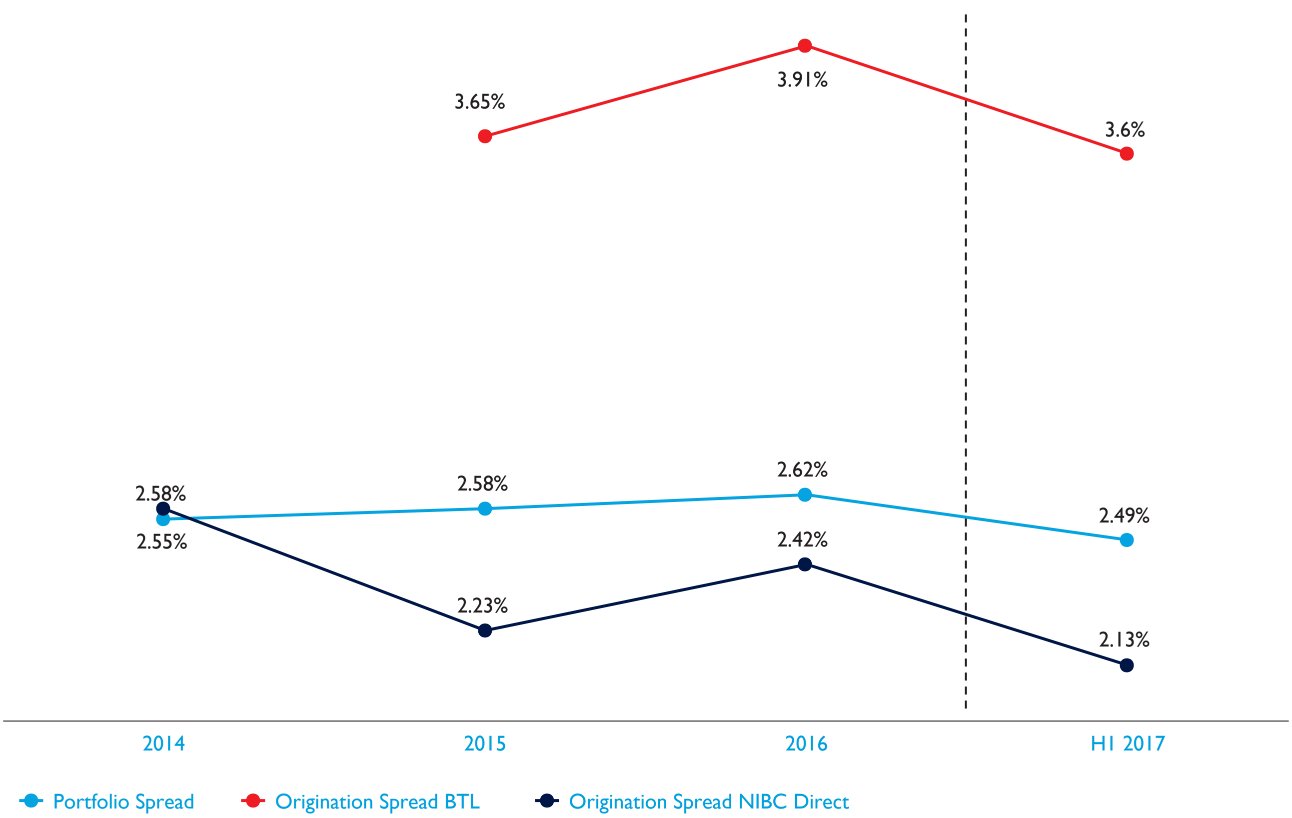


- Although our drawn corporate loan portfolio decreased in 2017, the average level of this portfolio in H1 2017 was nearly 7% above that for H1 2016. The positive impact from the higher portfolio on net interest income was further strengthened by a higher average portfolio spread in H1 2017 compared to H1 2016;
- The mortgage portfolio increased in 2017 by 3% to EUR 9.1 billion. Our average mortgage portfolio in H1 2017 was more than 6% above that for H1 2016. This includes the buy-to-let portfolio, that increased to more than EUR 480 million, coming from EUR 360 million at year-end 2016; and
- Our funding profile combined with, on average, significant lower funding costs, also contributed to the increase of net interest income in 2017. Our average funding spread above base decreased by 9 basis points in 2017, following a decrease of 21 basis points in 2016.

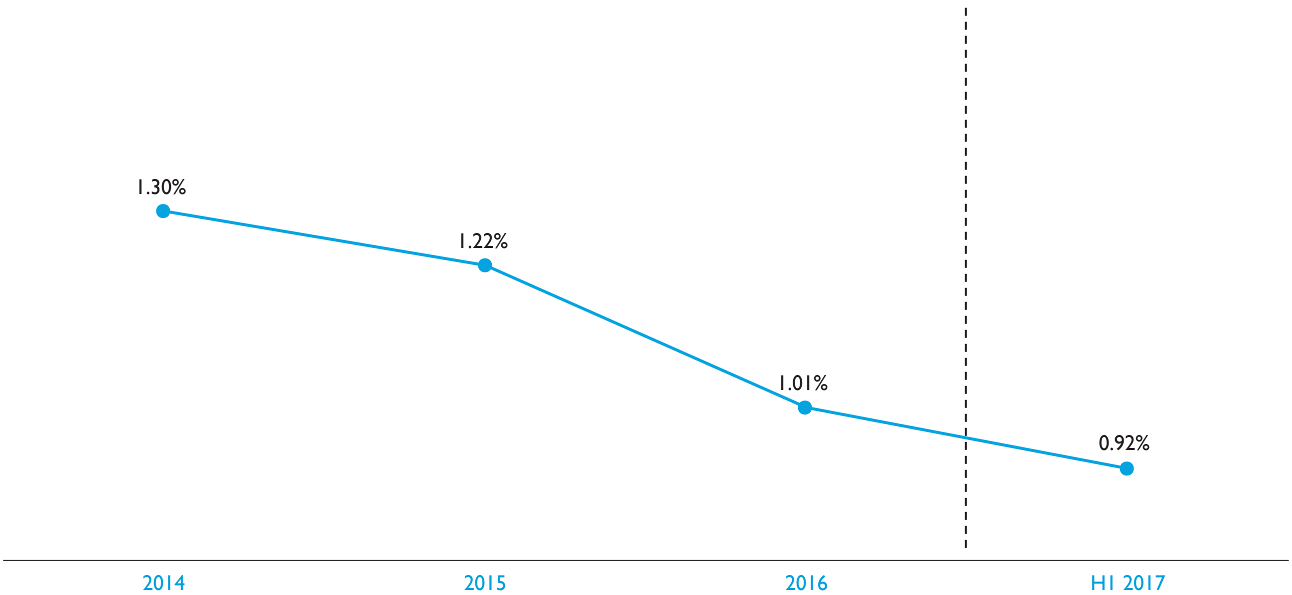
Corporate loan portfolio spreads



Retail assets spreads



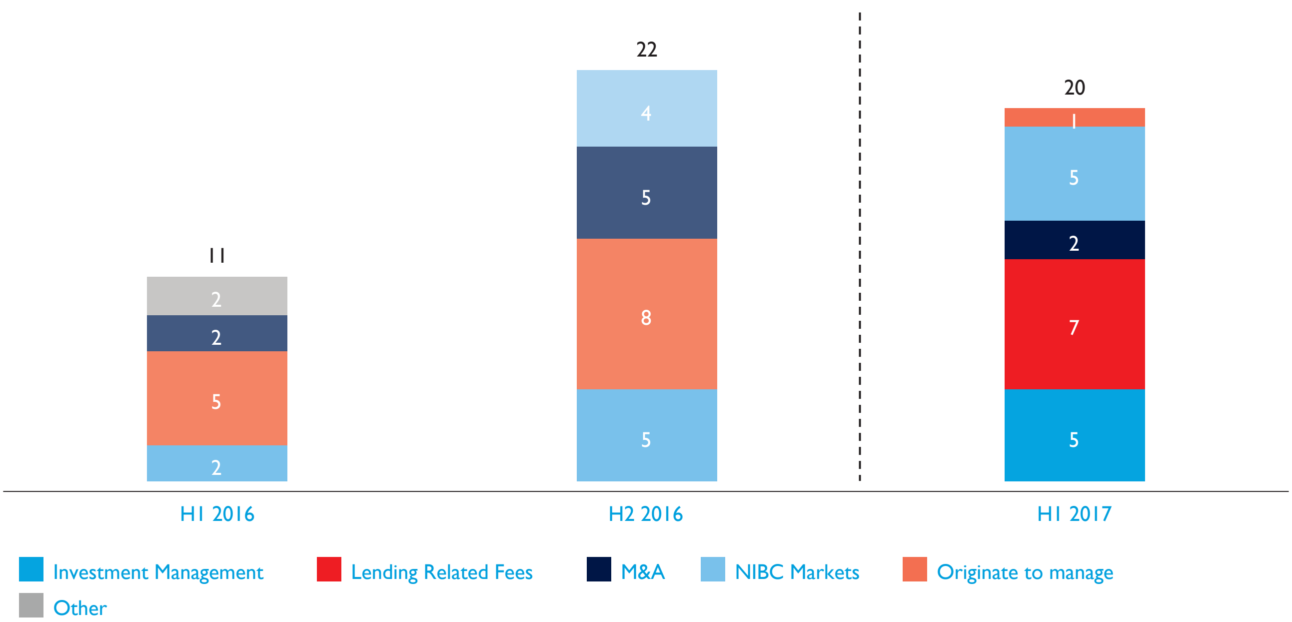
Funding spread



Net fee and commission income

In 2017 net fee and commission income increased by 82% from EUR 11 million in H1 2016 to EUR 20 million. This figure includes EUR 5 million (H1 2016: nil) from NIBC Markets. Excluding the fees from NIBC Markets, net fee and commission income increased by 36%. This increase is mainly driven by higher investment management and lending related fees. Furthermore, the originate to manage activities, started in 2016, are beginning to contribute to fee income in 2017.

Net fee and commission income



Investment income

Our investment income is sensitive to the sentiment in the equity markets and can therefore be volatile year on year. In 2017 the underlying equity investment portfolio performed well on the back of the economic upturn of the North

Western economies, leading to an increase of investment income from EUR 9 million in H1 2016 to EUR 27 million in H1 2017. The total equity investment portfolio increased in 2017 by nearly 6% to EUR 278 million, which is the result of new investments of EUR 21 million, sales of EUR 26 million and revaluation of EUR 26 million.

Net trading income

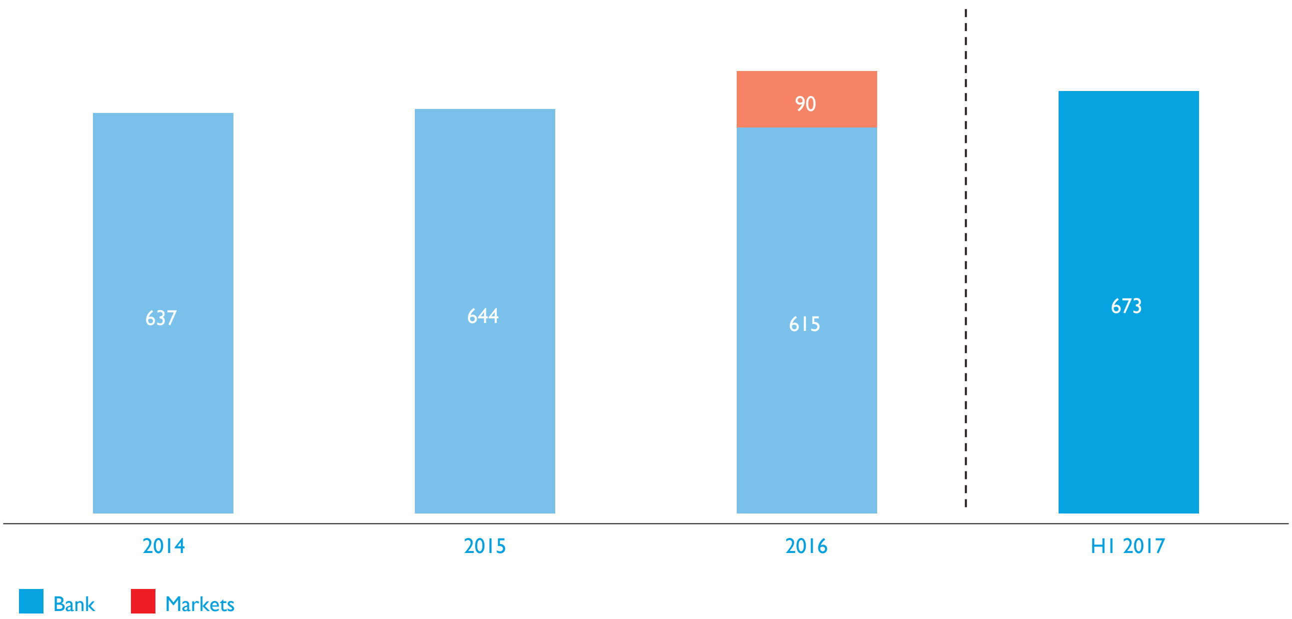
Net trading income increased EUR 6 million to EUR 2 million in H1 2017 compared to a loss of EUR 4 million in H1 2016. This increase is driven by a positive revaluation of residential mortgages of EUR 6 million, which mainly relates to a decrease of mortgage credit spreads, partially compensated by a duty of care liability for which a provision has been made. Furthermore, net trading income includes EUR 4 million profit from NIBC Markets and EUR 4 million loss from a prepayment penalty related to the redemption of a funding transaction.

Operating expenses

Operating expenses in H1 2017 of EUR 105 million increased by EUR 12 million from EUR 93 million in H1 2016. The increase fully relates to NIBC Markets, with operating expenses in H1 2017 of EUR 15 million (H1 2016: nil), of which EUR 5 million relates to a reorganisation provision. This provision reflects the discontinuation of the non-core (asset management related) part of the business of NIBC Markets, as in January 2017 announced, enabling us to integrate the ECM / DCM part of the business into our Corporate client offering. Excluding NIBC Markets, operating expenses decreased by 3%, which is mainly explained by a released provision of EUR 3 million relating to VAT.

Excluding the payroll expenses of NIBC Markets of EUR 11 million in 2017, payroll expenses remained relatively stable in H1 2017 at EUR 43 million (H1 2016: EUR 44 million).

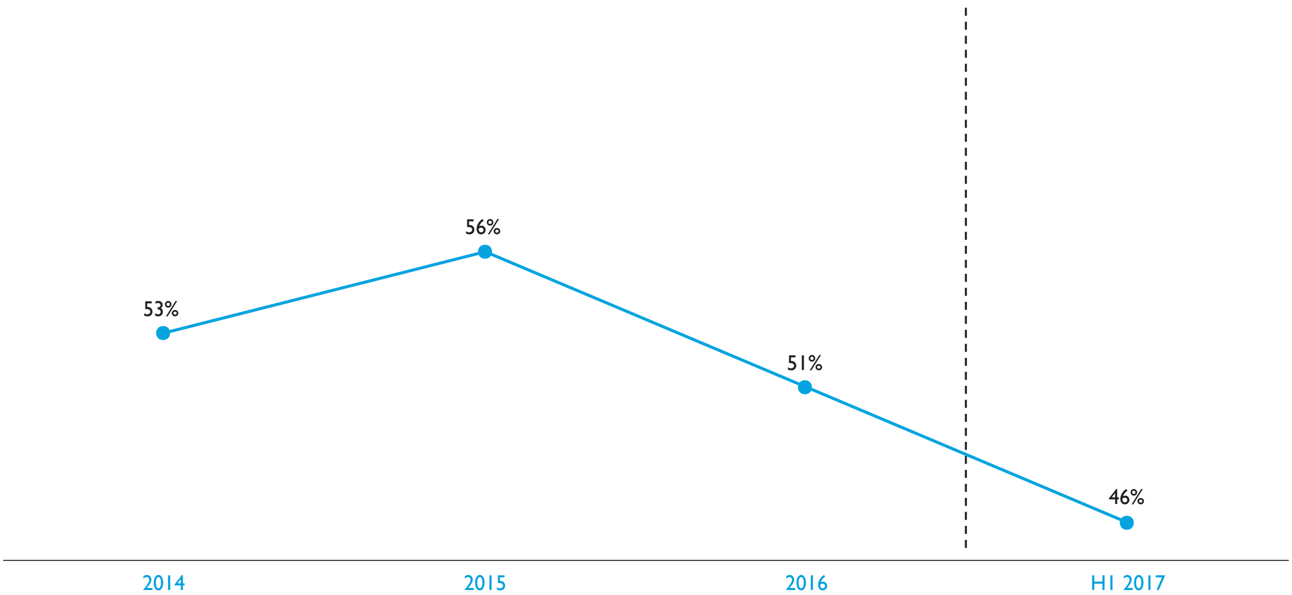
FTE Development



Excluding the other operating expenses in 2017 of NIBC Markets of EUR 4 million, other operating expenses decreased by EUR 2 million to EUR 35 million from EUR 37 million in H1 2016, which mainly relates to the released VAT provision of EUR 3 million mentioned above.

Our cost / income ratio improved from 56% in H1 2016 and 51% for the full year 2016 to 46% in H1 2017. This fully loaded (including regulatory expenses) cost / income ratio of well below 50%, allows us to continuously invest in the NIBC organisation, both in innovation and product development as well as in the Think YES culture of NIBC.

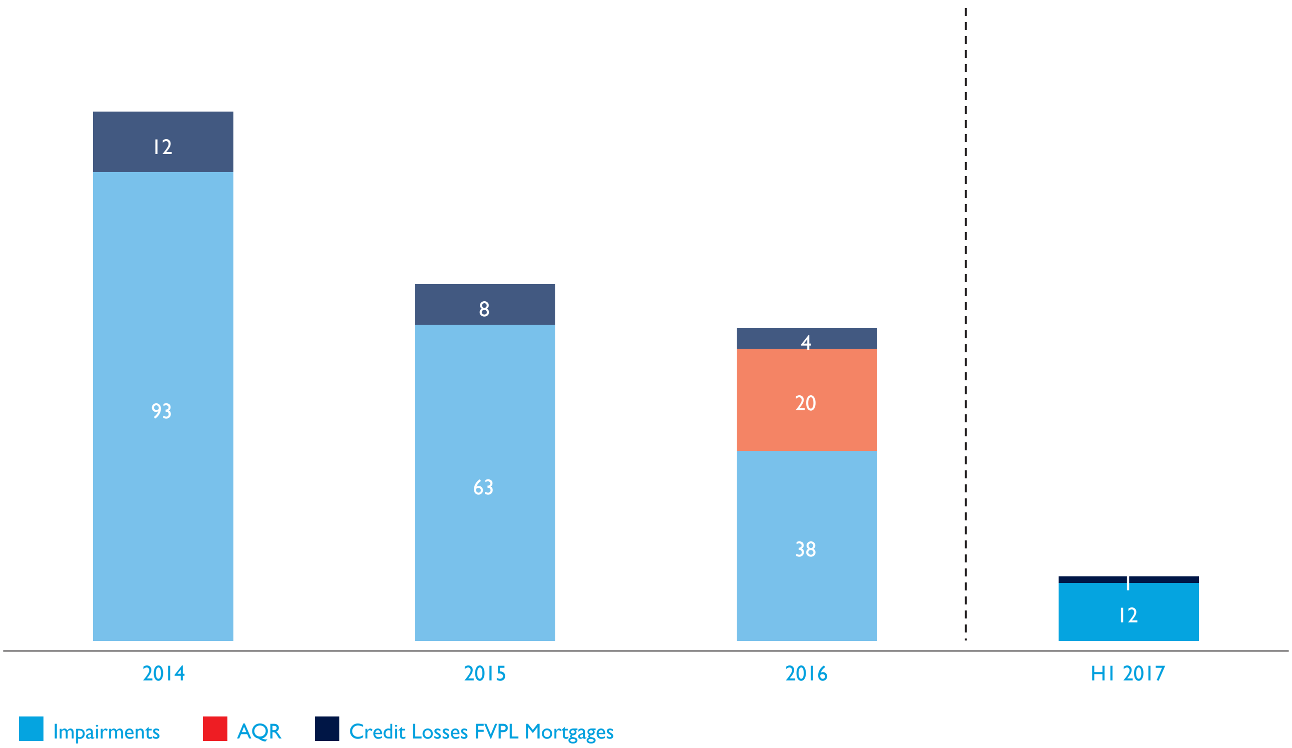
Cost to Income ratio



Impairments on financial assets

Impairments decreased by 45% to EUR 12 million in H1 2017 from EUR 22 million in H1 2016. The decrease mainly relates to the release of EUR 21 million of impairments on a commercial real estate exposure partially sold in H1 2017. The impairment coverage ratio for our impaired corporate loan book amounts to 41%. This level still reflects the fragile and volatile economic environment, especially in oil and gas and the dry bulk shipping subsector.

Impairments and credit losses



Tax

Tax in H1 2017 amounts to EUR 22 million, implying an effective tax rate of 20% of the profit before tax. The effective tax rate lies below the Dutch corporate tax rate of 25%. This mainly relates to the impact of income not subject to tax, predominately from equity investments and investments in associates. Income from these investments is tax exempt under Dutch tax law if NIBC has a stake of more than 5%.

Special items 2016

A net loss of EUR 2 million displayed as a separate line-item in the income statement, of which a net gain of EUR 4 million in H1 2016 and a net loss of EUR 6 million in H2 2016 relates to the following special items:

- A one-off gain (badwill) of EUR 22 million followed from the acquisition of NIBC Markets (former SNS Securities) per 30 June 2016. This discount on the acquisition price partly reflects the future investments needed for development of this franchise;
- We incurred EUR 18 million after tax credit loss on resolving pre-crisis retail exposure; and
- After tax operating expenses of EUR 6 million relate to the outsourcing of our technical IT-environment during 2016 and 2017 and to the alignment of the NIBC Markets franchise to our business model as well as the further development of this franchise. The outsourcing of the technical IT-environment concerns outsourcing the network and infrastructure services, technical application management, client support (service desk) and digital workplace.

Net profit

NIBC's net profit nearly doubled from EUR 44 million in H1 2016 to EUR 87 million in H1 2017. This substantial improvement, driven by both the growth of our operating income and the improvement of the credit quality of our portfolios, reflects the continued strong foundations of our client franchise. This development is displayed in 2017 by an increase of net interest income, net fee income and investment income, as well as the decrease of impairments. The improvement was achieved whilst managing operating expenses that in H1 2017 - adjusted for the acquisition of NIBC Markets - decreased compared to H1 2016, enhancing a further improvement of our cost income ratio from 56% in H1 2016 to 46% in H1 2017.

Assets

in EUR millions	H1 2017	FY 2016	FY 2015
Cash and banks	3,385	2,346	2,491
Loans	8,113	8,380	7,790
Lease receivables	88	123	212
Residential mortgages	9,263	9,020	8,767
Debt investments	1,019	1,375	1,377
Equity investments	271	252	277
Derivatives	1,499	1,817	2,151
All other assets	131	267	165
Total assets	**23,769**	**23,580**	**23,229**

Liabilities and Equity

in EUR millions	H1 2017	FY 2016	FY 2015
Retail funding	9,571	9,721	10,016
Funding from securitised mortgages	759	1,337	2,062
Covered bonds	2,008	2,028	1,513
ESF	1,503	1,230	1,127
All other senior funding	5,876	4,650	3,735
Tier 1 and subordinated funding	387	398	400
Derivatives	1,499	2,006	2,350
All other liabilities	144	241	139
Total liabilities	**21,746**	**21,611**	**21,343**
Shareholder's equity	2,023	1,969	1,886
Total liabilities and shareholder's equity	**23,769**	**23,580**	**23,229**

Assets

Our drawn corporate loan book decreased by nearly 4% in 2017, with new origination of EUR 1.5 billion being offset by (p)repayments, a partial sale of a CRE legacy portfolio and USD and GBP exchange rate effects. Excluding the impact from the USD exchange rate, the drawn corporate loan book remained relatively stable in 2017.

The risk profile of the corporate loan book improved in line with our objectives, driven by both new origination and further repayments and sales of several larger exposures. The average expected loss on the performing loan portfolio improved from 35 bps at year-end 2016 to 31 bps. Our defaulted exposure decreased in H1 2017 from 6.6% to 4.5% of the total loan exposure and our impaired exposure from 6.3% to 3.9%. The improved overall credit quality of the portfolio is further emphasised if we exclude the oil and gas and dry bulk shipping (sub)sectors, which still demand ongoing attention.

Our mortgage portfolio (netted with the related savings from savings endowment policies) grew in 2017 by 3% to EUR 9.1 billion from EUR 8.8 billion, supported by origination for own book of EUR 0.6 billion. NIBC's mortgage portfolio consists of two parts: mortgages originated since 2013 and those originated before the crisis:

- Since the crisis, we have made significant choices regarding our business model and mortgages originated since 2013 - a key part of our retail franchise - are held to maturity and accounted for at amortised cost; and
- The mortgages originated before the crisis are valued at fair value through profit or loss (FVtPL). This valuation method was chosen when IFRS was first adopted, reflecting the 'originate to distribute' business model NIBC had at that time. As since the crisis we have made other choices regarding our business model for mortgages, these mortgages, although still accounted for at FVtPL, are in practice now also hold to maturity. At 30 June 2017, a EUR 104 million (31 December 2016: EUR 98 million) positive revaluation before tax on the outstanding mortgages and related hedges was accounted for in our balance sheet due to credit spread movements. The revaluation amount at 30 June 2017 can be broken down into a before tax revaluation gain on the mortgages of EUR 362 million and a before tax revaluation loss on the related hedging swaps of EUR 258 million.

Expected impact of IFRS 9

The main impact is expected from NIBC's intention to reclassify its mortgage portfolio at FVtPL to amortised cost, as this is in line with the hold to maturity business model and with general market practice. This reclassification will result in a one-off loss directly through shareholders' equity. The magnitude of this loss can only be determined at the time of the actual transition to IFRS 9 (1 January 2018), as it will be influenced by developments of both credit spreads and interest rates in the remainder of 2017. If NIBC were to implement IFRS 9 based on the 30 June 2017 figures, the reclassification would have an estimated negative impact on NIBC's CET1 ratio of approximately 4%. As this reduction of equity at transition date includes the one-sided effect of interest rates, as the associated hedges remain unadjusted, the impact is materially larger than only the underlying credit revaluation of the related mortgages. This will result in a future positive pull-to-par effect through the income statement over the remaining life of the reclassified portfolio.

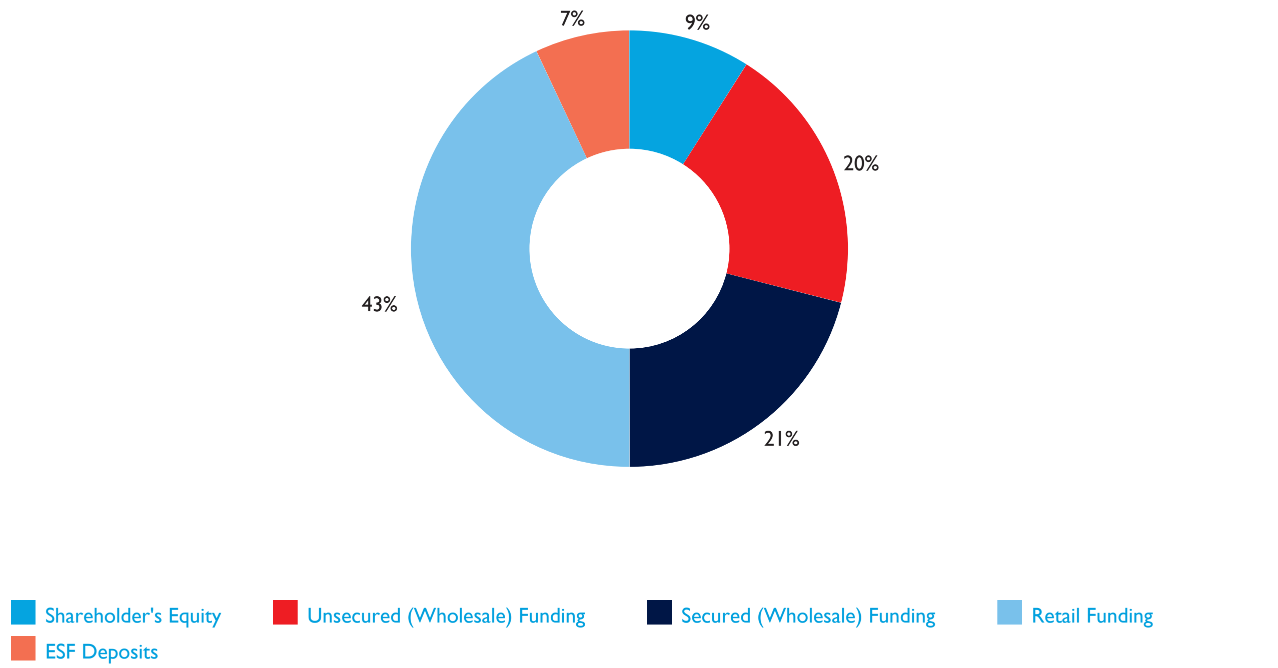
In addition to the reclassification of the FVtPL mortgage portfolio, the change from an incurred loss impairment model to an expected credit loss impairment model will impact the required level of loan provisions. NIBC has used its newly developed models to estimate point-in-time expected credit losses for the positions held per 30 June 2017. Based on these estimates, NIBC expects a limited transition impact on 1 January 2018 on its CET 1 ratio, below the expected market average as reported by EBA in its 'Report on results from the second EBA impact assessment of IFRS 9', as published on 13 July 2017.

Overall, NIBC expects a reduction of its capital following the transition to IFRS 9, however, this is expected to lead to a CET 1 ratio above both our current SREP level requirements and our near-term objectives.

Funding & liquidity
As was the case in the previous three years, 2017 was marked by growth of our asset base. This development continued to fuel our funding needs and enabled further funding diversification. Diversification of funding has been a key part of our strategy since early 2008, when we started to build our retail savings franchise. We continued to diversify our funding sources in 2017. Overall, our funding mix mid 2017 shows a healthy balance between wholesale and retail:

- Retail savings decreased by 1% to EUR 9.6 billion, displaying a managed outflow of EUR 0.1 billion. The share of our retail savings in term deposits decreased to 42% (end of year 2016: 44%), in line with our internal guidance.
- With respect to wholesale funding we issued a total of nearly EUR 1.3 billion in 2017:
  - We issued a EUR 500 million senior unsecured bond in January 2017 at a maturity of 5 years, paying interest of 1.50% above the 3 months swap rate;
  - In March 2017 we participated in TLTRO-issuance totalling nearly EUR 450 million at a maturity of 4 years; and
  - We raised EUR 325 million in privately placed senior funding in various currencies and maturities during the first six months of 2017.
- Institutional deposits attracted in Germany under the Einlagensicherungsfonds (ESF) increased in H1 2017 to more than EUR 1.5 billion (FY 2016: EUR 1.2 billion), following an increase of 9% in 2016. Our current limit under the ESF amounts to EUR 1.7 billion.

Funding composition H1 2017



Our healthy funding and liquidity position midyear 2017 is evidenced by the following ratios:

- Our Liquidity Coverage Ratio of 261% (versus 124% at year-end 2016) and Net Stable Funding Ratio of 118% (112% at year-end 2016);
- Our asset encumbrance ratio of 28% (2016: 29%), which meets our objective to maintain this ratio below 30%; and
- Our loan-to-deposit ratio of 146% (2016: 148%), which is in line with our objective to maintain this ratio at a level between 140% -160%.

During the first half year 2017 we decided to keep relatively high liquidity buffers (LCR 261%) in view of all political uncertainties. Part of the unsecured funding portfolio is classified at FVtPL.

Expected impact of IFRS 9

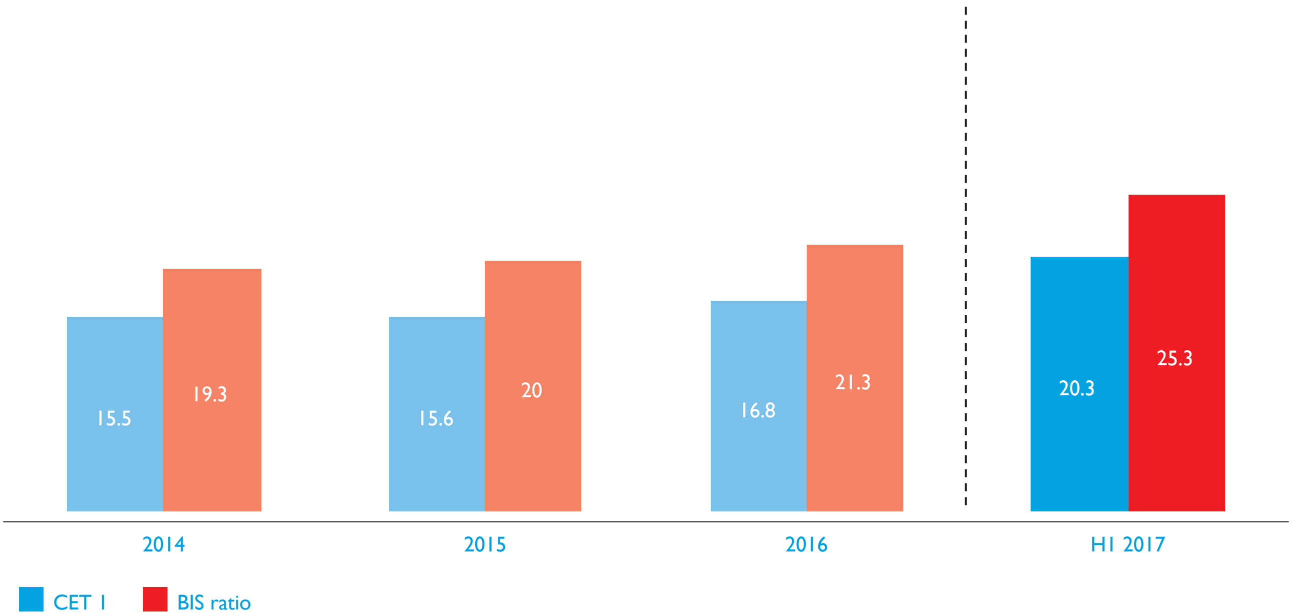
As of 1 January 2016, following our early application of 'IFRS 9 - own credit requirements', these fair value changes are accounted for as comprehensive income directly to shareholder's equity. Mid 2017 a debit of EUR 117 million (31 December 2016: EUR 136 million debit) on the financial liabilities at fair value through profit or loss is accounted for in our balance sheet due to own credit spread movements. As NIBC has already applied IFRS 9 for these liabilities, no further impact is expected at the full transition to IFRS 9 on 1 January 2018.

Solvency

NIBC Bank's solvency ratios were maintained at a solid level in 2017, with the fully loaded CET 1 ratio increasing from 16.8% in 2016 to 20.3% mid 2017 and the fully loaded BIS ratio increasing from 21.3% in 2016 to 25.3% mid 2017.

As of 2015, we took into consideration in the calculation of the regulatory solvency ratios the full RWAs of a CRE-transaction in which we had only a partial stake. The exposure on this transaction was fully sold in H1 2017 lowering the RWAs by EUR 1.0 billion and a positive impact on our CET 1 ratio of 1.7%-points.

Solvency ratios



The leverage ratio of NIBC remained relatively stable in 2017 at the comfortable level of 7.4%.

CORPORATE CLIENTS

During the first half of 2017, our focus has been on new initiatives to further diversify and strengthen our growth agenda. We strive to support our clients with fast-moving and bespoke services together with client focus which is a key component of our way of doing business. Our sector and subsector approach to mid-sized, often family-owned, businesses combined with our product expertise creates in-depth client knowledge that supports our clients at their decisive moments.

The results of a strong focus on specific niches additionally powered by our 'Originate-to-manage' activities, 'uni-tranche' proposition, further integration of NIBC Markets in order to capitalise on synergies and continued focus on improving our service levels towards new and existing clients are reflected in our half year key figures. Our Net Promoter Score of +58% (Year-end 2016: +37%) emphasises the time and effort towards our new and existing clients.

Following the acquisition of NIBC Markets in 2016, we have now fully integrated the Markets activities into our organisation. We have discontinued several activities, amongst which Independent Asset Manager Services, Specialised Asset Management and Third Party Execution, ensuring a smooth transition for 2,800 clients to new service providers, illustrating our capacity to integrate acquisitions in a thorough and swift manner.

This allows us to focus on Equity Capital Markets, Debt Capital Markets and brokerage services, where we bring together our corporate and investor client networks, offering tailored propositions. We have hired renowned professionals to strengthen our offering in Equity Capital Markets and M&A, focussing on Health and Life Sciences. Finally, we are looking forward to moving to our new office space in the financial district of Amsterdam by the end of August 2017.

The financial services landscape is evolving. NIBC would like to be part of this disruption caused by Fintech companies by taking strategic minority equity stakes in leading European Fintech companies, enabling partnerships in various fields in order to capitalise on emerging FinTech solutions.

In H1 2017, we took further steps in progressing our 'Originate-to-Manage' strategy. We are working with an increasing number of institutional investors, whereby we originate and manage mid market Leveraged and Corporate loans. These partnerships allow investors to benefit from our unique mid market franchise in the Benelux, Germany and the UK and enhance our offering to corporate clients with larger senior and mezzanine tickets.

To better support fast-growing, innovative, mid-sized clients in The Netherlands and Germany, we entered into an agreement with the European Investment Bank to make use of their MidCap Guarantee facility, for an amount of EUR 500 million.

We continued to invest in our client franchise in 2017, providing solutions to both new and existing clients and meeting demand for financing and investments, resulting in newly originated loans totalling EUR 1.5 billion (a 28% increase compared to H1 2016). In 2017 our corporate clients assets, decreased slightly by 1% to EUR 10.2 billion (drawn and undrawn exposures), with (p)repayments, a partial sale of hte legacy CRE portfolio and USD and GBP currency revaluation effects more than offsetting origination.

Our corporate client exposure of EUR 10.2 billion at 30 June 2017, consists of:

- EUR 9.6 billion corporate loans;
- EUR 0.1 billion lease receivables;
- EUR 0.3 billion investment loans; and
- EUR 0.3 billion equity investments.

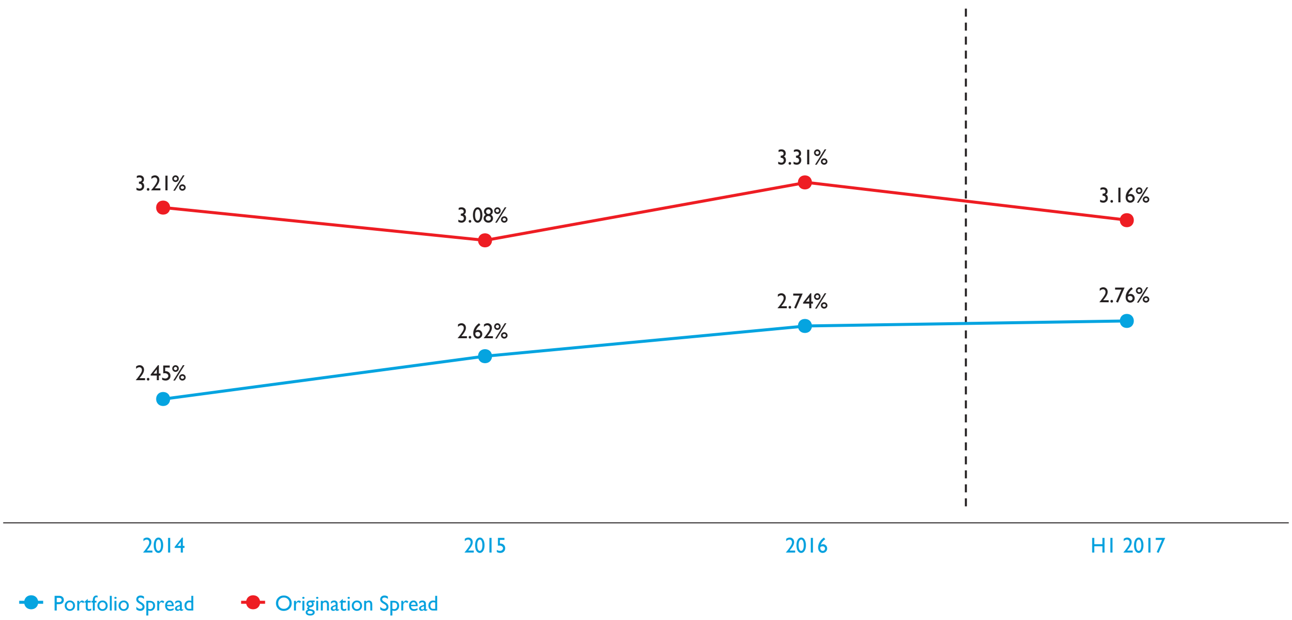
The risk profile of the corporate loan book improved in line with our objectives, driven by both new origination and further repayments and sales of several larger exposures. Net impairments were limited in the first half of the year of 2017. The average expected loss on the performing loan portfolio improved to 31 bps at H1 2017 from 35 bps at year-end 2016. Our defaulted exposure decreased in H1 2017 to 4.5% from 6.6% of the total loan exposure and our impaired exposure to 3.9% from 6.3%. The improvement of both defaulted and impaired exposures are a direct result of a partial sale of a legacy CRE portfolio.

Income statement corporate clients

in EUR millions	H1 2017	H1 2016
Net interest income	99	77
Net fee and commission income	19	11
Investment Income	26	9
Net trading income	7	(1)
Other operating income	0	0
Operating income	**151**	**96**
Personnel expenses	36	30
Other operating expenses	19	17
Depreciation and amortisation	2	3
Regulatory charges	0	0
Operating Expenses	**56**	**50**
Net operating income	**95**	**46**
Impairments of financial assets	12	22
Tax	15	3
Profit after tax	**68**	**21**
Special items (after tax)	0	(18)
Net profit corporate clients	**68**	**3**

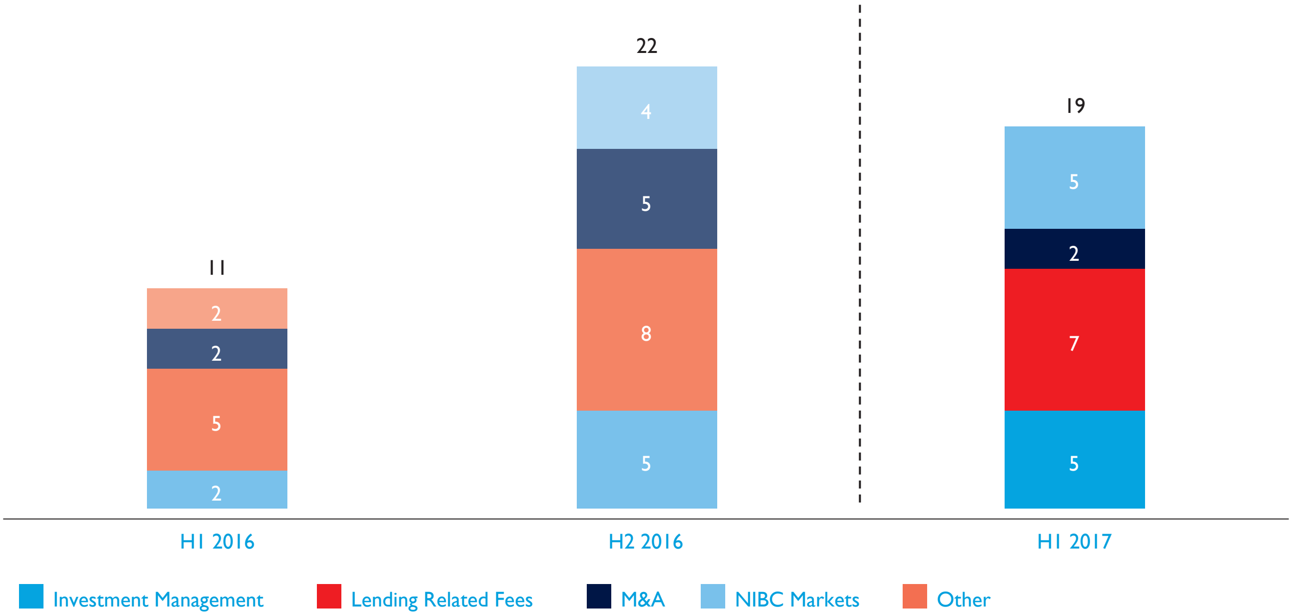
With respect to the financial performance, operating income from Corporate clients improved in H1 2017 by 57% to EUR 151 million compared to EUR 96 million in H1 2016. Net interest income increased by 29% to EUR 99 million, driven by both a higher average size of this portfolio combined with a higher average portfolio spread in H1 2017 compared to H1 2016 and lower funding costs.

Corporate loan portfolio spreads



In H1 2017 net fee and commission income increased by 73% to EUR 19 million from EUR 11 million in H1 2016. This figure includes EUR 5 million (H1 2016: nil) from NIBC Markets.

Net fee and commission income



Investment income is sensitive to the sentiment in the equity markets and can therefore be volatile year on year. In 2017 the equity investment portfolio performed well leading to an increase of investment income to EUR 26 million in H1 2017 from EUR 9 million in H1 2016. The total equity investment portfolio increased in 2017 by nearly 6% to EUR 278 million.

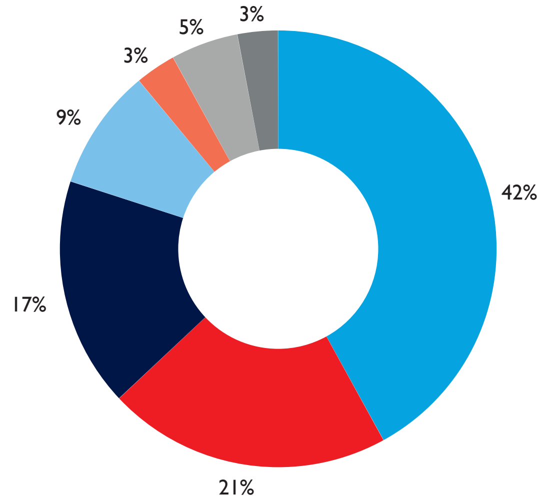
Net trading income increased EUR 8 million to EUR 7 million in H1 2017 compared to negative EUR 1 million in H1 2016. This increase includes EUR 4 million from NIBC Markets in H1 2017 (H1 2016: nil) and was further driven by improved revenues from derivatives.

Operating expenses of EUR 56 million in H1 2017 increased by EUR 6 million from EUR 50 million in H1 2016. The increase fully relates to NIBC Markets.

Impairments decreased by 45% to EUR 12 million in H1 2017, coming from EUR 22 million in H1 2016. The decrease mainly relates to the release of EUR 21 million of impairments on a commercial real estate exposure partially sold in H1 2017. The impairment coverage ratio (including IBNR amounts) increased in 2017 from 33% to 49%. Given the fragile and volatile economic environment, we continue our increased focus in managing our portfolios in the Oil & Gas Services and the dry bulk shipping subsector.

Corporate client offering's net profit improved substantially to EUR 68 million in H1 2017.

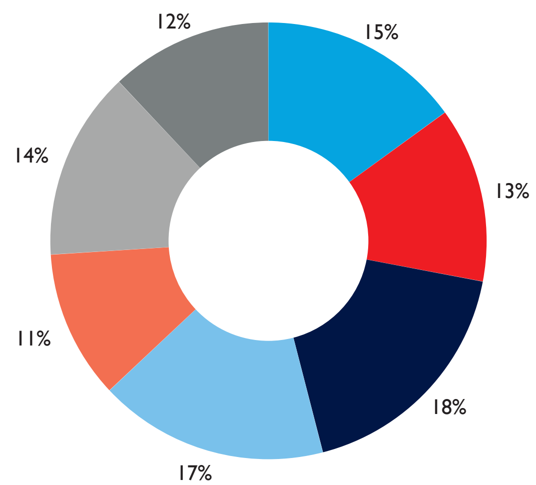
Corporate loans per region



Netherlands Germany United Kingdom Europe Asia/Pacific North America Other

NIBC's operations in Germany have continued to perform well as we continue to increase our market share and generate new clients. This success is the result of our focused sector and subsector approach to mid-sized family-owned businesses combined with our product expertise. The origination level in Germany in H1 2017 was at EUR 210 million, which is roughly the same level as in H1 2016. The old lease portfolio is reduced (via repayments) according to plan.

Corporate loans per sector



Commercial Real Estate Food, Agri, Retail & Health Industries & Manufacturing
Infrastructure & Renewables Oil & Gas Services Shipping & Intermodal
Telecom, Media, Technology & Services

On a sector level, the main trends in 2017 are the following:

- Our portfolios in Oil & Gas Services and Shipping & Intermodal decreased by respectively 14% and 10% to a combined level of EUR 2.4 billion in 2017, caused by seasonality and negative USD forex effects. Considering the continuing low level of oil prices these sectors are able to maintain their market share;
- The portfolios continued to increase in our three corporate sectors: a) Industries & Manufacturing; b) Food, Agri, Retail & Health and c) Telecom, Media, Technology & Services, which displayed a combined portfolio increase of 6% to EUR 4.2 billion in H1 2017 following an increase of 25% in 2016. We are continuing to diversify our portfolio and further sharpening our focus on promising subsectors such as healthcare, telecom, data centres, Fintech and business software;
- The Commercial Real Estate portfolio remained stable at EUR 1.4 billion in H1 2017, with origination being compensated by sales and (p)repayments. As the transformation of the portfolio has progressed well, the sector now focusses on smaller deals for a larger number of clients; and
- The Infrastructure & Renewables portfolio remained stable at EUR 1.6 billion in H1 2017, reflecting relatively high (p)repayments as well as our efforts to decrease that part of the old portfolio that generates lower returns. Growth is being achieved in two new subsectors Digital Infrastructure and Renewable Energy.

NIBC's leasing venture BEEQUIP, which recently celebrated its first anniversary, displayed further growth to a drawn portfolio of EUR 165 million per 30 June 2017. The leasing of new and used equipment proves to be a good fit with our Industries & Manufacturing client base, broadening the scope of its activities into smaller ticket financing and offering our clients the possibility to lease their assets. BEEQUIP is a subsidiairy of NIBC Holding N.V.

Client deals

In 2017, Corporate clients was engaged in mandates for a large number of high-profile deals across its markets, demonstrating its ability to provide tailor-made solutions swiftly at decisive moments for its clients. These included the following examples:

In the first six months of 2017 NIBC closed two transactions with **Coldservice**. Coldservice is a service provider offering warehousing, (de-)freezing, (re)packaging and transportation capabilities to mainly large frozen food producers (e.g. Friesland Campina, Aviko). The company was established in 2013 with the acquisition of Ardo's cold storage facility in Veghel. The three shareholders have since then transformed the business into a modern, efficiently run cold store with strong client relations and a good reputation in the market. Their lean and efficient business model has resulted in a steep increase in revenues and high client satisfaction underpins strong continued growth perspectives.

In the first transaction (March 2017) Mezzanine & Equity Partners and Food, Agri, Retail & Health supported the entrepreneurial Coldservice's team with their expansion plans in Veghel. In the second transaction (June 2017), we financed the acquisition of Diepop, a Waalwijk based competitor.

Both transactions where structured using a combination of senior debt and risk-bearing mezzanine debt (state guaranteed). The partnership with Coldservice's demonstrates Mezzanine & Equity Partners ability to create inventive financial structures in order to bridge the gap between traditional senior lending and private equity.

Blauwhoed is one of the few independent real estate developers in the Netherlands, based in Rotterdam, focusing on the residential market in and around the G4 cities. Founded in 1616, the company started with the shipment of goods and warehousing. In the 20th century the company became one of the largest residential and area developers and developed over 80,000 residential properties, shopping centres and offices. The company has now transformed into a value-adding and innovative developer, with new concepts like BlueLiving, Smart Living, Senior Smart Living, Haaks Wonen and Tiny Apartments.

NIBC supported this long standing and well-known client and its main shareholder at a decisive financial moment with the successful sale of NPM Capital's stake in Blauwhoed to Valuas. NIBC acted as the advisor in this transaction for Blauwhoed and provided a facility to (partly) finance the share purchase.

ProXES GmbH unites four industry leading process technology suppliers under one roof and has existing relationships with numerous global food and consumer goods companies. In Europe, the group is the leading supplier of machines and integrated production facilities for the production and processing of liquid and semi-liquid products for the food, cosmetic and pharmaceutical industries. ProXES GmbH has extensive expertise in automation technology in these industries.

RETAIL CLIENTS

In the first half year we have successfully executed our client-focused strategy against a backdrop of modest economic growth, a strengthening housing market, declining unemployment, low interest rates and continued strong competition among financial services providers. We doubled mortgage origination volume compared to H1 2016 by following a dual track strategy in mortgage origination, targeting clients in niche segments with clear, transparent and added value products for NIBC's balance sheet whilst aiming at mainstream mortgages for our originate-to-manage mandates.

We have made substantial progress with our niche strategy by continuing our focus on underserved markets like buy-to-let, self-employed and negative equity mortgages. Due to the increasing numbers of investors that are investing in rented residential real estate, buy-to-let has become an important part of our overall mortgage offering.

H1 2017 also saw continued progress in expanding our originate-to-manage mandates. These mandates enable us to offer attractive rates to our clients, broadening the product offering for retail clients with long tenor mortgages, keeping a market presence in crowded segments and diversifying our income base. We are highly experienced in originating, servicing and managing Dutch residential mortgage portfolios. We have leveraged our knowledge, distribution network, organisation and IT infrastructure for use by third party investors, while offering retail customers the strengths and benefits of the NIBC Direct brand.

In line with a further improving Dutch housing market and economic recovery, the mortgage portfolio has shown a further improvement in credit quality. We managed to further reduce the mortgage loss rates to pre-crisis levels.

The introduction of our new product in the savings domain, quarterly savings, was well received by our savings customers. Furthermore, our continued efforts to change the mix of on-demand deposits versus more expensive fixed-term savings have resulted in lower funding costs.

Income statement retail clients

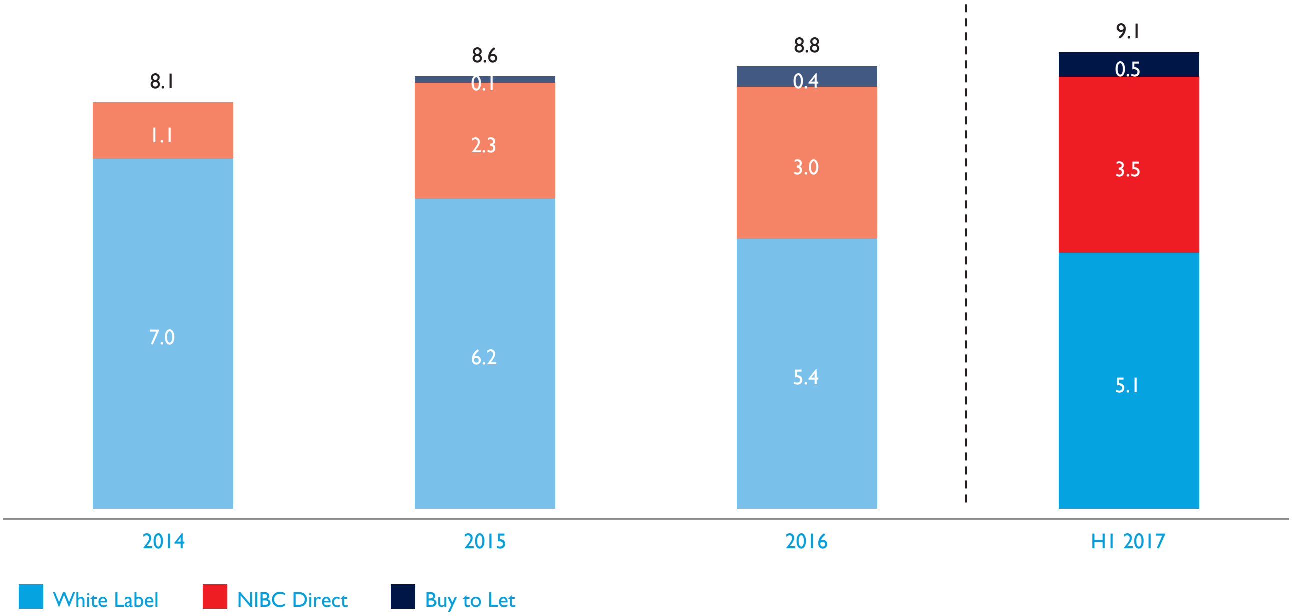
in EUR millions	H1 2017	H1 2016
Net interest income	63	58
Net fee and commission income	1	0
Investment Income	0	0
Net trading income	(5)	(2)
Other operating income	0	0
Operating income	**60**	**56**
Personnel expenses	8	8
Other operating expenses	14	13
Depreciation and amortisation	1	1
Regulatory charges	5	5
Operating expenses	**28**	**27**
Net operating income	**33**	**30**
Impairments of financial assets	0	0
Tax	8	7
Profit after tax	**25**	**22**
Special items (after tax)	0	0
Net profit retail clients	**25**	**22**

With respect to our financial performance, operating income from Retail Clients improved in H1 2017 by 7% to EUR 60 million compared to H1 2016, mainly from an increase of net interest income, driven by the growth of the mortgage portfolio and lower funding costs. Net fee and commission income of EUR 1 million in H1 2017 displays the fee income from our 'originate to manage' mandates. Operating expenses increased slightly from EUR 27 million to EUR 28 million, mainly due to higher expenses of external servicing, driven by increased origination and portfolio levels. Retail Clients net profit increased by 14% to EUR 25 million.

Mortgages

Mortgage origination volumes reached EUR 1.1 billion in H1 2017 (H1 2016: EUR 0.5 billion) of which EUR 0.3 billion for our originate-to-manage mandates. After normal prepayments and repayments, our total mortgage portfolio increased by 3% in 2017 from EUR 8.8 billion at year end 2016 to EUR 9.1 billion midyear 2017.

Mortgage portfolio management (in EUR billions)



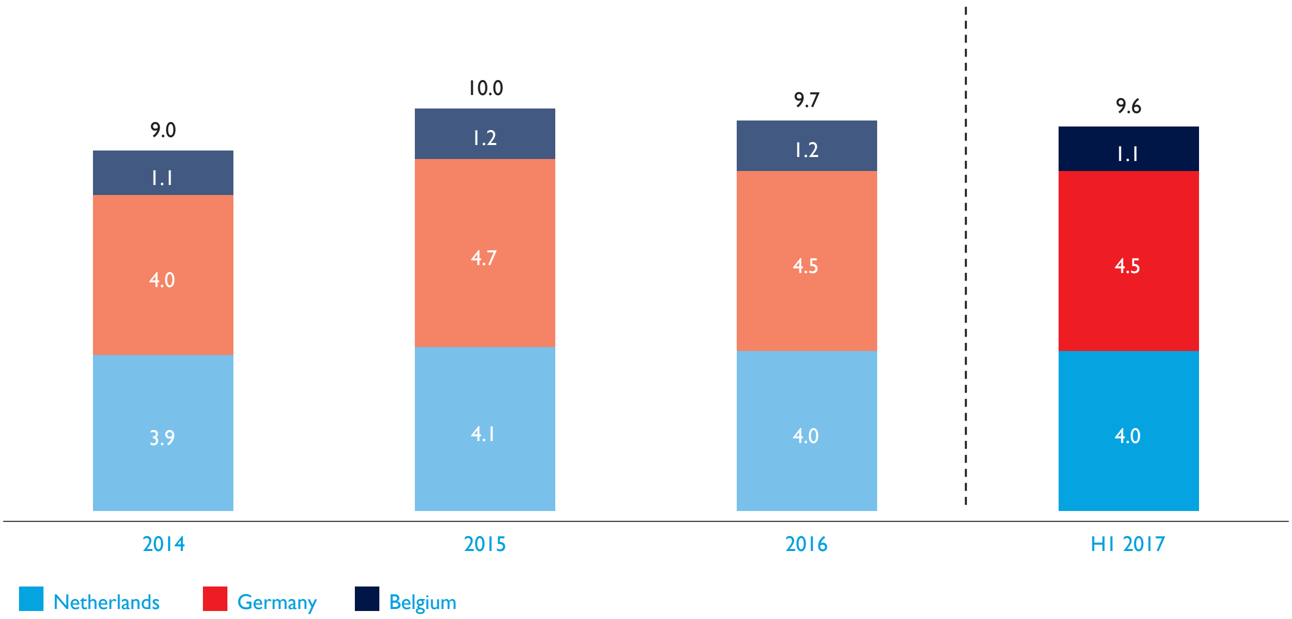
We have continued to focus on more profitable segments outside the crowded National Mortgage Guarantee (NHG) market, further expanding our network, and intensifying our relationship and activities with existing distribution partners. Our buy-to-let product, launched in 2015, saw further robust growth in 2017.

We also see a continued demand for longer interest rate terms of up to 20 and 30 years that we have been able to originate, partly together with our partners. Our first mandate, closed in 2016, to originate for institutional investors under the NIBC Direct label was followed by a second mandate and origination and pipeline volume are already close to EUR 0.5 billion.

Savings

Our total volume of savings decreased by 1% to EUR 9.6 billion in 2017. Our continued efforts to increase the share of on-demand deposits with flexible rates (which have proven their stickiness) versus more expensive fixed-term savings, have led to a controlled net outflow in H1 2017 of EUR 150 million.

Retail savings development (in EUR billions)



In 2017, we expanded our product offering by introducing quarterly savings in The Netherlands. The new product provides a compensation for our clients who have not withdrawn their on-demand savings during the quarter. The product thereby provides the client with the opportunity to earn higher interest without giving up any flexibility. For the bank, the new product helps to increase the stickiness of the retail savings.

Brokerage

Our German brokerage business saw a stable half year. Assets under management increased slightly to EUR 150 million and the number of accounts increased as well to over 6,250. The dynamics in the markets have been largely driven by geopolitical events, like Brexit and turbulences in EU markets.

TREASURY AND GROUP FUNCTIONS

Treasury and Group Functions includes the bank's Treasury function, Asset and Liability Management (ALM), Risk Management and the bank's Corporate Centre which includes HR & Corporate Communications, Internal Audit, Legal & Compliance, Sustainability, Operations & Facilities, Technology, and Finance, Tax & Strategy.

In Treasury and ALM, focus has been on the various funding transactions that were successfully executed during the first half year, further enhancing NIBC's Internal Capital Adequacy Assessment Process and delivery of its Internal Liquidity Adequacy Assessment Process.

NIBC has an ambitious project calendar. Apart from supporting the bank's regular processes, the Group Functions coordinate and contribute to the realisation of these projects. An example of the projects undertaken are the following:

- A major step in the development of the organisation is the current project to outsource several functions and processes of its IT department. Although the project is not without risks and has experienced delay, both the transition and the relationship with our outsourcing partner are actively managed to ensure completion of the future mode of operation in the first half of 2018;
- An important milestone was reached in May 2017 with the go-live of NIBC's new Treasury back office system. With this achievement, many internal processes were improved or simplified, as the new system enables more straight-through processing and better integration with front office functionality;
- NIBC has to be MiFID 2-compliant as of January 2018. The requirements of this regulation have a significant impact on transaction processes of Treasury and NIBC Markets;
- The planned transition to IFRS 9 on 1 January 2018 requires development of models, review and analysis of the bank's positions and adjustment of administrative processes. A large multidisciplinary team is working on the different elements to ensure operational readiness at the end of 2017;
- To improve and modernise NIBC's payment processes, Operations and IT are executing a payment roadmap. This roadmap aims to replace legacy infrastructure with up-to-date solutions;
- To meet the constantly increasing requirements regarding data quality and reporting, a new initiative has been started to enhance bank-wide data governance and data management; and
- NIBC has also started with the preparations for new reporting requirements of AnaCredit, the analytical credit datasets that financial institutions will have to report as of September 2018.

Financial performance

Net profit of the segment Treasury and Group Functions, as reported in note 1 of the Condensed Consolidated Interim Financial Report, equals a net loss of EUR 5 million. The loss is mainly driven by the reorganisation costs of NIBC Markets and the additional costs related to the transition of NIBC's IT organisation.

RISK MANAGEMENT

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

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

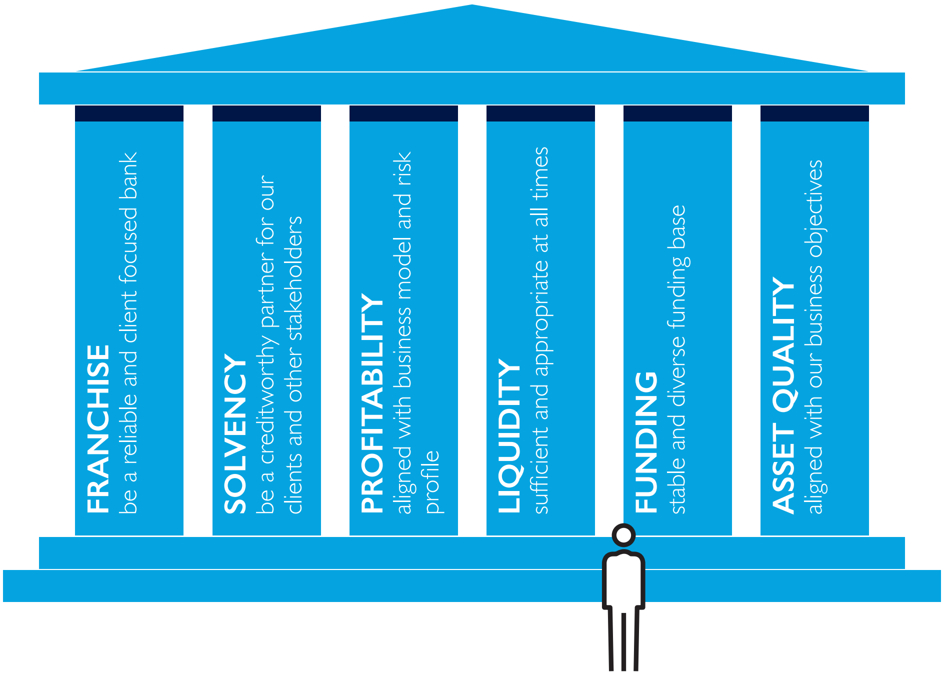
Our business actively supports mid-sized corporates and new ventures at their most decisive moments, so it is vital that we have the room to be inventive in our approach. Although it is the nature of our business to investigate alternative solutions and facilitate exceptions to the standard in order to service our clients efficiently, we always benchmark potential transactions against our risk appetite framework.

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

Risk Appetite

Risk appetite defines the amount and type of risk an organisation is willing to accept in pursuit of its business objectives, including the attainment of our near-term objective of a BBB+ credit rating. We have defined six pillars, which together form NIBC's risk appetite framework.

NIBC's Risk Appetite framework in 6 pillars



Our performance is measured across these pillars by means of quantitative and qualitative risk appetite statements. This framework helps us to implement and execute our strategy of sustainable growth, as it helps to steer us with regards to client interest, product suitability and compliance with laws and regulations.

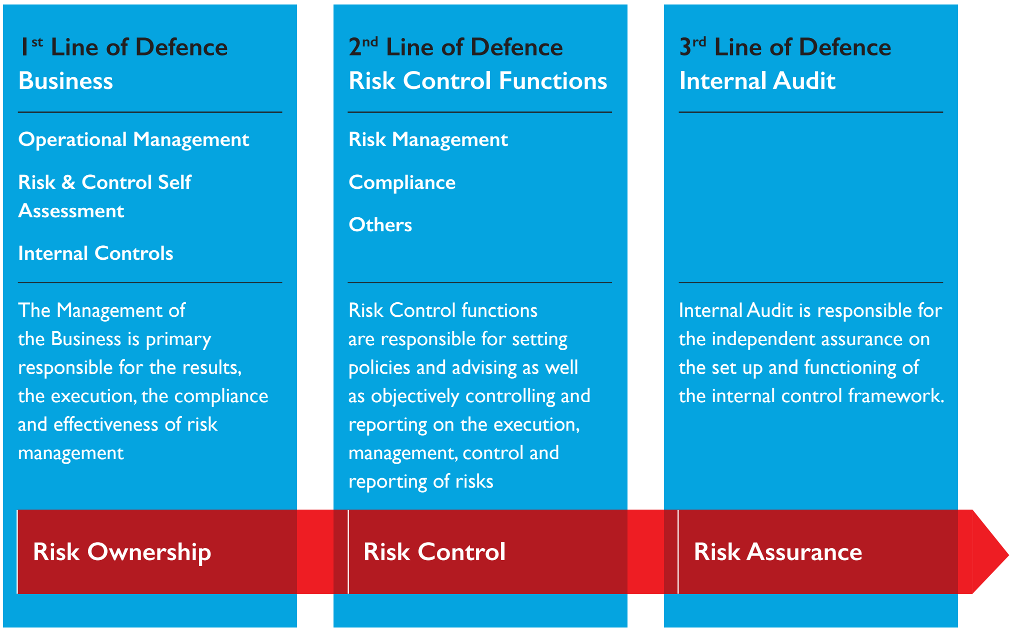
NIBC's risk appetite framework is rolled out throughout the organisation and incorporated in our policies, procedures, limits and action plans. Key risk and performance indicators and early warning signals are used to monitor and control developments in these areas.

In determining risk appetite we pay close attention to the budget setting and capital planning process. NIBC's forward-looking risk profile, based on budgets and (stressed) scenario forecasts, is the basis of setting the risk appetite. We have designed a comprehensive set of selected stress scenarios (including externally provided inputs) in order to capture all significant risks contained in NIBC's positions.

Risk Governance

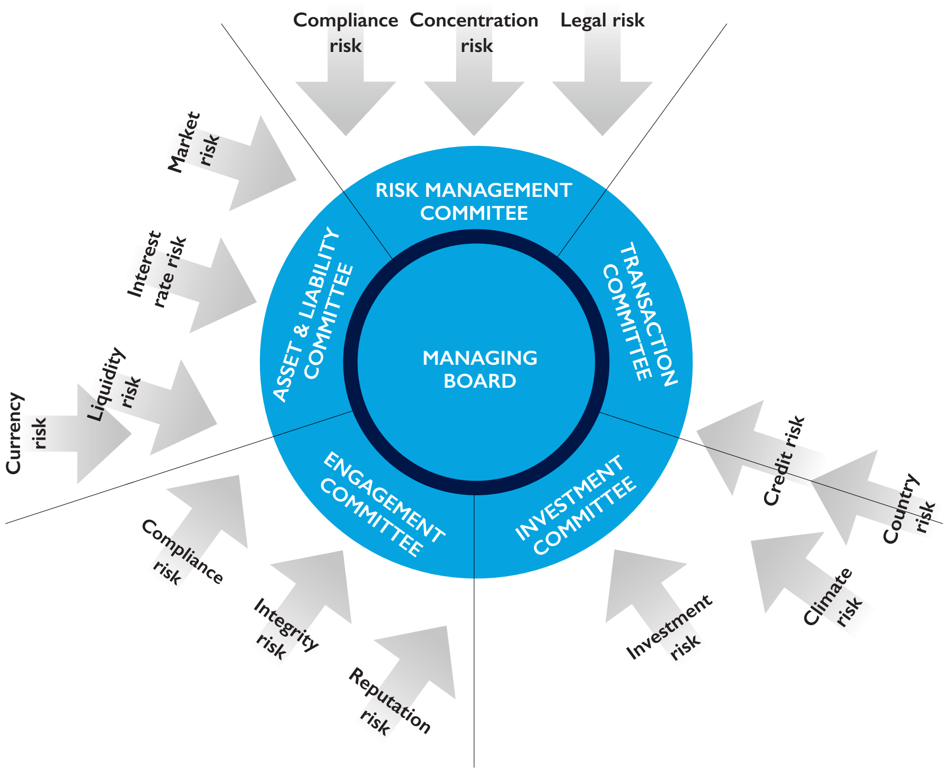
NIBC uses the 'three lines of defence' governance model, which provides a structure to clearly assign the risk management activities and responsibilities throughout the organisation. This model supports risk awareness, and promotes dialogue across functions on goals, risks and controls. It is pivotal to this model that every member of the NIBC staff takes accountability for his or her actions as part of our sound risk culture.

Three lines of defence



To support effective decision-making, the Managing Board has delegated decision-making authority regarding various risk management related areas to one of the following committees.

Risk responsibility areas



Besides members of the MB, each committee also comprises of employees of the Bank with expertise in the specific risk area.

- The Risk Management Committee (RMC) approves risk policies and methodologies, sets portfolio, sub-portfolio and concentration limits, governs model validation and approves new product approval requests;
- The Asset & Liability Committee (ALCO) sets and monitor economic capital and market risk limits, oversees liquidity management and manages the interest rate and currency risks of the banking book;
- The Transaction Committee (TC) is responsible for decision-making on senior debt transactions, impairments and write offs and lending and underwriting strategies;
- The Investment Committee (IC) is responsible for decision-making on equity, mezzanine and subordinated debt transactions and impairments and revaluations; and
- The Engagement Committee (EC) is responsible for decision-making with regard to client engagement and conflicts of interest.

Key developments in Risk Management

The current economic climate, with its macroeconomic uncertainties, geopolitical tensions and low-interest rate environment, is a challenging one for the industry. Notwithstanding, NIBC achieved a significant reduction in its legacy portfolio (EUR 229 million decline), combined with strong origination resulting in a stable total loan portfolio and substantially improved risk profile. Furthermore, NIBC has continued to take important steps in terms of its risk management and the execution of its strategy, which included the following key developments.

Risk profile

NIBC's risk profile of the performing corporate loan portfolio continued to improve in the first half of 2017, displaying a decrease of the expected loss to 31 basis points (was 35 bps in December 2016). Strong origination in corporate client transactions with good credit quality has contributed to this reduction. The legacy Commercial Real Estate portfolio reduced significantly (from EUR 581 million to EUR 352 million), resulting in overall reduction in non-performing loans and a lower non-performing percentage. The corporate loan 'watchlist' decreased (from EUR 575 million to EUR 459 million) also demonstrating the improving overall credit quality which is further magnified if we exclude the Oil & Gas and dry bulk shipping (sub)sectors. Net Impairments in the first half of the year were limited.

The equity and mezzanine portfolio remained relatively stable. The business has been successful in supporting new clients with both mezzanine and equity solutions, replacing positions that were exited. Together with our clients, we actively use government facilities, such as RVO. The risk profile benefits from these government guarantees that are part of several transactions.

In line with a further improving Dutch housing market and economic recovery, the residential mortgage portfolio displayed an improved credit quality. During the year, both the expected losses as well as the amount of realised losses, decreased compared to the previous year.

- **Ongoing attention to sector developments and portfolio management in certain sectors**
  Continued headwinds in the Oil & Gas service and dry bulk shipping (sub)sectors due to slower demand resulted in continued strict portfolio management and risk management attention. Here we proactively address the situation with our clients and, where necessary, take pre-emptive measures. Oil & Gas showed an increase of non-performing loans. As we actively seek to resolve the credit issues with these clients, the forborne exposure in Oil & Gas increased in the first half of the year. Both (sub) sectors saw files being transferred off the 'watchlist' both due to an improving credit profile for some files while others deteriorated further. Our efforts to restructure and / or transfer legacy exposures in the Commercial Real Estate sector resulted in a release of impairments of EUR 21 million in H1 2017. Following these actions and sales, the residual legacy exposure at year-end 2017 will no longer contain major risks for the bank.

- **Improving risk awareness and strengthening of risk management processes**
  A focus area was the update of our economic capital framework, where we have improved the alignment to the minimum regulatory capital requirements from the annual Supervisory Review and Evaluation Process (SREP) by the regulator. Further, policies and procedures have been updated to better reflect NIBC's purpose and values (Code of Conduct) as well as external environment (Market Abuse Policy and Procedures).

Overview of Risk types

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

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

Overview of main risk types

In EUR millions	Main risk types	H1 2017	FY 2016
Corporate / investment loans		9,818	9,904
Corporate loans	Credit risk	9,560	9,658
Investment loans	Credit risk	258	246
Lease receivables	Credit risk	88	123
Residential mortgages	Credit risk	9,075	8,831
Equity investments	Investment risk	278	262
Debt investments		891	1,232
Debt from financial institutions and corporate entities	Credit risk / Market risk	296	459
Securitisations	Credit risk / Market risk	595	773
Cash management	Credit risk	2,624	1,371
Derivatives[1]	Credit risk / Market risk	1,499	1,817
Funding	Liquidity Risk	21,319	21,466
Capital (incl. Tier 2 as per Basel III)	Capital Adequacy Risk	2,190	2,155

1 Positive replacement values.

Credit Risk

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

Within the corporate client activities, credit risk is governed by the Transaction Committee and the Investment Committee. Both committees review and approve transaction proposals. For retail client activities, which are based on program lending instead of individual credit review by a committee, credit risk is governed by the Risk Management Committee. The RMC determines the underwriting criteria, within which retail client offering can originate retail mortgage loans and buy-to-let mortgage loans. The RMC also monitors usage of the various portfolio and concentration limits.

The following table provides a breakdown of the credit exposures of NIBC.

Overview of credit risk exposures

in EUR millions	H1 2017	FY 2016
Corporate loans portfolio		
Commercial Real Estate	1,388	1,375
Food, Agri, Retail & Health	1,260	1,149
Industries & Manufacturing	1,766	1,514
Infrastructure & Renewables	1,582	1,618
Oil & Gas Services	1,055	1,233
Shipping & Intermodal	1,366	1,512
Telecom, Media, Technology & Services	1,142	1,257
Total Corporate loan exposures	**9,560**	**9,658**
Investment loans portfolio		
Commercial Real Estate	21	20
Food, Agri, Retail & Health	124	116
Industries & Manufacturing	19	6
Infrastructure & Renewables	20	19
Oil & Gas Services	17	16
Shipping & Intermodal	-	-
Telecom, Media, Technology & Services	57	69
Total Investment loan exposures	**94**	**246**
Retail loans portfolio		
Retail mortgages - The Netherlands	9,008	8,747
Retail mortgages - Germany	67	84
Total Retail loan exposures	**9,075**	**8,831**
Debt investment portfolio		
Financial institutions & Corporate credits	296	459
Securitisations	595	773
Total Debt investment exposures	**891**	**1,232**
Lease receivables exposure	88	123
Derivatives	1,499	1,817
Cash Management	2,624	1,371
Total	**23,831**	**23,278**

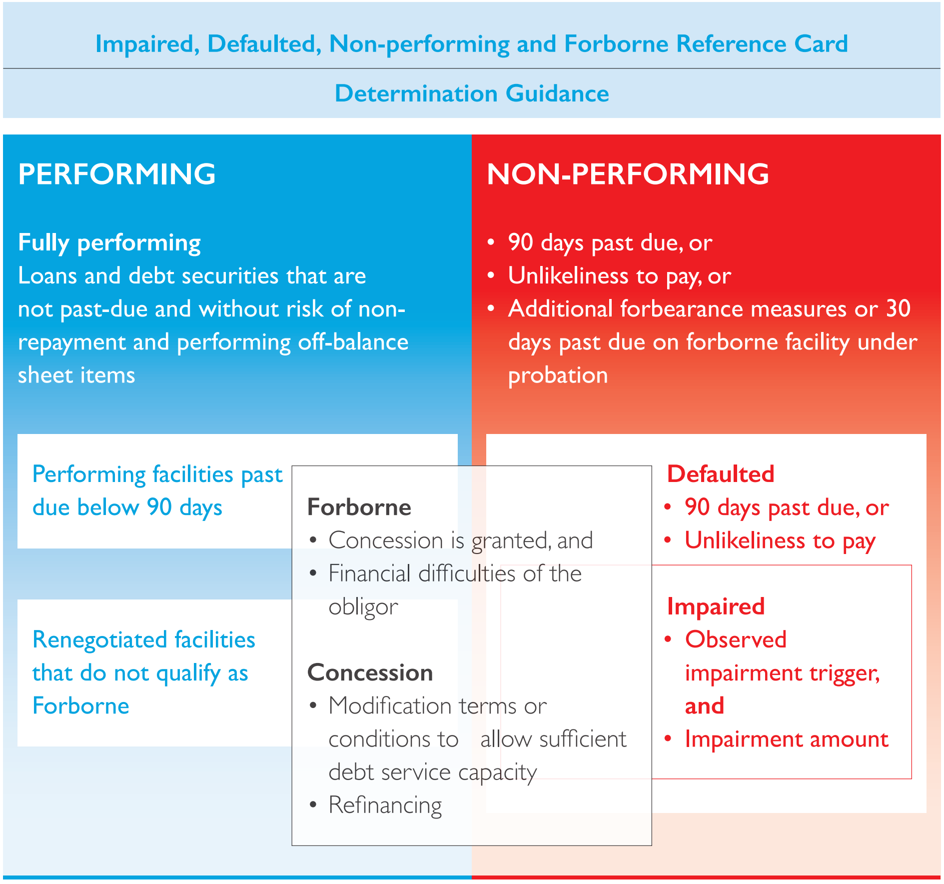
Development of Credit quality

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

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

The framework and the relationship between the different measures are illustrated in the following figure .

Credit quality framework



The credit quality measures support NIBC in identifying exposures that require extra attention of portfolio management and risk management. Early warning signals help us to act quickly and work with our clients to resolve issues early. In these situations, NIBC is using various measures to avoid further deterioration and focus on resolving the issues.

The following table provides an overview of the exposures that are classified within one or more of the credit quality measures. It should be noted that the exposures reported under the various measures are partially overlapping.

Overview of credit quality measures

	H1 2017				FY 2016			
	Corporate exposure	Retail exposure	Total exposure		Corporate exposure	Retail exposure	Total exposure	
	in EUR millions			%	in EUR millions			%
Defaulted exposure	453	46	499	2.6	658	49	707	3.8
Impaired exposure	396	-	396	2.1	629	-	629	3.4
Non-performing exposure	483	46	529	2.8	658	49	707	3.8
Forborne exposure	1,104	41	1,144	6.1	975	38	1,013	5.4

The credit quality of the non-defaulted part of the corporate loan portfolio remained stable in 2017. Severe adverse market circumstances continued to affect our clients in the Oil & Gas sector and the dry bulk shipping subsector. Emphasis during the year was on ensuring adequate quality of existing and newly originated transactions. This was enforced by sound and proactive portfolio management and increased sector emphasis.

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

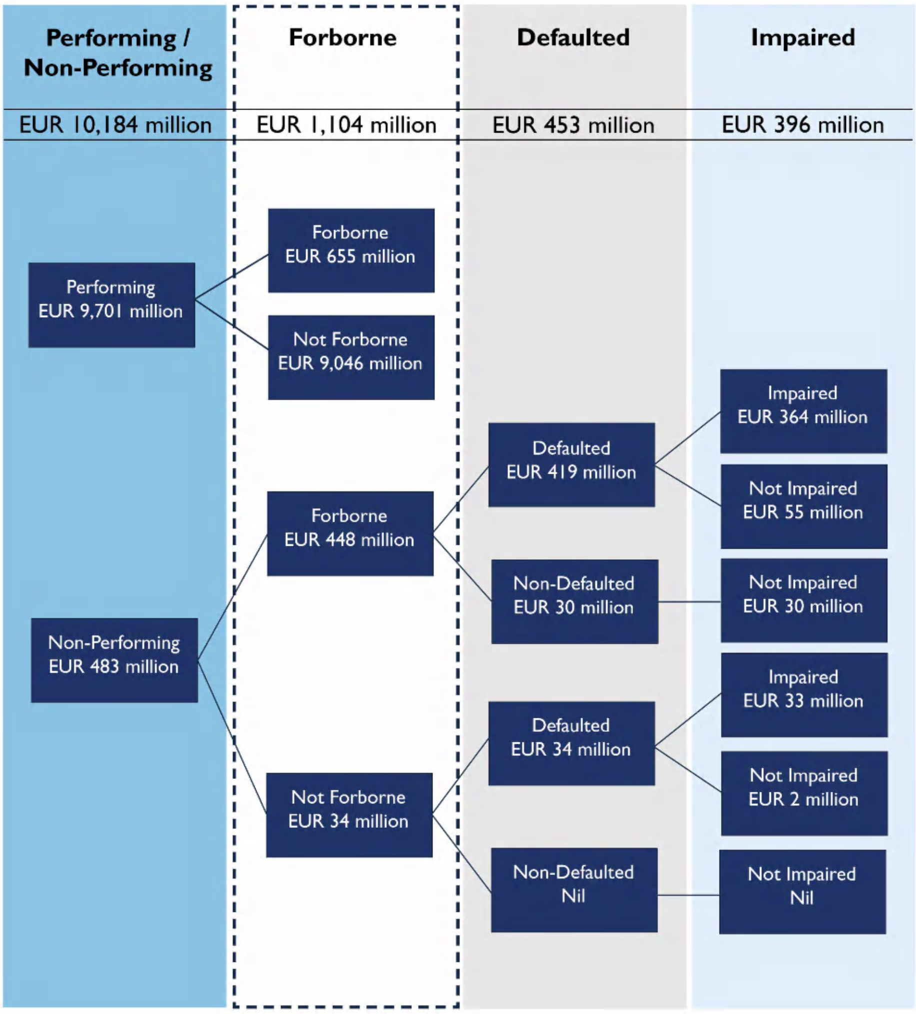
	HI 2017			FY 2016		
	Non-performing exposure	Impaired exposure	Impairment coverage ratio[1]	Non-performing exposure	Impaired exposure	Impairment coverage ratio[1]
	in EUR millions		%	in EUR millions		%
Corporate client exposures						
Commercial Real Estate	137	137	36%	363	363	21%
Food, Agri, Retail & Healthcare	33	22	100%	30	30	55%
Industries & Manufacturing	22	20	77%	31	28	53%
Infrastructure & Renewables	51	51	29%	52	52	28%
Oil & Gas Services	144	111	44%	113	87	36%
Shipping & Intermodal	74	55	48%	58	58	48%
Telecom, Media, Technology & Services	21	-	100%	12	12	53%
Total Corporate client exposures	**483**	**396**	**45%**	**658**	**629**	**30%**
Retail client exposures						
Residential mortgages	46	-	-	49	-	-
Buy-to-let mortgages	-	-	-	-	-	-
Total Retail client exposures	**46**	**-**	**-**	**49**	**-**	**-**
Total exposures	**529**	**396**	**45%**	**707**	**629**	**30%**

1 Impairment coverage ratio excludes IBNR amounts.

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

The following figure provides the numerical overview of the relationship between these measures for the corporate loan portfolio.

Overview of credit quality measures for corporate exposures



In line with a further improving Dutch housing market and economic recovery, the mortgage portfolio has shown a further improvement in credit quality in 2017. During the year, the realised losses in the portfolio decreased further. The forborne exposure as per 30 June 2017 equals EUR 41 million. The reported forborne exposure per 31 December 2016 was EUR 38 million.

In 2017, acceptance criteria were further adjusted, to bring these in line with the new and stricter regulation. The methodology for the maximum NHG guaranteed loan amount was adjusted and is now based on the average house price multiplied by the maximum loan to market value ratio. The average house price for 2017 remained at EUR 245,000 and the maximum loan-to-value for owner occupied mortgages was lowered to 101%. This in effect means that the maximum NHG guaranteed loan amount this year is set at EUR 247,450.

Interest rate risk in the banking book

NIBC defines interest rate risk in the Banking book as the risk of losses from interest rate sensitive positions in non-trading activities due to movements in interest rates. IRRBB is measured and monitored both from an economic value perspective and from an earnings perspective.

The Banking book consists of all interest sensitive positions excluding the Trading book.

Market Risk

NIBC defines market risk as the risk of:

- Losses in the Trading book arising from adverse movements in market rates and;
- Losses in the Banking Book from NIBC's credit spread risk position and equity positions (exclusively non-tradable equities) assets measured at fair value; and
- Losses in both the banking and trading book from adverse movements in currencies in relation to the Euro.

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

On 30 June 2016, the business unit Markets has been acquired by NIBC. All positions within this business unit are part of the Trading book. The Trading book of Markets contains bonds and a relatively small equity portfolio in those equities, for which Markets is liquidity provider.

In the Trading book, excluding the business unit Markets, 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. The limits for the Trading book are moderate. Trading book limits are monitored on a daily basis and reported to ALCO on a biweekly basis.

The overall market risk in NIBC's Trading book is limited, as is also exhibited by the amount of Basel III / Pillar I regulatory capital required for this activity, which only comprises 2% of the total regulatory capital. This is in line with the 2016 figures.

NIBC is subject to credit spread risk mainly with respect to the part of the mortgage portfolio accounted for at FVPL. Credit spread risk is also present in the liquidity portfolio, the collateral portfolio, the structured credits portfolio and in the Trading Book of the business unit Markets. The liquidity portfolio, collateral portfolio and structured credits portfolio are part of the Banking Book and consist mainly of investments in financial institutions and securitisations. Within the business unit Markets the bond positions in financial institutions, sovereigns and corporates are also subject to credit spread risk.

NIBC does not actively take currency positions. Currency positions that exceed small facilitating limits are hedged. NIBC's overall open foreign currency position was EUR 1.8 million at the end of June 2017. This currency position is the position prior to hedging, which is done on a monthly basis.

Investment Risk

Investment risk relating to NIBC's equity investments is the risk that the value of the investment will deteriorate.

Our investment risk relates to positions in private equity, infrastructure equity and real estate equity investments. These equity investments can be broken down into direct and indirect investments. Indirect investments are those made through funds (NIBC Funds). Direct investments are all other investments and consist of private and listed common equity investments, preference shares, warrants and interests in funds managed by NIBC or by third parties over which NIBC does not exercise control.

The investment process is based on the following principles:

- Ensuring investment risk exposures are authorised independently from the business originators;
- Performing systematic risk analysis of the investment, with a view to identifying, measuring, and evaluating all risks; and
- Embedding the principles of Know Your Customer, sustainability and customer due diligence as integral parts of the overall investment process.

Management of investment exposures
Direct equity investments must be approved by the IC. By contrast, indirect investment transactions are approved by the investment committees of the NIBC Funds, subject to the investment guidelines stipulated in the agreements between the manager of the NIBC Fund and investors.

NIBC's equity investments generally have low liquidity. Because the size of the investment portfolio is limited, we assess concentration risk for each individual new asset. We also take into account market, sector and geographical exposure profiles.

All investment exposures are reviewed on a quarterly basis. The investment manager drafts a review document and prepares a valuation of the investment in accordance with the International Private Equity and Venture Capital Valuation Guidelines, to the extent that these are consistent with IAS 39. The International Private Equity and Venture Capital Valuation Guidelines lay out recommendations, intended to represent current best practice on the valuation of private equity investments. All valuations are approved by the IC.

In each quarterly review, where applicable the exit strategy of the investment is updated. Divestment proposals for direct investments are submitted for approval to the IC. Divestment proposals for indirect investments are submitted for approval to the investment committee of the NIBC Fund.

Composition of investment exposure
The following tables show the total amounts and the breakdown of the Equity Investments portfolio in industry sectors and regions. NIBC's off-balance commitments amounted to EUR 13 million at 30 June 2017 (31 December 2016: EUR 19 million).

Breakdown of equity investments per sector

in EUR millions	H1 2017	FY 2016
Commercial Real Estate	23	19
Food, Agri, Retail & Health	23	13
Industries & Manufacturing	13	14
Infrastructure & Renewables	130	116
Oil & Gas Services	-	-
Shipping & Intermodal	1	-
Telecom, Media, Technology & Services	89	101
Total	**278**	**262**

Breakdown of equity investments per region

in EUR millions	H1 2017	FY 2016
The Netherlands	207	200
Germany	-	-
United Kingdom	27	15
Rest of Europe	5	6
North America	39	42
Total	**278**	**262**

Liquidity Risk

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

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

The liquidity management framework is reviewed annually. In the recent years, several new regulatory requirements have influenced these liquidity policies. NIBC aims to be an early adopter of such requirements, enabling us to proactively translate these changes into relevant liquidity actions.

The liquidity positions are managed by the ALCO. Using frequently updated projections from the business units and maturity profiles of the different portfolios, liquidity forecasts and stress tests are performed and reported to ALCO on a bi-weekly basis.

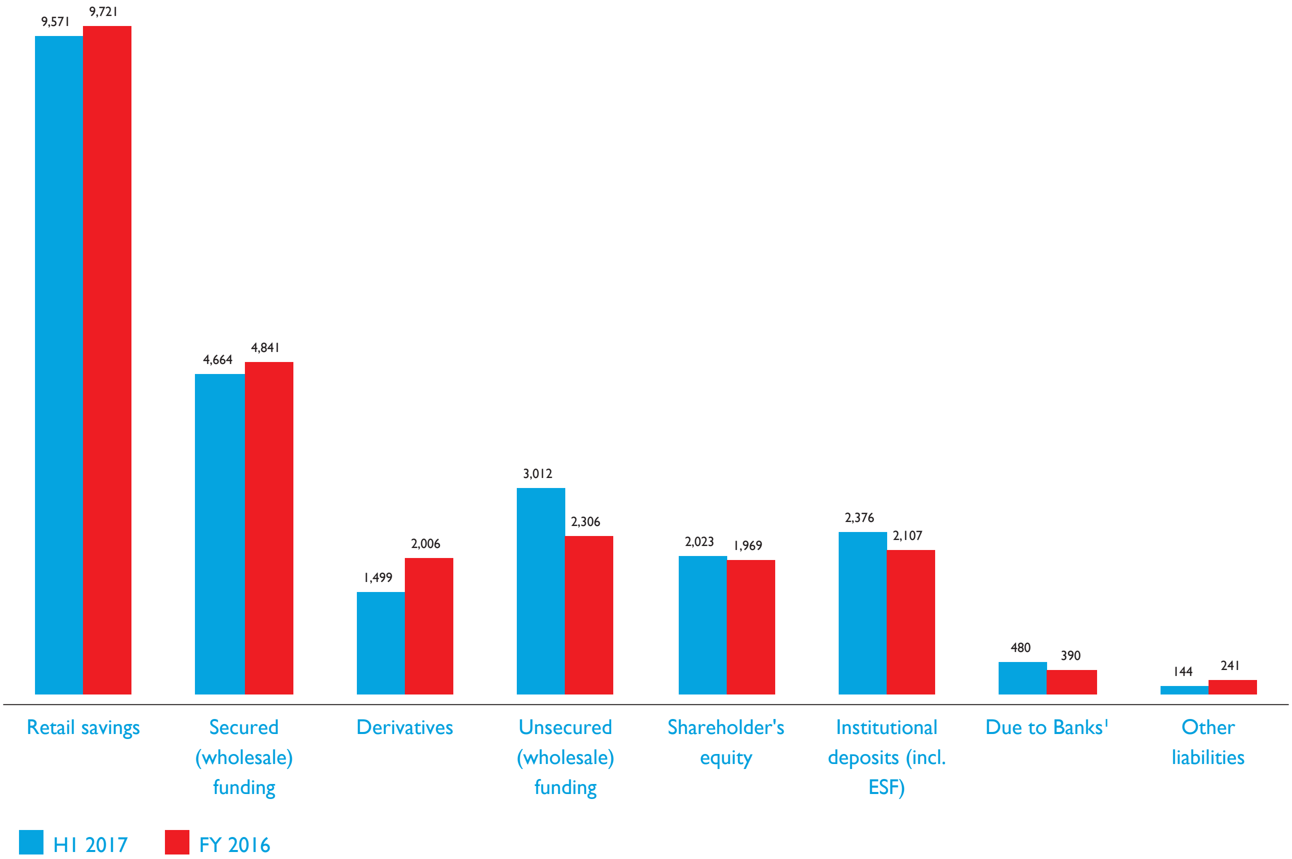
Funding

NIBC further developed its diversified funding base in H1 2017. In January 2017 NIBC issued a senior unsecured transaction of EUR 500 million. In March 2017, NIBC participated in the TLTRO for an additional amount of EUR 448 million. Furthermore, NIBC issued several senior unsecured private placements of nearly EUR 350 million. On the other hand, the Essence III transaction was called early (partially) for an amount of EUR 0.5 billion. Our retail savings remained sticky with only a marginally lower volume of EUR 9.5 billion at the end of HY 2017, whereas the ESF funding portfolio remained constant at EUR 1.5 billion. Overall, NIBC maintained its strong position in the various funding markets and has a stable and well-diversified funding mix.

An overview of the funding portfolio at 30 June 2017 and 31 December 2016 is shown in the following chart. The funding overview is based on total balance sheet amounts.

Breakdown of total liabilities

[1] **TLTRO is included in Secured funding.**



Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error, fraud, or external events including legal risk, compliance risk and reputational risk.

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

The central ORM function (2nd line) monitors and controls operational risk on group level, develops policies and processes and provides methodology and tools. The tools enable an assessment whether the operational risk profile of the bank fits within the operational risk appetite. They provide an integrated and top-down view of the operational risk and control self-assessments (RCSA) performed bottom-up by all BUs and countries, action planning, and event and loss registration and support the constant process of evaluating and reducing operational risk, and planning mitigation measures. Furthermore, the department also co-ordinates the development of forward-looking scenario analysis (hypothetical external or internal scenarios with which it is ensured that a plan exists in case these events occur) and supports business continuity and information security.

In 2017, NIBC continued enhancing its forward-looking, proactive attitude and its structured approach to managing operational risk across all three lines of defence. This also entails the analysis of new products and services that NIBC plans to launch for its customers. The central element in the New Product Approval Process (NPAP) is the client's interest; i.e. determining how the product is suitable for its clients and how NIBC will ensure it can offer the product to its clients in a responsible and sustainable manner. Furthermore, the NPAP assesses the operational capacity of all internal stakeholders that need to co-operate for launching an efficient and effective product. In the first half of 2017, NIBC performed an analysis of how the new MiFID 2 regulation will impact its NPAP and identified the gaps in the current process that need to be closed, in order to be compliant with the new regulation. In addition to the NPAP, NIBC has implemented a Significant Change Approval Process (SCAP). This process is used to assess the impact of material adjustments in internal processes. These adjustments are reviewed for impact on operational risk.

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

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

Capital Adequacy

Regulatory capital

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

As in previous years, NIBC is solidly capitalised at 30 June 2017, displayed by our solid regulatory ratios. The fully-loaded Common Equity Tier 1 ratio stood at 20.3% (Common Equity Tier 1 ratio 31 December 2016: 16.8%); the Tier 1 ratio at 20.3% (31 December 2016: 16.8%); and the Total Capital / BIS ratio at 25.3% (31 December 2016: 21.3%). These are well above the minimum capital requirements imposed by the CRR / CRD IV, which require a minimum Tier 1 ratio of 6% and a minimum Total Capital / BIS ratio of 8%, excluding capital buffers.

The ratios increased compared to 2016 because of increase in the Common Equity Tier 1 capital and substantial decrease in Risk Weighted Assets (RWA). Of the total capital requirement, 89% relates to credit risk, 7% to operational risk, 2% to market risk and 1% credit value adjustment. The following table shows the summary of capital ratios and RWA for NIBC.

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

	H1 2017[1]	FY 2016[1]
Capital ratios (in %)		
Common Equity Tier 1 ratio	20.3%	16.8%
Tier 1 ratio	20.3%	16.8%
Total Capital / BIS ratio	25.3%	21.3%
Risk Weighted Assets (in EUR millions)		
Credit risk	7,758	9,296
Market risk	677	203
Operational risk	213	482
Credit Value Adjustment	124	125
Total Risk Weighted Assets	**8,773**	**10,106**

1 Based on CRR / CRD IV standards.

Economic capital

In addition to regulatory capital, NIBC also calculates Economic Capital (EC). EC is the amount of capital that NIBC needs as a buffer against potential losses from business activities, based on its own assessment of risks. It differs from Basel's regulatory capital, as NIBC assesses the specific risk characteristics of its business activities in a different manner than the required regulatory method. At NIBC, EC is based on a one-year risk horizon with a 99.9% confidence level. This confidence level means that there is a probability of 0.1% that losses in a period of one year will be larger than the allocated EC.

NIBC HOLDING

Net profit and return on equity

Profitability of NIBC Holding strongly improved in H1 2017, with both net profit and return on equity displaying substantial growth to respectively EUR 107 million and 11.7%, coming from EUR 44 million and 5.1% in H1 2016.

Net profit in H1 2017 of NIBC Holding is EUR 19 million above that of NIBC Bank mainly due to an after tax revaluation gain on investment property acquired from a restructuring and partially sold in 2017. As the underlying assets (investment property) are accounted for in NIBC Holding at Fair Value through Profit or Loss and in NIBC Bank the financing of these assets is accounted for at amortised cost, there is a timing difference between NIBC Bank and NIBC Holding with respect to the recognition of the profit on this transaction. We expect that by year-end 2017 - following further sales of the investment property - this difference between NIBC Bank and NIBC Holding will be diminished. This classification also results in higher risk costs at Holding level as the reversal of past impairments of the legacy CRE portfolio results in net trading income instead of impairment expenses.

Solvency

NIBC Holding's solvency ratios were maintained at a solid level in 2017. The fully loaded CET 1 ratio increased from 15.1% in 2016 to 18.1% mid 2017 and the fully loaded BIS ratio from 18.0% in 2016 to 20.7% mid 2017.

These levels are comfortably above the required SREP-levels set by our regulator DNB for NIBC Holding in July 2017. Excluding the applicable combined buffer requirement (of 1.25% for 2017) and the Pillar II guidance (which is not disclosed and not relevant for the Maximum Distributable Amount), the required SREP-level for NIBC Holding's minimum own funds amounts to 12.0%. This requirement consists of an 8% Pillar 1 requirement and a 4% Pillar 2 requirement. The total CET 1 minimum requirement is 8.5% consisting of the minimum Pillar 1 requirement (4.5%) and the Pillar 2 requirement (4.0%).

In addition, NIBC Holding should comply with phasing in the combined buffer requirements, consisting of a Capital Conservation Buffer (1.25%) and a Countercyclical Buffer (0.0%) in 2017. This translates into an aggregate 9.75% CET 1 requirement for 2017. In the years 2018 and 2019 the CET 1 requirement will increase, as the Capital Conservation Buffer will be further phased-in (by 0.625%-point per annum). This will result in an expected aggregate CET 1 requirement of 11.0% in 2019 based on current SREP. NIBC Holding's near-term objective for its minimum CET 1 ratio is 14.0%.

SREP requirement	CET 1	Tier 1	Total
Pillar 1	4.5%	6.0%	8.0%
Pillar 2	4.0%	4.0%	4.0%
Subtotal	**8.5%**	**10.0%**	**12.0%**
Capital Conservation Buffer (CCB)	1.25%	1.25%	1.25%
SREP requirement 2017	**9.75%**	**11.25%**	**13.25%**
Pillar 2 guidance		*not disclosed*	
Actual H1 2017			
NIBC Holding transition	18.2%	18.9%	20.7%
NIBC Holding fully loaded	18.1%	18.1%	20.7%
NIBC Bank transition	20.4%	21.8%	25.2%
NIBC Bank fully loaded	20.3%	20.3%	25.3%

The leverage ratio of NIBC Holding remained stable in 2017 at a comfortable level of 6.6% (2016: 6.5%).

Key figures NIBC Holding

in EUR millions	H1 2017	H1 2016	FY 2016
Return on equity	11.7%	5.1%	6.0%
Net interest margin	1.58%	1.39%	1.47%
Cost / income ratio Bank	46%	56%	51%
Risk weighted assets	8,867	10,133	9,930
Cost of risk	0.72%	0.63%	0.73%
Loan to deposit ratio	143%	136%	145%
Asset encumberance ratio	27%	26%	29%
Fully loaded solvency ratios			
CET 1 ratio	18.1%	14.3%	15.1%
BIS ratio	20.7%	17.1%	18.0%
Liquidity ratios			
LCR	261%	230%	124%
NSFR	118%	116%	112%
Number of FTEs	691	708	716
Rating			
Standard & Poor's	BBB- / Positive	BBB- / Stable	BBB- / Positive
Fitch	BBB- / Positive	BBB- / Positive	BBB- / Positive

Dividend pay-out

The Managing Board has proposed an interim dividend pay-out of EUR 30 million (or EUR 0.21 per share, full year 2016 dividend equalled EUR 0.17 per share), which amounts to a pay-out ratio of 28% of the net profit of NIBC Holding and 34% of the net profit of NIBC Bank in the first half year of 2017. The calculation of the maximum distributable amount, as set out in article 2.2.1 of the Regulation 'specific provisions CRDIV and CRR' of De Nederlandsche Bank N.V. of 9 December 2013, containing requirements to the maximum distributable amount and the calculation thereof, provides us with enough head room to pay out this dividend.

Objectives

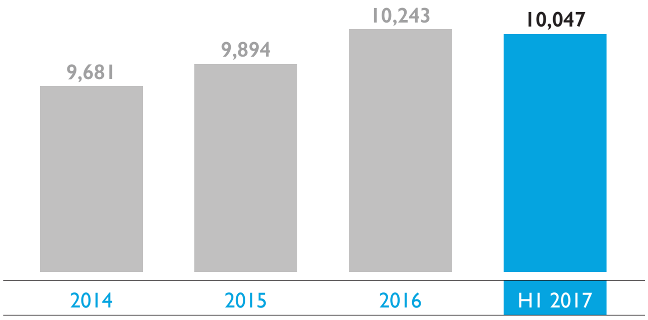
The targets for the period 2015 to 2017 were articulated in our Annual Report 2014. These were set based on the outcome of the annual Strategy Day of the Supervisory Board and Managing Board, which was held in June 2014. In the past months we have assessed NIBC's performance against these and other relevant targets, and found that overall, we are ahead of plan. At the Strategy Day held in June 2017, new objectives for the near term were proposed and discussed. The objectives for the near term on the main performance measures are displayed below and are based on the applicable accounting standards as from 1 January 2018:

	Actual H1 2017	Targets 2015-2017	Near-term objectives
ROE (Bank / Holding)	8.9% / 11.7%	> 8-10%	>10%
Cost / income Bank	46%	47-54%	<50%
CET 1 (Bank / Holding)	20.3% / 18.1%	>12%	>14%
Leverage ratio (Bank / Holding)	7.3% / 6.6%	>5%	>4.5%
Rating Bank	BBB-	BBB	BBB+

FINANCIAL HIGHLIGHTS NIBC HOLDING

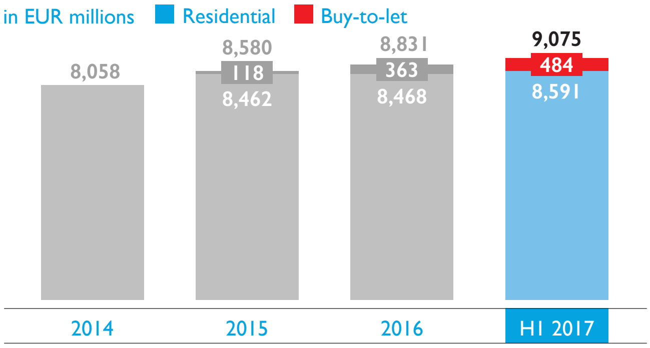
CORPORATE CLIENT ASSETS

in EUR millions



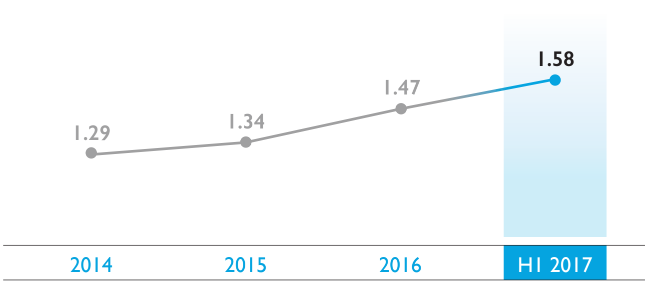
RETAIL CLIENT ASSETS

in EUR millions



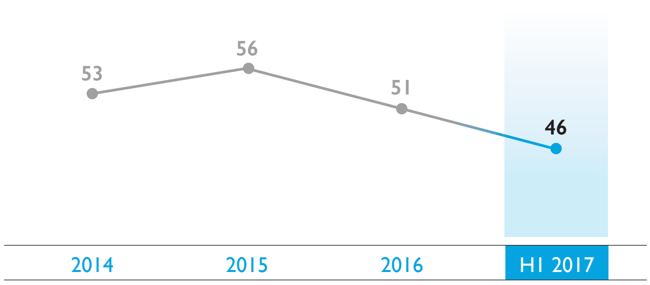
NET INTEREST MARGIN

in %



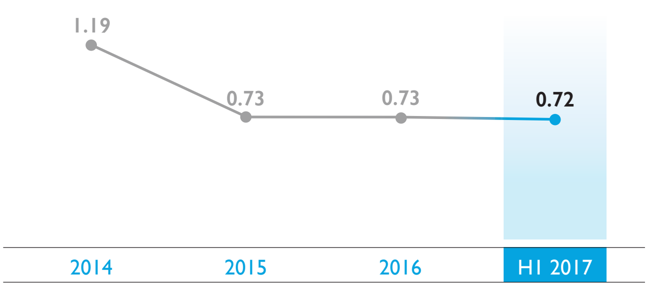
COST INCOME RATIO BANK

in %



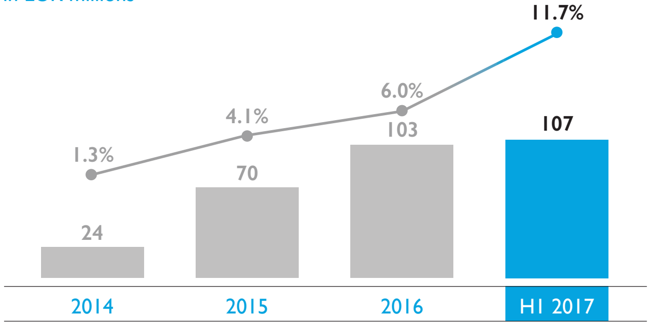
COST OF RISK

in %



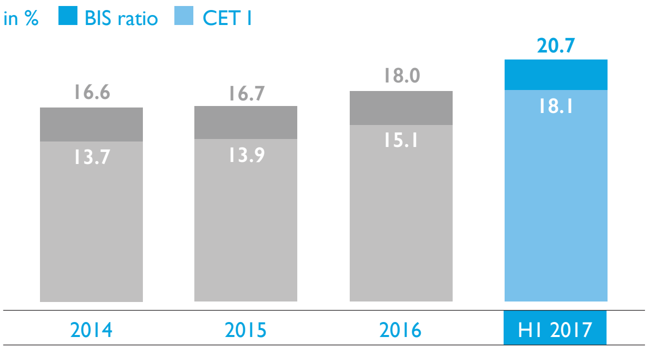
RETURN ON EQUITY AND PROFIT

in EUR millions



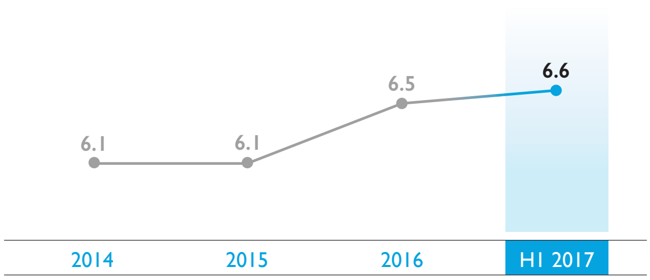
SOLVENCY RATIOS

in %



LEVERAGE RATIO

in %



HALF YEAR FIGURES NIBC BANK AND NIBC HOLDING

in EUR millions	H1 2017	H2 2016	H1 2016	H2 2015	H1 2015
Net interest income	177	157	149	147	139
Net fee and commission income	20	21	11	20	16
Investment Income	27	22	9	-2	6
Net trading income	2	16	-4	-6	-6
Other operating income	0	0	1	1	0
Operating income	**226**	**216**	**165**	**160**	**155**
Personnel expenses	54	52	44	46	44
Other operating expenses	39	40	37	37	39
Depreciation and amortisation	3	3	4	3	3
Regulatory charges	9	5	9	4	0
Operating expenses	**105**	**101**	**93**	**90**	**86**
Net operating income	**122**	**115**	**72**	**70**	**69**
Impairments of financial assets	12	35	22	39	23
Tax	22	16	10	-6	12
Profit after tax	**87**	**64**	**40**	**37**	**33**
Special items (after tax)	0	-6	4	0	0
Net profit NIBC Bank	**87**	**57**	**44**	**37**	**33**
Holding items	19	2	0	-1	0
Net profit NIBC Holding	**107**	**60**	**44**	**36**	**33**

KEY FIGURES NIBC BANK					
Return on equity	8.9%	5.4%	4.7%	3.9%	3.7%
Cost / income ratio	46%	47%	56%	56%	56%
CET 1 ratio	20.3%	16.8%	15.9%	15.6%	15.9%
BIS ratio	25.3%	21.3%	20.1%	20.0%	20.5%
Risk weighted assets	8,773	10,109	10,386	10,162	9,543

KEY FIGURES NIBC HOLDING					
Return on equity	11.7%	6.0%	5.1%	4.2%	2.0%
CET 1 ratio	18.1%	15.1%	14.3%	13.9%	13.8%
BIS ratio	20.7%	18.0%	17.1%	16.7%	16.6%
Risk weighted assets	8,867	9,930	10,133	9,848	9,323
Loan to deposit ratio	143%	145%	136%	140%	145%
LCR	261%	124%	230%	201%	279%
NSFR	118%	112%	116%	113%	112%

RESPONSIBILITY STATEMENT

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

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

II. The Interim Report for the six months period ending on 30 June 2017, gives a true and fair view of the information required pursuant to section 5:25d, paragraphs 8 and 9, of the Dutch Financial Supervision Act of NIBC Bank N.V. and the companies included in the consolidation.

The Hague, 22 August 2017

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT NIBC BANK N.V.

CONDENSED CONSOLIDATED INCOME STATEMENT

in EUR millions	Note	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Net interest income	2	177	149
Net fee and commission income	3	20	11
Investment income	4	27	-
Net trading income	5	2	(4)
Other operating income	6	-	23
Operating income		**226**	**179**
Personnel expenses and share-based payments	7	54	44
Other operating expenses	8	39	36
Depreciation and amortisation		3	4
Regulatory charges and levies	9	9	9
Operating expenses		**105**	**93**
Impairments of financial assets	10	12	34
Impairments of non-financial assets	10	-	3
Total expenses		**117**	**130**
Profit before tax		**109**	**49**
Tax	11	22	5
Profit after tax		**87**	**44**
Result attributable to non-controlling interests		-	-
Net profit attributable to parent shareholder		**87**	**44**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the period ended 30-Jun-17			For the period ended 30-Jun-16		
in EUR millions	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
Profit for the period	**109**	**22**	**87**	**49**	**5**	**44**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Revaluation of property, plant and equipment	-	-	-	-	-	-
Revaluation of own credit risk	(19)	(5)	(14)	-	-	-
Items that may be reclassified subsequently to profit or loss						
Net result on hedging instruments	(17)	(4)	(13)	20	5	15
Available-for-sale financial assets:						
Revaluation of loans and receivables	16	4	12	-	-	-
Revaluation of equity investments	3	1	2	(4)	(1)	(3)
Revaluation of debt investments	6	1	5	(6)	(1)	(5)
Total other comprehensive income	**(11)**	**(3)**	**(8)**	**10**	**3**	**7**
Total comprehensive income	**98**	**19**	**79**	**59**	**8**	**51**
Total comprehensive income attributable to						
Parent shareholder	98	19	79	59	8	51
Non-controlling interests	-	-	-	-	-	-
Total comprehensive income	**98**	**19**	**79**	**59**	**8**	**51**

CONSOLIDATED BALANCE SHEET

in EUR millions	Note	30-Jun-2017	31-Dec-2016
Assets			
Financial assets at amortised cost			
Cash and balances with central banks		1,790	918
Due from other banks		1,594	1,428
Loans and receivables			
Loans	12	7,977	8,269
Residential mortgages own book	13	3,977	3,346
Debt investments	14	95	287
Financial assets available-for-sale			
Loans on group companies		29	24
Equity investments		41	41
Debt investments	15	874	1,028
Financial assets at fair value through profit or loss (including trading)			
Loans	16	195	210
Residential mortgages own book	17	4,345	4,124
Securitised residential mortgages	18	941	1,550
Equity investments (including investments in associates)		223	204
Debt investments	19	50	60
Derivative financial assets		1,499	1,817
Other			
Investments in associates (equity method)		8	7
Property, plant and equipment		43	44
Other assets		88	223
Total assets		**23,769**	**23,580**

in EUR millions	Note	30-Jun-2017	31-Dec-2016
Liabilities and equity			
Financial liabilities at amortised cost			
Due to other banks		1,828	1,290
Deposits from customers		11,947	11,827
Own debt securities in issue	20	4,532	3,855
Debt securities in issue related to securitised mortgages and lease receivables	21	759	1,337
Financial liabilities at fair value through profit or loss (including trading)			
Own debt securities in issue	22	37	37
Debt securities in issue structured	23	613	620
Derivative financial liabilities		1,499	2,006
Other			
Other liabilities		136	235
Deferred tax		5	3
Employee benefits		3	3
Subordinated liabilities			
Amortised cost	24	117	122
Fair value through profit or loss	25	270	276
Total liabilities		**21,746**	**21,611**
Shareholder's equity			
Share capital	26	80	80
Other reserves		386	394
Retained earnings		1,470	1,393
Net profit attributable to parent shareholder		87	102
Interim and final dividend paid		-	-
Total parent shareholder's equity		**2,023**	**1,969**
Non-controlling interests		-	-
Total shareholder's equity		**2,023**	**1,969**
Total liabilities and shareholder's equity		**23,769**	**23,580**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

in EUR millions	Attributable to parent shareholder: Share capital	Other reserves[1]	Retained earnings	Net profit	Distribution charged to net profit	Total	Non-controlling interests	Total shareholder's equity
Balance at 1 January 2017	**80**	**394**	**1,393**	**102**	**-**	**1,969**	**-**	**1,969**
Transfer of net profit 2016 to retained earnings	-	-	102	(102)	-	-	-	-
Total comprehensive income for the period ended 30 June 2017	-	(8)	-	87	-	79	-	79
Final dividend paid 2016	-	-	(25)	-	-	(25)		(25)
Balance at 30 June 2017	**80**	**386**	**1,470**	**87**	**-**	**2,023**	**-**	**2,023**

1 Other reserves include share premium, hedging reserve and revaluation reserves.

in EUR millions	Attributable to parent shareholder: Share capital	Other reserves[1]	Retained earnings	Net profit	Distribution charged to net profit	Total	Non-controlling interests	Total shareholder's equity
Balance at 1 January 2016	**80**	**298**	**1,437**	**71**	**-**	**1,886**	**-**	**1,886**
Transfer of net profit 2015 to retained earnings	-	-	71	(71)	-	-	-	-
Total comprehensive income for the period ended 30 June 2016	-	7	-	44	-	51	-	51
Balance at 30 June 2016	**80**	**305**	**1,508**	**44**	**-**	**1,937**	**-**	**1,937**

1 Other reserves include share premium, hedging reserve and revaluation reserves.

Available Distributable Amount

in EUR millions	For the period ended 30-Jun-2017
Shareholder's equity (excluding non-controlling interests)	2,023
Share capital	(80)
Legal reserves	
Within Retained earnings	(384)
Revaluation reserves	(62)
	(446)
Available Distributable Amount	**1,497**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Cash flows from operating activities[1]	750	(286)
Cash flows from investing activities	(27)	(1)
Cash flows from financing activities	81	832
Cash flows from operating activities	**804**	**545**
Cash and cash equivalents at 1 January	**1,175**	**1,223**
Net changes in cash and cash equivalents	804	545
Cash and cash equivalents at 30 June	**1,979**	**1,768**
Reconciliation of cash and cash equivalents:[2]		
Cash and balances with central banks (maturity three months or less)	1,635	1,269
Due from other banks (maturity three months or less)	344	499
	1,979	**1,768**

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

ACCOUNTING POLICIES

Corporate information

NIBC Bank N.V., together with its subsidiaries (NIBC or the Group), is incorporated and domiciled in the Netherlands, and is a 100% subsidiary of NIBC Holding N.V. (NIBC Holding).

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

Headquartered in The Hague, NIBC Holding also has offices in Frankfurt, Amsterdam, London and Brussels.

Basis of preparation

The condensed consolidated interim financial report for the period ended 30 June 2017 has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

This condensed consolidated interim financial report was approved by the Managing Board on 22 August 2017 and is published including a review report by the external auditor.

This condensed consolidated interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with NIBC's consolidated financial statements for the year ended 31 December 2016, which were prepared in accordance with the *International Financial Reporting Standards* as adopted by the European Union (together **IFRS-EU**).

The accounting policies used in this condensed consolidated interim financial report is consistent with those set out in the notes to the 2016 consolidated financial statements of NIBC, except for the changes in accounting policies described below. NIBC's consolidated financial statements for 2016 is available on NIBC's website.

Where considered necessary comparative figures have been adjusted to conform to changes in presentation in the current year. Unless otherwise stated, all amounts are stated in millions of EUR.

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

Changes in IFRS-EU effective in the first half year of 2017

No new or revised standards, interpretations and amendments became effective in the first half year of 2017.

Upcoming changes in IFRS-EU after the first half year of 2017

New and / or amended standards not yet effective

The following standards have been issued by the International Accounting Standards Board (IASB), but are not yet effective for the condensed consolidated interim financial report. These standards are endorsed by the European Union and are open for early adoption.

- IFRS 9 'Financial instruments': As from 1 January 2018, the current IFRS standard for financial instruments (IAS 39) will be replaced by IFRS 9. Changes relate to three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting. As from 1 January 2016, NIBC has already early applied the own credit requirements introduced by IFRS 9 in isolation. The own credit requirements involves that changes in the fair value of the financial liabilities designated as at FVTPL that is attributable to changes in credit risk are recognised in Other Comprehensive Income (OCI)[1].

Classification and measurement of financial instruments

In the first half year of 2017, the business model blueprint has been finalised, which is used to determine the basis for classification under IFRS 9. Following the determination of business models, transactions to be recognised at amortised cost are reviewed to ensure the contractual cash flow characteristics meet the requirement to solely consist of payments of principal and interest (SPPI). The SPPI test has been set up. Currently, the detailed analysis of the cash flow characteristics of all relevant financial assets is being finalised. The business model selection and SPPI test are performed on groups of assets that have a set of similar characteristics resulting in a homogenous population. The focus in the second half year of 2017 will be finalising the SPPI tests and implementing the governance to embed the changes brought by IFRS 9 into everyday business and the financial reporting cycle to ensure ongoing compliance.

Impact

Except for the anticipated reclassification effect of residential mortgages designated at FVtPL to amortised cost, NIBC estimates a limited impact on equity of changes in classifications. The anticipated reclassification effect of residential mortgages designated at FVtPL to amortised cost is the result of revoking the previous fair value designation. The magnitude of the effect of a reclassification of residential mortgages classified at FVtPL to AC will depend, amongst others, on market circumstances at the moment of initial application. The impact is primarily driven by market interest rates as these have a material impact on the fair value of the portfolio. Based on the current book value of the residential mortgages designated at FVtPL, the reclassification effect is expected to be significant. Actual impact on transition date will depend on developments in market circumstances.

The reclassification effect on regulatory capital will be significant, however, it will lead to a CET 1 ratio above both our current SREP level requirements.

Impairment of financial assets

Key decisions with respect to staging triggers and incorporation of forward looking information to measure expected credit losses (ECL) remain as described in NIBC's Annual report 2016. The implementation of these key decisions into ECL models and risk management processes is ongoing. In the first half year of 2017, different ECL models have been built, which are currently further developed and tested. In the second half year of 2017, risk and finance processes and systems will be adjusted to support the required ECL-calculations, administrative processing and reporting.

Impact

Based on current ECL test results, NIBC estimates a moderate, but not significant, increase in the total level of impairment allowance. In addition, a more volatile impairment charge is expected on the back of macroeconomic predictions.

With the introduction of IFRS 9, NIBC will cease to report incurred but not reported (IBNR) impairment losses, partially offsetting the estimated impact of the ECL impairment allowances.

Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS 9 become mandatory on 1 January 2018. NIBC decided to continue applying IAS 39 for hedge accounting including the application of the EU carve out.

1 **Given the limited effect of the early application of IFRS 9 Own Credit Requirements on the results for the period ended 30 June 2016, the comparative figures for this period have not been adjusted to reflect the early application.**

Reporting

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of NIBC's disclosures about its financial instruments particularly in the year of the application of the new standard.

In the second half year of 2017, a parallel process will be implemented to provide IFRS 9 based figures which are analysed on an ongoing bases.

- IFRS 15 'Revenue'; IFRS 15 'Revenue from Contracts with Customers' (IFRS 15) becomes effective as of 2018. IFRS 15 provides more specific guidance on recognising revenue on other than insurance contracts and financial instruments. NIBC does not expect IFRS 15 to have a significant impact.

New and / or amended standards not yet endorsed

The following new or revised standards and amendments have been issued by the IASB, but are not yet endorsed by the European Union and are therefore not open for early adoption.

Note that only the amendments to IFRSs that are relevant for NIBC are presented below.

- IFRS 16 'Leases': IFRS 16 'Leases' (IFRS 16) becomes effective as of 2019, subject to endorsement by the EU. IFRS 16 requires lessees to recognise most leases on their balance sheets. NIBC does not expect IFRS 16 to have a significant impact on the consolidated financial statements.
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments: The IFRS IC developed IFRIC 23 to address how to reflect uncertainty in accounting for income taxes. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. NIBC is currently evaluating the impact.
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7: Disclosure Initiative
- Clarifications to IFRS 15: Revenue from Contracts with Customers
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment TransactionsAnnual Improvements to IFRS Standards 2014-2016 CycleIFRIC Interpretation 22 Foreign Currency Transactions and Advance ConsiderationAmendments to IAS 40: Transfers of Investment property
- Other amendments: For further information on other amendments, reference is made to section 'Accounting policies, Upcoming changes after 2016, New and/or amended standards not yet endorsed' in the 2016 consolidated financial statements of NIBC. NIBC is currently assessing the impact of these amendments.

NOTES TO THE (CONDENSED) CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Segment report

Segment information is presented in these condensed consolidated financial statements on the same basis as used for internal management reporting within NIBC Bank. 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

Taking into account the changes, the operating segments are as follows:

Corporate client offering

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

Retail client offering

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

Treasury and Group Functions

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

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

Certain financial assets and liabilities are not allocated to corporate 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 bank's funding. As the assets of corporate and retailclient offering are largely funded internally with transfer pricing, majority of the bank'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, with the exception of the following adjustment.
Special items: The gains and losses that do not arise in the ordinary course of business have been excluded as 'special items.' In H1 2016, these mainly include the badwill from acquisition of NIBC Markets of EUR 22 million and a EUR 18 million credit loss on resolving pre-crisis retail exposure.There were no special items reported in 2017.
NIBC operates in four geographical locations namely the Netherlands, Germany, the UK and Belgium.
The following table presents the Segment report comprising of a summary of our internal management report and the reconciliation to the consolidated results under IFRS for the period ended 30 June 2017 and 31 December 2016.

	For the period ended 30 June 2017					
in EUR millions	Corporate clients	Retail clients	Treasury & Group functions	Internal mana-gement report	Recon-ciliation	Total (consoli-dated financial statements)
Net interest income	99	63	15	177	-	177
Net fee and commission income	19	1	-	20	-	20
Investment income	26	-	-	27	-	27
Net trading income	7	(5)	-	2	-	2
Other operating income	-	-	-	-	-	-
Operating income	**151**	**60**	**15**	**226**	**-**	**226**
Regulatory charges	-	5	4	9	-	9
Other operating expenses	56	23	17	96	-	96
Operating expenses	**56**	**28**	**21**	**105**	**-**	**105**
Impairments of financial assets	12	-	-	12	-	12
Profit before tax	**83**	**33**	**(6)**	**109**	**-**	**109**
Tax	15	8	(1)	22	-	22
Profit after tax	**68**	**25**	**(5)**	**87**	**-**	**87**
Result attributable to non-controlling interests	-	-	-	-	-	-
Net profit before special items	**68**	**25**	**(5)**	**87**	**-**	**87**
Special items net of tax	-	-	-	-		-
Net profit attributable to parent shareholder	**68**	**25**	**(5)**	**87**		**87**
Total FTEs	478	121	74	673	-	673
EC Usage (start of the year)	1,154	363	138	1,656		1,656
Available capital (start of the year)				1,966		1,966
ROE (SBU based on EC Usage)	11.7%	13.5%	-7.0%	10.6%		10.6%
ROE (on available capital)				8.9%		8.9%
Cost Income ratio	37%	46%		46%		46%

	For the period ended 30 June 2016					
in EUR millions	Corporate clients	Retail clients	Treasury & Group functions	Internal management report	Reconciliation	Total (consolidated financial statements)
Net interest income	77	58	15	149	-	149
Net fee and commission income	11	-	-	11	-	11
Investment income	9	-	(1)	8	(8)	-
Net trading income	(1)	(2)	(1)	(4)	-	(4)
Other operating income	-	-	1	1	22	23
Operating income	**96**	**56**	**13**	**165**	**14**	**179**
Regulatory Charges	-	5	5	9	-	9
Other operating expenses	50	22	12	84	-	84
Operating expenses	**50**	**27**	**17**	**93**	**-**	
Impairments of financial assets	22	-	-	22	15	37
Profit before tax	**24**	**29**	**(4)**	**50**	**(1)**	**49**
Tax	3	7	(1)	10	(5)	5
Profit after tax	**21**	**22**	**(3)**	**40**	**4**	**44**
Result attributable to non-controlling interests	-	-	-	-	-	-
Net profit before special items	**21**	**22**	**(3)**	**40**	**4**	**44**
Special items net of tax	(18)	-	22	4		-
Net profit attributable to parent shareholder	**3**	**22**	**19**	**44**		**44**
Total FTEs	422	121	75	618	-	618
EC Usage (start of the year)	1,073	315	80	1,467		1,467
Available capital (start of the year)				1,886		1,886
ROE (SBU based on EC Usage)	3.9%	14.0%	-6.6%	5.5%		6.0%
ROE (on available capital)				4.3%		4.7%
Cost Income ratio	52%	47%		57%		52%

2. Net interest income

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Interest and similar income		
Interest income from assets designated at fair value through profit or loss	67	85
Interest income from other assets	207	193
Interest expense and similar charges		
Interest expense from liabilities designated at fair value through profit or loss	10	9
Interest expense from other liabilities	87	120
	177	149

Interest income includes negative interest from liabilities for an amount of EUR 27 million (30 June 2016: EUR 20 million).

Interest expense includes negative interest from financial assets for an amount of EUR 30 million (30 June 2016: EUR 19 million).

3. Net fee and commission income

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Fee and commission income		
Agency and underwriting fees	2	1
Investment managament fees	7	3
Advisory fees	2	2
Brokerage fees	5	-
Other fees	4	5
	20	**11**
Fee and commission expense		
Other non-interest related	-	-
	-	**-**
	20	**11**

4. Investment income

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Gains less losses		
Equity investments		
Gains less losses from equity investments (available-for-sale)		
Net gain / (losses) on disposal	-	-
Impairment losses equity investments	-	-
Gains less losses from equity investments (fair value through profit or loss)		
Gains less losses from associates	26	8
Gains less losses from other equity investments	-	(7)
Debt investments		
Gains less losses from debt investments (available-for-sale)	1	(1)
	27	**-**
Dividend income (available-for-sale)	-	-
Share in result of associates	-	-
	27	**-**

Impairment losses relating to debt investments (available-for-sale) are presented under impairments of financial assets (see note 10 Impairments of financial and non-financial assets).

5. Net trading income

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Debt securities (designated at fair value through profit or loss)	-	(1)
Debt investments (designated at fair value through profit or loss)	-	-
Residential mortgages own book and securitised residential mortgages	6	-
Loans (designated at fair value through profit or loss)	-	1
Assets and liabilities held for trading	6	1
Other interest rate instruments	(8)	(2)
Foreign exchange	(1)	(1)
Other trading income:		
Fair value hedges of interest rate risk	3	6
Cash flow hedges of interest rate risk	(4)	-
Other net trading income	-	(8)
	2	**(4)**

6. Other operating income

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Badwill (Negative goodwill)	-	22
Other	-	1
	-	**23**

Badwill (Negative goodwill) for an amount of EUR 22 million has been recognised following the acquisition of SNS Securities N.V. on 30 June 2016. For further details see note 30 Business combinations and divestments.

7. Personnel expenses and share-based payments

The number of Full Time Equivalents (FTE) decreased from 704 at 31 December 2016 to 673 at 30 June 2017. The FTE-decrease is caused by outsourcing parts of our processes.

As a result of the internal reorganisation by NIBC Markets a one off personnel expense to an amount of EUR 4.7 million is recognised in the first half of 2017.

8. Other operating expenses

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Other operating expenses	38	35
Fees of external independent auditor	1	1
	39	**36**

9. Regulatory charges

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Resolution levy	4	4
Deposit Guarantee Scheme	5	5
	9	**9**

10. Impairments of financial and non-financial assets

Financial assets

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Impairments		
Loans classified at amortised cost	36	35
Debt investments classified at amortised cost	-	-
Debt investments classified available-for-sale	-	-
Residential mortgages own book classified at amortised cost	-	-
	36	**35**
Reversals of impairments		
Loans classified at amortised cost	(22)	(1)
Debt investments classified at amortised cost	(2)	-
Debt investments classified available-for-sale	-	-
Residential mortgages own book classified at amortised cost	-	-
	(24)	**(1)**
Other	-	-
	12	**34**

Non-financial assets

There were no impairments on non-financial assets for 2017 (2016: EUR 3 million).

11. Tax

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Tax reconciliation:		
Profit before tax	**109**	**49**
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2016: 25.0%)	27	12
Impact of income not subject to tax	(7)	(7)
Result final tax assessment previous years	1	1
Amount of previously unused tax losses	-	-
Effect of different tax rates other countries	1	(1)
	22	**5**

The impact of income not subject to tax mainly relates to income from equity investments and investments in associates, in which NIBC has a stake of more than 5%, being income that is tax exempt under Dutch tax law. NIBC Bank N.V. is part of the fiscal entity with NIBC Holding N.V.

The effective tax rate for the period ended 30 June 2017 was 20.4% (for the period ended 30 June 2016: 9.6%). The effective tax rate for the full year 2017 is expected to be in line with currently reported. The reported effective tax rate for the period ended 30 June 2016 is significantly influenced by a one-off tax exempt gain of EUR 22 million as a result of the badwill related to the acquisition of SNS Securities N.V.

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.

12. Loans (amortised cost)

in EUR millions	30-jun-17	31-dec-16
Loans	7,977	8,269
	7,977	**8,269**
Legal maturity analysis of loans:		
Three months or less	592	453
Longer than three months but not longer than one year	771	940
Longer than one year but not longer than five years	4,560	4,714
Longer than five years	2,054	2,162
	7,977	**8,269**

in EUR millions	2017	2016
Movement schedule of loans:		
Balance at 1 January	**8,269**	**7,668**
Additions	1,637	3,601
Disposals	(1,718)	(2,914)
Other (including exchange rate differences)	(211)	(86)
Balance at 30 June / 31 December	**7,977**	**8,269**
Movement schedule of impairment losses on loans:		
Balance at 1 January	**204**	**172**
Additional allowances	36	78
Write-offs / disposals	(11)	(30)
Amounts released	(22)	(16)
Unwinding of discount adjustment	(4)	(9)
Other (including exchange rate differences)	(8)	9
Balance at 30 June / 31 December	**195**	**204**

13. Residential mortgages own book (amortised cost)

in EUR millions	30-jun-17	31-dec-16
Residential mortgages own book	3,977	3,346
	3,977	**3,346**
Legal maturity analysis of residential mortgages own book:		
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	2
Longer than five years	3,976	3,344
	3,977	**3,346**

in EUR millions	2017	2016
Movement schedule of residential mortgages own book:		
Balance at 1 January	**3,346**	**2,390**
Additions	753	1,093
Disposals	(122)	(137)
Other (including exchange rate differences)	-	-
Balance at 30 June / 31 December	**3,977**	**3,346**

The maximum credit exposure including committed but undrawn facilities was EUR 4,181 million at 30 June 2017 (31 December 2016: EUR 4,261 million).

The total impairments on residential mortgages own book at amortised cost at 30 June 2017 were EUR 2 million (31 December 2016: EUR 2 million).

14. Debt investments (amortised cost)

in EUR millions	30-jun-17	31-dec-16
Debt investments	95	287
	95	**287**
Debt investments can be categorised as follows:		
Listed	95	237
Unlisted	-	50
	95	**287**
Legal maturity analysis of debt investments:		
Three months or less	2	-
Longer than three months but not longer than one year	23	50
Longer than one year but not longer than five years	18	129
Longer than five years	52	108
	95	**287**

in EUR millions	2017	2016
Movement schedule of debt investments:		
Balance at 1 January	**287**	**294**
Additions	1	86
Disposals	(194)	(84)
Impairments	2	(6)
Exchange rate differences and amortisation	(1)	(3)
Balance at 30 June / 31 December	**95**	**287**
Movement schedule of impairment losses on debt investments:		
Balance at 1 January	**43**	**39**
Additional allowances	-	6
Write-offs	(20)	-
Amounts released	(2)	-
Other (including exchange rate differences)	-	(2)
Balance at 30 June / 31 December	**21**	**43**

In the first six months of 2017 and 2016 there were no additional impairments on debt investments at amortised cost.

15. Debt investments (available-for-sale)

in EUR millions	30-jun-17	31-dec-16
Debt investments	874	1,028
	874	**1,028**

All debt investments are non-government, except for EUR 39 million (31 December 2016: EUR 55 million).

in EUR millions	30-jun-17	31-dec-16
Listed	874	1,025
Unlisted	-	3
	874	**1,028**
Legal maturity analysis of debt investments:		
Three months or less	2	34
Longer than three months but not longer than one year	93	54
Longer than one year but not longer than five years	503	230
Longer than five years	276	710
	874	**1,028**

in EUR millions	2017	2016
Movement schedule of debt investments:		
Balance at 1 January	**1,028**	**1,064**
Additions	196	442
Disposals	(339)	(479)
Changes in fair value	5	(1)
Exchange rate differences	(16)	2
Balance at 30 June / 31 December	**874**	**1,028**
Movement schedule of impairment losses on debt investments:		
Balance at 1 January	**11**	**18**
Additional allowances	-	-
Write-offs	(1)	(7)
Balance at 30 June / 31 December	**10**	**11**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes and exchange rate differences is compensated by results on financial derivatives.

In the first six months of 2017 and in the year 2016 there were no additional impairments on debt investments available-for-sale.

16. Loans (designated at fair value through profit or loss)

in EUR millions	30-jun-17	31-dec-16
Loans	195	210
	195	**210**
Legal maturity analysis of loans:		
Three months or less	-	1
Longer than three months but not longer than one year	1	-
Longer than one year but not longer than five years	56	65
Longer than five years	138	144
	195	**210**

in EUR millions	2017	2016
Movement schedule of loans:		
Balance at 1 January	**210**	**316**
Additions	-	8
Disposals	(12)	(100)
Changes in fair value	1	10
Other (including exchange rate differences)	(4)	(24)
Balance at 30 June / 31 December	**195**	**210**

17. Residential mortgages own book (designated at fair value through profit or loss)

in EUR millions	30-jun-17	31-dec-16
Residential mortgages own book	4,345	4,124
	4,345	**4,124**
Legal maturity analysis of residential mortgages own book:		
Three months or less	11	9
Longer than three months but not longer than one year	27	17
Longer than one year but not longer than five years	87	104
Longer than five years	4,220	3,994
	4,345	**4,124**

in EUR millions	2017	2016
Movement schedule of residential mortgages own book:		
Balance at 1 January	**4,124**	**4,111**
Additions (including transfers from consolidated SPEs)	501	466
Disposals (sale and / or redemption, including replenishment of consolidated SPEs)	(264)	(471)
Changes in fair value	(16)	18
Balance at 30 June / 31 December	**4,345**	**4,124**

The changes in fair value in the previous table reflect movements due to both 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 compensated with results on financial derivatives.

The cumulative change in fair value is disclosed in note 18 Securitised residential mortgages.

Interest income from residential mortgages own book is recognised in interest and similar income based on the effective interest rate. Fair value movements excluding interest are recognised in net trading income.

The maximum credit exposure including committed but undrawn facilities was EUR 4,346 million (31 December 2016: EUR 4,125 million).

18. Securitised residential mortgages (designated at fair value through profit or loss)

in EUR millions	30-jun-17	31-dec-16
Securitised residential mortgages	941	1,550
	941	**1,550**
Legal maturity analysis of securitised residential mortgages:		
Three months or less	1	1
Longer than three months but not longer than one year	3	1
Longer than one year but not longer than five years	17	19
Longer than five years	920	1,529
	941	**1,550**

in EUR millions	2017	2016
Movement schedule of securitised residential mortgages:		
Balance at 1 January	**1,550**	**2,266**
Additions	-	-
Disposals (sale and / or redemption including transfers to own book)	(565)	(666)
Changes in fair value	(44)	(50)
Balance at 30 June / 31 December	**941**	**1,550**

At 30 June 2017 the carrying amounts for residential mortgages own book (designated at fair value through profit or loss) and securitised residential mortgages include a total revaluation adjustment of EUR 362 million debit (31 December 2016: EUR 423 million debit) related to both interest rates and credit spreads. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated by results on financial derivatives.

The portion of fair value changes in 2017 included in the balance sheet amount relating to the movement in credit spreads on residential mortgages own book (see note 17 Residential mortgages own book) and securitised residential mortgages amounted to EUR 11 million debit at 30 June 2017 (31 December 2016: EUR 35 million debit), being an decrease in the carrying amount.

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 104 million (31 December 2016: EUR 98 million) and the change for the current halfyear is a gain of EUR 6 million (first halfyear 2016: EUR 2 million).

Interest income from securitised residential mortgages is recognised in interest and similar income at the effective interest rate. Fair value movements (excluding interest) are recognised in net trading income.

At 30 June 2017, securitised residential mortgages in the amount of EUR 941 million (31 December 2016: EUR 1,550 million) were pledged as collateral for NIBC's own liabilities.

The maximum credit exposure was EUR 941 million at 30 June 2017 (31 December 2016: EUR 1,550 million).

The aggregate difference yet to be recognised in the income statement between transaction prices at initial recognition and the fair value determined by a valuation model on both residential mortgages own book (see note 17 Residential mortgages own book) and securitised residential mortgages at 30 June 2017 amounted to a liability of EUR 12 million (2016: EUR 14 million).

Securitised residential mortgages are recognised on NIBC's balance sheet based on the risks and rewards NIBC retains in the special purpose entities (SPEs) issuing the mortgage-backed notes. Risks and rewards can be retained by NIBC by retaining issued notes, providing overcollateralisation to the SPEs or implementing reserve accounts in the SPEs. At the balance sheet date, NIBC retained EUR 131 million (31 December 2016: EUR 135 million) of notes issued by the SPEs and reserve accounts amounted to EUR 11 million (31 December 2016: EUR 11 million).

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

in EUR millions	30-jun-17	31-dec-16
Held for trading	50	60
Designated at fair value through profit or loss	-	-
	50	**60**
Legal maturity analysis of debt investments designated at fair value through profit or loss:		
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	-	-
	-	**-**

in EUR millions	2017	2016
Movement schedule of debt investments designated at fair value through profit or loss:		
Balance at 1 January	**-**	**7**
Additions	-	-
Disposals (sale and / or redemption including transfers to own book)	-	(7)
Changes in fair value	-	-
Exchange rate differences	-	-
Balance at 30 June / 31 December	**-**	**-**

20. Own debt securities in issue (amortised cost)

in EUR millions	30-jun-17	31-dec-16
Bonds and notes issued	4,532	3,855
	4,532	**3,855**
Legal maturity analysis of own debt securities in issue:		
Three months or less	13	-
Longer than three months but not longer than one year	123	67
Longer than one year but not longer than five years	3,327	2,277
Longer than five years	1,069	1,511
	4,532	**3,855**

in EUR millions	2017	2016
Movement schedule of own debt securities in issue:		
Balance at 1 January	**3,855**	**3,050**
Additions	767	1,328
Disposals	(59)	(453)
Other (including exchange rate differences)	(31)	(70)
Balance at 30 June / 31 December	**4,532**	**3,855**

In the first half year of 2017 a senior unsecured bond of EUR 500 million was issued.

The disposals of own debt securities in issue at amortised cost for 2017 includes redemptions at the scheduled maturity date and repurchases of debt securities before the legal maturity date to an amount of EUR 59 million (2016 EUR 453 million).

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

in EUR millions	30-jun-17	31-dec-16
Bonds and notes issued	759	1,337
	759	**1,337**
Legal maturity analysis of debt securities in issue related to securitised mortgages and lease receivables:		
Three months or less	1	2
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	758	1,335
	759	**1,337**

in EUR millions	2017	2016
Movement schedule of debt securities in issue related to securitised mortgages and lease receivables:		
Balance at 1 January	**1,337**	**2,062**
Additions	-	-
Disposals	(578)	(725)
Other (including exchange rate differences)	-	-
Balance at 30 June / 31 December	**759**	**1,337**

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

in EUR millions	30-jun-17	31-dec-16
Bonds and notes issued	37	37
	37	**37**
Legal maturity analysis of own debt securities in issue:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	37	37
Longer than five years	-	-
	37	**37**

in EUR millions	2017	2016
Movement schedule of own debt securities in issue:		
Balance at 1 January	**37**	**36**
Additions	1	1
Disposals	-	-
Changes in fair value	(1)	-
Other (including exchange rate differences)	-	-
Balance at 30 June / 31 December	**37**	**37**

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

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 34 million at 30 June 2017 (31 December 2016: EUR 34 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 1 million and the change for the current year amounts following early adoption of IFRS 9 Own credit risk is nil (first half of 2016: nil). See note 27.7 for further information with respect to IFRS 9 Own credit risk.

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

in EUR millions	30-jun-17	31-dec-16
Bonds and notes issued	613	620
	613	**620**
Legal maturity analysis of debt securities in issue structured:		
Three months or less	10	-
Longer than three months but not longer than one year	-	16
Longer than one year but not longer than five years	283	55
Longer than five years	320	549
	613	**620**

in EUR millions	2017	2016
Movement schedule of debt securities in issue structured:		
Balance at 1 January	**620**	**704**
Additions	19	56
Disposals	(14)	(169)
Changes in fair value	9	35
Other (including exchange rate differences)	(21)	(6)
Balance at 30 June / 31 December	**613**	**620**

The disposals of debt securities in issue designated at fair value through profit or loss for 2017 include redemptions at the scheduled maturity date and repurchases of debt securities before the legal maturity date to an amount of EUR 14 million (31 December 2016: EUR 169 million). The changes in fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated with results on financial derivatives.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 597 million at 30 June 2017 (2016: EUR 654 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 5 million and the change for the current period is a loss before tax of EUR 8 million recognised in other comprehensive income following early adoption of IFRS 9 Own credit risk (first half of 2016: nil). See note 27.7 for further information with respect to IFRS 9 Own credit risk.

24. Subordinated liabilities - amortised cost

in EUR millions	30-jun-17	31-dec-16
Subordinated loans other	117	122
	117	**122**
Legal maturity analysis of subordinated liabilities		
One year or less	-	-
Longer than one year but not longer than five years	2	2
Longer than five years but not longer than ten years	61	50
Longer than ten years	54	70
	117	**122**

in EUR millions	2017	2016
Movement schedule of subordinated liabilities:		
Balance at 1 January	**122**	**120**
Additions	-	-
Disposals	(1)	-
Other (including exchange rate differences)	(4)	2
Balance at 30 June / 31 December	**117**	**122**

All of the above loans are subordinated to the other liabilities of NIBC. With respect to the CRR / CRDIV requirements regarding additional Tier 1 capital instruments, non-qualifying subordinated loans amounted to EUR 53 million (31 December 2016: EUR 58 million). Interest expense of EUR 2 million was recognised on subordinated liabilities during the first half of 2017 (first half of 2016: EUR 2 million). In 2017 and 2016, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

25. Subordinated liabilities - designated at fair value through profit or loss

in EUR millions	30-jun-17	31-dec-16
Non-qualifying as grandfathered additional Tier 1 capital	178	179
Subordinated loans other	92	97
	270	**276**
Legal maturity analysis of subordinated liabilities:		
One year or less	-	1
Longer than one year but not longer than five years	-	-
Longer than five years but not longer than ten years	-	-
Longer than ten years	270	275
	270	**276**

in EUR millions	2017	2016
Movement schedule of subordinated liabilities:		
Balance at 1 January	**276**	**280**
Additions	2	1
Disposals	(3)	(17)
Changes in fair value	11	5
Other (including exchange rate differences)	(16)	7
Balance at 30 June / 31 December	**270**	**276**

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

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 338 million at 30 June 2017 (31 December 2016: EUR 405 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in credit risk amounts to a gain of EUR 111 million and the change for the current year amounts to a loss before tax of EUR 11 million recognised in other comprehensive income following early adoption of IFRS 9 Own credit risk (first half of 2016: nil). See note 27.7 for further information with respect to IFRS 9 Own credit risk.

All of the above loans are subordinated to the other liabilities of NIBC. The non-qualifying as grandfathered additional Tier 1 capital consists of perpetual securities and may be redeemed by NIBC only with the prior approval of the DNB. Interest expense of EUR 9 million was recognised on subordinated liabilities during the first half of 2017 (first half of 2016: EUR 8 million). In 2017 and 2016, 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 (subordinated) liabilities during 2017 or 2016.

26. Capital and shares

The ultimate controlling company is New NIB Limited, a company incorporated in Ireland.

Share Capital

in EUR millions	30-jun-17	31-dec-16
Paid-up capital	80	80
	80	**80**

	30-jun-17	31-dec-16
The number of authorised shares:		
Number of authorised shares[1]	183,597,500	183,597,500
Number of shares issued and fully paid[2]	62,586,794	62,586,794
Par value per A share	1.28	1.28
Par value class B, C, D, E1 and E3 preference share	1.00	1.00
Par value class E4 preference share	5.00	5.00

1 The authorised capital amounts to EUR 214.9 million and is divided into 110,937,500 A shares of EUR 1.28 nominal value each, 72,600,000 of different classes of preference shares with a nominal value of EUR 1.00 each and 60,000 preference shares with a nominal value of EUR 5.00 each.
2 The shares issued and fully paid consist of A-shares.

27. Fair value of financial instruments

This note describes the fair value measurement of both financial and non-financial instruments and is structured as follows:
27.1 Valuation principles
27.2 Valuation governance
27.3 Financial instruments by fair value hierarchy
27.4 Valuation techniques
27.5 Valuation adjustments and other inputs and considerations
27.6 Impact of valuation adjustments
27.7 Own credit adjustments on financial liabilities designated at fair value
27.8 Transfers between Level 1 and Level 2
27.9 Movements in level 3 financial instruments measured at fair value
27.10 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions
27.11 Sensitivity of fair value measurements to changes in observable market data
27.12 Fair value of financial instruments not measured at fair value
27.13 Non-financial assets valued at fair value

27.1. 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); and
- Level 3 financial instruments - Inputs that are not based on observable market data (unobservable inputs).

27.2. Valuation governance

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

27.3. Financial instruments by fair value hierarchy

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

Fair value of financial instruments at 30 June 2017

in EUR millions	Level 1	Level 2	Level 3	30-jun-17
Financial assets available-for-sale				
Loans	-	-	29	29
Equity investments (unlisted)	-	-	41	41
Debt investments	697	176	1	874
	697	**176**	**71**	**944**
Financial assets at fair value through profit or loss (including trading)				
Loans	-	195	-	195
Residential mortgages own book	-	-	4,345	4,345
Securitised residential mortgages	-	-	941	941
Equity investments (including investments in associates)	2	1	220	223
Debt investments	-	49	1	50
Derivative financial assets	-	1,499	-	1,499
	2	**1,744**	**5,507**	**7,253**
	699	**1,920**	**5,578**	**8,197**

in EUR millions	Level 1	Level 2	Level 3	30-jun-17
Financial liabilities at fair value through profit or loss (including trading)				
Own debt securities in issue	-	37	-	37
Debt securities in issue structured	-	613	-	613
Derivative financial liabilities	-	1,499	-	1,499
Subordinated liabilities	-	270	-	270
	-	**2,419**	**-**	**2,419**

Fair value of financial instruments at 31 December 2016

in EUR millions	Level 1	Level 2	Level 3	31-dec-16
Financial assets available-for-sale				
Loans	-	-	24	24
Equity investments (unlisted)	-	-	41	41
Debt investments	840	187	1	1,028
	840	**187**	**66**	**1,093**
Financial assets at fair value through profit or loss (including trading)				
Loans	-	210	-	210
Residential mortgages own book	-	-	4,124	4,124
Securitised residential mortgages	-	-	1,550	1,550
Equity investments (including investments in associates)	2	-	202	204
Debt investments	-	59	1	60
Derivative financial assets	-	1,817	-	1,817
	2	**2,086**	**5,877**	**7,965**
	842	**2,273**	**5,943**	**9,058**

in EUR millions	Level 1	Level 2	Level 3	31-dec-16
Financial liabilities at fair value through profit or loss (including trading)				
Own debt securities in issue	-	37	-	37
Debt securities in issue structured	-	620	-	620
Derivative financial liabilities	-	2,006	-	2,006
Subordinated liabilities	-	276	-	276
	-	**2,939**	**-**	**2,939**

27.4. 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 available-for-sale

Debt investments - level 1

For the determination of fair value at 30 June 2017, NIBC used market-observable prices (including broker quotes). NIBC has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Debt investments - level 2

For the determination of fair value at 30 June 2017, NIBC applied market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Loans - level 3

For the level 3 loans classified at available-for-sale, NIBC determines the fair value based on the unobservable sales pricings from external parties and on an internal development valuation model.

Equity investments (unlisted) - level 3

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

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

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

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

Financial assets at fair value through profit or loss

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 the 30rd of June.

Loans - level 2
In an active market environment, these assets are marked-to-market by applying market bid quotes observed on the secondary market. The quotes received from other banks or brokers and applied in the marked-to-market process are calibrated to actual market trades whenever possible.

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

Debt investments - level 2
For the determination of fair value at 30 June 2017, NIBC applied market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

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

Loans - level 3
For the level 3 loans classified at fair value through profit or loss, NIBC determines the fair value based on the unobservable sales pricings from external parties and on an internal development valuation model.

Residential mortgages (own book and securitised) - level 3
NIBC determines the fair value of residential mortgages (both those NIBC holds on its own book and those NIBC has securitised) by using a valuation model developed by NIBC. To calculate the fair value, NIBC discounts expected cash flows (after expected prepayments) to present value using inter-bank zero-coupon rates, adjusted for a spread that principally takes into account the credit spread risk of the mortgages and uncertainty relating to prepayment estimates.

The RMBS spread is determined by collecting RMBS spreads from publicly issued Dutch RMBS-transactions. The discount spread is derived by adding related RMBS costs to the RMBS spread.

Sensitivity analysis carried out on the prepayment rates used in the valuation model of the residential mortgages showed that the variability in these rates does not have a significant impact on the total value of the residential mortgage portfolio.

Equity investments (including investments in associates) - level 3

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

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

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

Debt investments - level 3

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

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

Own liabilities designated at fair value through profit or loss - level 2

This portfolio was designated at fair value through profit or loss and is reported on the face of the balance sheet under the following headings:

- Own debt securities in issue (financial liabilities at fair value through profit or loss);
- Debt securities in issue structured (financial liabilities at fair value through profit or loss); and
- Subordinated liabilities (financial liabilities at fair value through profit or loss).

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

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

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

27.5. Valuation adjustments and other inputs and considerations

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

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

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

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

in EUR millions	30-jun-17	31-dec-16
Type of adjustment		
Risk related	-	-
Credit value adjustment / Debit value adjustment	2	2
Totally Risk related	**2**	**2**
Bid-offer adjustment	(2)	(3)
Day-1 profit (see the following table)	2	3
	2	**2**

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

in EUR millions	30-jun-17	31-dec-16
Movement schedule of day-1 profit		
Balance at 1 January	**14**	**16**
Deferral of profit on new transactions	-	-
Recognised in the income statement during the period:		
Subsequent recognition due to amortisation	(2)	(2)
Derecognition of the instruments	-	-
Exchange differences	-	-
Balance at 30 June / 31 December	**12**	**14**

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

in EUR millions	30-jun-17	31-dec-16
Recognised during the period (before tax):	Included in OCI	Included in Net trading income
Realised gain / (loss)	-	-
Unrealised gain / (loss)	(19)	(16)
	(19)	**(16)**
Unrealised life-to-date gain / (loss)	117	136
	117	**136**

27.8. Transfers between level 1 and level 2

In the first of 2017 debt investments at fair value through profit of loss for an amount of EUR 166 million has been transferred from level 1 to level 2. The level 2 classification in the fair value hierarchy better reflected the underlying valuation methodology.

During the period ended 31 December 2016, there were no transfers between level 1 and level 2 fair value measurements.

27.9. Movements in level 3 financial instruments measured at fair value

During the period ended 30 June 2017 and 31 December 2016, there were no transfers into and out of level 3 fair value measurements.

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

in EUR millions	At 1 January 2017	Amounts recognised in the income statement	Amounts recognised recorded in OCI	Purchases/ Additions	Sales	Settle-ments/ Disposals	Transfers into level 3	Transfers from level 3	At 30 June 2017
Financial assets available-for-sale									
Loans	24	-	16	-	-	(11)	-	-	29
Equity investments	41	(1)	3	-	-	(2)	-	-	41
Debt investments	1	-	-	-	-	-	-	-	1
Financial assets at fair value through profit or loss (including trading)									
Loans	-								-
Residential mortgages own book	4,124	(16)	-	501	-	(264)	-	-	4,345
Securitised residential mortgages	1,550	(44)	-	-	-	(565)	-	-	941
Equity investments (including investments in associates)	202	23	-	19	-	(24)	-	-	220
Debt investments	1	-	-	-	-	-	-	-	1
	5,943	**(38)**	**19**	**520**	**-**	**(866)**	**-**	**-**	**5,578**

in EUR millions	At 1 January 2016	Amounts recognised in the income statement	Amounts recognised recorded in OCI	Purchases/ Additions	Sales	Settle- ments/ Disposals	Transfers into level 3	Transfers from level 3	At 31 December 2016
Financial assets available-for-sale									
Loans	18	-	4	-	-	2	-	-	24
Equity investments	48	(1)	(3)	-	(3)	-	-	-	41
Debt investments	1	-	-	-	-	-	-	-	1
Financial assets at fair value through profit or loss (including trading)									
Loans	14	6	-	-	-	(20)	-	-	-
Residential mortgages own book	4,111	18	-	466	-	(471)	-	-	4,124
Securitised residential mortgages	2,266	(50)	-	-	-	(666)	-	-	1,550
Equity investments (including investments in associates)	222	14	-	41	(75)	-	-	-	202
Debt investments	-	-	-	1	-	-	-	-	1
	6,680	**(13)**	**1**	**508**	**(78)**	**(1,155)**	**-**	**-**	**5,943**

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

	For the period ended							
	30 June 2017				31 December 2016			
in EUR millions	Net trading income	Investment income	Revaluation reserve	Total	Net trading income	Investment income	Revaluation reserve	Total
Financial assets available-for-sale								
Loans	-	-	16	16	-	-	4	4
Equity investments	-	(1)	3	2	-	(1)	(3)	(4)
Debt investments	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss (including trading)								
Loans	-	-	-	-	6	-	-	6
Residential mortgages own book	(16)	-	-	(16)	18	-	-	18
Securitised residential mortgages	(44)	-	-	(44)	(50)	-	-	(50)
Equity investments (including investments in associates)	-	23	-	23	-	14	-	14
Debt investments	-	-	-	-	-	-	-	-
	(60)	**22**	**19**	**(19)**	**(26)**	**13**	**1**	**(12)**

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

	For the period ended			
	30 June 2017		31 December 2016	
in EUR millions	Held at balance sheet date	Derecognised during the period	Held at balance sheet date	Derecognised during the period
Financial assets available-for-sale				
Loans	-	-	-	-
Equity investments	(1)	-	(1)	-
Debt investments	-	-	-	-
Financial assets at fair value through profit or loss (including trading)				
Loans	-	-	-	6
Residential mortgages own book	(16)	-	18	-
Securitised residential mortgages	(44)	-	(50)	-
Equity investments (including investments in associates)	23	-	15	(1)
	(38)	**-**	**(18)**	**5**

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 period ended					
	30 June 2017			31 December 2016		
in EUR millions	Net trading income	Investment income	Total	Net trading income	Investment income	Total
Financial assets available-for-sale						
Loans	-	-	-	-	-	-
Equity investments	-	-	-	-	(1)	(1)
Debt investments	-	-	-	-	-	-
Financial assets at fair value through profit or loss (including trading)						
Loans	-	-	-	-	-	-
Residential mortgages own book	(16)	-	(16)	18	-	18
Securitised residential mortgages	(44)	-	(44)	(50)	-	(50)
Equity investments (including investments in associates)	-	(22)	(22)	-	9	9
	(60)	**(22)**	**(82)**	**(32)**	**8**	**(24)**

27.10. 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 27.11 Sensitivity of fair value measurements to changes in observable market data.

	At 30 June 2017					
	in EUR millions					
	Fair value of level 3 assets	Fair value of level 3 liabilities	Valuation technique	Significant unobservable inputs	Lower range	Upper range
Financial assets available-for-sale						
Loans	29	-	Expected cashflows	Expected salesprices underlying assets	75%	125%
Equity investments[1]	41	-	Discounted cash flow	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	1	-	Expected cashflows	Expected cashflow from collateral	0%	100%
Financial assets at fair value through profit or loss (including trading)						
Loans		-	-	-		
Residential mortgages own book	4,345	-	Discounted projected cash flows	Discount Spread (bps)	114	157
Securitised residential mortgages	941	-	Discounted projected cash flows	Discount Spread (bps)	114	157
Equity investments (including investments in associates)[1]	220		Discounted cash flow	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	1	-	Bid price	Price %	0%	100%
	5,578	**-**				

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

	At 31 December 2016					
	in EUR millions					
	Fair value of level 3 assets	Fair value of level 3 liabilities	Valuation technique	Significant unobservable inputs	Lower range	Upper range
Financial assets available-for-sale						
Loans	24	-	Expected cashflows	Expected salesprices underlying assets	75%	125%
Equity investments[1]	41	-	Discounted cash flow	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions		n.a.	n.a.
Debt investments[1]	1	-	Expected cashflows	Expected cashflow from collateral	0%	100%
Financial assets at fair value through profit or loss (including trading)						
Loans	-	-	-	-	n.a.	n.a.
Residential mortgages own book	4,124	-	Discounted projected cash flows	Discount Spread (bps)	119	174
Securitised residential mortgages	1,550	-	Discounted projected cash flows	Discount Spread (bps)	119	174
Equity investments (including investments in associates)[1]	202	-	Market proxy	Instrument price	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions		n.a.	n.a.
Debt investments[1]	1	-	Bid price	Price %	0%	100%
	5,943	**-**				

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

Non-Listed equity investments

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

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

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

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

Debt investments AFS
Level 3 AFS debt investments are valued based on the expected cashflows of the instrument flowing from the collateral.

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

	For the period ended			
	30 June 2017		31 December 2016	
in EUR millions	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets available-for-sale				
Loans	29	1	24	1
Equity investments (unlisted)	41	2	41	2
Debt investments	1	-	1	-
Financial assets at fair value through profit or loss (including trading)				
Loans			-	-
Residential mortgages own book	4,345	13	4,124	12
Securitised residential mortgages	941	3	1,550	4
Equity investments (including investments in associates)	220	11	202	10
Debt investments	1	-	1	-

In order to determine the reasonably possible alternative assumptions, NIBC adjusted key unobservable valuation technique inputs as follows:
- For equity investments, the material unobservable input parameters, such as capitalisation multiple, that are applied to the maintainable earnings to determine fair value are adjusted by 5%;

- For the residential mortgages classified at fair value through profit or loss (both those NIBC holds on its own book and those NIBC has securitised), NIBC adjusted the discount spread with 10bp as a reasonably possible alternative outcome;
- 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; and
- For loans, the material unobservable input parameters, such as discounts on sale prices, a 5% deviation in fair value is a reasonably possible alternative assumption.

In the period ended 30 June 2017, there were no significant changes in the business or economic circumstances that affect the fair value of the NIBC's financial assets and liabilities and there were no reclassifications of financial assets.

27.12. Fair value information on financial instruments not measured at fair value

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

	Fair value information at 30 June 2017				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,977	-	7,977	8,076
Residential mortgages own book	-	-	3,977	3,977	4,260
Debt investments	-	95	-	95	90
Financial liabilities at amortised cost					
Own debt securities in issue	-	4,532	-	4,532	4,581
Debt securities in issue related to securitised mortgages and lease receivables	-	-	759	759	762
Subordinated liabilities	-	117	-	117	107

	Fair value information at 31 December 2016				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	8,269	-	8,269	8,370
Residential mortgages own book	-	-	3,346	3,346	3,618
Debt investments	-	287	-	287	261
Financial liabilities at amortised cost					
Own debt securities in issue	-	3,855	-	3,855	3,717
Debt securities in issue related to securitised mortgages and lease receivables	-	-	1,337	1,337	1,348
Subordinated liabilities	-	122	-	122	120

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.

Fair value of savings values mortgages
At reporting date the built-up saving values related to residential mortgages to an amount of EUR 187 million are reported as part of Deposits from Customers at amortised cost. The fair value of the future obligations at reporting date amounts to EUR 132 million.

27.13. Non-financial assets valued at fair value

NIBC's land and buildings are valued at fair value through equity. The carrying amount of NIBC's land and buildings (level 3) as of 30 June 2017 was EUR 39 million (31 December 2016: EUR 40 million). The land and buildings were last revalued as of 31 December 2014 based on external appraisal. No fair value movements were recognised in the statement of comprehensive income or the income statement in respect of NIBC's land and buildings in the period ended 30 June 2017 and 31 December 2016.

28. Reclassification financial assets (application of amendments to IAS 39 and IFRS 7)

As of 1 July 2008, NIBC reclassified non-derivative trading financial assets, which do not meet the definition of loans and receivables and are no longer held for the purpose of selling them in the near term, from held for trading to available-for-sale. NIBC believes that the deterioration of the world's financial markets that occurred in the course of 2008 represents a rare circumstance that allows such a reclassification, under the exemption rules of IAS 39.

In addition, NIBC reclassified financial assets from held for trading and available-for-sale to loans and receivables. At the date of reclassification NIBC had the intention and ability to hold these reclassified loans and receivables for the foreseeable future or until maturity.

Impact reclassification financial assets on comprehensive income

in EUR millions	30-jun-17 After reclassification	30-jun-17 Before reclassification	31-dec-16 After reclassification	31-dec-16 Before reclassification
Net interest income	7	7	16	15
Net trading income	-	5	1	1
Impairment of financial assets	-	-	4	4

Impact reclassification financial assets
The following table presents the fair value and carrying value of the financial assets reclassified as of 1 July 2008:

	Loan portfolio reclassified from:	Debt investments reclassified from:		
in EUR millions	Available-for-sale category to AC	Held for trading category to AC	Available-for-sale category to AC	Held for trading category to AFS
Fair value on date of reclassification	523	14	25	152
Carrying amount as per 30 June 2017	571	1	18	77
Fair value as per 30 June 2017	540	1	18	69
Range of effective interest rates at the date of reclassification[1]	5-9%	6-13%	6-8%	18-23%
Expected undiscounted recoverable cash flows EUR	579	237	30	31

1 Ranges of effective interest rates were determined based on weighted average rates.

29. 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	30-jun-17	31-dec-16
Contract amount:		
Committed facilities with respect to corporate loan financing	1,421	1,303
Committed facilities with respect to residential mortgages	168	708
Capital commitments with respect to equity investments	13	19
Guarantees granted	56	76
Irrevocable letters of credit	24	18
	1,682	**2,124**

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.

Legal proceedings

NIBC is involved in a number of legal proceedings in the ordinary course of business as at 30 June 2017. This includes a small number of proceedings that have been initiated against NIBC for alleged breach of its duty of care. Although some claims in relation to alleged breach of the duty of care remain contingent, they have been (partly) provisioned. On the basis of legal advice, taking into consideration the facts known at present, NIBC is of the opinion that the outcome of these legal proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated results of NIBC.

30. Business combinations and divestments

Acquisitions

Acquisitions in 2017

There were no acquisitions in 2017.

Acquisitions in 2016

Acquisition of SNS Securities N.V.

On 30 June 2016, NIBC obtained control of SNS Securities N.V., located in Amsterdam, by acquiring 100% of the share capital and voting interests in the company from SNS Bank N.V. With the acquisition, NIBC initially intended to expand its service offering with capital market solutions, bond and stock broking, research and execution services for independent asset managers, commercial lending and principal investments. The acquisition of SNS Securities N.V. has been approved by the appropriate regulatory authorities and work councils. On 30 June 2016 SNS Securities N.V. changed its name into NIBC Markets N.V. Based on change in strategic priorities NIBC announced in January 2017 to discontinue a part of these services in the first half year of 2017 (see note 32 for further details).

Acquisition-related costs

Acquisition related costs of EUR 0.5 million have been charged to other operating expenses in the consolidated income statement.

The following table summarises the consideration transferred and the fair value of assets acquired and liabilities assumed at the acquisition date. The fair value of the identifiable net assets is based on an assessment by an external independent valuator. The valuation was completed in 2016.

in EUR millions	Fair value recognised on acquisition
Assets	
Cash and cash equivalents	38
Loans and receivables (AC)	71
Debt investments (FV)	79
Other	2
Total assets	**190**
Liabilities	
Due to other banks	93
Deposits from customers	68
Other	3
Total liabilities	**164**
Total identifiable net assets at fair value	**26**
Badwill (Negative goodwill) arising on acquisition	22
Total consideration transferred	**4**

NIBC paid EUR 3.5 million in cash for 100% of the shares outstanding.

EUR 22 million was recognised as badwill (negative goodwill) (income) on the acquisition of SNS Securities N.V. and is recognised in Other operating income of the consolidated income statement.

Acquired loans and receivables (AC)
The fair value of the receivables comprise gross amounts. NIBC estimates that all receivables are collectible.

Intangible assets and contingent liabilities
There are no material intangible assets identified and contingent liabilities related to the acquisition of SNS Securities N.V.

Revenue and profit contribution
Because NIBC acquired SNS Securities N.V. on 30 June 2016, no material results (excluding recognised badwill of EUR 22 million) contributed to NIBC's results in the first half of 2016.

If this acquisition had occurred on 1 January 2016, management estimates that the result from this company included in the consolidation would have been a loss of EUR 0.9 million in the first half of 2016.

Divestments
There were no divestments in the first half of 2017.

Divestments closed in the first half of 2016
In September 2015, NIBC committed to a plan to sell its non-financial company Olympia Nederland Holding B.V., which was consequently classified as a Disposal group held for sale. In February 2016 NIBC reached an agreement on the sale of Olympia to a third party which was closed on 2 June 2016. The sale is based upon a strategic decision to place greater focus on NIBC's key financial services competencies.

The transaction resulted in a net loss of EUR 2 million in the first half of 2016 which was charged to impairment of non-financial assets in the income statement.

31. Related party transactions

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

Transactions with NIBC's parent company

in EUR millions	30-jun-17	31-dec-16
Transactions involving NIBC's shareholder		
Assets	223	225
Liabilities	-	-
Off-balance sheet commitments	-	-
Income received	-	1
Expenses paid	-	-

Transactions with other entities controlled by the parent company

in EUR millions	30-jun-17	31-dec-16
Transactions involving NIBC's shareholder		
Assets	259	319
Liabilities	(25)	(25)
Off-balance sheet commitments	165	55
Income received	(28)	1
Expenses paid	-	-

In March 2016, NIBC Holding (the parent company of NIBC) acquired BEEQUIP B.V. (BEEQUIP). Before and after the acquisition, NIBC financed BEEQUIP. At acquisition date the (long-term) loan to BEEQUIP amounted to EUR 52 million. NIBC's exposure at 30 June 2017 amounted to EUR 153 million (31 December 2016: EUR 113 million).

In May 2015, NIBC obtained control of Vijlma B.V. with a view to resale to NIBC Investments N.V. (a subsidiary of the parent company of NIBC). Subsequently Vijlma B.V. was sold to NIBC Investments N.V. on 30 June 2015. NIBC's exposure to Vijlma B.V. at 30 June 2017 amounted to EUR 150 million (31 December 2016: EUR 220 million).

Transactions related to associates

in EUR millions	30-jun-17	31-dec-16
Transactions related to associates		
Assets	75	86
Liabilities	-	-
Off-balance sheet commitments	7	12
Income received	4	10
Expenses paid	-	-

NIBC did not earn fees on the loans from these associates in 2017 and 2016.

32. Important events and transactions

Announced internal reorganisation by NIBC Markets in 2017

In January 2017, NIBC announced that, despite their logical position and their contribution to NIBC Markets, the activities of NIBC Vermogensbeheerders Services (NVS), Third Party Execution (TPS) and Specialised Asset Management (SAM) are no longer part of the strategic priorities of NIBC. Because of the current and expected scale and profitability, increasing regulatory pressures and the related deployment of scarce resources it was decided to discontinue with these services in the first half of 2017. After receipt of a positive advice of the Work Council the reorganisation by NIBC Markets commenced. The expectation is that the reorganisation by NIBC Markets will be completed before the end of 2017.

Further integration of NIBC Markets N.V. within NIBC Bank N.V.

To fully integrate NIBC Markets N.V. into NIBC Bank N.V. it was legally merged with NIBC Bank N.V. in June 2017. Post merger the sales activities of business unit Markets are incorporated into operating segment Corporate client offering. The support functions are executed by the appropriate departments of NIBC Bank N.V. The positions –bonds and equity portfolio- within business unit Markets are managed as part of the trading book of NIBC Bank N.V.

33. Subsequent events

There are no subsequent events.

The Hague, 22 August 2017

Managing Board

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

SUPPLEMENTARY INTERIM FINANCIAL REPORT NIBC HOLDING N.V.

CONDENSED CONSOLIDATED INCOME STATEMENT

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Net interest income	167	142
Net fee and commission income	20	11
Investment income	27	-
Net trading income	68	3
Other operating income	-	26
Operating income	**282**	**182**
Personnel expenses and share-based payments	55	44
Other operating expenses	41	39
Depreciation and amortisation	3	4
Regulatory charges and levies	9	9
Operating expenses	**108**	**96**
Impairments of financial assets	33	34
Impairments of non-financial assets	-	3
Total expenses	**141**	**133**
Profit before tax	**141**	**49**
Tax	34	5
Profit after tax	**107**	**44**
Result attributable to non-controlling interests	-	-
Net profit attributable to parent shareholder	**107**	**44**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR millions	For the period ended 30-Jun-17 Before tax	For the period ended 30-Jun-17 Tax charge/ (credit)	For the period ended 30-Jun-17 After tax	For the period ended 30-Jun-16 Before tax	For the period ended 30-Jun-16 Tax charge/ (credit)	For the period ended 30-Jun-16 After tax
Profit for the period	**141**	**34**	**107**	**49**	**5**	**44**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Revaluation of property, plant and equipment	-	-	-	-	-	-
Revaluation of own credit risk	(19)	(5)	(14)	-	-	-
Items that may be reclassified subsequently to profit or loss						
Net result on hedging instruments	(17)	(4)	(13)	20	5	15
Available-for-sale financial assets:						
Revaluation of loans and receivables	-	-	-	-	-	-
Revaluation of equity investments	3	1	2	(4)	(1)	(3)
Revaluation of debt investments	6	1	5	(6)	(1)	(5)
Total other comprehensive income	**(27)**	**(7)**	**(20)**	**10**	**3**	**7**
Total comprehensive income	**114**	**27**	**87**	**59**	**8**	**51**
Total comprehensive income attributable to						
Parent shareholder	114	27	87	56	8	48
Non-controlling interests	-	-	-	3	-	3
Total comprehensive income	**114**	**27**	**87**	**59**	**8**	**51**

CONSOLIDATED BALANCE SHEET

in EUR millions	30-Jun-2017	31-Dec-2016
Assets		
Financial assets at amortised cost		
Cash and balances with central banks	1,790	918
Due from other banks	1,609	1,468
Loans and receivables		
Loans	7,596	7,844
Residential mortgages own book	3,977	3,346
Debt investments	95	287
Financial assets available-for-sale		
Equity investments	41	41
Debt investments	874	1,028
Financial assets at fair value through profit or loss (including trading)		
Loans	195	210
Residential mortgages own book	4,345	4,124
Securitised residential mortgages	941	1,550
Equity investments (including investments in associates)	223	204
Debt investments	50	60
Derivative financial assets	1,499	1,811
Other		
Investments in associates (equity method)	8	7
Intangible assets	3	3
Property, plant and equipment	49	50
Investment property	222	271
Deferred tax	32	46
Other assets	89	227
		-
Total assets	**23,638**	**23,495**

in EUR millions	30-Jun-2017	31-Dec-2016
Liabilities and equity		
Financial liabilities at amortised cost		
Due to other banks	1,828	1,290
Deposits from customers	11,921	11,802
Own debt securities in issue	4,532	3,855
Debt securities in issue related to securitised mortgages and lease receivables	759	1,337
Financial liabilities at fair value through profit or loss (including trading)		
Borrowings	18	49
Own debt securities in issue	37	37
Debt securities in issue structured	613	620
Derivative financial liabilities	1,499	2,006
Other		
Other liabilities	147	275
Current tax	8	-
Deferred tax	5	3
Employee benefits	3	3
Subordinated liabilities		
Amortised cost	117	122
Fair value through profit or loss	270	276
Total liabilities	**21,757**	**21,675**
Shareholders' equity		
Share capital	1,408	1,408
Other reserves	657	678
Retained earnings	(294)	(373)
Net profit attributable to parent shareholders	107	104
Interim and final dividend paid	-	-
Total parent shareholders' equity	**1,878**	**1,817**
Non-controlling interests	3	3
Total shareholders' equity	**1,881**	**1,820**
Total liabilities and shareholders' equity	**23,638**	**23,495**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to parent shareholders							
in EUR millions	Share capital	Other reserves[1]	Retained earnings	Net profit	Distribution charged to net profit	Total	Non-controlling interests	Total shareholders' equity
Balance at 1 January 2017	**1,408**	**678**	**(373)**	**104**	**-**	**1,817**	**3**	**1,820**
Transfer of net profit 2016 to retained earnings	-	-	104	(104)	-	-	-	-
Total comprehensive income for the period ended 31 December 2016	-	(20)	-	107	-	87	-	87
Other	-	(1)	-	-	-	(1)	-	(1)
Final dividend paid 2016	-	-	(25)	-	-	(25)	-	(25)
Balance at 30 June 2017	**1,408**	**657**	**(294)**	**107**	**-**	**1,878**	**3**	**1,881**

	Attributable to parent shareholders							
in EUR millions	Share capital	Other reserves[2]	Retained earnings	Net profit	Distribution charged to net profit	Total	Non-controlling interests	Total shareholders' equity
Balance at 1 January 2016	**1,408**	**585**	**(328)**	**70**	**-**	**1,735**	**-**	**1,735**
Transfer of net profit 2015 to retained earnings	-	-	70	(70)	-	-	-	-
Total comprehensive income for the period ended 30 June 2016	-	7	-	44	-	51	3	54
Balance at 30 June 2016	**1,408**	**592**	**(258)**	**44**	**-**	**1,786**	**3**	**1,789**

1 Other reserves include share premium, hedging reserve and revaluation reserves.
2 Other reserves include share premium, hedging reserve and revaluation reserves.

in EUR millions	Attributable to parent shareholders: Share capital	Other reserves[1]	Retained earnings	Net profit	Distribution charged to net profit	Total	Non-controlling interests	Total shareholders' equity
Balance at 1 January 2016	**1,408**	**585**	**(328)**	**70**	**-**	**1,735**	**-**	**1,735**
Transfer of net profit 2015 to retained earnings	-	-	70	(70)	-	-	-	-
Total comprehensive income for the period ended 30 June 2016	-	7	-	44	-	51	3	54
Balance at 30 June 2016	**1,408**	**592**	**(258)**	**44**	**-**	**1,786**	**3**	**1,789**

1 Other reserves include share premium, hedging reserve and revaluation reserves.

Available Distributable Amount

in EUR millions	For the period ended 30-Jun-2017
Shareholders'equity (excluding non-controlling interests)	1,878
Share capital	(148)
Legal reserves	
In retained earnings	(384)
Revaluation reserves	(47)
	(431)
Available Distributable Amount	**1,299**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Cash flows from operating activities[1]	781	(288)
Cash flows from investing activities	(27)	(4)
Cash flows from financing activities	50	832
Cash flows from operating activities	**804**	**540**
Cash and cash equivalents at 1 January	**1,213**	**1,744**
Net changes in cash and cash equivalents	804	540
Cash and cash equivalents at 30 June	**2,017**	**1,784**
Reconciliation of cash and cash equivalents:[2]		
Cash and balances with central banks (maturity three months or less)	1,635	1,269
Due from other banks (maturity three months or less)	382	515
	2,017	**1,784**

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

REVIEW REPORT

To: the Managing Board and the Supervisory Board of NIBC Bank N.V.

Review report

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of NIBC Bank N.V., The Hague, which comprises the consolidated balance sheet as at 30 June 2017 and the condensed consolidated income statement, the consolidated statements of comprehensive income, the consolidated statement of changes in shareholder's equity and the condensed consolidated statement of cash flows for the 6-month period then ended 30 June 2017, and the notes, comprising a summary of the significant accounting policies and other explanatory information.

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

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the 6-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 22 August 2017

Ernst & Young Accountants LLP

Signed by N.Z.A. Ahmed-Karim

DISCLAIMER

Cautionary statement regarding forward-looking statements

Certain statements in this Condensed Interim Report 2017 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', 'objective' 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 Condensed Interim Report 2017, 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 Condensed Interim Report 2017, 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.

Disclaimer

The financial information included in the Condensed Interim Report has not been reviewed or audited by the Independent Auditor of the company. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.