CC

In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

AB37KQ54
A07 03/05/2022 #316
COMPANIES HOUSE
AB1G887U
A03 07/04/2022 #108
COMPANIES HOUSE

TUESDAY

THI

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT fo**
You cannot use this form t
an alteration of manner of
with accounting requireme

Part 1 Corporate company name

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶	NIBC Bank N.V.
UK establishment number	B R 0 0 3 0 5 7

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited.

Legislation ❷ Dutch Civil Code/Dutch Law

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸ IFRS

❸ Please insert the name of the appropriate accounting organisation or body.

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5.**

☑ **Yes.** Go to **Section A4.**

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	IFRS/IASB	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. ☐ **No.** ☐ **Yes.**

Part 3 Signature

I am signing this form on behalf of the overseas company.

Signature	Signature X DocuSigned by: Arnold Jan Stuart B2661990F4234BF... Arnold Jan Stuart DocuSigned by: Reinout van Riel A223AF67512949C... Reinout van Riel X

This form may be signed by:
Director, Secretary, Permanent representative.

DS

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name: Anke Schilstra

Company name: NIBC Bank N.V.

Address: Carnegieplein 4

Post town: The Hague

County/Region:

Postcode: 2 5 1 7 k j

Country: The Netherlands

DX:

Telephone: +31 (0) 703425218

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

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Arnold Jan Stuart arnold.stuart@nibc.com director NIBC Bank N.V. Security Level: Email, Account Authentication (None)	DocuSigned by: Arnold Jan Stuart B2661990F4234BF... Signature Adoption: Pre-selected Style Using IP Address: 193.58.15.1	Sent: 01 April 2022 | 10:52 Viewed: 01 April 2022 | 11:43 Signed: 01 April 2022 | 11:44
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Electronic Record and Signature Disclosure: Accepted: 02 April 2022 | 08:11 ID: 619d2737-96d4-4f0b-9de0-f340b655eab7 Company Name: NIBC Bank N.V.		

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Editor Delivery Events	Status	Timestamp

Agent Delivery Events	Status	Timestamp

Intermediary Delivery Events	Status	Timestamp

Certified Delivery Events	Status	Timestamp

Carbon Copy Events	Status	Timestamp

Witness Events	Signature	Timestamp

Notary Events	Signature	Timestamp

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Completed	Security Checked	02 April 2022 | 08:11

Payment Events	Status	Timestamps

Electronic Record and Signature Disclosure

Disclosure Preview

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If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. Further, you will no longer be able to use the DocuSign system to receive required notices and consents electronically from us or to sign electronically documents from us.

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Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact NIBC:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically by contacting the NIBC employee that you have received the electronic document from.

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To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to your NIBC contact person.

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To inform us that you no longer wish to receive future notices and disclosures in electronic format you may:

i. decline to sign a document from within your signing session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;

ii. send an email to the NIBC employee who has requested you to sign the electronic document. In the body of such request you must state your email, full name, mailing address, and telephone number.

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The privacy statement describes how we (as a data controller) use your personal data in our business. We collect, use, disclose and otherwise process personal data that is necessary for the purposes identified in the privacy statement or as permitted by law.

- The Privacy Statement for our Customers and Business Partners can be downloaded and read here: https://www.nibc.com/privacy-statement/
- The Privacy Statement for NIBC employees can be downloaded and read here: https://inside.prd.domain/Risk/legal/Documents/NIBC%20Employee%20Privacy%20Statement%20English.pdf

In the event of any conflict or inconsistency between the body of this Electronic Record and Signature Disclosure and the relevant NIBC Privacy Statement, the terms and conditions set forth in the NIBC Privacy Statement shall prevail.

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To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please confirm that you have read this ERSD, and (i) that you are able to print on paper or electronically save this ERSD for your future reference and access; or (ii) that you are able to email this ERSD to an email address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format as described herein, then select the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

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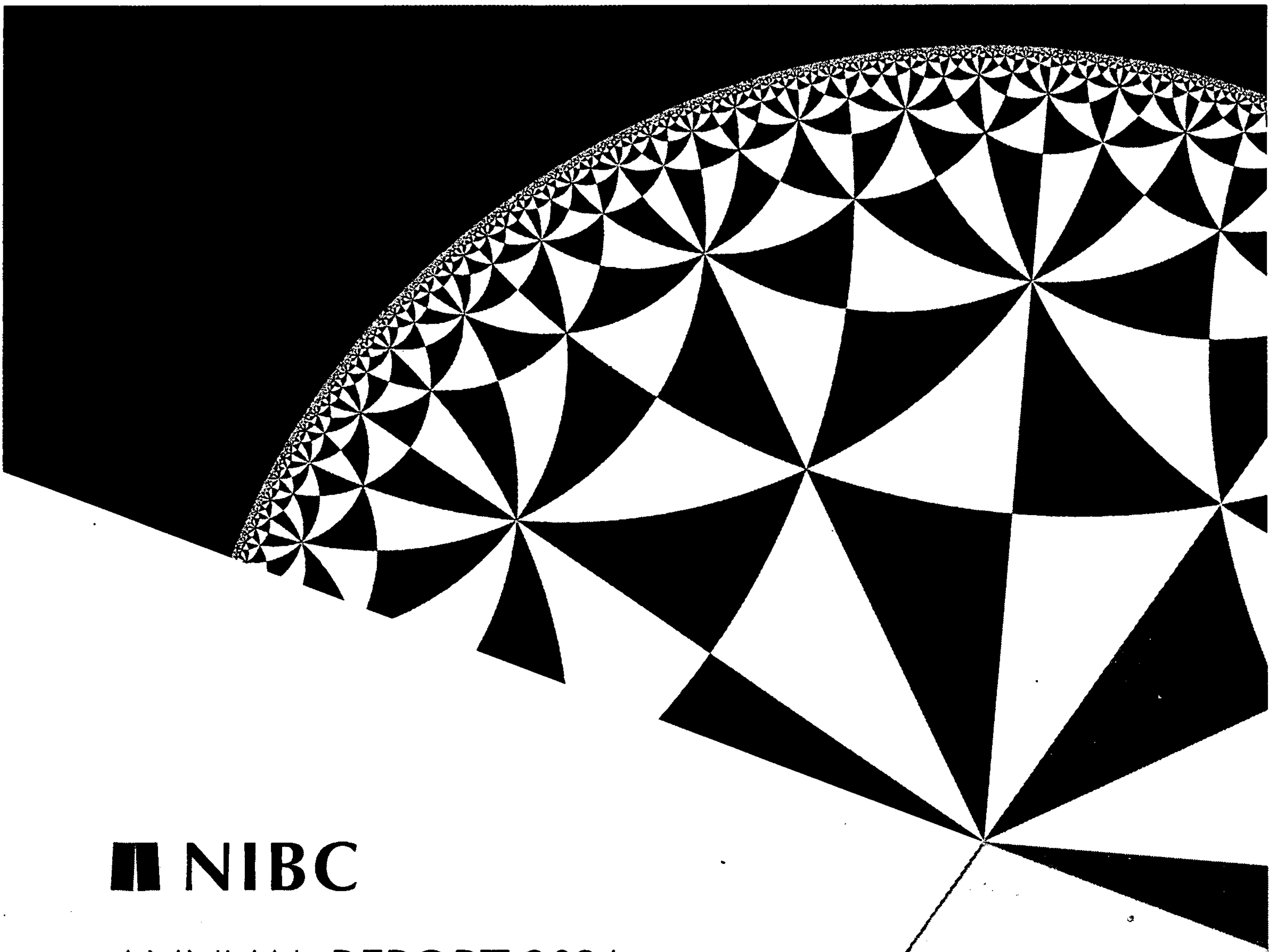
- Until or unless you notify NIBC as described above, you consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you by NIBC during the course of your relationship with NIBC.

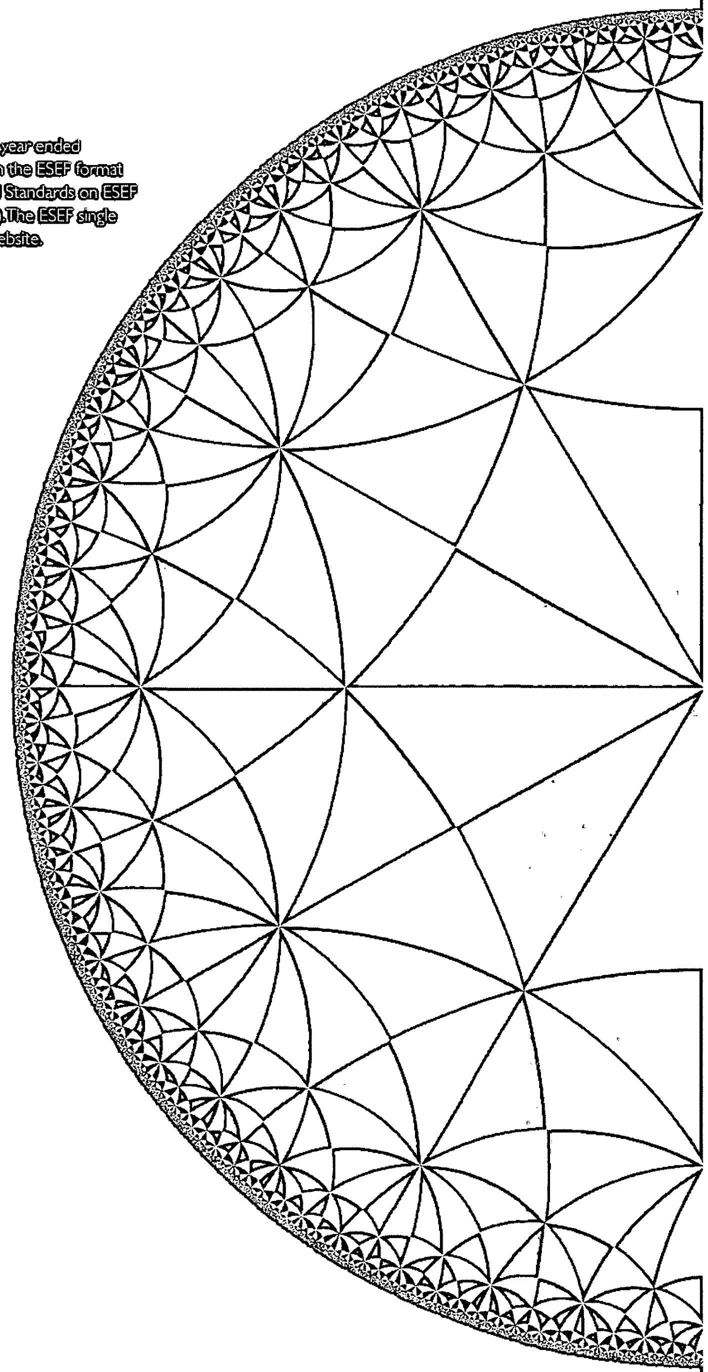


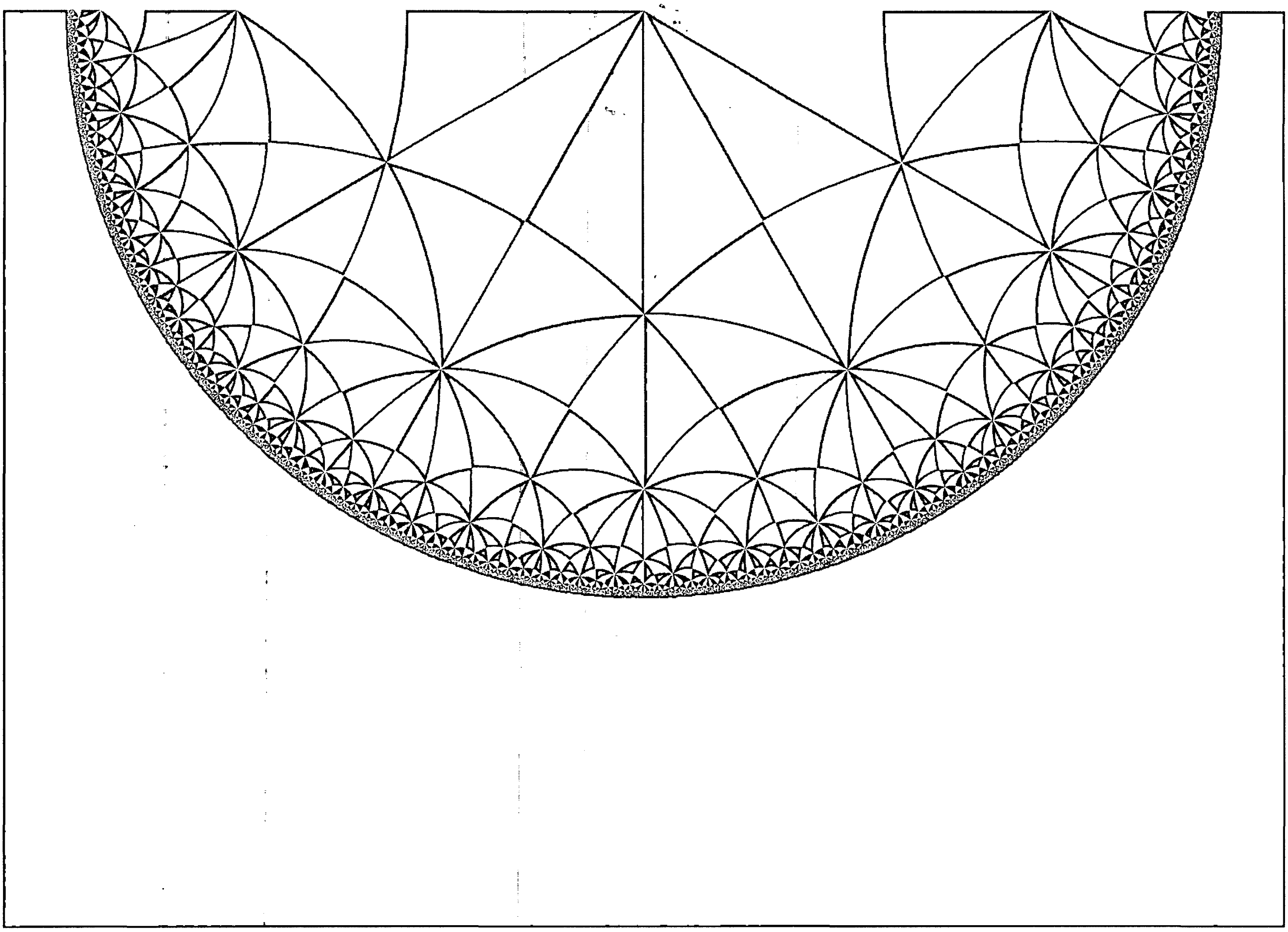
NIBC

ANNUAL REPORT 2021

NIBC BANK N.V.

This copy of the annual report for the year ended
31 December 2021 is not presented in the ESEF format
as specified in the Regulatory Technical Standards on ESEF
(Delegated Regulation (EU) 2019/815). The ESEF single
reporting package is available at our website.





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AT A GLANCE

WHO WE ARE

OUR HERITAGE

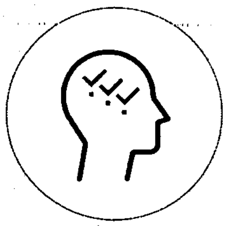
NIBC was founded in 1945 to finance the visionary entrepreneurs who helped rebuild the Netherlands after World War II. Over time, we evolved into an enterprising bank offering financing and co-investing solutions to our clients' needs: being flexible and agile, with a 'THINK YES' mentality to match our clients ' can-do attitude. NIBC has many milestones, such as the launch of NIBC Direct and Beequip. Following the acquisition of the shares of NIBC Holding N.V. by Blackstone, the company was delisted on 18 February 2021. As announced in November 2021, we will continue to focus on niche markets where we have bespoke market knowledge in the Netherlands as well as the rest of Europe. We took steps into the fintech space through yesqar, as well as through our minority stake in OakNorth. Together with our institutional partners, we are expanding our Originate-to-Manage propositions, developing and optimising our position in the financial ecosystem. We have continued to build on our entrepreneurial DNA to become the company that we are today: best suited to help our clients at their decisive moments.

OUR PURPOSE

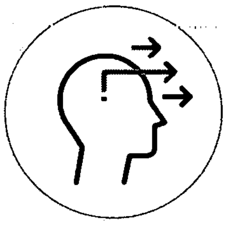
Making a difference
at decisive moments

OUR VALUES

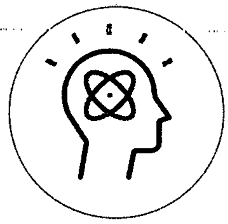
Our strategy is to create a sustainable franchise for the future by focusing on our greatest strengths. Our strategy is based on our three core values. We are:



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



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



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

WHAT WE DO

OUR BUSINESS MODEL

We serve a corporate and retail client franchise, with a focused strategy, bringing bespoke financial solutions to clients in chosen sectors and with the goal to optimise the offering to our clients as well as to continuously improve internal cost effectiveness. We are client-oriented, present at their decisive moments. We offer a broad and relevant product suite for these entrepreneurial clients.

CORPORATE CLIENT OFFERING

- Focus on asset-backed transaction and specialty financing
- Focus on specific sectors and product solutions in niche markets
- Using both own balance sheet and Originate-to-Manage concepts
- Accelerated growth through platform financing such as Beequip and yesqar
- Brands: NIBC, OIMIO, Beequip, yesqar

EUR 9.0 billion client exposures
Typical ticket size: EUR 0.1 - 50 million

RETAIL CLIENT OFFERING

- Mortgage loans (owner occupied and Buy-to-Let), both own book and Originate-to-Manage
- Mortgage origination for institutional investors
- Online savings
- Brands: NIBC Direct, Lot Hypotheken

EUR 22.1 billion client exposures
Typical ticket size: EUR 0.1 - 2.5 million

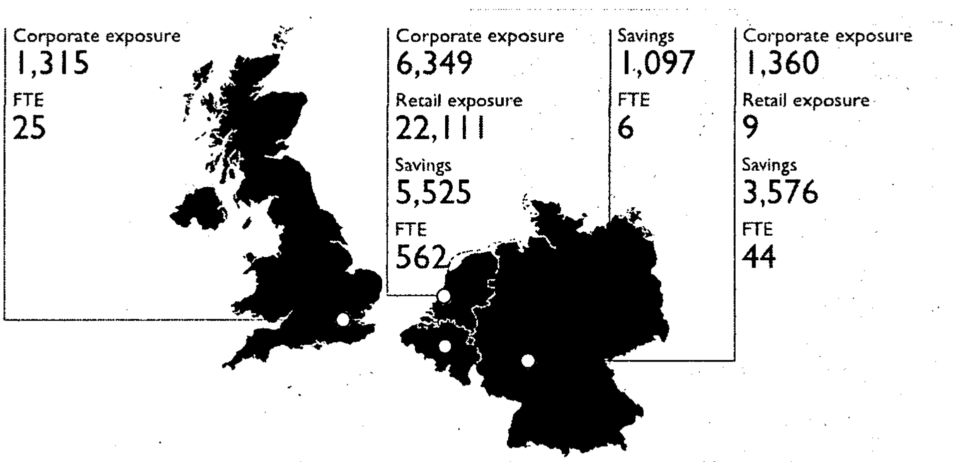
TREASURY & ASSET LIABILITY MANAGEMENT

RISK MANAGEMENT / CORPORATE CENTRE

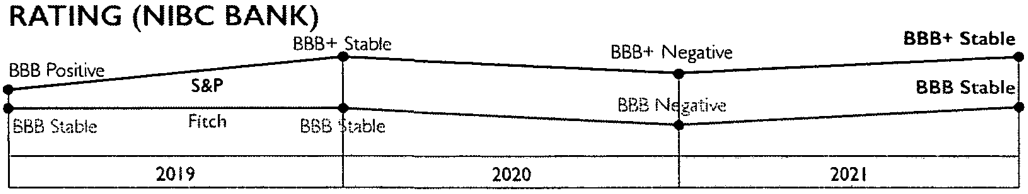
OUR MARKETS

Focus on north-western Europe

in EUR millions

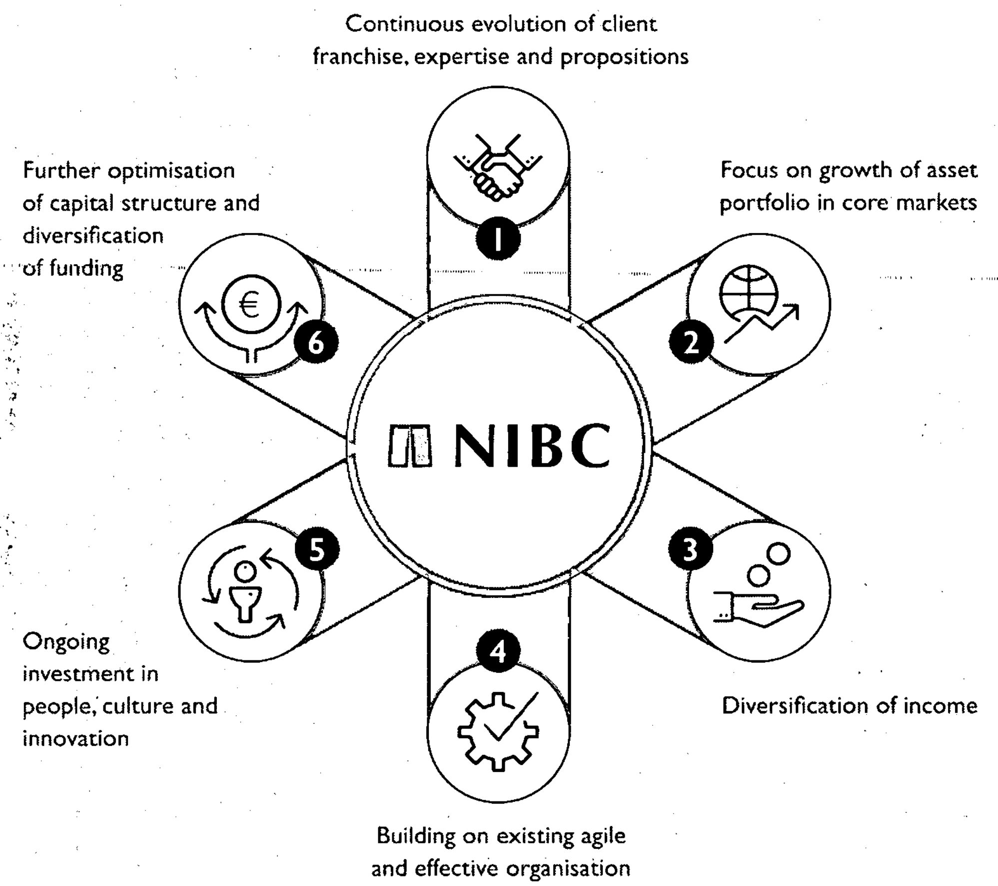


RATING (NIBC BANK)



OUR KEY STRATEGIC PRIORITIES

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



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

NON-FINANCIAL HIGHLIGHTS

NIBC Direct customer survey score - Mortgages
2021

8.1

2020: 8.0 2019: 8.0

Corporate lending NPS score
2021

+59%

2020: +30% 2019: +47%

NIBC Direct customer survey score - Savings
2021

7.6

2020: 7.9 2019: 7.8

Screening corporate loans
2021

100%

2020: 100% 2019: 100%

Sustainability ratings
2021

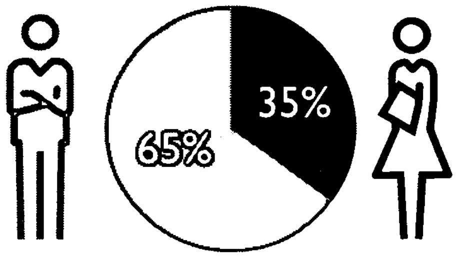
ISS
C+
/Prime

Sustainalytics
23.4
Medium risk

RepRisk
AAA

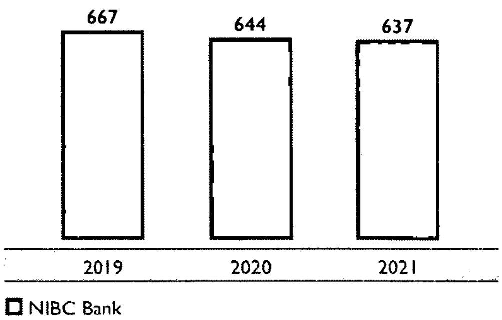
MSCI
AA

Male/female ratio
2021



2020: 67% / 33% 2019: 67% / 33%

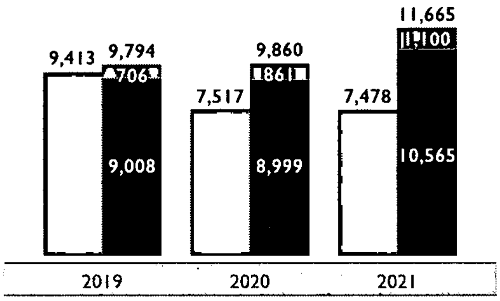
Number of employees
(FTEs)



FINANCIAL HIGHLIGHTS

Client assets own book

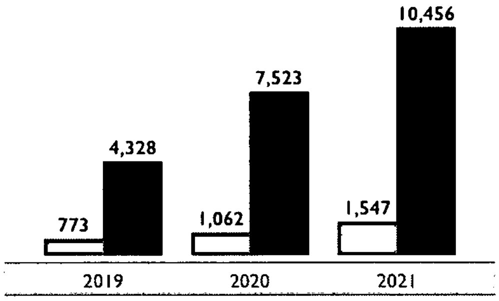
in EUR millions



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

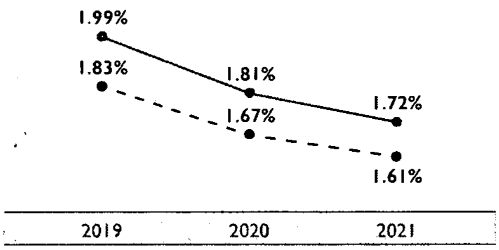
Client assets Originate-to-Manage

in EUR millions



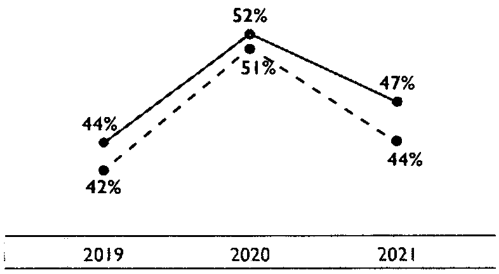
☐ Corporate client assets ■ Retail client assets

Net interest margin



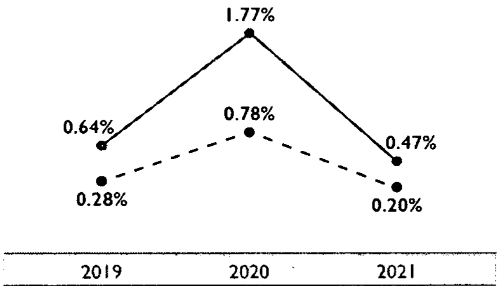
—● Net interest margin - -● Net interest margin ex. IFRS 9

Cost/income ratio



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

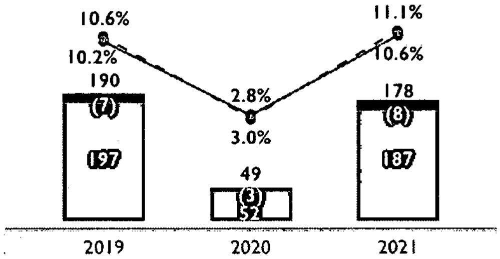
Cost of risk/impairment ratio



—● Cost of risk - -● Impairment ratio

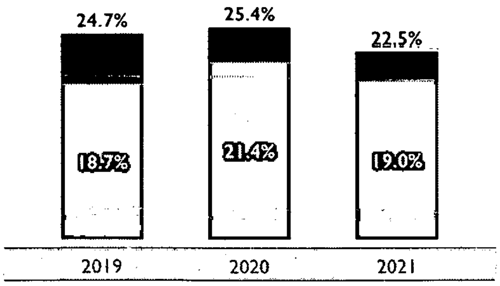
Profit after tax attributable to shareholders and return on equity

in EUR millions



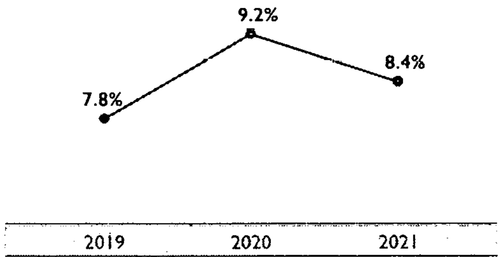
☐ Profit after tax ex. non-recurring ■ Non-recurring profit
—● Return on equity - -● Return on equity ex. non-recurring

Solvency ratios[1]

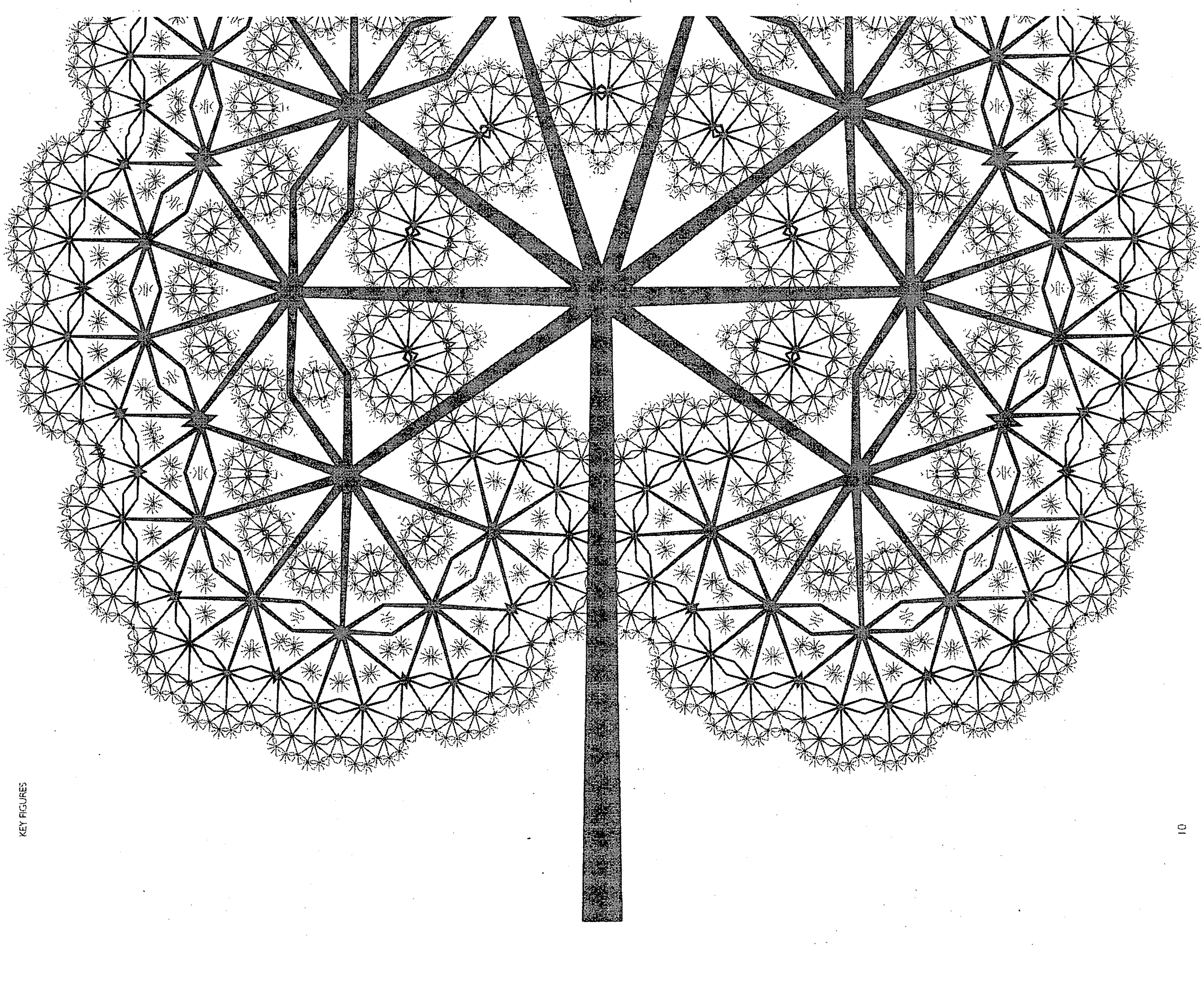


☐ CET 1 ■ Total Capital ratio

Leverage ratio



[1] Solvency ratios are based on full implementation of CRR.



KEY FIGURES

KEY FIGURES

Earnings

	2021	ex. non-recurring 2021	2020	ex. non-recurring 2020	2019	ex. non-recurring 2019
Operating income	497	489	407	407	524	524
Operating expenses	235	216	210	206	229	220
Profit after tax	190	199	61	64	202	209
Profit after tax attributable to shareholders	178	187	49	52	190	197
Dividend pay-out ratio[1]	100%	-	100%	-	100%	-
Cost/income ratio[1]	47%	44%	52%	51%	44%	42%
Net interest margin	1.72%	1.72%	1.81%	1.81%	1.99%	1.99%
Return on equity	10.6%	11.1%	2.8%	3.0%	10.2%	10.6%
Return on equity at 14% CET1	17.9%	18.8%	4.4%	4.7%	18.1%	18.8%
Return on assets	0.85%	0.89%	0.22%	0.23%	0.87%	0.91%

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

Portfolio Asset Quality

	2021	2020	2019
Asset quality			
Cost of risk (on average RWA)[1]	0.47%	1.77%	0.64%
Impairment ratio[1]	0.20%	0.78%	0.28%
Impairment coverage ratio[1]	28%	37%	33%
NPL ratio[1]	2.6%	2.1%	2.5%
Top-20 exposure / Common Equity Tier 1	63%	63%	88%
Exposure corporate arrears > 90 days[2]	1.8%	2.3%	1.2%
Exposure residential mortgage loans arrears > 90 days	0.1%	0.2%	0.1%
Loan-to-value Dutch residential mortgage loans	56%	64%	68%
Loan-to-value BTL mortgage loans	53%	53%	52%

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

Portfolio

	2021	2020	2019
Retail client assets			
Owner-occupied mortgage loans – Netherlands	10,556	8,986	8,989
Buy-to-let mortgage loans	1,100	861	706
Owner-occupied mortgage loans – Germany	9	13	19
Total retail client assets	**11,665**	**9,860**	**9,714**
Corporate client assets (drawn & undrawn)			
Commercial Real Estate	1,379	1,030	1,578
OIMIO	144	67	-
Digital Infrastructure	1,190	821	874
Shipping	914	856	1,011
Total core corporate client assets and lease receivables	**3,628**	**2,773**	**3,463**
Other loans	-	-	-
Non-core loan portfolio	3,404	4,296	5,400
Investment loans	157	166	214
Other lease receivables	31	31	35
Total corporate/investments loans and lease receivables	**7,219**	**7,265**	**9,111**
Equity investments	259	252	303
Total corporate client assets (drawn & undrawn)	**7,478**	**7,517**	**9,413**
Corporate client assets (drawn & undrawn) per region			
Netherlands	3,526	3,377	4,499
Germany	1,360	1,448	1,534
United Kingdom	1,315	1,334	1,532
Other	1,277	1,358	1,847
Total corporate client assets (drawn & undrawn)	**7,478**	**7,517**	**9,413**
Originate-to-Manage assets			
Corporate client assets	1,547	1,062	773
Retail client assets	10,456	7,523	4,328
Total Originate-to-Manage assets	**12,002**	**8,585**	**5,101**
Retail client savings			
Netherlands	5,525	5,108	4,577
Germany	3,576	3,606	3,894
Belgium	1,097	1,100	1,019
Total retail client savings	**10,198**	**9,815**	**9,490**

Solvency information

	2021	2020	2019
Equity attributable to shareholders of the company	1,828	1,803	1,865
AT1 and subordinated liabilities	463	478	484
Group capital base	2,291	2,280	2,349
Common Equity Tier 1 capital	1,630	1,631	1,605
Balance sheet total	22,658	21,055	22,407
Risk Weighted Assets	8,572	7,640	8,597
Common Equity Tier 1 ratio	19.0%	21.4%	18.7%
Pro forma Common Equity Tier 1 ratio 1 January 2022[1]	17.4%		
Tier 1 ratio	21.4%	24.0%	21.0%
Total capital ratio	22.5%	25.4%	24.7%
Leverage ratio	8.4%	9.2%	7.8%

1 due to prudential floor mortgages.

Funding & liquidity

	2021	2020	2019
LCR	184%	216%	222%
NSFR	129%	129%	121%
Loan-to-deposit ratio[1]	163%	150%	157%
Asset encumbrance ratio	28%	26%	28%
Retail savings / total funding	47%	47%	43%
Secured funding / total funding	23%	21%	23%
ESF / total funding	1%	2%	5%

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

Non-financial key figures

	2021	2020	2019
NIBC Direct customer survey score - Mortgages	8.1	8.0	8.0
NIBC Direct customer survey score - Savings	7.6	7.9	7.8
NPS score corporate lending clients	+59%	+30%	+47%
% of new corporate loans screened against sustainability policy	100%	100%	100%
Number of new corporate clients with increased sustainability risk assessment	21	14	10
Fines or sanctions for non-compliance with laws and regulations	0	0	0
Total number of FTEs end of financial period	637	644	667
Male/female ratio	65%/35%	67%/33%	67%/33%
Male/female ratio top management	77%/23%	83%/17%	85%/15%
Training expenses per employee (EUR)	2,773	1,882	3,504
Absenteeism (trend total)	2.2%	1.6%	2.0%
Employee turnover (employees started)	16.1%	13.2%	20.6%
Employee turnover (employees left)	17.6%	16.9%	18.6%

LETTER FROM THE CEO

Dear reader,

2021 was a year full of challenges and opportunities. COVID-19 continued to impact daily life and the way of working. The world economy has recovered on the back of government support actions, showing a return to growth and rising inflation. We continue to address the many challenges of today's banking landscape in an operating environment characterised by continued low interest rates, excess liquidity, regulatory demand and the short-term and long-term impact of continued government support measures. At the same time we provide our clients with the best possible service and support and ensure the well-being of our staff and stakeholders.

I am proud that we could close the acquisition of the Finqus portfolio in November 2021. This acquisition of a EUR 1.4 billion mortgage loan portfolio is at the sweet spot of our focus and is a transaction of unprecedented size for NIBC. With the transaction, we have welcomed over 17,000 new clients.

During the year we have made several strategic choices to further sharpen NIBC's business model. As announced on 23 November 2021, we have decided to seek growth in asset classes that fit with the profile of asset-backed financing and that are driven by sustainable development and technological innovation.

The basis of this strategy will be a focus on three core-activities, 1) Mortgages, in the Netherlands and through international expansion, 2) Asset-backed transaction financing in the areas of Commercial Real Estate, Digital Infrastructure, Shipping and Specialty finance such as Collateralised Loan Obligations (CLOs) and providing minority equity investments, and 3) Platform financing through Fintechs such as Beequip and yesqar. This being said, we also had to make difficult decisions that affected both our customers and colleagues. Following our new growth strategy, we decided to discontinue certain activities and to close our corporate banking activities in Frankfurt allowing us to focus and to deploy capital and resources to grow our business. I am very grateful to our colleagues who contributed professionally to this phase out.

We continue to deliver upon our promise of being a dynamic, entrepreneurial financing partner to our clients, resulting in a strong performance, both in net result and development of the portfolios in which we aim to grow. We saw growth in the various businesses and in the number of clients we served. We realised a strong net profit of EUR 178 million, benefitting from elevated investment income, of which more than half relates to realised gains, and lower credit losses. Over 2021, we saw a resilient net interest income of EUR 361 million, and steadily increasing fee income due to the further growth of our Originate-to-Manage (OTM) offering.

We further strengthened our mortgages client base and the Finqus transaction has helped to grow this franchise considerably, as we are currently servicing over 175,000 clients. During the year, we organically grew our owner-occupied mortgage loan portfolio to EUR 9.3 billion (+4%) and our Buy-to-Let (BtL) portfolio to EUR 1.1 billion (+28%). Lot Hypotheken has celebrated its one-year anniversary, with a steadily growing number of clients and total loans outstanding (own book and Originate-to-Manage) approaching EUR 1.6 billion. Lot Hypotheken is well-positioned for further growth in the mortgage market with a sustainability angle.

Also this year we deployed our solid capital and liquidity position to service our clients in support of their business ambitions and to continue strengthening our franchise. We further invested in our defined asset classes that underline our entrepreneurial culture. We have further expanded our fee generating OTM activities. Our OTM portfolio of mortgage loans grew to a total of EUR 10.5 billion

(+39%) with ample growth potential of a total mandate of more than EUR 12.7 billion. The corporate OTM portfolio grew to EUR 1.5 billion (+46%). As our identified growth areas realised healthy growth, we started to further reduce our non-core activities, resulting in a managed decrease of the corporate loan exposure. Our OIMIO label expanded its business to a total exposure of EUR 144 million in smaller ticket real estate financing.

Beequip, the largest alternative financier of equipment leasing in the Netherlands, hit a record by providing approximately EUR 500 million to SMEs, resulting in a portfolio of around 0.8 billion and positively contributed to the net result of NIBC. yesqar, which offers smart finance solutions to the automotive businesses, has had a successful first full year of operation, growing its portfolio to EUR 82 million. In combination with our existing experience from traditional asset-backed financing activities, these new initiatives of NIBC Holding complement our corporate client offering and help us address our client needs through various channels and propositions.

Our operating expenses are well under control, despite the fact that we have continued to invest in our IT environment to ensure our people were able to work from home, have invested in healthy growth in our chosen asset classes, and again have had to fully absorb the increased regulatory costs. All in all, the increase in income has more than compensated for the increase in expenses. This resulted in an improved cost/income ratio of 47% (2020: 52%). Due to improved market conditions, and the impact of our long-term strategy of de-risking our portfolios. Our credit loss expenses were significantly lower at EUR 35 million.

Serving our clients in the best possible way is and remains at the center of our organisation. NIBC has a robust and fully integrated sustainability strategy that guides our business decisions. We see the demand for sustainable transactions in our corporate asset classes increasing, as clients focus on making their businesses sustainable and linking this to their financing solutions. This was also an important consideration in our strategic decision to withdraw from the offshore energy asset class. Through our Lot mortgages label, NIBC offers sustainable mortgages at competitive rates for retail clients, whilst Beequip and yesqar also provide platforms for green equipment and fleet electrification. The appreciation of our client focus is reflected in the positive client feedback, with a net promoter score of +59% for corporate lending and a 8.1 out of 10 score following the mortgage customer survey.

With our firm ESG profile, we are well positioned to contribute to a more sustainable, resilient and inclusive future for the communities we serve. As we look back on 2021, more than half of our commercial and retail real estate exposures have already achieved an energy label C or better, our inaugural green senior preferred issuance attracted new responsible investors to NIBC, and our award-winning ESG CLO program continues to lead in its asset class.

To further develop and implement NIBC's focused strategy, we have strengthened our Corporate Development team and welcomed Jurre Alberts as head of the department and new member of our Executive Committee. As a consequence of the strategic direction of the bank, we have parted ways with Caroline Oosterbaan as a member of the Executive Committee in January 2022. I am grateful for Caroline's dedication and contribution to the development of NIBC's corporate client franchise and to the team over the past years. The EGM in March has appointed Joop Wijn and the EGM in September has appointed Leni Boeren as new members of the Supervisory Board.

At the heart of our business are our talented and motivated people. As a bank built for entrepreneurs, we are committed to foster our 'Think YES' mentality by being professional, entrepreneurial and inventive and by matching our clients' can-do attitude. I would particularly like to thank our employees for their continued trust, flexibility and hard work to support our clients in these challenging times.

Although we see improvements, the economic climate for the year ahead remains uncertain, especially due to the recent geo-political environment. Yet, there are also positive macroeconomic signs which further motivate us to help our clients to realise new growth opportunities. Our solid capital position, reflected in a Common Equity Tier 1 ratio of17.4% (as from 1 January 2022), allows us to support our clients in their growth ambitions and to simultaneously further build our franchises (inorganically and organically) in the asset classes we have chosen to focus on. We will also further invest to align our organisation with the chosen strategy. I am confident that NIBC has a sound basis for future growth, with our firm ESG profile, solid capital position and risk profile and an entrepreneurial spirit, all realised by our talented and motivated colleagues.

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

Paulus de Wilt
Chief Executive Officer
Chairman of the Board

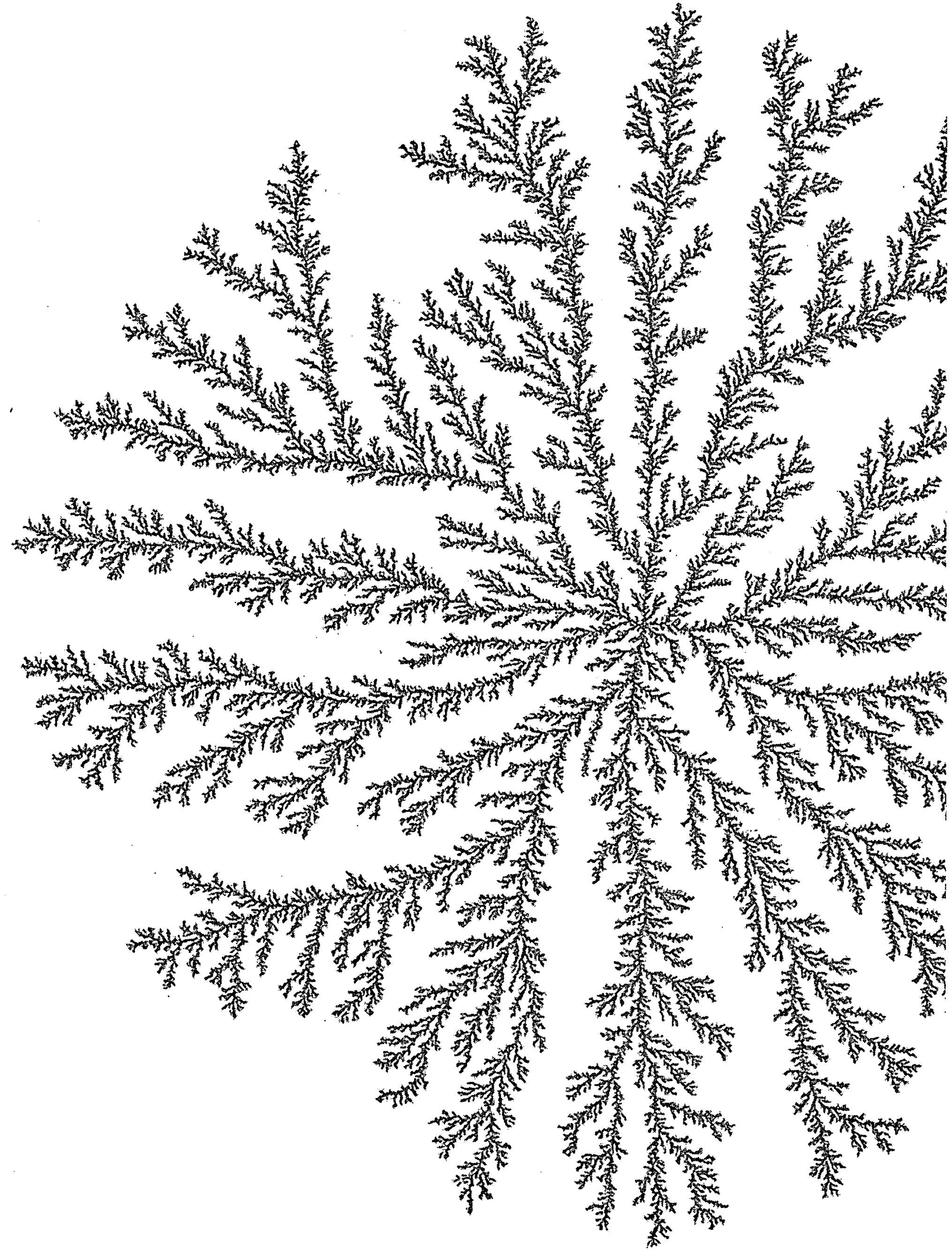
Herman Dijkhuizen
Chief Financial Officer
Vice-Chairman of the Board

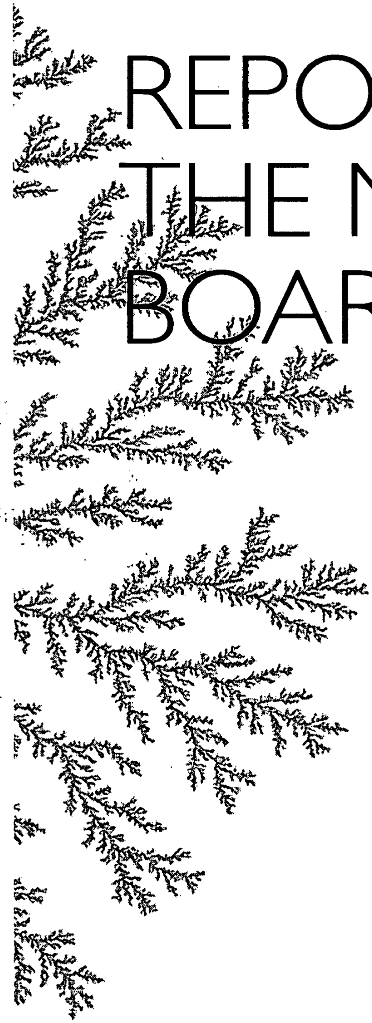
Reinout van Riel
Chief Risk Officer
Member of the Board

Michel Kant
Member of the Executive Committee

Saskia Hovers
Member of the Executive Committee

Jurre Alberts
Member of the Executive Committee





REPORT OF THE MANAGING BOARD

REPORT OF THE MANAGING BOARD

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

VISION AND STRATEGY

Purpose and corporate values

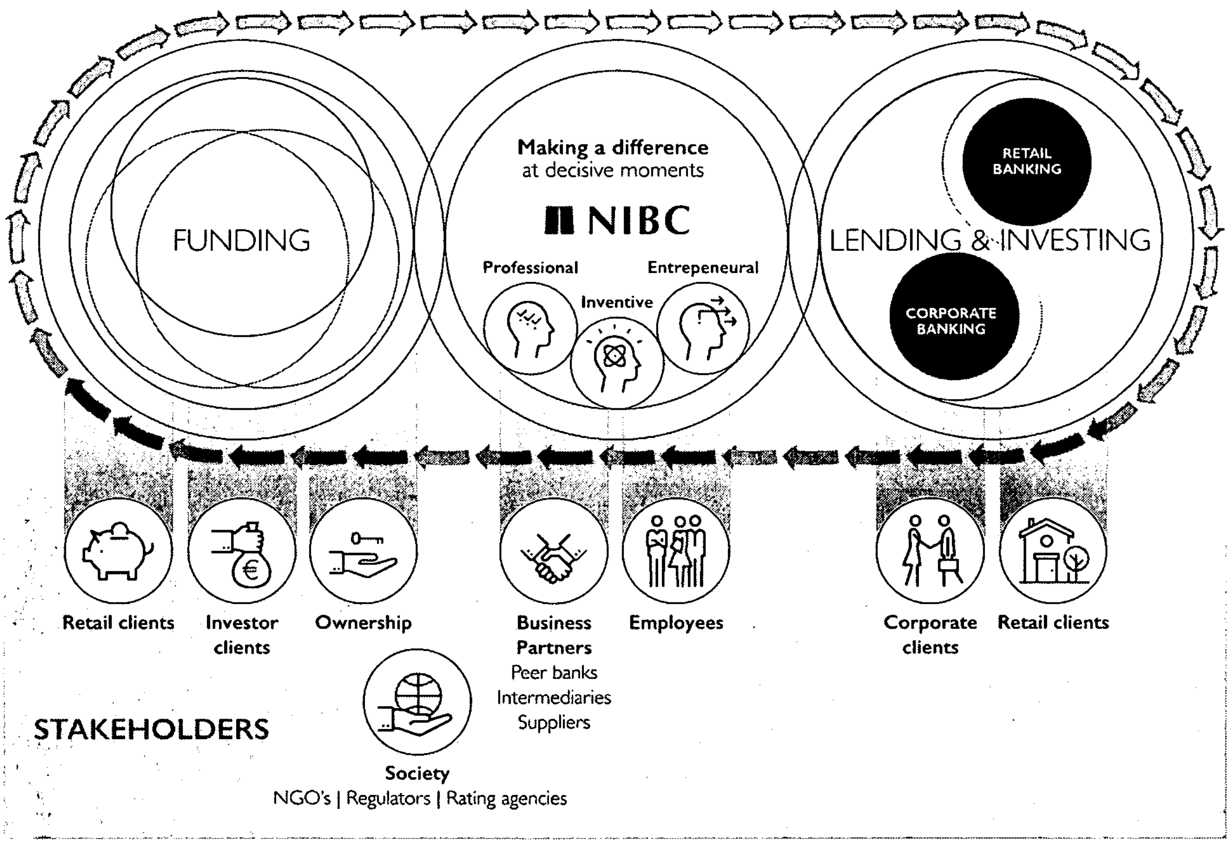
Our purpose is to create a sustainable franchise for the future, so we can continue to make a difference for our clients by focusing on their most decisive moments in business and in life.

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

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

All of NIBC's business units are responsible for managing sustainability risks and opportunities as part of their regular activities. Also NIBC's subsidiaries, although operating independently, follow the governance, compliance and sustainability approach of NIBC Bank. They have adapted this to their scale and complexity, applying proportionality, reasonableness and common sense as described in international standards.

Creating long-term value



NIBC's value creation story is unique. Established in 1945 to help rebuild the Netherlands after the Second World War, NIBC is strongly rooted in its obligations to create societal value and financial resilience.

Over time NIBC has evolved to become an enterprising bank offering asset-based financing and coinvesting services to entrepreneurial corporate and retail clients in northwestern Europe. By continuing to transform our business and adapt to changing societal needs, we aim to continue our tradition of creating long term value for stakeholders.

NIBC's approximately 700 employees serve over 450,000 retail clients, 450 corporate clients and approximately 3,000 small-medium sized leasing clients, who rely on us to deliver secure and reliable banking services As a mid-sized financial institution operating from the Netherlands, the United Kingdom, Germany and Belgium, we are differentiated from peers in the markets we serve, the asset classes on which we focus, the product mix that we offer and our ability to innovate and adapt to changing market circumstances.

The operating environment is dynamic and the risks and opportunities in this environment impact our ability to create value. Social and economic impacts of the COVID-19 pandemic, technology, demographic changes, global warming, a continued low interest rate environment and increased regulation and oversight are influencing NIBC and our stakeholders.

Several drivers are crucial to our value creation model. Our relationships with retail and corporate clients are based on trust. Access to funding through retail savings, debt investors and shareholders enable us to execute our strategy. Our employees bring us the skills and knowledge needed to deliver our strategy. Our risk management systems and processes reduce the risks related to our product offering for NIBC as well as for our clients. Our technology and data capabilities help us to deliver a great client experience, to scale and to run as a modern financial institution without the need for brick and mortar branches. And our relationships with regulators, rating agencies and civil society organisations bring strength to our brand and reputation.

We aim to deliver value to our stakeholders. Our corporate clients receive funding to grow their business. Our mortgage clients receive funding to purchase their home. Our savings clients are enabled to safely save for tomorrow and increase their financial resilience. Our workforce is increasingly diverse, innovative, adaptable and living our corporate values. Our investors receive good returns enabling them to meet their goals. And the communities we serve are more resilient and strong, benefitting from the growth, services and opportunities we've helped to empower.

Looking ahead, the sectors and activities which NIBC is pursuing reflect growth opportunities, our ambition to accelerate growth, long-term societal needs, and NIBC's sustainability priorities. For example, NIBC Bank's retail offerings (mortgage loans & Buy-to-Let) and three corporate focus sectors (Commercial Real Estate, Digital Infrastructure, and Shipping) are activities which will be needed today as well as after 2050 and therefore need to transition to net zero aligned to EU and Paris Agreement targets. NIBC's award-winning North Westerly ESG CLO program is bringing investment to private companies and providing opportunities for responsible investors. And our platform activities are well-positioned to enable a sustainable transition in the leasing markets they serve.

2021 Material themes

NIBC recognises its responsibilities towards external and internal stakeholders, regularly engages with them and considers their interests in its day-to-day decisions and activities. Engaging with stakeholders in a proactive way and on a continuous basis is central to our way of working.

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

During 2021, stakeholders prioritised the following themes::

- Financial Performance
- Climate Resilience
- Business Ethics, incl. integrity, culture & behaviour
- Regulatory Change & Compliance
- Data Security

Other themes that were discussed included client satisfaction, ESG risk management, product responsibility & fairness and diversity & inclusion. Our materiality assessment is available on NIBC's corporate website.

Strategic priorities

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

1. Continuous evolution of client franchise, expertise and propositions.

2. Focus on growth of asset portfolio in core markets. We differentiate ourselves by setting a clear focus, both geographical and operational. We are active in sectors and markets we know best, with products that can make a difference for our clients.
3. Diversification of income.
4. Building on existing agile and effective organisation.
5. Ongoing investment in people, culture and innovation.
6. Further deployment of our capital and diversification of funding. One of our strengths has always been a strong capital position, providing flexibility to support our strategic choices, whether by further growth or restructuring of our organisation.

Continuous development

Business review and strategic choices
We continuously evaluate our activities and remain focused on asset classes where the risk/return ratio is in line with our risk appetite. This has led to expansion in certain asset classes, refocus in others but also exit of a market if the risk/return ratio does not meet our requirements.

Our results show that our niche-oriented strategy is successful, and therefore we have decided to further sharpen this. By further focusing our portfolio, we will create room for growth in those areas where we see the most attractive opportunities. As announced on 23 November 2021, NIBC will focus on the following core-activities:
1. Mortgages, in all our expertise domains (owner-occupied and Buy-to-let (BtL), on- and off-balance), including international expansion.
2. Asset-backed transaction financing in the fields of Commercial Real Estate (also through our label OIMIO), Digital Infrastructure (including OtM) and Shipping and specialty financing, such as Collateralised Loan Obligations (CLOs) and providing minority equity investments.
3. Platform financing through Fintechs such as Beequip and yesqar.

To enable growth in these areas we will phase out the activities in the other asset classes such as Offshore Energy and Leveraged Finance.

From an ESG perspective, the strategic choice to phase out our exposure in offshore fossil energy is an important step that reflects our view on the long-term ESG risks related to those activities.

Mortgages
NIBC offers mortgage loans, Buy-to-Let mortgage loans and saving products to its retail clients. Over the years, we have built a strong mortgage franchise with more than 175,000 clients. On 17 November 2021, we were able to close out the transaction relating to the acquisition of the Finqus mortgage loan portfolio. We welcomed more than 17,000 new clients and a volume of EUR 1.4 billion, underpinning our strategy to grow our mortgage franchise.

With transparent pricing and conditions, the products offered by NIBC help our clients executing or preparing for their decisive moments. Our owner-occupied, BtL and OTM mortgage loans are offered primarily via third-party mortgage brokers. Following NIBC's overall business model, the Retail Client Offering focuses on products where NIBC can stand out. This means that we do not provide general retail banking services such as payment solutions or current accounts. Instead we have developed and refined an efficient and modern retail business model which avoids the branch business model of traditional banks. With little over 100 colleagues directly involved, we are working to continuously shape and support the Retail Client Offering within NIBC.

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

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

Since 2016, when NIBC closed its first OTM mandate for mortgage loans, NIBC has offered investors the opportunity to invest directly in Dutch residential mortgages without the burden of the associated operational handling. For these mandates, NIBC originates mortgage loans under the NIBC Direct and Lot labels and sells mortgage receivables to the investor. This allows us to provide longer tenors to our clients. This fits market developments very well, as the current low rate environment is leading to an increased demand for longer fixed rate periods. Market-wide, almost 70% of new mortgage loans are currently originated with 20-30 years fixed rate periods. At the end of 2021, NIBC reached a total mandate for the origination of OTM mortgages of almost EUR 13 billion.

Being able to offer a complete product mix through its different labels provides NIBC with a strong origination position. This has helped to originate sufficient new mortgage loans to offset the elevated level of prepayments. Settlement of the portfolio purchase from Finqus, has helped to grow this portfolio to over EUR 10 billion.

The BtL market continues to grow, and NIBC has been able to grow its portfolio by more than 25% to over EUR 1 billion over the past year. With the 'Vastgoed Hypotheek' product, NIBC is offering a product designed for financing leased residential real estate. We finance investors focused on building or expanding a portfolio including smaller and medium-sized properties. The product is distributed through intermediaries and appraisers as well as directly by NIBC.

Asset-backed transactions and specialty financing

NIBC organizes its corporate client offering by asset classes and products. We focus on serving medium-sized corporate clients in selected asset classes in the Netherlands and across Europe with the purpose to enable them to achieve their goals and growth ambitions. As a speciality financier, we differentiate ourselves from traditional peers by the fact that we do not offer current accounts, transaction banking or other 'flow-related' products to corporate clients.

In the last years, NIBC has continued optimising its operations towards a more digitalised and standardised model, allowing us to focus on scalable growth initiatives and smaller ticket sizes. NIBC has onboarded its origination processes and customer relationship management onto a single digital platform, allowing us to service our clients more efficiently and effectively.

Commercial Real Estate

In Commercial Real Estate NIBC focuses on financing several niches in the Netherlands where we have in depth sector knowledge with focus on transactions between EUR 10 million to EUR 50 million. We service small SMEs in their growth ambitions with asset-backed loans ranging from EUR 1 million to EUR 10 million through our label OIMIO. Furthermore, we are active in financing project development and redevelopment. We offer national and international real estate developers and investors innovative and creative financing solutions.

Shipping

Our Shipping sector team of dedicated industry professionals offers expertise in sector trends and the impact of economic conditions. The Hague-based team helps clients capture opportunities and address challenges from expanding global trade, population growth and the increase in the shipping of goods. NIBC continues to focus on smaller tickets and a selective client strategy offering covenant tight collateralised financing to High Net Worth Entrepreneurs clients and medium sized corporates. We apply a conservative structuring approach with early warning mechanisms and active portfolio management.

Digital Infrastructure

NIBC has been a financier of infrastructure since our inception in 1945. We are transforming this portfolio from long-term traditional infrastructure such as roads, and public-private infrastructure projects towards selective renewable projects and digital infrastructure projects like the financing of data centres, glass fibre networks and port storage facilities with shorter tenors. We plan to further expand this activity with loans both on and off-balance through Originate-to-Manage solutions. Having build extensive market knowledge, NIBC is also broadening its geographical focus to Europe for its Digital Infrastructure proposition.

Specialty financing

We have also further developed our Originate-to-Manage (OTM) proposition as part of our corporate client offering. This focuses mainly on digital infrastructure, enabling NIBC and its OTM partners to participate in a more meaninfull way. Next to this, we are proud that in 2021, we have successfully launched North Westerly VII CLO and have started preparations for the next CLO under this programme. NIBC Investment Partners is the captive investment arm of NIBC, providing minority equity to Dutch SME companies and real estate development projects. We support both entrepreneurs and projects with growth capital, by investing through minority shareholdings (20-50%).

Platform financing
In 2021, we have further developed our platform financing activities through our subsidiaries Beequip and yesqar. Beequip provides leasing solutions for equipment financing. We are proud that Beequip has been able to grow a lease portfolio of almost EUR 800 million within 5 years from its launch, with around 3,000 clients. In 2021, Beequip closed a contract to lease more than 200 electric vehicles also demonstrating the importance of ESG. yesqar offers smart finance solutions to automotive businesses. In September 2020 NIBC acquired the data technology company Finquest to found QarQuest, which commercial proposition is made under the label yesqar. yesqar offers its solutions to the automotive sector with an exclusive focus on financing cars on stock and car leasing portfolios. This new initiative combines the extensive financial expertise of NIBC with the power of data and market knowledge of technology company Finquest.

Other activities
In 2018 NIBC announced its rebalancing strategy, as the bank anticipated to transform the nature of the transactions in some of its asset classes. In 2021, we have sharpened this strategy and announced that we will accelerate it in the coming years, with a focus on asset-backed transaction, speciality financing and platform financing. To align NIBC's structure, we have decided to phase out activities in certain markets. We are in close contact with the clients involved to make sure that also after our withdrawel, the clients can fulfill their ambitions. Until that moment, we continue to service our existing client base in these asset classes to the best of our ability. In this report, we present these activities under non-core loans.

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

For sustainability risks and outcomes please refer to the Sustainability chapter.

FINANCIAL REVIEW

Performance summary

- Following the economic recovery in the Netherlands and across Europe, profitability recovered in 2021. Profit after tax increased significantly on the back of a modest reduction of net interest income, fully offset by strong investment income and significantly lower credit losses.
- Operating income increased by EUR 90 million compared to 2020 (+20%). A limited decrease in net interest income is more than offset by a strong increase in investment income and positive other income. Fee income steadily increased, as NIBC continued to expand its Originate-to-Manage product offering.
- Impairments decreased by almost 75% compared to 2020 on the back of the observed global recovery. Most of the

Income statement

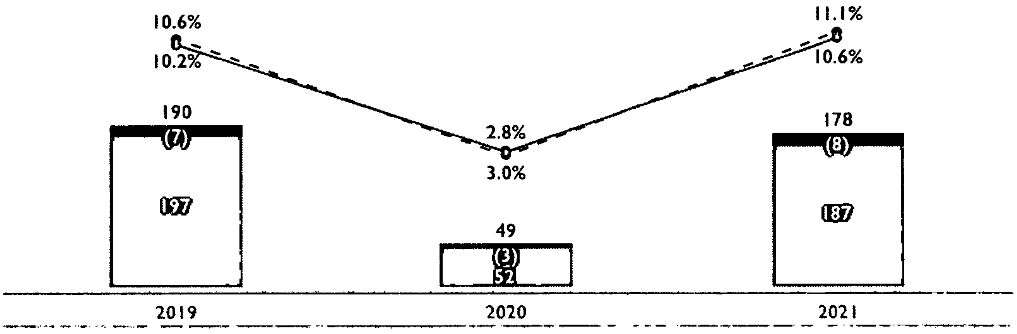
in EUR millions	2021	ex. non-recurring 2021	2020	ex. non-recurring 2020	2021 vs. 2020	ex. non-recurring 2021 vs. excl. non-recurring 2020
Net interest income	361	361	386	386	(7%)	(7%)
Net fee and commission income	46	46	43	43	7%	7%
Investment income	84	76	7	7	>100%	>100%
Other income	7	7	(29)	(29)	>100%	>100%
Operating income	**497**	**489**	**407**	**407**	**22%**	**20%**
Personnel expenses	111	94	101	97	11%	(3%)
Other operating expenses	99	97	89	88	11%	10%
Depreciation and amortisation	5	5	5	5	(2%)	(2%)
Regulatory charges and levies	20	20	16	16	24%	24%
Operating expenses	**235**	**216**	**210**	**206**	**12%**	**5%**
Net operating income	**262**	**273**	**196**	**201**	**33%**	**36%**
Impairments of financial and non financial assets	35	35	134	134	(74%)	(74%)
Tax	37	39	1	2	>100%	>100%
Profit after tax	**190**	**199**	**61**	**64**	**>100%**	**>100%**
Profit attributable to non-controlling shareholders	12	12	12	12	0%	0%
Profit after tax attributable to shareholders of the company	**178**	**187**	**49**	**52**	**>100%**	**>100%**
Return on equity	**10.6%**	**11.1%**	**2.8%**	**3.0%**	**8%**	**8%**

impairments are related to stage 3 exposures. Given the continued uncertainty and the limits of addressing the extra-ordinary situation of today in the regular ECL models, NIBC as continued to apply a management overlay, which equaled EUR 14.5 million per the end of 2021. This overlay relates to both stage 1 and stage 2 ECL amounts.

- Operating expenses increased due to increasing personnel expenses, includijng expenses following the sharpened strategic focus, higher business process outsourcing expenses (driven by increasing mortgage loan volumes) and higher regulatory charges related to increasing contribution to the Dutch deposit guarantee scheme.

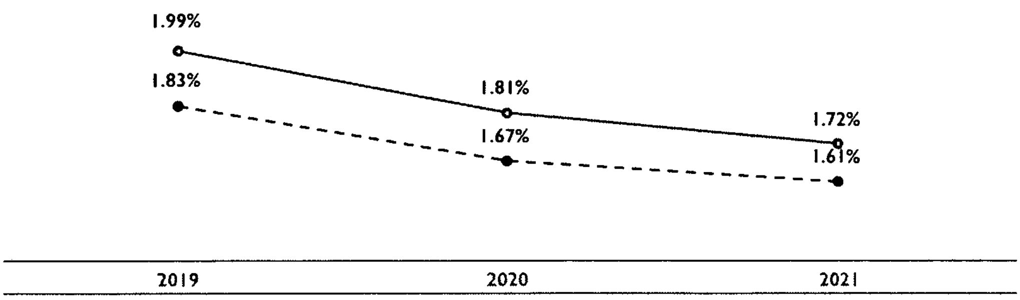
Profit after tax attributable to shareholders and return on equity

in EUR millions



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

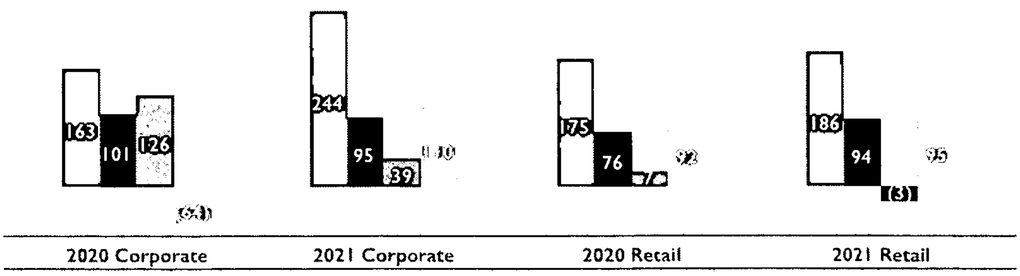
Net interest margin



Net interest margin Net interest margin ex. IFRS 9 effect

Financial performance Corporate and Retail Client Offering

In EUR millions



Operating income Operating expenses Impairments of financial and non financial assets

Profit before tax

Financial performance

Operating income

Within operating income, the development of NIBC's loan portfolios provided a solid basis for the 2021 performance. Net interest income shows a modest decrease, driven by the choice to balance origination during 2020 in the corporate segment, impacting the balance between corporate and retail assets, and by a declining portfolio spread of the mortgage loan portfolio, partially offset by an increased portfolio spread on the corporate loan portfolio and elevated prepayment penalties. As a result of these developments, the net interest margin shows a moderate decrease. Fee income continued to steadily increase following the further development of NIBC's OTM offering. In 2021, the equity portfolio reports a strong performance. Through both realised results following successful exits from the portfolio and positive revaluation results, investment income increased significantly. This is in line with the overall performance of equity markets throughout the year, supported by both a strong economic recovery and the continued low-interest environment. Other income includes positive results on repurchased funding, positive revaluation results on loans classified at fair value through profit or loss and positive net results from hedge accounting, partly offset by negative sale results on loans at amortised cost.

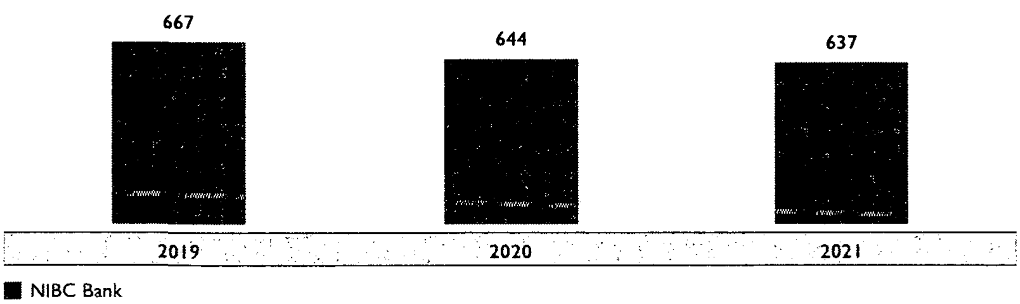
Investment income includes EUR 8 million of non-recurring income that relates to the successful sale of the equity stake of a restructured position.

Operating expenses

Based on the recurring results, the cost/income ratio decreased back to the target level of 47% as the increase in operating income more than offsets the increase in operating expenses. Key drivers for the increase in recurring operating expenses of 5% are personnel expenses, business process outsourcing costs, mainly related to the increasing mortgage loan portfolio and an increase in regulatory charges related to an increase in NIBC's contribution to the Dutch *deposit guarantee scheme* (**DGS**).

Within NIBC Bank N.V. the number of *Full-Time Equivalents* (**FTEs**) decreased in 2021. Following the announcement of NIBC's strategic focus, around 60 FTEs will be made redundant, spread over the Netherlands and Germany, and the number of FTEs is consequently expected to decrease in 2022.

FTE development



Operating expenses include advisory and project costs relating to the Finqus transactions. Additionally, they continue to include programme costs through which NIBC invests to become more agile and efficient in addressing changing regulation and exploring new opportunities.

Non-recurring expenses are related to the one-off retention package introduced following the acquisition of NIBC by Blackstone and the reorganisation expenses related to the strategic choices announced in November 2021.

Impairments of financial and non-financial assets
Credit loss expenses are significantly lower, following the economic recovery in 2021, on the back of government support actions and supportive monetary policy. Main driver for the reported credit losses are the losses recognised on stage 3 assets within the corporate loan portfolio, whereas both stage 1 and stage 2 corporate loans report a release in 2021. The mortgage loan portfolio shows a net release, driven by positive developments of the Dutch house prices. This has led to a decrease in ECL for stage 1 and stage 2 mortgage loans.

As the ECL modelling outcome is the result of assumptions and inputs, executed in a time frame around reporting date, the outcome may not fully reflect all risks and circumstances as they are present at reporting date. It is unlikely that these circumstances are fully captured in the predictive value of the model, nor are they included in the historical data on which the models have been constructed. In this period of increased uncertainty, especially with respect to economic developments and the potential long-term effects of government support, a management overlay is recognised to correctly reflect all risks and uncertainties per 31 December 2021. The total management overlay per reporting date equals EUR 13 million (2020: EUR 15million). For more information please refer to note 12 of the Financial Statements.

Coverage ratios stage 1 and stage 2 exposures

	2021		2020	
	Stage 1	Stage 2	Stage 1	Stage 2
Mortgage loans				
Carrying value	11,694	125	10,046	193
ECL allowance	2	7	2	8
Coverage ratio	0.0%	5.2%	0.0%	4.2%
Loans				
Carrying value	5,645	531	5,461	679
ECL allowance	14	26	17	27
Coverage ratio	0.3%	5.0%	0.3%	4.0%
Lease receivables				
Carrying value	-	-	-	-
ECL allowance	-	-	-	-
Coverage ratio	0.0%	0.0%	0.0%	0.0%
Total				
Carrying value	17,338	656	15,507	872
ECL allowance	16	33	19	35
Coverage ratio	0.1%	5.0%	0.1%	4.0%

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

Medium-term objectives

Although also 2021 was impacted by COVID-19, NIBC could recover to pre-COVID perfomance levels and most of our identified medium-term objectives could be achieved.

Medium-term objectives

	Medium-term objectives	2021	2020	2019
Return on equity	10-12%	10.6%	2.8%	10.2%
Cost/income ratio[1]	<45%	47%	52%	44%
CET 1[2]	≥14%	19.0%	21.4%	18.7%
Rating Bank	BBB+	BBB+ Stable	BBB+ Negative	BBB+ Stable
Dividend pay-out ratio	≥50%	100%	100%	100%

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

Also in 2021, liquidity management efforts at NIBC have been intensified. Additional liquidity buffers were created to maintain sufficient liquidity buffers and ratios at all times and to prefund the acquisition of the Finqus portfolio. It was the first time in many years that NIBC had to fund an acquired portfolio of over EUR 1 billion.

The topic of ESG is becoming more prominent within NIBC as well as in the funding markets. Consequently, we decided to enter the green bond market. In November 2021, we issued our first green bond, with strong market demand, providing us with the opportunity to issue EUR 750 million.

The use of the *Targeted Longer-Term Refinancing* Operations (**TLTRO**) decreased, as NIBC has fully repaid the outstanding amount under TLTRO-II (EUR 448 million), and has only drawn amounts under TLTRO-III of EUR 550 million per balance sheet date.

Taxes

Taxes reflect the profit registered over the full year. The effective tax rate of 16% is below the applicable corporate income tax rate in the Netherlands, mainly because a substantial part of the 2021 income relates to tax exempted investment income. Other factors relate to expenses that are not tax deductible and different tax rates in other countries.

Balance sheet development

- The composition of our asset portfolios has further developed in line with NIBC's strategy of building a more granular portfolio with increased focus on mortgages, asset-backed finance and financing platforms.
- Total assets have increased in 2021, as a result of the acquisition of the Finqus mortgage loan portfolio (EUR 1.3 billion at year-end) as well as growth through origination of mortage loans. Loans increased due to additional funding provided to other subsidiaries of NIBC Holding.
- In 2021, NIBC implemented a new Definition of Default for its mortgage loans, resulting in an increase in stage 3 mortgages. Defaulted mortgage loans acquired as part of the Finqus portfolio are classified as POCI assets, leading to the reported increase.
- The covered bond position has increased due to two EUR 500 million transactions in 2021, with maturities of 10 and 9 years, respectively.

Assets

in EUR millions	2021	2020	2019
Cash and banks	2,598	2,554	2,653
Loans	6,530	6,439	7,778
Lease receivables	8	16	25
Mortgage loans	11,940	10,245	10,045
Debt investments	924	977	1,056
Equity investments	237	226	274
Derivatives	334	494	482
Other assets	88	104	95
Total assets	**22,658**	**21,055**	**22,407**

Liabilities and equity

in EUR millions	2021	2020	2019
Retail funding	10,549	10,244	9,756
Funding from securitised mortgage loans	267	327	391
Covered bonds	4,011	3,004	3,003
ESF (including other deposits GE)	298	383	1,191
All other senior funding	4,977	4,630	5,378
Tier 1 and subordinated funding	263	278	284
Derivatives	154	100	225
All other liabilities	111	86	112
Total liabilities	**20,630**	**19,052**	**20,342**
Equity attributable to shareholders of the company	1,828	1,803	1,865
Capital securities (non-controlling interest)	200	200	200
Equity attributable to non-controlling interests	-	-	-
Total liabilities and shareholders' equity	**22,658**	**21,055**	**22,407**

NIBC's first senior unsecured green bond issuance of EUR 750 million has helped grow the senior funding position.

ECL staging

31 December 2021		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost	Mortgage loans	11,694	125	68	52	11,940
	Loans	5,645	531	163	43	6,381
	Lease receivables	-	-	8		8
	Debt investments	25	-	-		25
Fair Value through OCI	Debt investments	850	3	-		852
Total		**18,213**	**659**	**240**	**95**	**19,207**

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

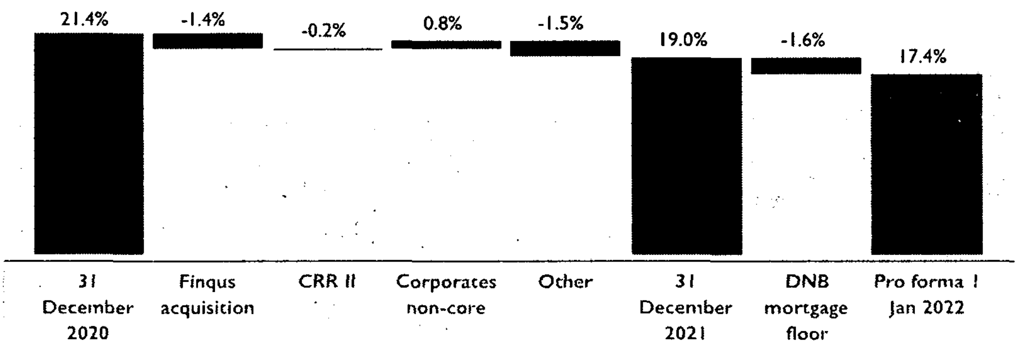
Credit quality ratios

	2021	2020	2019
Impaired coverage ratio	28%	37%	33%
NPL ratio	2.6%	2.1%	2.5%
Top-20 exposure / Common Equity Tier 1	63%	63%	88%

Solvency and Liquidity

- NIBC has a solid capital position reflected in a *Common Equity Tier 1* (**CET 1**) ratio of 19.0%. The decrease is caused by an increase in RWAs. Key driver is the acquisition of the Finqus portfolio (-1.4% point).
- In 2021, CRR II has been implemented. This resulted in an increase in RWAs related to derivatives due to the implementation of SA-CCR. The implementation of the prudential backstop did not have a material effect in 2021.
- As from 1 January 2022, DNB has implemented the prudential floor for Dutch mortgage loans. For NIBC, the impact is an increase of almost EUR 800 million RWA and a decrease of 1.6% of CET 1 ratio, to 17.4%.
- NIBC actively manages its liquidity position, aiming for ample liquidity buffers. This is evidenced by a strong *liquidity coverage ratio* (**LCR**) at 184% and a solid *net stable funding ratio* (**NSFR**) of 129%.

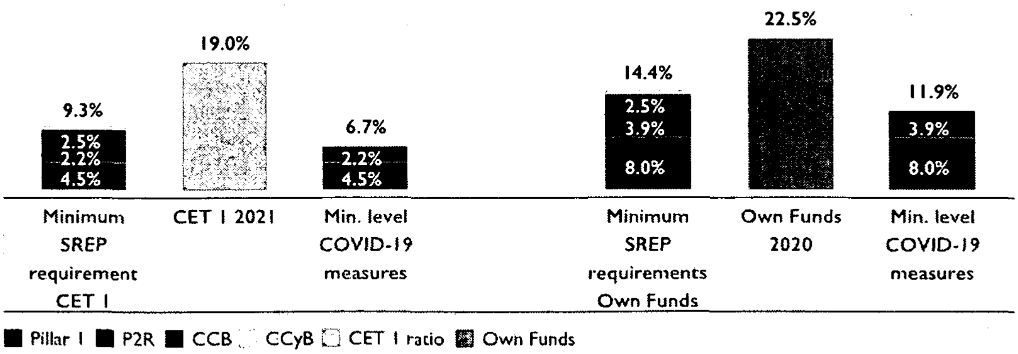
CET 1 development



Credit risk per exposure class

Exposures including Credit Conversion Factor in accordance with CRR	2021 Exposure	RWA	Average risk weight	2020 Exposure	RWA	Average risk weight
Corporate exposures	7,777	4,220	54%	7,467	4,053	54%
Mortgage loans	12,055	1,643	14%	10,108	988	10%
Institutions	862	184	21%	885	178	20%
Equity	259	959	370%	252	931	370%
Securitisation	843	272	32%	849	277	33%
Other including corporate derivatives	477	264	55%	422	223	53%
Central Government	1,840	0	0%	1,979	0	0%
Total	**24,114**	**7,542**	**31%**	**21,960**	**6,650**	**30%**

Capital ratios compared to SREP level



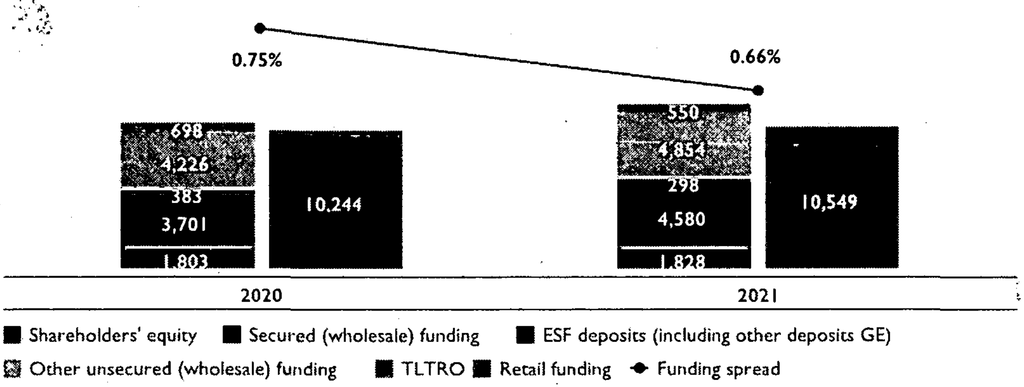
- Active liquidity management and selective use of the various funding instruments have resulted in a further decrease of the funding spread, even though financial markets have seen considerable volatility in spread levels throughout the year.

Liquidity ratios

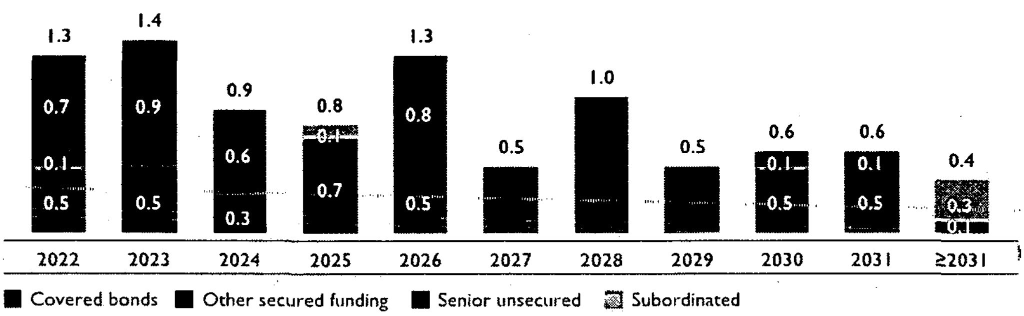
	2021	2020	2019
LCR	184%	216%	222%
NSFR	129%	129%	121%
Loan-to-deposit ratio[1]	163%	150%	157%
Asset encumbrance ratio	28%	26%	28%
Retail savings / total funding	47%	47%	43%
Secured funding / total funding	23%	21%	23%
ESF / total funding	1%	2%	5%

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

Funding composition and spread



Maturing wholesale funding



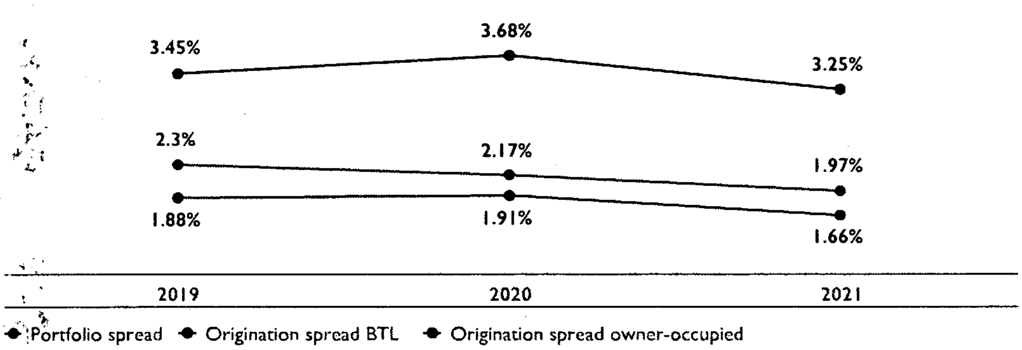
Performance Retail Client Offering

- NIBC continues to report a diversified operating income within its Retail segment, shifting towards net fee income through the OTM mortgage portfolio.
- Due to strong competition in the mortgage market, spreads are under pressure, resulting in a 20bps decrease of the portfolio spread.
- The Originate to Manage portfolio further increased with origination of EUR 3.6 billion, leading to a continued increase of net fee income, supporting diversification of income.
- Also in 2021, the prepayment penalties are at an elevated level of EUR 34 million (2020: EUR 24 million).
- Increasing housing prices have resulted in a release of EUR 3 million in credit loss expenses.
- The increase in operational expenses is mainly driven by the increase of EUR 5 million in DGS expenses, as the result of higher savings volumes, and new projects and investments in people and technology.

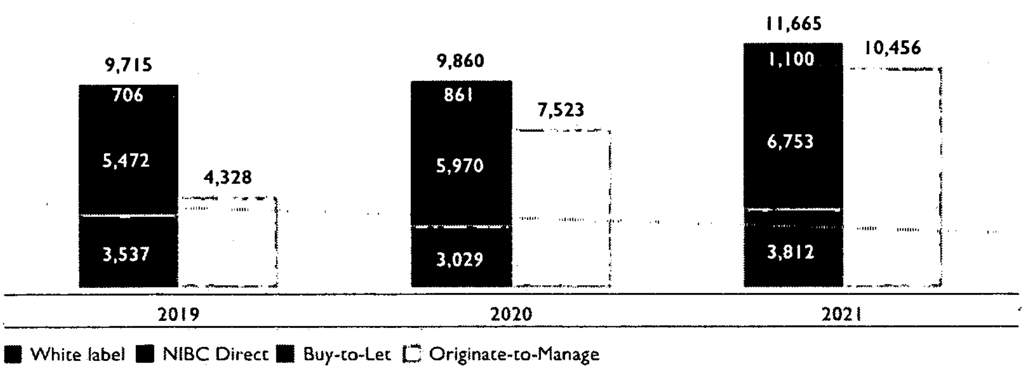
Income statement Retail Client Offering

in EUR millions	2021	2020
Net interest income	152	148
Net fee income	34	28
Investment income	-	-
Other income	(1)	-
Operating income	**186**	**175**
Other operating expenses	79	66
Regulatory charges and levies	15	10
Operating expenses	**94**	**76**
Net operating income	**92**	**100**
Impairments of financial and non financial assets	(3)	7
Profit before tax	**95**	**92**
Tax	24	23
Profit after tax	**71**	**69**

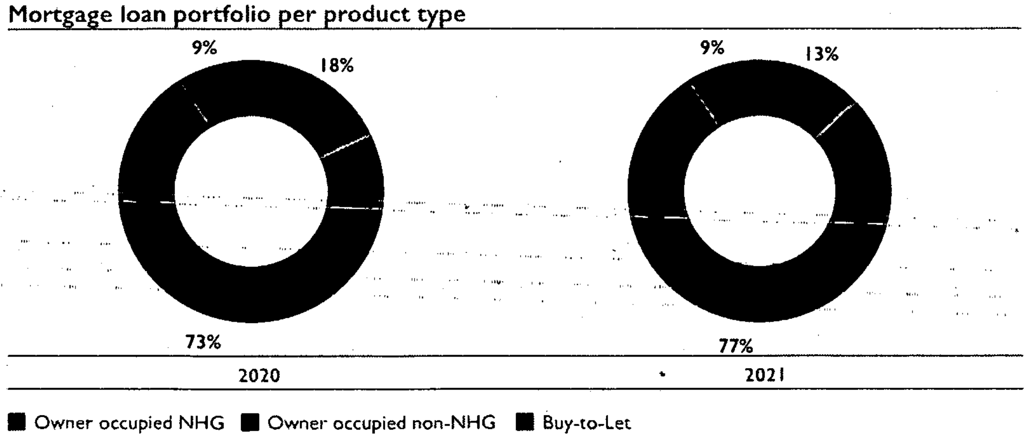
Retail spread above base



Mortgage portfolio development



Mortgage loan portfolio per product type



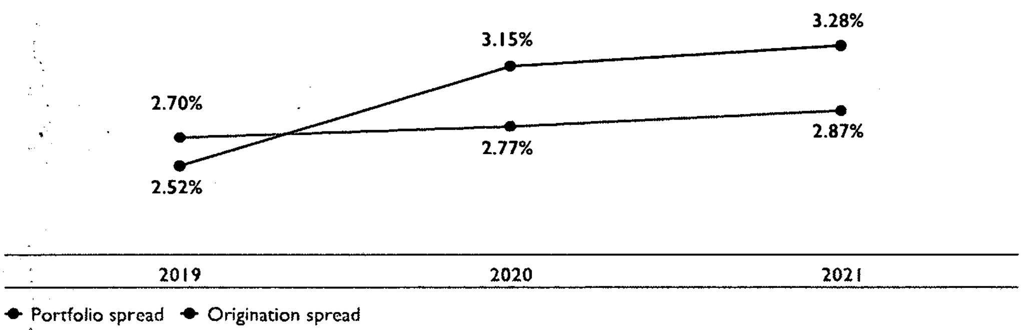
Performance Corporate Client Offering

- The Corporate Client segment reports a strong recovery of net profit. This is largely driven by very positive results from our Investments, a steady inflow of income from new origination and supported by lower operating expenses and significantly lower credit loss expenses.
- Decreasing net interest income following deliberate low origination volumes in 2020, only partially offset by an improving portfolio spread on the back of increased focus on niches where risk/return is favourable.
- High investment income due to positive revaluation results and favourable exits.

Income statement Corporate Client Offering

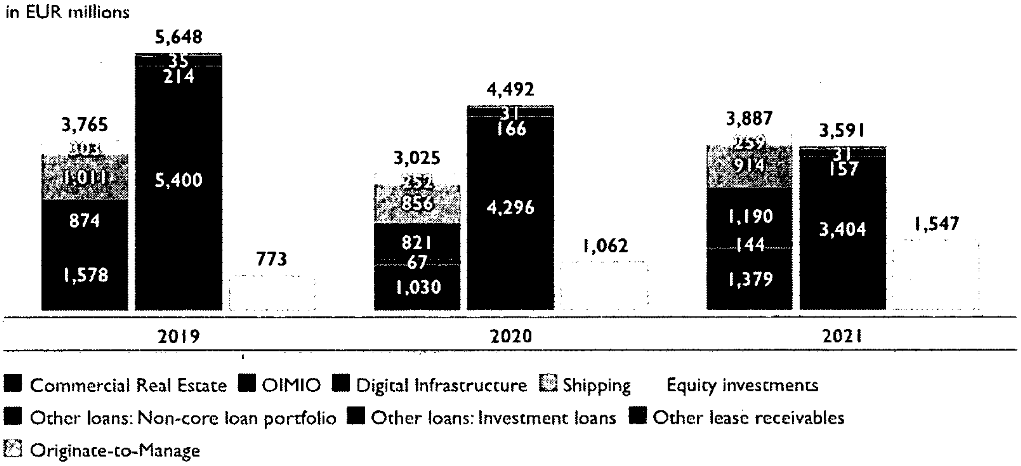
in EUR millions	2021	2020
Net interest income	150	161
Net fee income	11	15
Investment income	84	6
Other income	(1)	(19)
Operating income	**244**	**163**
Other operating expenses	95	101
Regulatory charges and levies	-	-
Operating expenses	**95**	**101**
Net operating income	**149**	**61**
Impairments of financial and non financial assets	39	126
Profit before tax	**110**	**(64)**
Tax	10	(16)
Profit after tax	**100**	**(49)**

Corporate loan portfolio spreads above base



Corporate client assets

in EUR millions



Performance Treasury & Group Functions

- The basis for net interest income of Treasury lies in the difference between the cost of funds on the bank's external funding (including hedging) and the internal cost of funds charged to the other segments that need these funds for client transactions.
- Throughout 2021, Treasury continued to maintain elevated liquidity buffers to address the on-going uncertainties as well as to ensure sufficient funds were available for the settlement of the Finqus transaction. Consequently, net interest income was negatively impacted, as additional cash balances come at a significant cost in the continued low interest rate environment.
- The positive other income position mainly relates to positive results on repurchased funding and positive net results from hedge accounting. Additionally, it includes the positive fair value development on investment property, consisting of those parts of the office building in The Hague that are rented out to third parties.

Income statement Treasury & Group Functions

in EUR millions	2021	2020
Net interest income	58	78
Net fee income	-	-
Investment income	-	1
Other income	9	(10)
Operating income	**67**	**68**
Other operating expenses	41	27
Regulatory charges and levies	5	6
Operating expenses	**46**	**33**
Net operating income	**21**	**35**
Impairments of financial and non financial assets	(1)	2
Profit before tax	**21**	**34**
Tax	3	(6)
Profit after tax	**19**	**40**

SUSTAINABILITY

At NIBC Bank, we believe it is our responsibility to be a sustainable business for the benefit of future generations. We are convinced that as a business that takes its social and environmental responsibilities seriously, we are better able to manage our risks. Sustainability and innovation are themes which will lead to promising opportunities in our markets. Additionally, as a financial services provider, we are well aware of the enormous responsibility we have in helping to ensure a resilient financial system and maintain trust in our industry.

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

Sustainability Highlights

IFLR Structured Finance Deal of the Year - North Westerly VI ESG CLO
The North Westerly VI CLO continued to receive praise as it was awarded IFLR Structured Finance Deal of the Year in April and provided an example which was highlighted by UN PRI as best practice in a publication in May. NIBC also launched the North Westerly VII ESG CLO, the latest offering in our fast growing ESG CLO program.

NIBC green bond
In September NIBC launched an EUR 750 mln green senior preferred issuance, our first green debt issuance under our new Green Bond Framework. The issuance was well-received in the market and broadened NIBC's investor base, attracting additional responsible debt investors to NIBC.

Energy efficient real estate
Energy efficiency of NIBC's retail and commercial real estate portfolios is strengthening. At year end 2021, about 18% of NIBC's retail mortgage exposures and 50% of NIBC's commercial real estate exposures achieved energy label A or higher. Overall more than 60% of real estate on NIBC's balance sheet has achieved an energy label or EPC equivalent of C or higher.

Sustainability-linked infrastructure
Client and investor interest in sustainability is increasing. During 2021 approximately one third of new origination by NIBC's infrastructure unit involved "sustainability-linked" financing structures. Key performance indicators which relate client or asset sustainability performance to margin ratchets, promoting improved sustainability performance.

Performance indicators

Non-financial key figures

	2021	2020	2019
NIBC Direct customer survey score - Mortgages	8.1	8.0	8.0
NIBC Direct customer survey score - Savings	7.6	7.9	7.8
NPS score corporate lending clients	+59%	+30%	+47%
% of new corporate loans screened against sustainability policy	100%	100%	100%
Number of new corporate clients with increased sustainability risk assessment	21	14	10
Fines or sanctions for non-compliance with laws and regulations	0	0	0
Total number of FTEs end of financial period	637	644	667
Male/female ratio	65%/35%	67%/33%	67%/33%
Male/female ratio top management	77%/23%	83%/17%	85%/15%
Training expenses per employee (EUR)	2,773	1,882	3,504
Absenteeism (trend total)	2.2%	1.6%	2.0%
Employee turnover (employees started)	16.1%	13.2%	20.6%
Employee turnover (employees left)	17.6%	16.9%	13.6%

Emissions

	2021	Units
Estimated Emissions		
Scope 1: direct emissions - energy	169	tCO2e
Scope 2: indirect emissions- purchased electricity	0	tCO2e
Scope 3: other indirect emissions	4,536,629	tCO2e
Paper, business travel, waste, other[1]	2,265	tCO2e
Financings & investments[2]	4,534,364	tCO2e
Total Emissions	4,536,798	tCO2e
Emissions intensity		
Intensity per mln Balance Sheet	200	tCO2e/mln
Resource Consumption		
Renewable electricity	2,606,899	kWh
Gas	89,382	m3
Water (municipal mains)	1,669	m3

1 2020 total. 2021 Data collection continuing.
2 Estimated financed emissions. Proxy sources are used. PCAF methodologies applied.

ESG ratings

Provider	Rating
ISS	C+/Prime
Sustainalytics	23.4, medium risk
RepRisk	AAA
MSCI	AA

KPIs pursuant to Article 10 of Article 8 Delegated Act (EU) 2020/852 (EU Taxonomy)

Mandatory Disclosure in EUR millions Article 10		Total	Taxonomy Eligible	Taxonomy Non-eligible	% coverage
2a	Total Assets	22,658	11,495	11,163	100%
	of which trading portfolio and on-demand NFRD interbank loans	148	-	148	1%
	of "Other" Debt and other assets	989	222	767	4%
	of which exposure to NFRD companies - loans	49		49	
	of which exposure to retail clients	11,273	11,273	-	50%
2b	Total exposure to central governments, central banks and supranational issuers	1,793	-	1,793	8%
	Total exposure to derivatives	334		334	1%
2c	Total on-demand non-NFRD interbank loans	673		673	
	Total exposure to non-NFRD companies-loans	6,495		6,495	
	Total exposure to non-NFRD companies - mezzanine equity	237		237	
	Total exposure to non-NFRD retail clients	667		667	

Voluntary Disclosure in EUR millions Article 10		Total	Taxonomy Eligible	Taxonomy Non-eligible	% coverage
2a	Total Assets	22,658	14,433	8,226	100%
	of which trading portfolio and on-demand NFRD interbank loans	148	-	148	1%
	of "Other" Debt and other assets	989	222	767	4%
	of which exposure to NFRD companies - loans	49	8	41	0%
	of which exposure to retail clients	11,273	11,273	-	50%
2b	Total exposure to central governments, central banks and supranational issuers	1,793	-	1,793	
	Total exposure to derivatives	334		334	1%
2c	Total on-demand non-NFRD interbank loans	673	-	673	3%
	Total exposure to non-NFRD companies-loans	6,495	2,236	4,259	29%
	Total exposure to non-NFRD companies - mezzanine equity	237	26	211	1%
	Total exposure to non-NFRD retail clients	667	667	-	3%

This disclosure is NIBC Bank's first EU Taxonomy eligibility reporting and should serve to help us prepare for our future Taxonomy alignment disclosures. For comparability in reporting we are voluntarily using the Annexes provided in the Article 8 disclosures Delegated Act to guide our reporting to the extent possible. This disclosure is based on a granular analysis of the balance sheet data and attributes recorded in NIBC systems as of 31 December 2021.

Intercompany activities are designated as non-NFRD. We have designated retail mortgage activities (NACE activity L68) where energy labels are available to be Taxonomy eligible and have included these as part of the mandatory reporting disclosure. For corporate banking activities, we have determined NFRD companies based on the company's previous year's reporting and current NFRD criteria.

Within the mandatory reporting, component we have determined 51% of our balance sheet to be taxonomy-eligible and 49% to be non-eligible. NIBC has designated an activity as eligible under the EU Taxonomy if it is included in the list of activities covered by the Taxonomy based on our own judgement and the NACE records in our systems. For clarity this is irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts. The activities are designated as non-eligible if they are not described in the delegated act. The majority of NIBC corporate banking activities are either asset-based or the activity being financed is clear.

For additional transparency to stakeholders, we have also voluntarily reported estimations to the best of our ability for the remainder of our balance sheet. Non-NFRD retail clients are those for which NIBC has not yet established the energy-labels. Non-NFRD interbank loans are related to counterparties headquartered outside of the EU. One challenge is that the majority of NIBC's activities involve companies which do not report under NFRD and also may not meet the expected thresholds of the upcoming *Corporate Sustainability Reporting Directive* (**CSRD**). Collecting data will be an ongoing challenge for NIBC, but it does not necessarily mean that these exposures are not Taxonomy-aligned.

Looking ahead, we expect our reported totals will evolve based on our business strategy as displayed in Focus & Accelerate, any changes to the delegated acts and as data available to NIBC evolves. Regulatory compliance, including compliance with Regulation (EU) 2020/852, is part of our license to operate.

The Taxonomy and its criteria provide a lens through which we can view our Focus and Accelerate strategy and identify additional opportunities. For example the Taxonomy allows only the top 15% of retail mortgages in the Dutch market in terms of energy efficiency can be considered Taxonomy aligned at any one time. Transition and adaptation actions will be as important and a larger market share as activities which are considered fully aligned. NIBC will continue its efforts to collect data and engage with clients or counterparties, prioritizing our most material portfolios and exposures. In the future we intend to disclose the extent to which these exposures are Taxonomy-aligned.

NIBC will continue to engage with clients and other stakeholders to promote transparency in a manner aligned with the Taxonomy, other regulatory disclosure requirements and public expectations. We are committed to continue promote sustainability, human rights and environmental awareness among our clients, suppliers and other stakeholders. We will also continue to refine our internal systems, design of of financial products, policies and processes to continue to facilitate our compliance with these evolving requirements.

Emissions Estimates

NIBC's emissions estimates are based on standard calculation and attribution methods. Our operational emissions (scope 1, 2 and non-financed scope 3 emissions) utilise Climate Neutral Group's CO2 calculator in order to ensure we are using factors comparable with other Dutch organisations for each type of emission. Scope 3 estimated financed emissions are based on *Partnership for Carbon Accounting Financials* (**PCAF**) methods for calculating these figures.

For retail exposures, we have used standardised factors per energy label and building type. The quality level assigned by PCAF to these factors is level 3, on a scale of 1 to 5 (5 being highest). For commercial real estate exposures used standardised factors per energy label, building type and size. The quality level is 4. In cases where the energy label was unknown or not yet assigned, we have applied a precautionary approach and applied the highest factors. For other asset classes we have used factors available for listed corporates of the same sector. The quality level is 4 to 5 depending on the activity.

Over time we expect that our emissions estimates related to corporate banking asset classes will increasingly be sourced from our clients, reducing our current reliance on proxy factors. We are collaborating with peer institutions to also improve the quality of emission estimates for retail exposures.

Sustainable Business Model

Sustainability is good business. Sustainability is integral to NIBC's overall business model and positioned towards the top of NIBC's strategy architecture. We aim to create long-term environmental and social value as well as financial value in a fast-changing banking environment. While we manage our sustainability and climate risks, we are also taking steps to pursue sustainable business opportunities in the asset classes where we are active.

The corporate sectors and activities which NIBC is pursuing reflect our ambition to accelerate growth, long-term societal needs, NIBC's sustainability priorities, and medium to long term risks. For example, NIBC Bank's mortgage and savings offerings and three corporate focus asset classes (commercial real estate, infrastructure & renewables, and shipping), are activities which will be needed today as well as after 2050 and therefore need to transition to net zero aligned to EU and Paris Agreement targets. NIBC's award-winning North Westerly ESG CLO program is bringing investment to private companies and providing opportunities for responsible investors.

We acknowledge that the activities which we finance could also have negative impacts if they are not (well)managed as included in our assessments from previous years. For example, energy inefficiencies related to the built environment or excessive greenhouse gas emissions related to the shipping sector. Sustainability impacts are among the factor considered by NIBC in its strategic choices, its product offerings and in its financings. Importantly each of the activities financed by NIBC has or is expected to have the ability to transition before 2050 and each will be necessary to meet societal needs before and well beyond 2050.

Several UN SDGs are prioritised within our approach. These SDGs include Clean Energy (SDG7),Economic Growth (SDG8), Industry & Innovation (SDG9), Sustainable Communities (SDG11), and Responsible Consumption and Production (SDG12). By focusing on these SDGs, we believe we will also continue to contribute towards several other goals including Climate Action (SDG13), Gender Equality (SDG5) and Good Health (SDG3). NIBC has embedded the SDGs in our Green Bond Framework by aligning the eligible categories to the targets which underpin the 17 SDGs. This allows us to provide investors a quantitative impact assessment of the contribution towards the goals.

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

Governance & Management of Sustainability aspects

NIBC's sustainability governance revolves around a system of checks and balances which ensures stakeholder perspectives are taken into account in our decision-making processes. We manage the sustainability impact of our financings through our Sustainability Framework, which can be found in the Sustainability section on our website. Our Sustainability Framework describes governance, implementation and the roles and responsibilities within our organisation with regard to all sustainability risks. For information regarding NIBC's overarching Risk Management approach, please refer to the Risk Management paragraph.

NIBC's Managing Board is ultimately responsible for all non financial matters. *Executive Committee* (**ExCo**) members discuss and advise on sustainability strategy, material topics, targets, planning and budget. The ExCo is also responsible for policies that impact NIBC's culture and ethics, such as the Code of Conduct. Any significant updates to the compliance or sustainability frameworks and their underlying policies are reviewed and approved by NIBC's *Risk Management Committee* (**RMC**). Our approach is overseen by NIBC's *Supervisory Board* as part of their role in NIBC's two-tier board structure.

The NIBC sustainability agenda is led by a dedicated full-time senior Sustainability Officer who is responsible for catalysing sustainability and corporate social responsibility within the organisation. The officer is a member of NIBC's RLCC senior leadership team, the Retail risk team and actively participates in the *Regulatory Expert Network* (**REN**) and the country risk working group. He chairs our Green Bond working group. Sustainability matters are monitored and reported periodically to the ExCo and the RPCC, a sub-committee of NIBC's Supervisory Board.

Each business unit within NIBC is responsible for managing ESG risks and opportunities as part of their regular activities within NIBC's three line of defense operating model. For example, business units apply NIBC's compliance and sustainability policies in their client interactions, Facilities & Services manage NIBC's energy efficiency programme, and Human Resources are responsible for sustainability in our human resource activities. Processes, roles and responsibilities are defined to manage possible ESG risks and take a precautionary approach.

NIBC Bank shares its governance, compliance, sustainability approach with other subsidiaries within the NIBC Holding platform. They have adapted this to the scale and complexity of their businesses, product offering, geographic footprint and their operations and supply chain. Proportionality, reasonableness and common sense as described in international standards are applied given that yesqar is a fintech startup and Beequip is an enterprising scale-up. Furthermore each subsidiary has full access to peers within NIBC to advise on sustainability, compliance or any specific issues as their business grows and develops.

Principle environmental & social risks

NIBC views climate risks, environmental risks and other ESG as potential drivers of financial risk categories such as credit risk, market risk liquidity risk and operational risk. We define environmental risks to include climate, biodiversity and environmental risks related to our financings, operations and supply chain.

The main physical climate risks faced by NIBC's clients are likely related to flooding, drought and extreme weather due to rising global temperatures. We currently assess inland impacts in the Netherlands as more likely than any direct impacts from sea rise. If not properly mitigated, such impacts may include land subsidence. Within NIBC's portfolios, such risks are primarily related to our retail mortgage and commercial real estate businesses. Given the granularity of these assets NIBC has performed detailed analyses during 2021 and assessed the level of flood risk for our real estate portfolios.

NIBC is preparing to run additional climate-related stress test scenarios over different time horizons across its portfolios aligned with TCFD recommendations. We already consider and assess aspects such as energy prices in its stress testing. We also consider certain physical climate risks among our business continuity risk scenarios.

Assessment of climate-related risk of our portfolios

	Short term <3 years	**Medium term** 3-7 years	**Long term** >7 years
RETAIL			
Physical Risk			
Transition Risk		●	
CORPORATE			
Physical Risk			
Transition Risk		●	

Transition climate risks are increasingly visible. Rising energy prices during 2021 have adversely impacted the communities we serve and are early signs of a possible disruptive energy transition. The risk is rising that an unjust energy transition may disproportionately impact those who can least afford it. We view this both as a transitional climate risk and as a social risk. Biodiversity risks are rising as global warming steadily increases along with its increasingly visible impacts. Within the asset classes where NIBC is active, we expect that mitigation efforts will continue along sector and geographic lines. For example in shipping, hull cleaning and ballast water treatment systems are utilised by NIBC clients to prevent potential damage from the movement of invasive species between ecosystems.

NIBC defines social risks to include human rights and labour risks related to our financings, operations and supply chain. Human rights are central to sustainable development, poverty alleviation and one of the keys to building financial resilience. We expect clients and suppliers to have in place human rights policies and processes appropriate to their size, operating environment and value chain.

Potential COVID-19 variants remains a material social risk which may impact NIBC and its our stakeholders. The pandemic has influenced daily life, the way we engage and communicate, and global supply chains. Throughout 2021, NIBC restricted its office spaces and facilitated flexible working for employees and most stakeholder engagements occurred virtually.

While in a perfect world a just energy transition would be seamless, certain economic dislocations are possible in the medium term which may materialise in the form of social impacts. For example job losses in local communities related to the transition from fossil fuels to renewables. Financial resilience is a theme which will continue to rise in importance.

Labour conditions and worker safety at lower tiers of corporate supply chains are a salient human rights risk for NIBC. Full transparency into supply chains beyond the first tier level continues to be a significant and practical challenge for mid-sized and smaller companies in part due to capacity constraints. There is a tendency among IT and services companies to seemingly rely on contracts and policies without further due diligence or accounting for their full value chains.

Policies & Due Diligence

NIBC's *Sustainability Policy* and our *Environment & Climate Policy* set our main expectations in regard to environmental performance of clients and suppliers. Our Sustainability Policy and *Human Rights Policy* communicate our social expectations. Our approach applies the principle of double materiality. Our approach within certain sectors and activities is further elaborated in sustainability sector policies. Together these policies form a comprehensive and integrated approach for NIBC throughout its business.

These policies are reviewed annually and will continue to be developed and refined based on the ESG risks in our business activities, operations and value chains. Remuneration policies for our employees, managing board and supervisory board include sustainability aspects.

At the heart of NIBC's policy commitments are internationally recognised conventions, standards and best practices. NIBC believes that respect for human rights is a basic responsibility, towards our own employees, as well as towards those people who are affected directly or indirectly by our actions. Core social commitments include the *Universal Declaration of Human Rights, OECD Guidelines for Multinational Enterprises, ILO standards and core conventions* and the *UN Guiding Principles for Business and Human Rights* (**UNGPs**).

Our environmental standards consider the *Paris Agreement to the United Nations Framework Convention on Climate Change*, the *Convention on Biological Diversity and International Union for Conservation of Nature (IUCN)* standards. NIBC has set an ambition to achieve net zero emissions in its operations and financings before 2050 aligned to the 1.5 degree scenario of the Paris Agreement. And a 55% reduction by 2030 aligned to EU policy ambitions. These policies also commit NIBC to avoid activities in sensitive habitats such as marine protected areas, high conservation forests and other areas of high conservation value.

NIBC's sustainability policies exclude financing or investing in certain activities such as weapons, coal mining & power generation, and tobacco and certain other vices. Any decision to exclude an activity involves a careful consideration of the impacts on and risks to people and planet, our business model and our ability to uphold the commitment. In November, we added an exclusion of new financings of fossil fuel exploration and production to our Sustainability and Environment policies.

NIBC is one of 127 financial institutions in 38 countries worldwide which have officially adopted the *Equator Principles* (**EPs**). The EPs are a risk management framework for determining, assessing and managing environmental and human rights risks in project finance transactions. Looking ahead we may reconsider realigning our our ESG commitments to support our forward-looking strategy. For example, NIBC intends to apply to join the *UN Principles for Responsible Investment* (**UN PRI**).

NIBC expects its vendors and suppliers to act in accordance with regulations, international conventions, standards and guidelines on human rights and the environment in their own operations and supply chains including subcontractors Our *Supplier Code of Conduct* embedded in our standard outsourcing agreement embeds commitments to international human rights standards including the OECD Guidelines, and UNGPs in their operations and supply chains. It also embeds a commitment to act on emissions and meet the net zero target of the Paris Agreement.

Anti-corruption

Compliance is an important part of good corporate governance. NIBC is committed to comply with relevant laws, regulations and professional standards in each of the markets in which it operates and protecting the integrity of the financial system.

As a long-standing signatory to the UN Global Compact, NIBC operates a *Compliance Framework* to ensure appropriate policies and processes in place to prevent corruption in all of its forms. Our *Anti-Bribery and Corruption Policy, Fraud Prevention Policy*, and *Conflicts of Interest Policy* form a comprehensive approach tailored to our operating environment.

Although NIBC does not offer current accounts, we maintain a strong *Anti-Money Laundering Policy* and remain alert to the possibility. NIBC's staff is obliged to report actual or suspected fraud or misconduct. We do not accept nor tolerate any instance of fraud, bribery or corruption. Genuine concerns are handed fairly and investigated appropriately. We view non-compliance with NIBC's ethics & conduct, compliance or sustainability policies as a risk. Concerns may be reported in accordance with our *Whistleblowing Policy* without fear of reprisal. As indicated in our non-financial key figures, no material fines or sanctions were incurred by NIBC during 2021, an indication that integrity is at a high level.

To facilitate grievances and possible remedy, NIBC maintains an external complaint mechanism on our corporate website which is available to all stakeholders and their legitimate representatives. NIBC participates where appropriate in external complaints processes. Our procedures are guided by principles laid out in the OECD Guidelines and UNGPs.

In our own operations, NIBC has additional policies including our *Code of Conduct, Diversity Policy*, and *Employee Remuneration Policy*. These policies commit NIBC to provide a safe workplace, ensure gender pay equality and a culture of respect among our increasingly diverse workforce. Additional information in regard to diversity & inclusion is described in the <u>Our People</u> section of this report.

Responsible marketing practices

Our Sustainability Policy also guides responsible retail lending and marketing practices. NIBC is committed to offer products and services in a truthful, responsible and fair manner. We avoid predatory retail lending or other practices that might impose unfair and abusive loan terms on borrowers or be perceived as mis-selling of products.

Signing a mortgage loan contract is often the largest financial commitment made by a family. Our internal policies establish requirements to assess affordability and borrowers creditworthiness before granting them a mortgage loan. NIBC's retail activities, include internet saving, internet deposits and residential mortgages, RMBS, and buy-to-let activities.

Information Security & data protection

When confidential or personal information belongs to a client and is entrusted to NIBC, we handle it with the utmost care. Cybercrime and loss of data more generally is a risk for NIBC as well as for all of our financial sector peers. With the increase of working from home this has further emphasised the relevance of sound systems and procedures. To ensure NIBC's cybersecurity measures are meeting all necessary requirements to provide a safe working environment we continue to focus on information security including the carrying out of tests and continuously assess our information security and data protection measures.

We investigate every identified data breach made known to us and report these in a timely manner to data subjects and to our data protection regulators when required. We have policies in place that require staff to ensure that we do not leave confidential or personal data unattended such as a clear desk policy, information security policies, and additional security controls. We facilitate the use of secure communication channels wherever possible and require staff to adhere to security considerations for sensitive or confidential information. Our approach is detailed in our *Corporate Information Security Policy* and our *Data Protection Policy*. We have a *Record Keeping Policy* in place to ensure we adhere to legal requirements with respect to the retention of data.

Information security, data protection, and cybersecurity are essential to NIBC's business continuity management. We manage information according to the need-to-know principle and establish controls through segregation of duties. Our approach is also detailed in our *Corporate Information Security Policy* and our *Data Protection Policy*.

We have a *Record Keeping and Retention Policy* in place to ensure we adhere to legal requirements with respect to the retention of data. NIBC invests in cybersecurity safeguards and has policies and controls in place to protect our clients and their data. We continuously test and monitor systems for vulnerabilities and to prevent attacks. When data breaches are detected, those people who are impacted are notified in a timely manner.

Due Diligence

To enable a proper assessment of the risks involved in a business relationship, NIBC needs insight into clients' backgrounds, their business and other activities. It is also essential to know why clients use specific products and where their funds or wealth comes from. NIBC's *Client Due Diligence (CDD)* processes aims to safeguard NIBC and the financial markets from integrity risks and helps to prevent money laundering, terrorist financing and reputational risks.

Our *Sustainability Framework* commits NIBC to performing ESG due diligence and assessments of relevant and material social risks related to the activities we finance. This Framework operates alongside and within our overall *Risk Management Framework* which guides our approach across the enterprise.

We utilise an integrated ESG assessment toolkit to assess the commitment, capacity and track-record of companies in regard to human rights and labour standards., climate biodiversity and environmental aspects, and corporate governance. As is indicated in our non-financial key figures, an ESG assessment is in the client file for 100% of new corporate loans. The toolkit is supplemented by compliance processes and *Know Your Client* (**KYC**) processes and controls. Additional evidencing and monitoring efforts including results from tools which we are continuing to develop within NIBC's Innovation Lab.

Our approach towards ESG due diligence and monitoring is influenced the companies and activities that we finance, their operating context, and their value chains. Due diligence is conducted in a manner proportional to the size, nature and context of operations of companies and suppliers. Our approach towards human rights due diligence and environmental due diligence will continue to be refined in order that NIBC can continue to continuously improve our ability to identify, manage and mitigate ESG risks in the value chains where we are active.

In the case of a human rights allegation or environmental incident, an updated sustainability assessment should be performed to determine the severity and impact and to record the actions which are being taken by the company.

New products and significant changes to existing products are assessed for potential ESG risks. Retail sustainability risks are managed at a portfolio level. Due diligence is performed on suppliers as part of NIBC's Know Your Supplier (**KYS**) programme to ensure that our supplier and vendors meet NIBC's policy expectations and regulatory requirements.

Outcomes and next steps

Climate Resilience

Although floods impacted the Netherlands and Germany during 2021 and were widely reported in media, there were no material direct financial impacts on NIBC's portfolios. Water management systems across the Netherlands and Dutch expertise proved largely resilient and helped to manage the interaction of the built environment and water.

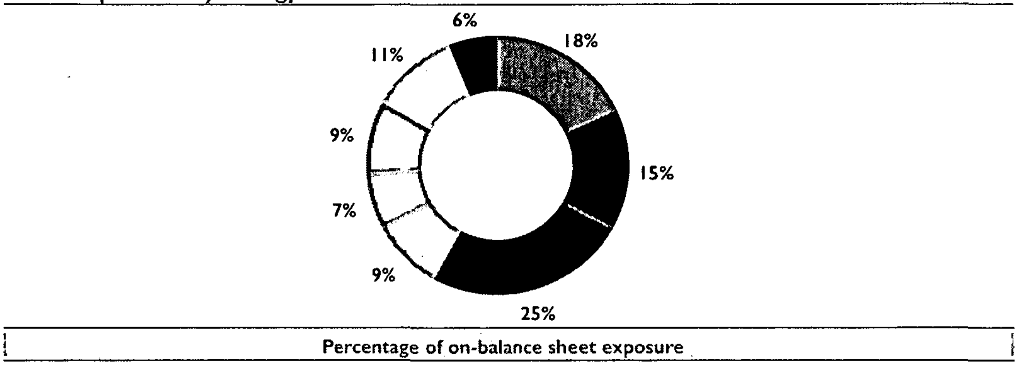
In November, NIBC announced changes to its business model. These changes were the result of a strategic review by our Executive Committee and Supervisory Board and aims to further improve the competitiveness, financial performance and sustainability performance of NIBC. This is further described in section Vision & Strategy.

From a climate perspective this strategic change was significant. Among the decisions, NIBC's offshore fossil energy financings are being discontinued. Youth and civil society stakeholders have expressed that this is the most important action a bank can take on their pathway to net zero. Furthermore we have also revised our sustainability and environmental policies in November to exclude any new financings of fossil energy exploration and production. This strategic choice likely reduces the medium to long term risks of stranded fossil assets, fossil-related litigation or other negative reputational impacts.

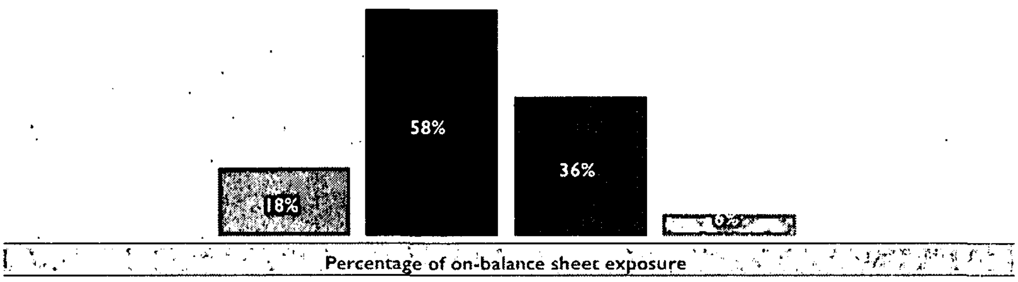
As of year end 2021 offshore fossil energy exposures totalled EUR 297 mln, a reduction of 77% since 2015 (EUR 1.28 bln). NIBC has been substantially reducing its Offshore Energy exposures for a number of years and remaining fossil energy balance sheet exposures will continue to be prudently reduced. Our shareholders and other stakeholders are supportive of these efforts.

During 2021 "sustainability-linked" financings continued to grow. About one-third of new infrastructure deals used financing structures which linked sustainability performance indicators to the interest margin. Typically both environmental and human rights indicators were used. These types of structures are increasingly used to influence improved sustainability performance.

Retail exposures by Energy Label

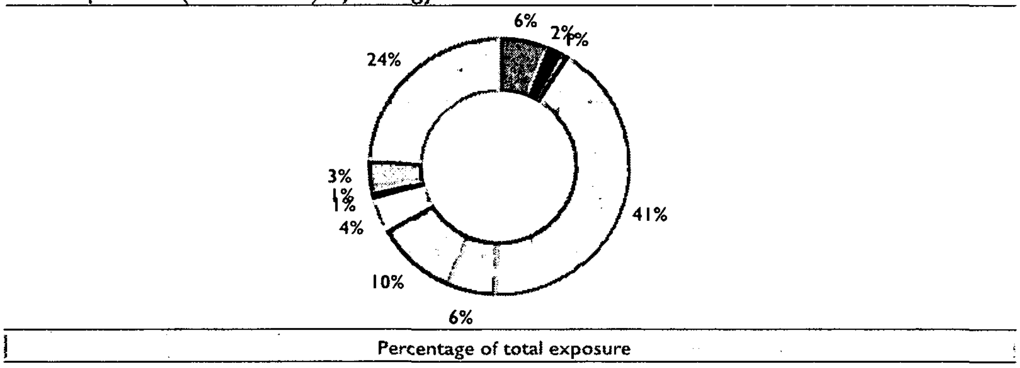


A or higher B C D E F G Unknown

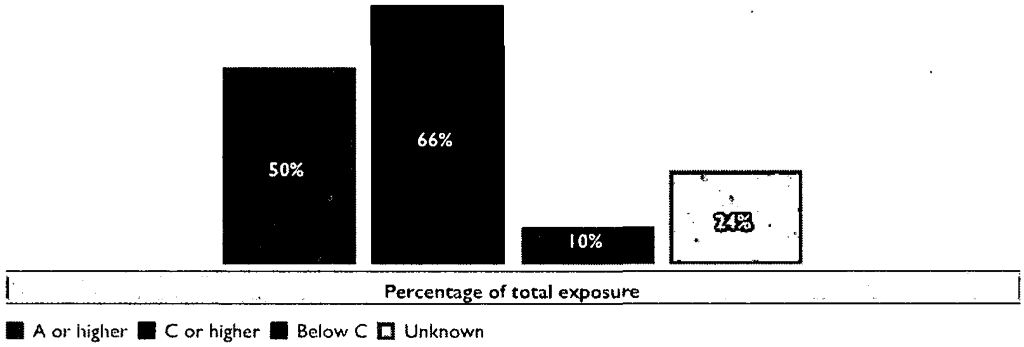


A or higher C or higher Below C Unknown

CRE exposures (incl OIMIO) by Energy Label



A+++ A++ A+ A B C D E F G Unknown



We continue to make significant progress in regard to the enabling the greening of Dutch residential and commercial real estate. As of year end 2021, more than 60% of our total real estate portfolio is estimated to have an energy label of EPC C or higher. Unknown labels are also a part of the normal course of business. In these cases, they are usually either new to the portfolio (labels have not entered our collateral systems), haven't received a label yet (i.e transformations), or are ineligible for an energy label.

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

Measurement of climate risks and other ESG-related risks is at an early stage. Developments continue within NIBC and across the financial sector to standardise climate metrics. There are many data gaps but also good progress has been made. NIBC is an active member of the Platform for Carbon Accounting Financials (PCAF), Energy Efficient Mortgages (EEM-NL) and a signatory of the Dutch Climate Agreement (*Klimaat Akkord*).

To support our strategic ambition, build climate resilience in our business and achieve our emission reduction targets, additional actions were taken during 2021 to improve ESG data collection and measurement capabilities and strengthen transparency. Our current scope 3 financed emissions estimates are largely based on proxy sources rather than direct measurements. Looking ahead, we aim to integrate these new more granular sources. This may result in an increase in our scope 3 totals in future years.

Carbon neutral own operations

For any scope 1 & 2 emissions that we have not been able to eliminate, we purchase WWF gold-standard carbon offsets in order to be carbon neutral. NIBC continues to source 100% renewable electricity in 2021 as we have since 2015.

Total scope 1 & 2 emissions declined by 11% in 2021 compared to 2020. This is primarily due to a reduced average carbon factor for the gas network. NIBC's use of gas for heating and cooling increased by 26,556 m3 compared to 2020. At the same time use of gas for heating and cooling in NIBC's operations has declined by 40% since 2012.

Culture and business ethics
All staff are required to complete mandatory trainings on compliance, conduct, ethics and whistleblowing each year and did so during 2021. New employees of NIBC were informed of our approach to sustainability as part of introduction sessions. Our CEO led these sessions, setting a tone from the top which emphasises innovation, sustainability, ethical business conduct and a safe and open corporate culture to position NIBC for growth. In additional ceremonies led by our CEO and CRO, new employees were asked to sign a bankers oath on a mirror which is publicly visible in the lobby of NIBC's headquarters.

NIBC continues to monitor the diversity & inclusion measures and targets which will help us to deliver results. Within the pillars inflow, career, outflow, and awareness we set several targets and measures. Additional details regarding our approach to diversity, gender pay equality, health and safety of employees are reported in the Our People section and in our Sustainability Report.

ESG due diligence and assessments were performed by NIBC for 100% of new corporate loans, an indicator that we are living up to our policy commitments. Our engagements resulted in an increasing number of NIBC's corporate clients taking actions to strengthen their Codes of Conduct, sustainability policies and to become more transparent in their social commitments. During 2021 one salient human rights impact was reported related to NIBC's operations, financings and/or supply chain. We continue to be alert to identify and address salient human rights impacts and to promote stronger ESG practices in our operations and among our clients and suppliers.

Civil society stakeholders expressed that the efforts of NIBC and peer banks involved in *Responsible Ship Recycling Standards* (**RSRS**) are having a positive influence on the shipping value chain. 100% of NIBC's new financings in shipping included RSRS commitments meeting our target. More than 90% of NIBC's shipping portfolio at year-end 2021 includes RSRS commitments.

During 2021, NIBC made no direct political contributions (2020: 0).and did not have have any direct lobbying expenses (2020: 0). Although NIBC is committed to avoid any direct lobbying, we participate in sustainability and ESG risk working groups at the Dutch Banking Association (NVB) and the European Banking Federation (EBF). NIBC currently chairs the ESG Risk taskforce group at the NVB. Through these industry fora, we continue to provide feedback on the many regulatory developments and contribute to efforts to strengthen transparency, comparability and consistency of ESG reporting.

Regulatory Compliance
Preparations for the implementation of ESG-related regulatory requirements have been ongoing and are expected to continue for the foreseeable future. NIBC continued to monitor ESG regulatory developments during 2021, focusing on the markets in which we operate. Developments were reported, gaps identified, and actions taken supported by NIBC's REN process. We were represented in risk and sustainability expert pools at both the NVB and the EBF and involved in consultations during 2021 related to the EU Taxonomy, SFDR, CSRD and the banking package.

During 2021 ESG education sessions were held for NIBC's ExCo and Supervisory Board members. In certain cases external experts were engaged to provide an external perspective on the latest ESG regulatory developments, supervisory expectations regarding oversight and emerging best practices and trends.

We recognise that our approach leaves room for improvement. Internal ESG processes and controls need to continue to be further developed in order to meet evolving public expectations and to continue to comply with regulatory changes. We expect to structurally embed climate risk in our risk appetite framework during 2022. We view climate and other ESG-related risks as drivers of the existing risk categories such as credit risk, market risk, operational risk in our risk taxonomy. The transmission channels are complex, therefore we will continue to refine our approach as the data and our understanding develop.

Tax

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

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

Data privacy & security

Third parties such as vendors were reviewed and monitored for adherence to standards such as ISO 27001. NIBC has a dedicated Corporate Information Security Officer supported by an internal Information Security Control Framework to ensure appropriate measures and controls are in place. Vulnerability assessments and security audits were performed of NIBC's systems and any practices affecting user data.

In 2021, 45 information security incidents occurred of which none resulted in a material impact for NIBC and/or its clients. All employees completed mandatory information security and data privacy trainings during 2021. Simulation exercises were also held to inform employees of their responsibilities and to raise awareness

Whilst no legal consequences were identified, we take all data breaches – not just those which are reportable externally – very seriously. We analysed each one for lessons to be learned and took appropriate corrective actions. Often these were in the nature of reinforcing employee awareness of the need for constant attention to protecting client confidentiality and privacy. Additional adhoc training was carried out where necessary to supplement our regular awareness programme, which is mandatory for all employees.

Supply chain & business partners

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

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

During 2021a more extensive review of material suppliers was conducted in which we reviewed each material suppliers information security, data protection, sustainability and conduct policies. One outcome was that most signed NIBC's revised Supplier Code of Conduct which includes commitments to the OECD Guidelines, UNGPs, and a commitment to take tangible actions to achieve net zero emissions before 2050. NIBC expects that all partners and suppliers are publicly transparent in regard to ESG. During 2021, several of our suppliers published codes of conduct, sustainability policies and/or targets for the first time as a result of their discussions with NIBC.

In our own operations, initiatives to reduce our footprint are proving beneficial. For example, led lighting, energy efficient glass, and use of energy-star certified equipment have helped NIBC to achieve efficiency and reduce operational costs. NIBC has reduced its use of paper by about 90% since 2010. The limited amount of paper we do use is recycled and/or FSC-certified.

Community engagement

NIBC wants to be a good corporate citizen by contributing to the well-being of the communities which we serve. We encourage our employees to volunteer their time and expertise to community projects and support their initiatives by matching the money they raise for good causes.

NIBC and our employees are active members in the communities that we serve. Although the pandemic affected in-personal activities, NIBC employees continued to find creative ways to continue to engage with our communities during 2021.

NIBC NGO Boulevard

In 2015, we launched the NIBC NGO Boulevard, a unique initiative that makes modern office space and professional facilities available to good causes. Civil society organisations in the NIBC NGO Boulevard include Maatschappelijke Alliantie, Stichting Vitalis, SDG Charter and Schulhulpmaatje Den Haag. One focus area for all of these organisations and NIBC has been to contribute to Dutch efforts towards the SDGs through activities and initiatives.

Our interactions, joint initiatives and workshops, and other activities have contributed to increased awareness at NIBC staff of human rights and environmental risks and impacts. Daily engagement of NIBC employees with these organisations was severely disrupted during the pandemic. We look forward to returning to more normal cooperation post pandemic.

Preventing hunger

For several years, NIBC employees and board members have been involved in an initiative which aims to ensure no families across the Netherlands go hungry during the year-end holiday period. NIBC employees managed to pack food parcels for the holidays to support families which rely on the Dutch Foodbanks. Together with employees of other leading corporates such as Unilever, Mars, Shell, Dr Oetker and Upfield, holiday food parcels were prepared and distributed across the Netherlands.

Supporting vulnerable children

For the 10th year in a row, NIBC employees supported Stichting Vitalis in an annual holiday tradition at the bank. Vitalis is a professional non-profit organisation that supports vulnerable children so they can avoid intensive professional youth counselling programmes. NIBC employees individually purchased personalised holiday gifts for about 100 children while taking appropriate precautions in a specially designed event.

Financial education

Week van het Geld (Global Money Week) activities reappeared in 2021 after an unfortunate cancellation in the Netherlands and globally for the first time since 2010 due to the pandemic. Classes were held virtually as the event came back to life. Normally about 700 primary school children participate in this Bank "voor de Klas" programme with NIBC staff and ExCo members. We're hoping to be able to grow participation back to more normal levels in 2022 and post-pandemic.

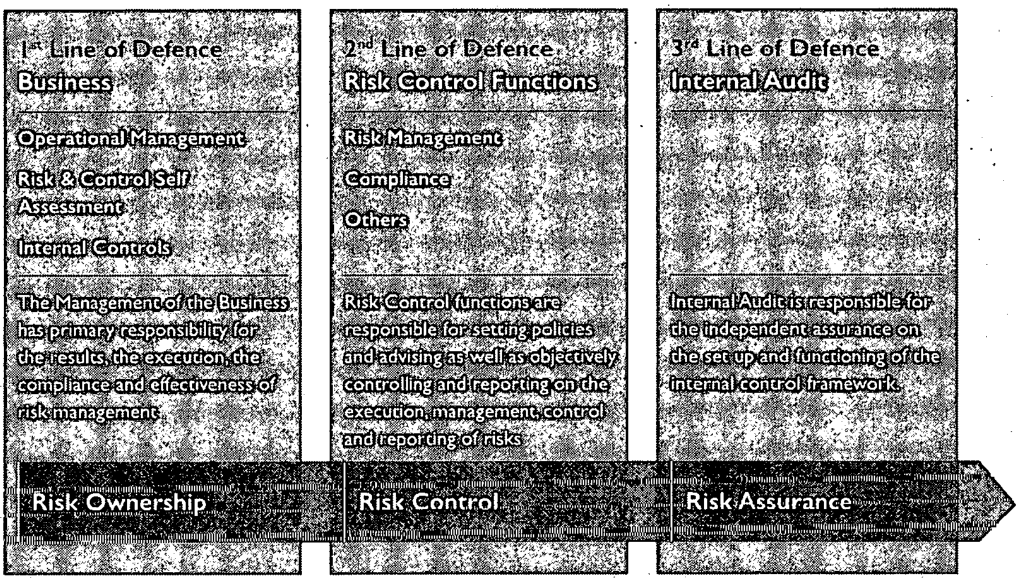
RISK MANAGEMENT

In line with our busines strategy, NIBC is predominantly exposed to credit risk and investment risk, while NIBC aims to reduce our interest rate, currency, liquidity and operational risk to an acceptable level. The risks NIBC takes are measured and monitored against our risk appetite, ensuring that NIBC is capable of executing its business activities in line with its strategy. NIBC remains committed to having sufficient liquidity and being well capitalised while at the same time helping our clients while finding the appropriate balance between risk and reward.

Risk Governance

Three lines of defense

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



To support effective decision-making, the Managing Board has delegated decision-making authority regarding key risk management focus areas to a number of committees, amongst others:

- Engagement Committee is responsible for decision-making with regard to client engagement and conflicts of interest including assessment of the potential integrity risks when engaging with a client.
- Transaction Committee (TC) which has decision-making power with regards to credit transactions, assessment of credit proposals and the monitoring of credit related risks. The TC approves and monitors transaction proposals which cause NIBC to assume credit risk. Further, the TC decides on impairments and write-offs and reviews all larger exposures at least annually.

- Investment Committee (IC) has the delegated authority to decide on equity, mezzanine, subordinated, and other equity related financial products. The IC assesses new investment proposals and periodically determines the valuation of our equity portfolio.
- Strategic investment Committee has decision-making power on equity, mezzanine debt, subordinated debt and senior debt granted to new strategic participations and/or strategic investments.
- Risk Management Committee (RMC) decides on policies, measurement methods, monitoring, and controlling of all risk types. The role of the RMC is to safeguard our risk appetite by monitoring all risks NIBC is exposed to, thereby looking backwards as well as forwards.
- Asset & Liability Committee (ALCO) monitors and controls capital ratios, liquidity, earnings, interest rate risk and market risk. As ALCO is responsible for liquidity, as they also decide on funding plans and large funding transactions.
- Regulatory Change Committee which keeps central oversight of the implementation of new regulatory laws and regulations.

For a discussion on compliance, client privacy and data security, anti-fraud and anti-corruption and climate risk please see the Sustainability section of this Annual Report.

Risk Appetite framework

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

Our six pillars:

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

NIBC continuously monitors and evalutes the effectiveness of this framework and periodically update this based on market developments and our environment. Future iterations of the Risk Appetite framework will also include climate risk as a driver of traditional financial risks.

Overview of main risk types

in EUR millions	Main risk types	2021	2020
Mortgage loans	Credit risk / Interest rate risk	11,665	9,860
Corporate / investment loans	Credit risk	8,152	7,770
Lease receivables	Credit risk	31	31
Equity investments	Investment risk	259	252
Debt investments		953	1,003
Debt from financial institutions and corporate entities	Credit risk / Market risk	220	305
Securitisations	Credit risk / Market risk	733	698
Cash management	Credit risk	2,414	2,465
Derivatives[1]	Credit risk / Market risk	525	508
Funding	Liquidity risk	22,658	21,056
Total capital (based on full implementation of CRR)	Capital Adequacy risk	1,942	1,942

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

NIBC's risk approach entails that NIBC pursues credit risk and investment risk, while reducing our interest rate, currency, liquidity and operational risk to a level that is acceptable. For this reason the Risk Management chapter mainly focuses on assessing credit risk and investment risk. The risks NIBC takes are measured and monitored against our risk appetite, ensuring that NIBC is capable of executing its business activities in line with its strategy.

Credit risk (audited)

Credit risk is one of the risks inherent to our business model. By lending to our clients NIBC is exposed to the risk of the counterparty not being able to repay the loan. NIBC continuously monitors our clients' financial performance and take remedial action if NIBC believes the risk of a client defaulting on their obligation has increased. NIBC mitigates credit risk by placing emphasis on the collateral pledged to us in the transactions. In case a client defaults on its obligation, the option to collect and sell the collateral can be exercised as a last resort, thereby significantly reducing the amount of non-recoverable assets. Non-credit obligations fall under other risk types, such as market risk, and equity is subject to investment risk.

Figures may not always add up due to rounding. In presented tables where exposure is mentioned, a gross amount should be understood where exposure is drawn plus undrawn amounts. The Digital Infrastructure portfolio includes a small portion of other core infrastructure assets. Following NIBC's sharpened strategic focus, NIBC's non-core asset classes are grouped into Other Corporate client exposures throughout the credit risk paragraph. These non-core asset classes consist of Offshore Energy, Financial Sponsors & Leverage Finance, Fintech & Structured Finance, Legacy Infrastructure, Mobility and Mid-Market Corporates. Please note that the management overlay for Expected Credit Loss is not included in the tables unless explicitly stated. Please see Note 12 Impairments of financial and non-financial assets for futher information.

The following portfolios that contain credit risk have been identified:

- Mortgage loans;
- Corporate/Investment loans;
- Lease receivables;
- Debt Investments;
- Cash Management;
- Derivatives.

This credit risk pararaph, in its entirety, is an integral part of the Consolidated Annual Financial Statements and is covered by the Audit opinion.

Overview of credit quality measures

	2021					2020				
in EUR millions	Corporate exposure	Lease exposure	Retail exposure[1]	Total exposure		Corporate exposure	Lease Exposure	Retail exposure	Total exposure	
Defaulted exposure	346	31	121	498	2.5%	307	31	19	356	2.0%
Impaired exposure	386	31	121	538	2.7%	319	31	6	356	2.0%
Non-performing exposure	346	31	121	498	2.5%	307	31	19	356	2.0%
Forborne exposure	590	31	207	827	4.3%	455	31	118	603	3.4%

1 In 2021 we have adjusted the Definition of Default (DoD) for mortgages, resulting in an increase of the defaulted exposure and the percentages.

Credit quality measures by asset class

in EUR millions	2021 Non-performing exposure	2021 Impaired exposure	2021 Impairment coverage ratio[1]	2020 Non-performing exposure	2020 Impaired exposure	2020 Impairment coverage ratio[1]
Retail client exposures						
Mortgage loans	117	117	1.0%	13	6	18.8%
Buy-to-Let mortgages	4	4	0.0%	6	0	0.0%
Total retail client exposures	**121**	**121**	**1.0%**	**19**	**6**	**17.4%**
Corporate client exposures:						
Commercial Real Estate	58	58	23.9%	63	63	30.0%
Corporate Treasury	-	-	0.0%	-	-	0.0%
OIMIO	-	-	0.0%	-	-	0.0%
Digital Infrastructure	-	-	0.0%	-	-	0.0%
Shipping	36	36	32.9%	51	51	24.8%
yesqar	-	-	0.0%	-	-	0.0%
NIBC Investment Partners	20	20	31.7%	11	16	55.3%
Other	232[2]	272[3]	35.4%	182	189	39.3%
Total corporate client exposures	**346**	**386**	**33.3%**	**307**	**319**	**36.0%**
Lease exposures						
Leases	31	31	73.1%	31	31	46.4%
Total Lease exposures	**31**	**31**	**73.1%**	**31**	**31**	**46.4%**
Total exposures	**498**	**538**	**28.3%**	**356**	**356**	**36 5%**

1 Impairment coverage ratio includes IFRS 9 Stage 3 assets only.
2 2021 Exposures in category 'Other' consist of EUR 93 million Offshore Energy, EUR 64 million Financial Sponsors & Leverage Finance, EUR 55 million Fintech & Structured Finance and EUR 21 million Mid Market Corporates.
3 2021 Exposures in category 'Other' consist of EUR 126 million Offshore Energy, EUR 78 million Financial Sponsors & Leverage Finance, EUR 55 million Fintech & Structured Finance and EUR 14 million Mid Market Corporates.

Methodology for quantifying credit quality

NIBC applies an internally-developed methodology under the *Advanced Internal Ratings Based* (**AIRB**) approach for quantifying the credit quality of corporate and retail counterparties. The AIRB methodology for corporate counterparties was approved by NIBC's regulatory authority, the DNB, in 2008 as is also the case for the owner occupied residential mortgage loan portfolio (excluding BtL mortgages which uses the standardised approach). In 2019, NIBC received an increase for *Risk Weighted Assets* (**RWAs**) on corporate exposures from the DNB pending approval of eventual additional measures to address the model observations raised by DNB in its Internal Model Investigation report. This add-on is still in place with respect to the current models where new model developmentment is in process to adress DNB oberservations.

Corporate loan credit approval process

All approvals of individual credit proposals are granted after risk management has made a credit risk assessment and has analysed proposals by taking into consideration, among others, aggregate limits per industry segment and per individual counterparty. The total one obligor exposure and related exposure are also taken into account. Individual credit and transaction proposals are then approved in the *Transaction Committee* (**TC**) or in the case of investment loans in the *Investment Committee* (**IC**). Proposals, credit reviews and amendments of smaller scale can be approved outside the TC or IC (as the case may be) by risk management. All counterparties and, subsequently, all facilities, are reviewed at least once a year.

Corporate Credit ratings

NIBC uses an internal through-the-cycle Corporate Credit Rating (**CCR**) rating scale which consists of 10 grades (1-10) and a total of 22 notches. This internal rating table relates to the tables in note 20 Debt investments (fair value through other comprehensive income) and note 22 Loans (amortised cost) showing the credit quality and the maximum exposure to credit risk. The CCRs 9 and 10 are assigned to counterparties that have already defaulted and therefore carry a PD of 100%.

Internal rating description	Internal rating grade from	to	Low PD%	High PD%	Equivalent rating scale of Standard & Poor's from	to
Investment grade	1	4-	0.00%	0.425%		
Sub-investment grade	5+	8-	0.425%	100%		
Default grade	9	9				
Default grade (bankruptcy filing)	10	10				

Risk measurement Dutch mortgage loans

The calculation of PD, LGD and EAD for owner- occupied mortgages is performed by an internally-developed CRR/CRD IV AIRB model (for BtL mortgages, Basel standardised approach for credit risk is used). The PD estimates are dependent on a variety of factors, of which the key factors are debt-to-income and loan-to-value ratios. Other factors include other mortgage loan and borrower characteristics and payment performance information. The PD scale is based on a continuous scale ranging from 0-100%. The validation of these estimates is performed on historical data and is carried out annually. For the PD, the estimates are back tested against realised defaults and realised losses. In this way, it is ensured that the model functions correctly in a changing economic environment.

Risk governance and arrears management Dutch mortgage loans

In order to control the credit risk in the origination of residential mortgage loans, an acceptance policy framework was formulated to screen residential mortgage applications. Acceptance depends on the following underwriting criteria:

- Conformity with the Code of Conduct on Mortgage Credits of the Dutch Bankers Association where applicable;
- A check of an applicant's credit history with the Dutch National Credit Register (*Bureau Krediet Registratie*or **BKR**), a central credit agency used by financial institutions in the Netherlands, which records five years of financial commitments and negative credit events;
- Mortgage loans are secured by first-ranking mortgage rights;
- Other criteria, such as type of property, maximum *Loan-To-Market Value*(**LTMV**), maximum *Loan-to-Income*(**LTI**) and minimum *Debt Service Coverage Ratio* (**DSCR**);
- Underwriting criteria for mortgages loans with an NHG guarantee are set in accordance with the general terms and conditions set by the WEW. The WEW finances itself by a one-off up-front charge to the borrower as a percentage of the principal amount of the mortgage loan. The NHG guarantee covers losses on the outstanding principal, accrued unpaid interest, and disposal costs, caused by foreclosure.

In order to control the credit risk in the Dutch Mortgage loan portfolio, NIBC has established procedures to manage all loan amounts in arrears in-house. This ensures a dedicated team focused on preventing and minimising credit losses. The Special Servicing Mortgages team is responsible for arrears, client retention, foreclosures, collecting remaining debts and visiting clients and properties that serve as collateral.

The special servicing at NIBC is focused on intensive contact with its mortgage clients and tailor-made solutions. When amounts in arrears occur, NIBC contacts the client. Depending on the outcome of these contacts, a customer-specific approach is formulated on a case-by-case basis. In case of defaults, the Special Servicing team has to submit the file to the Arrears Management Committee for approval of the strategy to be followed. The Arrears Management Committee includes members from Risk Management, Operations, Portfolio Management and the Special Servicing team. NIBC bids for own foreclosed properties at auctions to ensure the proceeds are at arm's length. If needed, NIBC acquires these properties.

NIBC has introduced a programme where vulnerable customers that may face potential future financial difficulties are approached pro-actively with the intention of identifying and resolving difficulties before actual arrears arise.

Risk mitigation and collateral management Dutch mortgage loans

Credit losses are mitigated in a number of ways:

- The underlying property is pledged as collateral;
- 13% of the Dutch own book portfolio and 30% of the securitised portfolio are covered by the NHG programme;
- For the part of the Dutch portfolio that has been securitised, credit losses higher than the retained positions, excess spread and reserve accounts are attributable to investors in the securitisation programmes.

For the portfolio not covered by the NHG programme, the underlying property is the primary collateral for any mortgage loan granted, though savings, life insurance and investment deposits may also serve as additional collateral.

Forbearance and non-performing exposures

These exposures are governed by a bank-wide Forbearance Policy and Default Policy.
NIBC considers a client to be forborne if:

1. NIBC considers the obligor to be in financial difficulties, and
2. NIBC grants a concession to the obligor

Financial difficulties are defined as a debtor facing or about to face difficulties meeting financial obligations. Concession refers to one of the following (per facility):

- Modification of terms or conditions of a troubled facility to allow sufficient debt service capacity (that would not be granted if the obligor were not in financial difficulties);
- (partial) Refinancing of a troubled facility (that would not be granted without financial difficulties).

Within the corporate client offering the forbearance process largely follows the credit approval process making use of delegated risk authority as well as submitting proposals to the TC. With respect to residential mortgage loan portfolio the Client Retention team of the Special Servicing department has the responsibility of assessing the nature and the expected duration of a client's financial distress, and will determine necessity of providing forbearance measures to that client and the conditions that should apply. Forbearance solutions are also submitted to the Arrears Management Committee for further approval

An obligor is considered non-performing if one or more of the following criteria are applicable:

- Material exposures are more than 90 days past due;
- The obligor is unlikely to pay its credit obligations in full, without realisation of collateral;
- A performing under probation (which have been previously defaulted) facility is extended additional forbearance measures during its probation period

The first two criteria are the same as the default criteria and therefore a defaulted obligor is always non-performing as well.

Capital Requirements Regulation/Capital Requirements Directive IV

In line with CRR/CRD IV regulations, the methodology consists of three elements:

- CCR, reflecting the through-the-cycly PD of the borrower. The default definition is in line with the CRR/CRD IV definition;
- LGD, defined as an anticipated loss in the event of default and under an economic downturn assumption, which takes into account the presence and the value of collateral;
- EAD, which is the amount that is expected to be outstanding at the moment a counterparty defaults.

The CRR/CRD IV PDs, LGDs and EADs that are calculated through NIBC's internal models are used for RC. *Economic capital* (**EC**), *Risk-Adjusted Return on Capital* (**RAROC**), limit setting ECL and stress testing are additional areas which make use of these parameters, although the values and methodologies for EC, ECL and stress testing differ from those employed in Pillar 1. PDs, LGDs and EADs are also used in the CRR/CRD IV solvency report to the regulator.

Annual backtests of the internal rating framework are carried out to assess the quality and the performance of the models.

NIBC enforces strict separation of responsibilities with respect to its internal rating methodologies and rating process, model development, model validation and IA. The roles and responsibilities of each department involved are explicitly set out in internal policies and manuals, also in conformity with the stipulations of CRR/CRD IV on model governance and model use.

Expected Credit Loss determination

In order to calculate the ECL, NIBC has transformed the CRDIV/CRR PD/LGD/EAD to unbiased and PiT best-estimates by applying probability-weighted forward-looking scenarios for relevant macroeconomic factors. For detail on ECL recognition and measurement refer to section 'Expected credit losses' in the 'Summary of significant accounting policies'.

Scenarios and scenario weights

The determination of the probability weighted ECL requires evaluating a range of relevant future economic conditions. To accommodate this requirement, NIBC uses three different macroeconomic scenarios in the ECL calculation: a baseline, an upturn and a downturn scenario. Each scenario is represented by a specific scenario narrative, scenario probability and a set of macroeconomic factors. A weight is computed for each scenario by using a probabilistic econometric model that considers recent information as well as several decades of historical data. The determined weights constitute the probabilities that the respective macroeconomic developments will occur. The scenarios, including the narratives, the macroeconomic forecasts and the scenario weights, are further discussed, challenged and potentially refined by a team of NIBC-internal experts. The baseline scenario is aligned to the economic and market assumptions used for NIBC business planning purposes.

Economic scenarios and weights applied

ECL scenario	Assigned weights in % 2021	2020
Upturn	30.0%	30.0%
Baseline	32.5%	32.5%
Downturn	37.5%	37.5%

Macro-economic and other factors

The range of macroeconomic, market and other factors that is modelled as part of the scenario determination is wide, and historical information is used to support the identification of the key factors. As the forecast horizon increases, the availability of information decreases and judgment increases. The macroeconomic forecast has an influence on PDs only during the first 5 years. During years 6-10 the model applies reversion to the mean (i.e. the PiT PD converges with the *Through-the-Cycle* (**TTC**) PD) and after year 11 the PDs are influenced only by the TTC matrix. The forward-looking macroeconomic assumptions used in the ECL calculation are derived from Moody's Data Buffet. NIBC has identified different segments to allow for specific risks and forecasts to be incorporated in the macroeconomic scenarios. The segments include:

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

The following table discloses the macro-economic variables for the period 2022-2026 used in the 2021 year-end ECL calculation:

ECL scenario	Macro-economic variables	2022	2023	2024	2025	2026
		% year-on-year chage				
Upside scenario	NL GDP	3.7%	2.8%	1.9%	1.2%	1.2%
	GB GDP	8.8%	2.9%	1.5%	1.1%	1.1%
	DE GDP	5.9%	3.9%	1.9%	1.1%	0.9%
	NL House Price Index	8.1%	3.3%	0.6%	-0.3%	-0.2%
	DE House Price Index	10.3%	8.1%	6.3%	5.2%	4.6%
	Crude Oil WTI	0.4%	-4.8%	2.3%	2.6%	4.2%
Baseline scenario	NL GDP	2.3%	1.5%	1.6%	1.5%	1.3%
	GB GDP	5.5%	3.5%	2.0%	1.0%	1.3%
	DE GDP	3.8%	2.8%	2.5%	1.6%	1.0%
	NL House Price Index	6.3%	0.7%	0.2%	0.1%	-0.1%
	DE House Price Index	7.8%	6.0%	5.3%	4.7%	4.1%
	Crude Oil WTI	-3.2%	-8.8%	1.5%	3.3%	4.1%
Downside scenario	NL GDP	1.1%	1.2%	1.5%	1.3%	1.2%
	GB GDP	2.7%	3.9%	2.5%	1.4%	1.6%
	DE GDP	2.4%	2.4%	2.8%	1.9%	1.2%
	NL House Price Index	5.2%	-1.2%	-1.0%	-0.3%	0.2%
	DE House Price Index	6.6%	4.5%	4.6%	4.1%	3.8%
	Crude Oil WTI	-20.2%	1.6%	5.6%	2.8%	4.4%

The following table discloses the macro-economic variables for the period 2021-2025 used in the 2020 year-end ECL calculation:

ECL scenario	Macro-economic variables	2021	2022	2023	2024	2025
		% year-on-year chage				
Upside scenario	NL GDP	4.4%	2.4%	2.8%	2.3%	1.8%
	GB GDP	7.7%	6.3%	3.5%	1.8%	0.7%
	DE GDP	5.9%	4.4%	2.3%	1.8%	1.4%
	NL House Price Index	-0.7%	1.5%	2.3%	1.9%	2.1%
	DE House Price Index	3.5%	3.8%	6.2%	7.0%	7.1%
	Crude Oil WTI	34.0%	19.3%	8.5%	3.3%	2.1%
Baseline scenario	NL GDP	1.8%	2.9%	3.0%	2.3%	1.8%
	GB GDP	4.5%	6.8%	4.1%	1.8%	0.8%
	DE GDP	3.1%	4.0%	2.9%	2.3%	1.6%
	NL House Price Index	-1.9%	-1.1%	1.4%	2.4%	2.4%
	DE House Price Index	1.2%	2.1%	5.0%	6.1%	6.4%
	Crude Oil WTI	21.6%	19.5%	9.0%	3.4%	2.2%
Downside scenario	NL GDP	0.2%	2.8%	2.5%	2.5%	2.6%
	GB GDP	1.6%	7.6%	4.6%	2.1%	1.2%
	DE GDP	1.4%	3.9%	2.4%	2.5%	2.4%
	NL House Price Index	-3.1%	-3.7%	-0.3%	1.8%	2.9%
	DE House Price Index	0.5%	1.0%	4.0%	4.9%	5.4%
	Crude Oil WTI	-0.8%	35.2%	13.1%	3.6%	2.3%

Scenarios and weights are updated semi-annually and submitted for approval to the ALCO of NIBC. NIBC has made significant adjustments compared to 2019 on their macroeconomic scenarios to reflect the latest circumstances of the COVID-19 outbreak and the associated public policy measures.

The ECL calculation consists of three elements:
- PD of the borrower, which is an estimate of the default rate over any specified horizon based on the current state of the credit cycle and the anticipated macroeconomic scenarios.
- LGD, defined as the unbiased loss estimate at a future default date, which takes into account the presence and the value of collateral;
- EAD, which is the estimation of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments and prepayments of principal and interest, and arreras and expected drawdowns on undrawn committed facilities.

The ECL are calculated on individual corporate and residential mortgage loans, and can be summarised per stage as follows:
- Stage 1 – For newly originated loans and loans with no significant increase in their credit risk, the ECL is determined on a 12-month horizon;

Building a better working world

Independent auditor's report

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

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of NIBC Bank N.V., based in The Hague. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of NIBC Bank N.V. as at 31 December 2021 and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- the accompanying company financial statements give a true and fair view of the financial position of NIBC Bank N.V. as at 31 December 2021 and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2021
- the following statements for 2021: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2021
- the company income statement for 2021
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the *Our responsibilities for the audit of the financial statements* section of our report.

We are independent of NIBC Bank N.V. (hereafter: NIBC, the company or the group) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

NIBC Bank N.V. is a commercial bank in the Netherlands offering corporate and retail banking products and services. Its corporate banking activities range from advising, structuring, financing and co-investing across debt and equity in Northwest Europe with a focus on the Netherlands and Germany. The retail banking activities primarily consist of mortgage lending in the Netherlands and online retail savings products and services in the Netherlands, Germany and Belgium via the NIBC Direct brand. The group is structured in three segments (corporate client offering, retail client offering and treasury) and we tailored our group audit approach accordingly. We paid specific attention in our audit to areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	EUR 15 million (2020: EUR 12 million)
Benchmark applied	0.75% of total equity (2020: 0.6% of total equity)
Explanation	Based on our professional judgement, a benchmark based on total equity is an appropriate quantitative indicator of materiality as it best reflects the focus of users of the financial statements on the financial position of the company. We have raised the threshold based on the assumption that the Covid-19 pandemic has less impact in 2021 compared to 2020.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 750 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit
NIBC Bank N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or on specific items.

We assigned a full scope to the banking activities focusing on the three segments mentioned above which are managed centrally and audited by the group audit team. Our group scope resulted in a nearly full audit coverage of total equity and total assets.

By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming and use of specialists
We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a bank. We included specialists in the areas of IT audit, forensics, tax, credit risk modelling, macroeconomic forecasting, regulatory reporting and have made use of our own experts in the areas of valuation of derivatives and financial investments and private equity.

Our focus on climate risks and the energy transition
Climate change and the energy transition are emerging topics and lead to significant change for many businesses and society. The banking industry has to respond to these changes and related risks for the business model and valuation of assets. The section Sustainability in the Report of the Managing Board of the annual report includes disclosures about NIBC's business model, risk assessment and outcome and next steps relating to climate change directly and indirectly impacting NIBC's business.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the possible effects of the energy transition are taken into account in judgements, accounting estimates and significant assumptions by NIBC, including those related to the estimation of expected credit losses. Furthermore, we read the other information included in the annual report and considered whether there is any material inconsistency between the non-financial information in the annual report and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, accounting estimates or significant assumptions per 31 December 2021. Therefore this did not require significant auditor's attention during our audit.

Our focus on fraud and non-compliance with laws and regulations
Our responsibility
Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks
We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

We refer to the Sustainability section, specifically Compliance and anti-corruption paragraph, of the Managing Board report for management's (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic and legal specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override. These risks did however not require significant auditor's attention in addition to the following fraud risks identified during our audit:

Risks of material misstatement as a result of fraudulent reporting	
Fraud risk	When identifying and assessing fraud risks we considered the risks of fraudulent financial reporting. In our audit approach we considered that this risk would primarily impact the determination of expected credit losses (ECL) and measurement of equity investments as a result of management override of controls, including management bias that may represent a risk of material misstatement due to fraud: • For ECL, corporate loans classification in risk stages 1 and 2 may be incorrect due to incorrect conclusion on model assessment and/or incorrect management overlay applied for corporate loans and mortgage loans • For ECL, corporate loans individually assessed in risk stage 3 may be incorrect where the opportunity exists to deviate from approved loan impairment allowances by the Transaction Committee. • For the fair value changes of equity investments as disclosed in note 17 'Equity investments (fair value through profit and loss)', may be incorrect and inconsistent with the outcome as determined by the Investment Committee.
Our audit approach	We describe the audit procedures responsive to the risk of management override in the determination of expected credit losses in the description of our audit approach for the key audit matter 'Credit losses on corporate and mortgage loans'.

Risks of material misstatement as a result of fraudulent reporting	
	For fair value changes of equity investments we audited fair values in with the use of our own experts. Further to the fraud risk above, we reconciled the fair values as approved by the Investment Committee to the financial statements ensuring that there were no adjustments applied by management.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance and risk management) and the Supervisory Board.

The presumed fraud risk, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations
We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the Managing Board specifically about the procedures management performs to be compliant with the banking regulation, reading minutes, inspection of internal audit and compliance reports, inspection of communication with external regulators, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern
As disclosed in section 'Basis of preparation' in the Accounting Policies to the financial statements, management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the specific assessment with management exercising professional judgment and maintaining professional skepticism. We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern also focusing on whether the company will continue to meet the regulatory solvency and liquidity requirements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on the company's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matters did not change.

Credit losses on corporate and mortgage loans	
Risk	At 31 December 2021, NIBC Bank reported Loans (amortised cost) of EUR 6,381 million (2020: EUR 6,309 million), net of credit loss allowance of EUR 170 million (2020: EUR 158 million credit loss allowance) for expected credit losses (hereafter: "ECL"). The mortgage loans amount to EUR 11,659 million (2020: EUR 9,902 million) net of credit loss allowances of EUR 9 million (2020: EUR 11 million). The impairment allowance represents the bank's best estimate of ECL on the loans at the balance sheet date. The ECL of risk stage 1 and risk stage 2 loans is calculated collectively. The ECL of risk stage 3 loans is assessed individually. The determination of impairment allowances is a key area of judgment for management and in our risk assessment we considered the risk of management override of controls, including management bias that may represent a risk of material misstatement due to fraud. The determination of the individual or collective recoverability of loans and advances to customers is subject to inherent estimation uncertainty. This also involves setting assumptions and determining scenarios for macro-economic developments, geopolitical trends, climate and other environmental related factors. Uncertainty associated with Covid-19 and its implications on default and recovery assumptions and the impact of government intervention has increased the level of judgement required to calculate ECL. Management's estimates in respect of the timing and measurement of ECL which required significant judgement include: • Allocation of loans to risk stage 1, 2, or 3 using criteria in accordance with IFRS 9, including the impact of Covid-19 pandemic and related support measures on customer behaviours and the identification of underlying significant deterioration in credit risk; • Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL, including the economic impact of Covid-19 on model performance; • Inputs and assumptions used to estimate the impact of multiple economic scenarios particularly those impacted by Covid-19; • Appropriateness, completeness and valuation of material model adjustments including any Covid-19 specific adjustments; • Measurement of individual provisions including the assessment of multiple scenarios and impact of Covid-19; and • The completeness, presentation and preparation of disclosures considering the key judgments and sources of data. Given the materiality of the corporate loans and mortgage loans portfolio of NIBC, the complex accounting requirements with respect to calculating ECL and the subjectivity involved in the judgments made, we considered this to be a key audit matter. Reference is made to section 'Impact of Covid-19 pandemic' and accounting policies for 'Expected credit losses (ECL)' as well as Note '12 Impairments of financial and non-financial assets', Note '22 Loans (amortised cost)', Note '24 Mortgage loans (amortised cost)' and Note 25 'Securitised mortgage loans (amortised cost)'.

Credit losses on corporate and mortgage loans	
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of NIBC's accounting policies related to expected credit losses according to IFRS 9 "Financial Instruments" and whether these have been applied consistently. In addition, we evaluated the design and implementation and, where considered appropriate, tested the operating effectiveness of internal controls across the processes relevant to the ECL. This included the allocation of assets into risk stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, collective and individual provisions, journal entries and disclosures. We performed an overall assessment of the ECL provision levels by risk stage to determine if they are reasonable considering NIBC's portfolio, risk profile and credit risk management practices. We performed an assessment of the impact of the Covid-19 pandemic on a sample of credit files, on the identification of high-risk sectors and macroeconomic environment. We considered trends in the economy and industries to which NIBC is exposed. We reviewed the back testing procedures to confirm that the criteria used to allocate a financial asset to risk stage 1, 2 or 3 are in accordance with IFRS 9. We reperformed the allocation of assets in risk stage 1, 2 and 3 to assess if they were allocated to the appropriate risk stage. For collectively assessed loan impairment allowances, we tested assumptions, inputs and formulas used in a sample of ECL models with the support of our modelling specialists. This included the appropriateness of model design and formulas used and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models. We tested material model adjustments including those which have been applied in response to Covid-19. With our modelling specialists, we assessed the completeness of these adjustments and their appropriateness by considering the data, judgments, methodology, sensitivities, and governance of these adjustments as well as considering model shortcomings. Further, we assessed the selected macro-economic scenarios used with the support of our economic specialists. We considered the latest developments related to Covid-19 pandemic and assessed whether forecasted macroeconomic variables were appropriate, such as GDP, oil price and house price index. With the support of our modelling specialists we assessed the correlation and the overall impact of the macroeconomic factors to the ECL. For individually assessed loan impairment allowances, we reconciled the allowances to the approved loan impairment allowances from NIBC's Transaction Committee and we examined a selection of loan exposures to assess the expected credit loss provision for risk stage 3 loans. We applied professional judgment in selecting those exposures for our detailed inspection, placing an emphasis on exposures with low coverage ratios. For selected loan exposures we recalculated individually assessed provisions and challenged the recovery scenarios and probability weights assigned.

Credit losses on corporate and mortgage loans	
	We tested the management overlays applied as a result of Covid-19. We assessed the completeness of these adjustments and their appropriateness by considering the data, judgments, methodology, sensitivities, and governance. We tested the data flows used to populate the disclosures and assessed the adequacy of disclosures for compliance with the accounting standards. Finally, we evaluated the adequacy of the related disclosures, as included in the financial statements and in the credit risk section of the annual report. In particular we evaluated that disclosures adequately convey the degree of estimation uncertainty and the range of possible outcomes under the different economic scenarios.
Key observations	Based on our procedures performed we consider the estimation of and disclosures on the ECL for corporate loans and mortgage loans to be reasonable and in accordance with EU-IFRS

Reliability and continuity of the information technology and systems	
Risk	As described in the risk management section in the annual report, NIBC is highly dependent on the reliability and the continuity of information technology due to the significant number of transactions that are processed daily and the reliance on IT applications to support initiation through reporting of those transactions. An adequate IT infrastructure ensures the reliability and continuity of the bank's business processes and accuracy of financial reporting. As the reliability and continuity of the IT systems may have an impact on automated data processing and financial reporting and given the pervasive nature of IT general controls on the internal control environment, we consider this a key audit matter.
Our audit approach	IT audit specialists are an integral part of the engagement team and assessed the reliability and continuity of automated data processing (only) to the extent necessary for the scope of our audit of the financial statements. We obtained an understanding of the IT organization and developments in the IT infrastructure to analyze the impact on the company's processes. We assessed the impact of changes during the year on the IT systems and IT infrastructure. During the planning and test of design phases of our audit, we performed procedures to assess the cybersecurity program within NIBC and how management evaluates cyber risks and to determine whether the ongoing global Covid-19 pandemic had caused material changes in IT processes or controls and noted no such changes that would result in an increased IT risk. We tested the design and operating effectiveness of IT general controls related to user access management and change management across applications, databases and operating systems. We tested application controls over automated data processing, data feeds and interfaces when relevant for financial reporting.

	A particular area of attention is related to logical access management, including access rights and role based access. We tested logical access rights to the extent relied upon for the audit of the financial statements. This resulted in the identification of certain control deficiencies with respect to access rights. We performed procedures over management's remediation activities and we performed additional substantive audit procedures to mitigate the related audit risk.
Key observations	Our testing of the general IT controls and the substantive tests performed, provided sufficient evidence to enable us to rely on the adequate and continued operation of the IT systems relevant for our audit of the financial statements.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by Supervisory Board as auditor of NIBC Bank N.V. on 10 April 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

NIBC Bank N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in the XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by NIBC Bank N.V., complies in all material respects with the RTS on ESEF.

The Managing Board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the Managing Board combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.
Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF
- examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as the Managing Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication
We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.
In this respect we also submit an additional report to the Audit Committee of the Supervisory Board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 3 March 2022

Ernst & Young Accountants LLP

Signed by R. Koekkoek