

Annual Report 2008

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driving
forces

one
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bank





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Our driving forces

NIBC is all about enterprise. We are an enterprising bank, with entrepreneurial employees who create innovative products and services for our core client base of enterprising companies. We react swiftly and creatively to our clients' evolving needs and the demands of the markets.

Our two pillars of Merchant Banking and Specialised Finance develop solid, sustainable solutions and see them through from idea to implementation - working closely across departments and in true partnership with clients.

At a glance

Our profile

NIBC is a Dutch merchant bank that offers integrated solutions to mid-cap clients in the Benelux and Germany through a combination of advising, financing and co-investing. The bank is also a meaningful player in a select number of clearly defined asset financing classes. It employs its expertise to provide asset financing in sectors such as corporate lending, leveraged finance, oil & gas services, infrastructure, real estate and shipping.

NIBC is an integrated, nimble and flexible organisation that reacts swiftly to the demands of its clients and markets. It is an innovative player that constantly seeks to develop products and services that are tailored to meet clients' evolving needs.

NIBC's clients are mid-cap companies, financial institutions, institutional investors, financial sponsors, family offices and high net worth entrepreneurs/owners. NIBC has offices in The Hague, Brussels, Frankfurt, London, Singapore and New York.

Our history

NIBC originated from the Netherlands' bank for post-war reconstruction, founded in 1945 by the Dutch government. This entity was renamed De Nationale Investeringsbank in 1971, and was bought in 1999 by ABP and PGGM, two of Europe's largest pension funds, and renamed NIB Capital. The acquisition and change of name marked the beginning of NIBC's evolution from what was essentially a long-term lending bank to a merchant bank offering advisory services, financing and co-investing. In December 2005, the bank changed hands when its current owners, a consortium of international financial institutions and investors organised by J.C. Flowers & Co., purchased all the outstanding equity interests. As a result, NIBC Holding was formed. Subsequently the brand name was changed to NIBC. Through its strong expertise, dedicated focus and high quality of staff, NIBC has established a long track record.

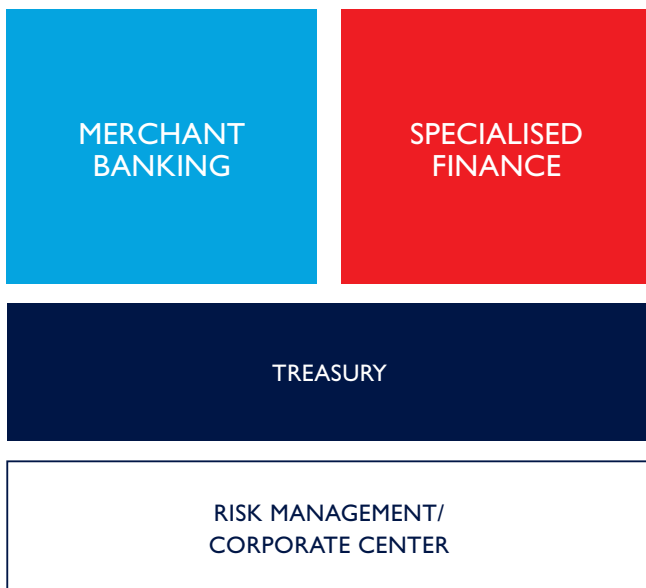
Key figures NIBC Bank

IN EUR MILLIONS	2008	2007
Operating income	337	474
Operating expenses	181	211
Net profit attributable to parent shareholders	92	98
Tier-I ratio	16.6%	12.0%
BIS ratio	18.9%	13.8%
Shareholders' equity	1,638	1,558
Balance Sheet total (in EUR billions)	28,937	31,809
Risk weighted assets (in EUR billions)	11.5	15.4
Efficiency ratio	54%	45%
Return on net asset value (after tax)	6%	17%
Number of FTEs	625	703

Selected deals 2008



Business model and corporate strategy



Our strategy is based on asset classes and geographies we know well. NIBC is streamlined around two strategic pillars - Merchant Banking and Specialised Finance.

Merchant Banking enables mid-cap companies, financial institutions and high net worth entrepreneurs/owners to grow their business. **Specialised Finance** is a meaningful player in selected international assets classes where we have long-standing experience.

Indispensable to these pillars and to our entire business are **Treasury, Risk Management and Corporate Center**.

Table of contents



Letter from the Managing Board	2
Report of the Supervisory Board	6
Report of the Managing Board	22
Financial Results	32
Corporate Governance and Compliance	36
Our People and Our Values	40
Employees' Council	42
Corporate Social Responsibility	47
In Control Report and Responsibility Statement	50
Risk Management	56
Consolidated Financial Statements	83
Company Financial Statements	235
Other Information	269



Letter from the Managing Board



NIBC's Managing Board, from left to right: Kees van Dijkhuizen, Jeroen Drost, Jan Sijbrand and Jan van Nieuwenhuizen

Last year proved even more difficult than feared. The market turmoil intensified into the worst crisis in decades, hammering the financial markets and affecting all its players. We enter 2009 with the world slipping into recession and a highly uncertain future ahead.

NIBC Bank N.V. (NIBC) ended 2008 with a Net profit of EUR 92 million, 6% below last year's results.

Our fourth-quarter 2008 results were impacted by negative fair value adjustments and impairments on equity and mezzanine investments. For the year 2008, we made a profit of EUR 92 million and further strengthened our capital and liquidity positions. By addressing the situation at an early stage, we minimised the impact on our financial performance and by the autumn were in relatively stable shape. We further improved the efficiency of our organisation and cut costs in response to declining income, in close cooperation with our Employees' Council.

NIBC Holding N.V. (NIBC Holding) raised EUR 400 million of new cash equity from its shareholders, in the first quarter of 2008, a key step in supporting NIBC Holding's Tier-1 ratio to the robust 16.7% at which it ended the year. At the same time, we sharply reduced our risk profile, primarily by reducing positions in the financial markets area.

In line with our strategy, we diversified our funding to ensure stable, transparent and tightly-controlled liquidity. In 2008, we issued EUR 0.7 billion under our covered bond programme, raised EUR 1 billion by year-end with our Dutch online retail savings programme NIBC Direct, and issued a three-year EUR 1.4 billion bond under the Dutch State's Credit Guarantee Scheme.

As markets grew increasingly turbulent, we became ever more aware of the need to sharpen our strategy to focus on our strengths. We streamlined NIBC around two pillars, Merchant Banking and Specialised Finance, in order to make us more effective in meeting the needs of our clients.

The market deterioration took a heavy toll on all financial services companies. We too were disappointed to have our credit ratings downgraded during the year as the operating environment worsened.

The major risk to NIBC as we enter 2009 is the dire business environment. All sectors are affected by the deep economic crisis, and companies are reluctant to invest or do deals. With economic forecasts gloomy, the year ahead is unpredictable at best.

However, with strong capital buffers, a firm grip on liquidity and a healthy geographical and industrial business mix, NIBC remains in a strong position to further deliver market leading services to our clients. Although we are not immune to the market turmoil, the intensified focus we introduced last year stands us in good stead.

It goes without saying that circumstances such as these impose a heavy strain on employees. Since my arrival at NIBC last May, I have been consistently impressed by the talent, teamwork and flexibility of our staff. On behalf of the Managing Board, I should like to extend sincere thanks to all employees for their superb efforts in 2008.

As last year's challenges persist in 2009, our employees' resilience will continue to be tested. But we can be confident that their drive and determination will see them - and NIBC - through.

On behalf of the Managing Board,

The Hague, 8 April 2009

Jeroen Drost

*Chairman of the Managing Board,
Chief Executive Officer*

|

The spirit of enterprise runs right through NIBC as a bank. Our clients, staff and products are characterised by innovation and dynamism. Our vision is clear: to be a leading merchant bank for mid-cap companies and a meaningful player in selected asset financing classes.

enterprising
bank

A black and white photograph of two men on a boat, likely a fishing vessel, with ropes and nets visible. The background shows a coastal town and hills under a cloudy sky. The overall tone is professional and focused.

enterprising clients

2

Our clients are typically companies with an enterprise value of EUR 50-500 million, run by their founder or major shareholder or they have just moved beyond that phase. Their credit needs often require tailor-made products and services, which a nimble bank like NIBC can deliver in a cost-efficient way. Our clients' size and management style require us to react fast and flexibly to their changing needs and wishes.



Report of the Supervisory Board

This Annual Report presents the results and developments of NIBC in 2008. The financial crisis that spread into the wider economy last year affected all market players. NIBC moved fast to de-risk its Balance Sheet, raise capital and boost liquidity.

Chairman and *Chief Executive Officer (CEO)* Michael Enthoven and Vice-Chairman and *Chief Risk Officer (CRO)* Jurgen Stegmann stepped down in January. They were replaced by Jeroen Drost as Chairman and CEO and Jan Sijbrand as CRO.

In terms of performance, 2008 was a challenging and extraordinary year for everyone. NIBC did manage to make an acceptable profit under the circumstances and ended the year with a Net profit of EUR 92 million.

NIBC Holding raised EUR 400 million new cash equity from its shareholders in early 2008. Under the new leadership of Mr. Drost, NIBC took swift and decisive action in critical areas such as liquidity management, cost management and risk management. In 2008, NIBC diversified its funding further by launching a covered bond programme, starting the Dutch online retail savings programme NIBC Direct, and issuing

a EUR 1.4 billion bond under the Dutch State's Credit Guarantee Scheme.

NIBC reduced its costs by 14% in response to declining income. It sharpened its strategy and focused its organisation around two strategic pillars - Merchant Banking and Specialised Finance - and quickly made necessary changes to the organisation, in order to better support the development of our mid-cap client franchise.

In addition, much work has been done to stabilise the bank, improve staff morale and retain key employees. In short, NIBC is now much better positioned than it was 12 months ago and this is largely due to the leadership and abilities of the Managing Board.

The Supervisory Board is impressed by the work done by the Managing Board and all staff and wishes to thank them for their valuable efforts in these turbulent times.

Financial Statements and dividend proposal

The Financial Statements were drawn up by the Managing Board and audited by PricewaterhouseCoopers Accountants N.V., who issued an unqualified opinion dated 8 April 2009. The Supervisory Board advises and proposes that the Shareholders adopt the 2008 Financial Statements at the Annual General

Meeting of Shareholders on 29 April 2009. In 2008, NIBC paid no dividend to NIBC Holding. The Supervisory Board recommends that the Annual General Meeting of Shareholders discharge the Managing Board and Supervisory Board for their respective management and supervision during the financial year 2008.

Composition of the Supervisory Board

Name	Year of Birth	Position	Membership since ¹	End of Term ²
Mr. J.H.M. Lindenberg	1943	Chairman	2005	2008
Mr. J.C. Flowers	1957	Vice-Chairman	2005	2009
Mr. C.H. van Dalen	1952	Member	2005	2008
Mr. W.M. van den Goorbergh	1948	Member	2005	2009
Mr. N.W. Hoek	1956	Member	2005	2008
Mr. A. de Jong	1954	Member	2005	2010
Mr. D. Rümker	1937	Member	2005	2010
Mr. R.S. Sinha	1964	Member	2005	2009
Mr. A.H.A. Veenhof	1945	Member	2006	2010

1. The indicated dates refer to their appointment and do not refer to the official approval by the Dutch Central Bank.

2. The indicated dates are as per the Supervisory Board's retirement schedule and do not refer to expiration of the term of appointment.

Mr. C.H. van Dalen, Mr. W.M. van den Goorbergh and Mr. A.H.A. Veenhof have been appointed upon the recommendation of the Employees' Council. As per 19 February 2009, Mr. J.C. Flowers resigned

as member of the Supervisory Board. The Supervisory Board has nominated Mrs. S.A. Rocker, Managing Director at J.C. Flowers & Co. LLC, for appointment in his place.

Composition of the Managing Board

During the financial year 2008, the Managing Board was composed of the following four members, who are also members of the Managing Board of NIBC Holding. At 30 January 2008, Michael Enthoven and Jurgen Stegmann offered to the Supervisory Board to step down from their respective positions. The Supervisory Board accepted their resignation and rendered their thanks for the important role they both played in

the transformation of NIBC from 2002 onwards. Jan Sijbrand, took over the responsibilities of Jurgen Stegmann as per 22 February 2008. Michael Enthoven remained in function until 20 March 2008 and was succeeded by Jan van Nieuwenhuizen ad interim. Jeroen Drost was appointed to the position of Chairman and CEO as per 1 May 2008.

Name	Year of Birth	Position	Membership since ¹	End of Term ²
Mr. J.P. Drost	1961	Chairman and Chief Executive Officer	2008	2012
Mr. J.L. van Nieuwenhuizen	1961	Vice-Chairman	2004	2011
Mr. C. van Dijkhuizen	1955	Chief Financial Officer	2005	2010
Mr. J. Sijbrand	1954	Chief Risk Officer	2008	2012

1. The indicated dates refer to their appointment and do not refer to the official approval by the Dutch Central Bank.

2. The indicated dates are the dates until which the appointment as statutory director runs and do not refer to the expiration of the employment contracts.

Plenary meetings of the Supervisory Board

As mentioned in the introduction, 2008 was once again a turbulent year. Consequently, the Supervisory Board met on 13 occasions, instead of the usual six or seven, and all members of the Supervisory Board participated frequently. Meetings were held to discuss the corporate strategy and the result of the assessment by the Managing Board of the structure and operation of the internal risk management and control systems. Other matters discussed were quarterly results, strategic issues, risk- and control-related topics, the financial reporting process and the impact of *International Financial Reporting Standards (IFRS)* and *International Accounting Standards Boards (IASB)* developments thereon, compliance with legislation and regulations, and corporate governance matters.

The financial statements and the findings of the external auditor were discussed in the presence of the external auditor. The majority

of the discussions and decisions of the Supervisory Board were prepared in the subcommittees referred to below, in which always at least two members of the Supervisory Board are present. Members of the Managing Board were consulted in all meetings of subcommittees of the Supervisory Board.

Members of the Supervisory Board attended two consultation meetings between the Managing Board and the Employees' Council.

The Supervisory Board met in the absence of members of the Managing Board to discuss its own functioning and that of its individual members, the desired profile, composition and competence of the Supervisory Board, the functioning of the Managing Board collectively and its individual members, and also the financial statements with the external auditor.

Meetings of the committees of the Supervisory Board

The Supervisory Board is currently supported by four committees consisting of members of the Supervisory Board: the Risk Policy Committee, with a subcommittee for purposes

of related party transactions, the Audit and Compliance Committee, the Remuneration and Nominating Committee, and the Strategic Committee.

Risk Policy Committee

Members | Mr. W.M. van den Goorbergh (Chairman), Mr. J.C. Flowers, Mr. J.H.M. Lindenberg and Mr D. Rümker

Meetings | [The Risk Policy Committee met five times in 2008.](#)

The Risk Policy Committee assists the Supervisory Board in monitoring the risk policy and profile in relation to NIBC's general lending and investment policy and individual transactions above a certain threshold. In addition, it advises the Supervisory Board on market, credit, investment and operational risks and with regard to Basel II. The main topics that were discussed in 2008

concern liquidity and the risk profile of NIBC. Syndication reports, leveraged finance, country risk reports, impairment reports and portfolio overviews were also discussed by the committee.

The committee also discussed NIBC's market risk and event risk reports, economic capital reports and liquidity risk reports on a regular basis.

Related Party Transactions Subcommittee

Members | Mr. W.M. van den Goorbergh (Chairman) and Mr. J.H.M. Lindenberg, both of whom meet the independence criteria outlined in the Dutch Corporate Governance Code

Meetings | [The Related Party Transactions Subcommittee met once in 2008.](#)

The Related Party Transactions Subcommittee assists the Supervisory Board in assessing material agreements of any kind with a person or group of persons who hold, directly or indirectly, 10% of our issued and outstanding share capital or of the voting rights at the Annual General Meeting of Shareholders, or any person affiliated with any

such person(s). An agreement will, in any event, be considered material if the amount involved exceeds EUR 10 million. The Supervisory Board has delegated the authority to approve such a material transaction to the Related Party Transactions Subcommittee.

Audit and Compliance Committee

Members | Mr. W.M. van den Goorbergh (Chairman), Mr. C.H. van Dalen, Mr. J.H.M. Lindenberg and Mr. R.S. Sinha

Meetings | [The Audit and Compliance Committee met six times in 2008.](#)

The Audit and Compliance Committee assists the Supervisory Board in monitoring NIBC's systems of financial risk management and internal control and compliance with legislation and regulations, the integrity of its financial reporting process and the content of the annual financial statements and reports, and in advising on corporate governance and corporate social

responsibility matters. The main topics that were discussed during 2008 were the impact of the market circumstances on NIBC, the funding and liquidity planning, the budget and the quarterly, semi-annual and annual financial reports and related press releases, the impact of the accounting choices on the financial figures and related external communication and

developments regarding the internal reporting process and related risk control environment.

The Audit and Compliance Committee discussed the reports of external auditor Pricewaterhouse-Coopers Accountants N.V. and its audit plan for 2008. The Audit and Compliance Committee also discussed the audit plan including progress and main findings and conclusions of the Internal Audit department.

The Audit and Compliance Committee evaluated the external auditors and functioning of Internal Audit and Compliance.

The internal auditors were represented at all meetings and the external auditors, by mutual agreement, at all meetings but one of the Audit and Compliance Committee in 2008.

The external auditor had, as described in the charter, one meeting without the members of the Managing Board.

Remuneration and Nominating Committee

Members | Mr. J.C. Flowers (Chairman), Mr. J.H.M. Lindenberg and Mr. N.W. Hoek

Meetings | [The Remuneration and Nominating Committee met seven times in 2008.](#)

The Remuneration and Nominating Committee advises the Supervisory Board on the remuneration of the members of the Supervisory Board, the Managing Board and certain other senior managers, provides the Supervisory Board with proposals for appointments and re-appointments to the Supervisory Board, its Committees and the Managing Board, evaluates the performance of the other Supervisory Board Committees, assesses the performance of the members of the Managing Board and the Supervisory Board, and monitors the remuneration policy, which entails discussions about the total available pool for variable compensation and defining the collective and individual performance targets which form the basis for the variable compensation for the individual members of the Managing Board. In 2008, the Committee discussed the 2008

remuneration policy for the Managing Board and Supervisory Board, the individual compensation arrangements for the members of the Managing Board, the overall available funding for variable compensation arrangements, the performance of the Managing Board and some special retention compensation arrangements for the Managing Board and a select group of senior managers. Moreover, the Committee has discussed the consequences of the stepping down of the former Chairman and CEO, Mr. Enthoven and former Vice-Chairman and CRO, Mr. Stegmann, the profiles of the vacant positions, the candidates presented and interviewed, as well as the individual remuneration arrangements of the new Chairman and CEO, Mr. Drost and the new CRO, Mr. Sijbrand. The Committee has made recommendations to the Supervisory Board on all these topics.

Strategic Committee

Members | Mr. W.M. van den Goorbergh (Chairman), Mr. C.H. van Dalen, Mr. J.C. Flowers, Mr. J.H.M. Lindenberg, Mr. D. Rümker and Mr. R.S. Sinha

Meetings | The Strategic Committee did not meet in 2008.

The Strategic Committee discusses the strategic options that present themselves to NIBC. During 2008, a number of strategic opportunities came up

that were considered to be so important that they were discussed during Supervisory Board meetings.

Remuneration report

This report outlines the remuneration arrangements for the Managing Board and the Supervisory Board of NIBC. It comprises three parts. The first part outlines the 2008 remuneration policy and practices, and provides details of the remuneration payable to the Managing Board with respect to the performance of 2008. The second part provides details of the remuneration arrangements for the Supervisory Board. The third part provides details of the process to develop the 2009 (and onwards) Remuneration Policy for the Managing Board.

This report was prepared by the *Remuneration and Nominating Committee (Committee or RNC)* on behalf of the Supervisory Board. The RNC operates on the basis of a charter, which is publicly available on NIBC's website, and regularly reviews the remuneration and nomination policy and practices of NIBC. If and when appropriate, the Committee proposes changes to the charter, remuneration and nomination policy and practices to the Supervisory Board.

The year 2008 was an extraordinary year for the financial markets in general and NIBC in particular. In light of the 2007 financial performance of NIBC, the Chairman and CEO, Mr. Enthoven, and the Vice-Chairman and CRO,

Mr. Stegmann, offered to step down from their respective responsibilities. NIBC was pleased to announce the appointment of Mr. Sijbrand as CRO on 22 February 2008 with immediate effect. This was followed by an announcement on 25 March of the appointment of Mr. Drost as Chairman and CEO with effect from 1 May 2008.

The extraordinary market circumstances and the changes in senior management have had some impact on the Managing Board remuneration policy and practices, in particular with regard to the composition of the labour market peer group, variable compensation opportunities and elements of NIBC's pension arrangements. These will be discussed further on in this report.

In the course of the year, further developments in the financial markets prompted the Dutch government to take action and provide financial assistance to financial institutions. Under the Dutch State's Credit Guarantee Scheme, NIBC successfully issued a bond towards the end of the year. Participation in that Credit Guarantee Scheme was contingent upon meeting a number of requirements in the area of remuneration and governance. NIBC believes that these requirements are, indeed, met.

2008 Remuneration Policy and practices for the Managing Board

On 20 March 2008, the Annual General Meeting of Shareholders adopted the proposed 2008 Remuneration Policy which included one variation compared to the 2007 policy. This related to the variable compensation potential for Mr. Sijbrand, the new CRO. Soon after, it quickly became apparent that the labour market peer group needed serious revision with several financial institutions having defaulted or operating under seriously changed ownership. The RNC did not feel immediate action was required as the 2008 Remuneration Policy had already been agreed and communicated.

In summary, the Remuneration Policy for the Managing Board for 2008 onwards was based on the following principles:

- Total target remuneration levels should reflect market median remuneration levels of a labour market peer group consisting of relevant (European divisions of) financial institutions active in the Dutch, German and British financial markets. In the event of extraordinary performance of the Managing Board, total remuneration levels should be broadly in line with 75% (3rd Quartile) levels of the labour market peer group;
- Base salary levels of the Managing Board should be broadly in line with market median levels of the labour market peer group;
- Annual total remuneration levels of the Managing Board members are differentiated and reflective of their specific role, their relative experience and performance, the market levels of remuneration for that role, and the specific market circumstances under which the Managing Board operates;
- The variable compensation opportunities for the Managing Board members are varied with both the Chairman and the Vice-Chairman qualifying for (i) a cash bonus of up to 75%

for on-target performance and up to 100% for extraordinary performance and for (ii) deferred compensation of up to 100%.

The CRO qualifies for (i) a cash bonus of up to 60% for on-target performance and up to 80% in case of extraordinary performance and for (ii) deferred compensation of up to 100%. Finally, the *Chief Financial Officer (CFO)* qualifies for (i) a cash bonus of up to 30% for on-target performance and up to 40% in case of extraordinary performance and (ii) deferred compensation of up to 40%. All percentages are percentages of the respective base salaries and any award is at the absolute discretion of the Supervisory Board;

- Managing Board members will be employed for an indefinite period of time but are appointed as statutory director for a maximum term of 4 years;
- Upon termination of employment at the request of NIBC without cause, Managing Board members are entitled to severance pay equal to their annual base salary; and
- Managing Board members are eligible for membership of a NIBC-sponsored pension plan, which consists of a defined benefit (from 1 January 2008 for new participants capped at a pensionable salary of EUR 55,825) and a defined contribution (from 1 May 2008 capped at the level of their respective base salaries) component.

Labour market peer group

In order to be able to recruit the right calibre of executives for the Managing Board, and to secure long-term retention of current Managing Board members, NIBC has taken external reference data into account in determining compensation levels. For this purpose, a labour market peer group was defined consisting of relevant (European divisions of) financial institutions active in the Dutch, German and British markets, with which NIBC competes for talent and business. The companies

were selected based on strategic considerations (e.g. comparable clients, geographical focus, service, and strategy) and tactical considerations (e.g. comparable activities such as Corporate Finance, Financial Markets, and Asset/Investment Management for third parties). The labour market peer group consists of the (relevant divisions of the) following financial institutions: ABN AMRO, Barclays, Bear Stearns (London), BNP Paribas, Deutsche Bank, Fortis, ING Bank, Kempen & Co, Dresdner Bank, Rabobank, and Royal Bank of Scotland.

However, given the turbulence in the financial markets, it became obvious in the course of 2008 that this labour market peer group is no longer appropriate and its composition needs to be revisited. This will happen in the context of developing the new 2009 Remuneration Policy.

Base salary

The RNC has recommended, and on 21 February 2008 the Supervisory Board approved, an increase of the base salary of Mr. Van Dijkhuizen to EUR 400,000 gross with effect from 1 January 2008, an increase of 14%, which brought him in line with the other members of the Managing Board. The base salary of Mr. Van Nieuwenhuizen remained unchanged whilst Mr. Sijbrand was recruited on the same base salary of EUR 400,000 gross. For Mr. Drost, a base salary of EUR 700,000 was agreed, the same as received by his predecessor.

Variable compensation

Each year, the variable compensation pool for the bank is determined on the basis of a combination of NIBC's total compensation ratio (total personnel-related expenses as a percentage of total revenue) and the pay-out ratio (total variable compensation as a percentage of the operating result before tax and pay-out of variable compensation). NIBC has always managed this prudently and its compensa-

tion ratio has been consistently below that of comparable (international) peers, also in 2008.

The variable compensation pool for 2008 went down by about 45% compared to 2007. Whereas many financial institutions had record profits in 2007 in many of their businesses with subsequently flat or higher bonus pools, NIBC had already taken action in light of its financial performance and reduced its 2007 variable compensation pool by some 30%.

Variable compensation generally consists of a short-term cash element and a short-term deferred compensation element. In respect of the financial year 2008, the RNC recommended and the Supervisory Board adopted the proposal to deliver the deferred compensation element in the form of deferred cash. The vesting schedule, which was changed in 2008 from 5-year vesting to 3-year vesting to better align with industry deferral practices, remains unchanged with 1/3 vesting each year on the 1st of January of each year.

Short-term cash bonus

The short-term cash bonus for all Managing Board members is normally awarded on the basis of a consistent balanced scorecard methodology, whereby corporate financial (50%), corporate non-financial (25%) and individual (25%) performance criteria are weighted. For 2008, the agreed corporate financial criteria were: net profit, efficiency ratio, comprehensive return on net asset value, and non-interest income ratio. Corporate non-financial targets included such criteria as liquidity management, risk management and credit ratings. Specific details of the financial criteria are not disclosed as these are considered to be commercially sensitive. Targets are revised annually to ensure that they remain stretching but realistic.

Given the specific role and responsibilities assigned to the CFO and the CRO, their bonuses are not dependent on the overall financial performance of NIBC. Instead, their bonuses are determined on the basis of corporate non-financial criteria (50%) and individual performance criteria (50%) such as the quality and process (improvements) of the company's external and internal financial reporting and internal controls and the management and mitigation of (operational) risk.

As mentioned before, 2008 was a challenging and extraordinary year for all involved. In the eyes of the RNC and the Supervisory Board, the Managing Board, under the new leadership of Mr. Drost, has taken swift and decisive action in critical areas as liquidity management, capital management, cost management and risk management. NIBC is now much better positioned than twelve months ago and this is, in large part, due to the leadership, efforts and capabilities of the Managing Board.

By requesting the Supervisory Board not to be considered for any variable compensation for 2008, the Managing Board demonstrated it is prepared to act responsibly towards NIBC's various stakeholders.

The RNC welcomed the initiative of the Managing Board and consequently recommended to the Supervisory Board that no variable compensation be awarded for 2008 for any of the Managing Board members. The Supervisory Board accepted the recommendations made by the RNC and decided accordingly.

Short-term deferred compensation

In light of the aforementioned, the RNC recommended and the Supervisory Board also resolved to not award any short-term deferred compensation to any of the members of the Managing Board.

Total direct compensation

The RNC refers to the tables in note 55 of the Financial Statements for details.

Other incentive compensation

During the first half of 2008 Mr. Drost and Mr. Sijbrand joined NIBC. At that time the RNC was completing its discussions with the Managing Board about the need for and the extent of a retention pool for selected senior executives. In an attempt to guarantee longer term stability and continuity in the leadership of NIBC, the RNC recommended and the Supervisory Board resolved to approve that such a retention pool, indeed, be created. In total 44 selected senior executives were awarded a combination of *Restricted Depositary Receipts (RDRs)* and Options. Additionally, and in keeping with NIBC's overall remuneration philosophy and practice, all other employees also received an allocation of options, the number of which varied dependent on their respective corporate title. Simultaneously, and related to their investment in NIBC *Common Depositary Receipts (CDRs)* with own funds, members of the Managing Board were offered long-term sign on and/or retention awards in a mix of RDRs and Options.

However, in the period after 31 December 2008 in view of the debate about executive compensation in financial institutions and in anticipation of a new 2009 Remuneration Policy, the Managing Board, Supervisory Board and Shareholders have jointly decided to fully rescind the aforementioned package at the original

conditions, i.e. both the long-term sign on and retention awards for members of the Managing Board and the investments made by them.

The Supervisory Board highly appreciated the gesture made by the members of the Managing Board.

Severance arrangements

As a result of the employment relationship ending between Messrs. Enthoven and Stegmann on the one hand and NIBC on the other hand, a number of contractual arrangements were triggered. In line with their employment contracts, both Mr. Enthoven and Mr. Stegmann were entitled to a severance payment in line with the *Dutch Corporate Governance Code* (the **Code**). In effect it meant that they both received no more than 12 months of base salary or, in the case of Mr. Enthoven an amount of EUR 700,000 and, in the case of Mr. Stegmann an amount of EUR 400,000. In addition to that, they received a payment in lieu of their contractual notice period which they did not serve in full. No other payments were made.

The Supervisory Board felt it was inappropriate for Messrs. Enthoven and Stegmann, as former Managing Board members, to remain invested in NIBC. With that in mind, the Supervisory Board decided to exercise its rights under the relevant conditions of administration by exercising its call right and subsequently call all outstanding depositary receipts held by Messrs. Enthoven and Stegmann in an open period at the fair market value, calculated in accordance with the conditions of administration. Following the exercise of this call right and the forfeiture of all options granted to them as a result of the ending of the employment relationship, Messrs. Enthoven and Stegmann have no further remaining investments in NIBC.

Pensions

Mr. Drost became a member of the NIBC pension plan with effect from 1 May 2008 on the same conditions as those that apply to the other employees of NIBC. This means that he is covered by a defined benefit arrangement up to a pensionable salary of EUR 55,000 and a defined contribution arrangement for any pensionable salary in excess of that. The RNC recommended and the Supervisory Board resolved to determine that the maximum pensionable salary be increased from EUR 400,000 to EUR 700,000 so that Mr. Drost, like all other employees of NIBC, is in a position to build up pension based on his full base salary. As is the case for all other employees, NIBC contributes a flat rate of 20% of his pensionable salary plus the franchise towards his pension to the Pension Fund. Mr. Sijbrand had joined the NIBC pension plan earlier with effect from 22 February 2008 on the same basis. In 2008, Messrs. Drost and Sijbrand contributed 2.5% of their pensionable salary plus franchise towards the cost of pension. For 2009, this will increase to 4.0%.

In 2008, Mr. Van Nieuwenhuizen and Mr. Van Dijkhuizen were entitled to a defined benefit pension arrangement up to a pensionable salary of EUR 81,085 (annually adjusted for general wage increases in line with the Collective Labour Agreement for Banks in the Netherlands) under NIBC's employee pension plan, and an additional defined contribution arrangement with a maximum pensionable salary of EUR 400,000. All premiums are paid for by NIBC at a flat rate of 20% of pensionable salary plus the franchise. The pensionable age for all Managing Board members is 65. As they were both participants in the pension plan prior to the most recent changes in the plan rules, neither Mr. Van Nieuwenhuizen or Mr. Van Dijkhuizen are required to make any personal contribution. Additionally,

Messrs. Van Nieuwenhuizen and Van Dijkhuizen receive a contribution of 2.9% of their pensionable salary as compensation for a reduction in pension benefits resulting from changed legislation and this compensation is in line with what other employees, who were members of the pension plan at the time of the introduction of the changed legislation, receive. This compensation is already included in the 20% flat rate contribution paid by NIBC.

Loans

As a policy, NIBC does not provide loans to its executives. As per 31 December 2008, there are no loans outstanding.

Contracts of employment

The contracts of employment of all Managing Board members are compliant with the recommendations contained in the Code.

They are all employed for an indefinite period of time until they reach normal retirement age but appointed for 4 years as statutory directors only and severance arrangements are limited to twelve months base salary.

Expense allowance

All Managing Board members are entitled to an expense allowance which covers specifically identified minor expenses.

Other emoluments

Like all employees, Managing Board members are entitled to a subsidy towards the cost of mortgage interest paid and they also receive the legally required contribution towards the cost of medical insurance. All members of the Managing Board are entitled to a company (lease) car or, at their choice, a cash car allowance. Mr. Drost is contractually entitled to the use of a chauffeur whilst the other members of the Managing Board can, from time-to-time, make use of a chauffeur for business reasons only. Additionally, they are all covered under the NIBC's All Employee Accident Insurance Scheme as well as under the NIBC's Long-Term Disability Insurance Scheme.

Remuneration of the Supervisory Board

The remuneration for the Supervisory Board has not changed in 2008 and, at present, consists of remuneration for the Chairman of the Supervisory Board of EUR 55,000, for the Vice-Chairman of EUR 45,000, and for the members of EUR 35,000, with expenses covered by a fixed expense allowance of EUR 5,000.

The Supervisory Board has four committees, each with a different fee structure for its members. The annual fee for the Audit and Compliance Committee amounts to EUR 15,000, for the Risk Policy Committee, including the Related Party Transaction Subcommittee to EUR 11,500, for the Remuneration and Nominating Committee to EUR 10,000, and for the Strategic Committee to EUR 11,500.

In accordance with the Code, NIBC does not award performance-related pay to members of its Supervisory Board. As a policy, NIBC does not provide stock options, shares or loans to members of the Supervisory Board. Consequently, there are no loans outstanding.

2009 Remuneration Policy of the Managing Board (and onwards)

Given the many changes and developments in the area of executive compensation such as in the updated Code and ongoing public and

political debates on the subject, the RNC has recommended to the Supervisory Board to postpone decisions on the 2009 Remuneration Policy. The Board recognises that the existing policy needs to be amended. The new requirements embedded in the Code call for extensive analyses of scenarios and in order to have a robust process more time is required. However, it is the intention of the RNC to present its findings and recommendations on the 2009 Remuneration Policy to the Supervisory Board before the end of June 2009. The Supervisory Board has accepted this postponement.

The Hague, 8 April 2009

Supervisory Board

Mr. J. H. M. Lindenberg, *Chairman*

Mr. C.H. van Dalen

Mr. W.M. van den Goorbergh

Mr. N.W. Hoek

Mr. A. de Jong

Mr. D. Rümker

Mr. R.S. Sinha

Mr. A.H.A. Veenhof

Members of the Supervisory Board

as per 31 December 2008

Mr. J.H.M. Lindenberg | Former Board Member of ING Groep N.V.
Background | Banking and finance
Nationality | Dutch

Chairman of the Supervisory Boards of N.V. Bank voor de Bouwnijverheid, Agendia B.V., Centraal Fonds Volkshuisvesting; member of the Supervisory Boards of DHV Holding B.V., Gamma Holding N.V., Ortec International B.V., the University of Amsterdam, Zeeman Groep B.V., and Doctors Pension Fund Services B.V.; member of the Boards of Stichting Bescherming TNT, Stichting Vopak, and Stichting Preferente Aandelen Wolters Kluwer.

Mr. J.C. Flowers¹ | Former partner at Goldman, Sachs & Co.
Background | Banking and finance
Nationality | American

Controls the general partner of each of J.C. Flowers I, II and III LP, Director of New NIB Ltd, which is the ultimate controlling entity of the consortium owning NIBC Holding and which is the sole Managing Director of Stichting Administratiekantoor NIBC Holding; controls and is the founder and a Managing Director of the investment advisory firm J.C. Flowers & Co., Director of Shinsei Bank Ltd, Enstar Group Ltd. and Kessler Group; member of the Supervisory Boards of HSH Nordbank AG and Hypo Real Estate Group.

Mr. C.H. van Dalen | Member of the Board of Management and CFO of TNT N.V.
Background | Finance and chemical industry
Nationality | Dutch

Member of the Supervisory Board of Macintosh Retail Group N.V.; treasurer of the NOC*NSF (Dutch Olympic Committee and Dutch Sports Federation), member of the Board of 'Nationaal Fonds 4 en 5 mei' and a member of the Boards of Advisors of Stichting AIESEC Nederland and NEVIR (Dutch association for Investor Relations).

Mr. W.M. van den Goorbergh | Former Vice-Chairman and CFO of the Executive Board of Rabobank Nederland and member and Chairman of the Dutch Bankers Association

Background | Banking and finance
Nationality | Dutch

Chairman of the Supervisory Boards of DELA Cooperation and De Welten Groep Holding B.V., member of the Supervisory Boards of N.V. Bank Nederlandse Gemeenten and OPG Groep N.V.; member of the Managing Boards of Stichting Administratiekantoor SBT and Stichting Administratiekantoor Heijmans; Chairman of the Boards of Vereniging Aegon and Stichting Administratiekantoor ANWB.

1. Resigned as per 19 February 2009.

Mr. N.W. Hoek | Chairman of the Executive Board of Delta Lloyd Groep
 Background | Insurance, finance and petrochemical industry
 Nationality | Dutch

Member of the Supervisory Board of Stadsherstel Amsterdam N.V.; member of the Board of Verbond van Verzekeraars; deputy chairman of the Board of Kifid; member of the Advisory Boards of Stichting Nederlands Philharmonisch Orkest and Zuiderzee museum.

Mr. A. de Jong | Former Managing Director at Credit Suisse First Boston Ltd. responsible for Investment Banking activities in the Benelux
 Background | Banking and finance
 Nationality | Dutch

Mr. D. Rümker | Former Executive Vice President of Westdeutsche Landesbank and former CEO and Chairman of the Managing Board of Landesbank Schleswig-Holstein
 Background | Banking and finance
 Nationality | German

Member of the Supervisory Boards of Damp Holding AG, Investitionsbank Berlin and Euro Group Consulting AG; Chairman of the Supervisory Board of Minimax & Co. GmbH.

Mr. R.S. Sinha | Managing Director at J.C. Flowers & Co., CEO and Director of J.C. Flowers & Co. UK Ltd.
 Background | Banking and finance
 Nationality | Indian

Director of New NIB Ltd., which is the sole Managing Director of Stichting Administratiekantoor NIBC Holding; member of the Supervisory Board of HSH Nordbank AG; non-executive director of Pension Investment Holding Corporation, Euromobiliare S.I.M. S.p.A. and SICOM Ltd.

Mr. A.H.A. Veenhof | CEO of Koninklijke Wessanen N.V.
 Background | Consumer products and technology
 Nationality | Dutch

Member of the board of InnovatieNetwerk Grensverleggend in Agro en Groen (InnovationNetwork Reinventing Agribusiness and Rural Areas); member of the Supervisory Boards of the University of Maastricht and Mautner Markhof Handels- und Beteiligungs AG.



3

Enterprising clients need enterprising products and services. We shape innovative solutions for corporate clients, financial institutions, institutional investors, financial sponsors, and high net worth entrepreneurs/owners. We're not afraid to challenge our clients' thinking: often we surprise them with an inventive product combination that they - and our rivals - hadn't thought of.

innovative
products and
services



entrepreneurial employees

4

Our employees go the extra mile. Energetic, entrepreneurial and proactive, they are dedicated to working closely with clients to deliver outstanding service. The emphasis is on action. And on a can-do culture that ensures the best results for the client and sustainable business growth for NIBC.



Report of the Managing Board

The financial crisis that intensified in 2008 left few in the market unscathed. What began the year as an interbank crisis spread into the real economy, with slowdown and recessionary conditions taking an ever-wider toll.

Our fourth-quarter 2008, results were impacted by negative fair value adjustments and impairments on equity and mezzanine investments. For the year 2008, we realised a net profit of EUR 92 million and further strengthened our capital and liquidity positions. By addressing the situation at an early stage, we minimised the impact on our financial performance and by the autumn were in relatively stable shape.

After being one of the first banks in 2007 to recognise the extent of US losses and to take action by reducing our US portfolio exposure in NIBC Holding by 90%, from EUR 2.5 billion at 31 March 2007 to EUR 0.7 billion at year-end 2007 and only EUR 0.2 billion at year-end 2008, NIBC continued to be an early mover in 2008 with a focus on de-risking the balance sheet, capital-raising and liquidity.

In January 2008, Chairman and CEO Michael Enthoven and Vice-Chairman and CRO Jurgen Stegmann stepped down in light of the 2007 financial performance of NIBC. In their place, the Managing Board welcomed Jeroen Drost as Chairman and CEO and Jan Sijbrand as CRO.

NIBC Holding was swift to raise EUR 400 million new cash equity from its shareholders in the first quarter of 2008, a key step in supporting its Tier-1 ratio to the robust 16.7% at which it ended the

year. We moved fast to de-risk our balance sheet, substantially reducing our risk profile to create a sound and sustainable portfolio.

As the environment deteriorated even further for banks, we took decisive steps to diversify our funding - a key objective of our strategy - and ensure stable, transparent and tightly-controlled liquidity. In 2008, we launched a covered bond programme, under which EUR 0.7 billion was issued and also successfully issued a three-year EUR 1.4 billion bond under the Dutch State's Credit Guarantee Scheme.

In addition, NIBC Direct, NIBC's online retail savings programme, was successfully launched in September 2008 and reached EUR 1 billion by year-end 2008. In February 2009, NIBC Direct was also launched in Germany.

We were one of the first to right-size our bank, which gave us the flexibility to cut costs in response to declining income. We reduced our costs by 14% in 2008. This process was realised in close cooperation with our Employees' Council.

We sharpened our strategy and streamlined our organisation in order to focus on our strengths. The shift to a structure based around the two pillars of Merchant Banking and Specialised Finance boosted our teamwork, accountability and action, making us more effective in addressing the needs of our clients.

In the turbulent Benelux banking environment, there is clearly room for a bank that caters to the mid-sized clients on which NIBC focuses. Testimony to that is the string of important client

transactions we arranged in 2008 on the advising side as well as in financing and co-investing with clients. Those deals, and the financial results we achieved in 2008, underline our strategy to focus on what we do best for our clients.

However, the market deterioration took an undeniably heavy toll on all financial services companies. NIBC too saw its credit ratings downgraded during the year as the operating environment worsened.

As we enter 2009, it is clear that the overarching risk to NIBC is the business environment.

The most severe economic crisis in many years is swiftly enveloping all industries and businesses and this is not yet over. Business is subdued and companies are postponing their plans if at all possible. It is impossible to predict exactly when the worst will be behind us.

Targets and performance in 2008

- **Portfolio de-risking:** we actively further de-risked our investment portfolios in line with our sharpened strategy. This was primarily achieved by reducing positions in the financial markets area. The further de-risking of our balance sheet resulted in total assets of EUR 28.9 billion at year-end 2008, compared to EUR 31.8 billion at year-end 2007 (coming from a high of EUR 35.4 billion at 31 March 2007).
- **Strong capitalisation:** we successfully maintained a strong Tier-1 ratio above 10%, ending the year with our Tier-1 ratio at 16.6% (31 December 2007: 12.0%). This, along with our core Tier-1 ratio of 13.5% and BIS ratio of 18.9% is testimony to our healthy capital position.
- **Income diversification:** client activity-related income - interest, fee, dividend income and gains less losses from financial assets - accounted for EUR 244 million of our Operating income in 2008. This is in line with our aim of focusing on these robust sources, which include all our income sources excluding trading, and ensuring they form a high proportion of our income.
- **Risk assessment:** we have extensively analysed and stress-tested our debt investment exposures and made sure the evaluation was fully based on our core credit skills instead of third party ratings.
- **Cost control and right-sizing:** in the context of our sharpened strategy and enhanced focus, and to keep pace with the changed market circumstances, we further improved the efficiency of our organisation and cut costs by 14% in response to declining income.
- **Expansion in Germany:** we expanded our presence and entrenched our position in Germany, an important growth country for NIBC.
- **Growth of equity/mezzanine activities for NIBC and third-party investors:** Principal Investments and Investment Management continued to be strategic growth areas and were folded into a single operation that invests in equity/mezzanine on behalf of NIBC and also offers our expertise to third-party investors. Several new investments were made in 2008, new funds were set up and new investors came on board.

Business model

NIBC is streamlined around two strategic pillars - Merchant Banking and Specialised Finance - that work closely together. Indispensable to those pillars and to our entire business are Treasury, Risk Management and Corporate Center.



Merchant Banking enables mid-cap companies, financial institutions and high net worth entrepreneurs/owners to grow their business. We give them access to our investment banking products, like advisory, specialised lending and equity/mezzanine. Our franchise is built on offering integrated solutions to our clients.

Within NIBC, we have virtual sector teams in which experts from the bank share ideas and market knowledge on specific sectors for the benefit of our clients. Sector Practices are active in the following fields where we have expert knowledge:

- Industrials;
- Food, Agri & Retail;
- Services;
- Financial Institutions;
- Real Estate;
- Renewable Energy;
- Healthcare/Biotech; and
- Chemicals.

Specialised Finance combines NIBC's expertise and long experience in specific asset classes with its balance sheet and capital markets access to provide debt products to its clients. It is home to origination teams in six different asset classes (corporate lending, leveraged finance, shipping, oil & gas services, infrastructure and renewables, and real estate), structuring and distribution teams and portfolio management. Our retail activities in residential mortgages and savings are also part of this pillar.

Treasury works with both the Merchant Banking and Specialised Finance teams to find the optimal way of funding the bank's assets and to manage its interest rate position. In addition, Treasury works with the bank's clients to find tailored solutions to manage their interest rate exposures.

Risk Management is at the heart of our operations. We have sophisticated and integrated risk management systems to measure and manage financial risk on a bank-wide basis.

Corporate Center provides essential support in areas such as Finance & Tax, Legal & Compliance, Internal Audit, Technology & Operations, Human Resources and Corporate Communications.

Corporate strategy

We are a leading merchant bank in the Benelux and Germany for our target mid-cap clients, and a meaningful player in a select number of clearly defined asset-based financing classes.

Integrated, flexible and fast on our feet, we shape innovative solutions for corporate clients, financial institutions, institutional investors and financial sponsors. We react swiftly to the demands of clients and markets, and constantly seek to develop products and services that are tailored to meet our clients' evolving needs.

Our strategy is based on asset classes and geographies we know well, building on our core skill of credit risk assessment. We play to our strengths and work together for the benefit of all NIBC's stakeholders to build a sustainable franchise for the long-term. Our strengths lie in our credit skills, especially in asset finance, our strong mid-market franchise, our investment management capabilities, and our high quality people and their entrepreneurial spirit.

NIBC's clients are mostly companies with an enterprise value of EUR 50-500 million. They are often run by their founder or major shareholder, or have just moved beyond that phase. Their credit needs often require tailor-made products and services, which bigger banks cannot deliver in a cost-efficient way.

Our clients almost always have a strategy of both organic and acquisition-driven growth, so they also need our M&A advisory services. Acquisitions and sales of companies can require investment banking products such as specialised lending or equity/mezzanine finance, which are among NIBC's specialisations.

The size of the companies that bank with NIBC, and the management style of their leaders, requires us to react fast and flexibly to their changing needs and wishes. With our tightly-knit team and very short internal communication lines, clients can gain direct access to NIBC senior management. For our target clients, this gives us a clear advantage over larger banks.

Risk overview

Risk Management ensures we manage risks prudently and have a diversified risk portfolio. With an in-depth understanding of the business and its clients, Risk Management's role is to prevent surprises by accurately assessing and controlling NIBC's risk profile. It is well integrated into the business so that it fully comprehends the bank's positions and products, and has a good dialogue with the front office.

The global credit crisis focused Risk Management on three priorities in 2008: tightly controlled liquidity management, controlling structured credit portfolios and keeping a close watch on the loan portfolio.

The bank has a very tightly controlled liquidity plan in place which makes sure that funding from bonds issued in the past and coming due for redemption is gradually replaced by new funding sources. These funding sources include retail savings, government guaranteed bond issues and various forms of collateralised funding.

The structured credit portfolio of the bank has been significantly reduced and is the subject of very detailed risk management with a focus on stress testing.

The greatest risk NIBC faces in 2009 is the weak business environment. Companies are postponing their investment plans wherever possible. All industries and businesses have been and continue

to be affected. However, we are convinced that we are well placed to continue to deliver value added support to our key mid-sized clients.

Business performance Merchant Banking

Strategy and focus

Through the Merchant Banking business NIBC advises, finances, and co-invests with its mid-cap clients in the Benelux and Germany.

The following services are provided by Merchant Banking:

- Coverage bankers maintain long-term relationships and provide strategic advice to NIBC's mid-cap clients in the Benelux and Germany. Together with product specialists operating in multidisciplinary teams, client teams deliver a wide range of customised products and solutions, including M&A advisory, financing, derivative products, mezzanine and equity investments;
- M&A provides advisory services in close cooperation with the coverage bankers. It executes M&A-related transactions, including mergers, acquisitions, disposals and buyouts; and
- Investment Management creates and manages funds that are open to third-party investors. Funds have been developed in the fields of private equity and mezzanine (in companies), infrastructure and real estate. Investment Management also manages and services the bank's direct investments and investments in third-party funds.

Behind the 2008 numbers

In line with the difficult market circumstances, the Merchant Banking activities were under pressure in 2008. The turmoil in the financial markets negatively affected fair value adjustments on our equity investments. As a result of the

deteriorating economic environment, fee income slowed down in the second half of 2008.

The decline in net interest income mainly reflects the smaller corporate loan portfolio. All in all, this resulted in Operating income of EUR 32 million, 87% lower than in 2007. Operating expenses were 23% lower, mainly as a result of a decrease in variable compensation and the number of staff. Impairments were made on the corporate loan portfolio, on equity and mezzanine investments and other interest bearing assets. Together these factors led to a loss of EUR 55 million for 2008.

Transaction highlights

NIBC arranged important client transactions in its home markets last year, despite the challenging market circumstances. Examples include:

- NIBC acted as advisor to the family shareholders in the sale of Grolsch to SABMiller;
- NIBC Merchant Banking Fund closed several transactions. In Germany the fund acquired Gebr. Reinfurt GmbH Co. KG, a specialist manufacturer of miniature, high-precision ball bearings. In the Netherlands the fund invested in the management buy-out of Euretco, a retail service provider, and acquired a majority stake in the Dutch sheet pile specialist Busker Hei-en Waterwerken;
- *NIBC European Infrastructure Fund* (the **Fund**) acquired a 49% stake in the SAV group, its first investment in waste incineration assets. In addition, the Fund took a minority stake in Electrawinds Biostoom NV, owner of the bio steam power plant that is currently being built in Ostende; and

- NIBC and Commonwealth Investments set up the EUR 64 million European CMBS Opportunity Fund, a fund that aims to capture some of the opportunities that have arisen in the current credit environment.

Outlook

Merchant Banking activities look set to remain under pressure. Recessionary conditions will reduce demand for credit, and there will be fewer M&A volumes and private equity exits. However, NIBC will continue to seek out meaningful transactions in which it can advise, finance and co-invest with its clients.

Business performance Specialised Finance

Strategy and focus

Specialised Finance provides asset and project financing in a select number of clearly-defined asset classes, in which NIBC has a long-standing track record as long-term lender.

Specialised Finance groups together services in the following areas:

- Origination structures, arranges and underwrites debt financing for its clients and is organised around six asset classes: Corporate Lending, Leveraged Finance, Shipping, Oil & Gas Services, Infrastructure & Renewables and Real Estate;
- Structuring is the liaison between the origination and distribution teams and is responsible for structuring highly sophisticated transactions for clients as well as fund and tax structuring;
- The distribution team is the integrated distribution platform of NIBC and matches investor appetite with NIBC's origination network and structuring capabilities;
- Portfolio management works closely together with NIBC's coverage bankers and origination teams to monitor borrower performance. The team proactively monitors credit quality and covenant compliance of borrowers and reviews the status of assets provided as collateral; and

- Retail markets activities include residential mortgage origination in the Netherlands and Germany on the basis of white labelling through a number of distribution partners. Another important retail activity is NIBC Direct, NIBC's online retail savings programme, which started in September 2008 in the Netherlands and in February 2009 in Germany.

Behind the 2008 numbers

Specialised Finance's Operating income increased by 31% to EUR 305 million. Net interest income and dividend came at a slightly lower level than in 2007, mainly due to the decrease in the average corporate loan and structured investments portfolios. The lower fee income fully reflects the low level of origination as a result of the challenging business climate and the decreased portfolio. Net trading income was positively affected by repurchases of liabilities. Operating expenses fell by 8% because staff numbers decreased and variable compensation was lower. Impairments were made on the corporate loan portfolio. All in all, this resulted in a 45% increase in profit after tax to EUR 148 million.

Transaction highlights 2008

NIBC arranged important client transactions in its target segments last year, despite the challenging market circumstances. Examples include:

- NIBC acted as mandated co-lead arranger in the buyout of See Tickets International, the ticketing service of Joop van den Ende's Stage Entertainment;
- Bookrunners and Mandated Lead Arrangers NIBC and Scotia Capital successfully closed syndication of the USD 225 million Term Loan for GE SeaCo SRL. The facility raised an oversubscription in general syndication and was increased to USD 250 million;

- NIBC acted as co-lead arranger and co-underwriter of the USD 750 million facility for Berlian Laju Tanker Tbk, the largest shipping company in Indonesia; and
- NIBC participated in a EUR 300 million club deal for Imtech N.V. and herewith supported the company in acquiring its Scandinavian competitor NVS.

Outlook

Specialised Finance, with its healthy mix of geographical and industry sector exposure, has the liquidity to grow its corporate loan book in 2009. After a successful start of NIBC Direct in the Netherlands in 2008 and its expansion into Germany early 2009, retail savers will continue to be an important client group for NIBC.

Targets 2009 and outlook

The metamorphosis of the financial markets crisis into a global economic crisis means the business environment will remain challenging in 2009. Banks will feel the pinch as corporate clients struggle and the quality of ordinary loans deteriorates.

Government action to boost banks' liquidity has been beneficial, but capital markets remain dislocated, with interbank lending still hesitant.

The corporate market is subdued as companies postpone their borrowing needs if at all possible. With our strong capital buffers and a firm grip on liquidity, however, we are very much open for business and keen to participate in carefully-chosen transactions in 2009 and beyond.

Targets

- We aim to grow our corporate loan book, focusing our tightly-controlled liquidity on the mid-cap companies that are our core client group;

- We will maintain our policy of funding diversification and our sound liquidity position;
- We aim to keep our Tier-1 ratio clearly above 10%, as we have done in recent years;
- We aim to lower costs further after a 14% reduction in 2008;
- We will maintain tight credit risk control, keeping a close watch over credit portfolios;
- We aim to serve our clients even better with financing, advice and support and to achieve the best possible business performance given the difficult conditions; and
- We will expand our activities in Germany and aim to build it into a home market.

Our modest size and integrated organisation give us the agility to act and react fast to evolving client needs and changing market circumstances. We are not immune from the persistently challenging environment, yet we are in robust shape.

International offices

In addition to our headquarters in The Hague, NIBC has offices in Brussels, Frankfurt, London and Singapore. Our office in New York is a subsidiary of NIBC Holding. These international offices are key links in our business chain. They draw on the expertise available throughout the organisation and apply it to the local markets of which they have first-hand knowledge. At the end of 2008, NIBC Holding had 640 *full-time equivalents (FTEs)* (NIBC: 625 FTEs), of which 122 at its international offices.

Brussels

NIBC has been active in Belgium, part of our home market, since 1998. NIBC Belgium has a strong track record in leveraged finance, real estate financing, structured finance and as M&A advisor.

Frankfurt

NIBC opened an office in Frankfurt in 2005, gaining a foothold in Europe's largest economy. Our German operations focus in particular on debt, equity and advisory solutions for mid-cap clients and on leveraged finance, real estate and infrastructure/renewable energy - all sectors in which NIBC excels.

London

NIBC has maintained a presence in London, Europe's financial capital, since 1995. The London office has a strong track record in infrastructure-related financing and equity investments, leveraged loan financing and credit management for our leveraged loan CLO programme. Associated activities include loan syndications, secondary loan trading and structuring of securitisations and funds, which also operate on a pan-European basis.

Singapore

NIBC Singapore was set up in 1996. The Singapore office is a base from which we have built a position in the global transport (shipping and logistics), energy and offshore oil and gas finance markets. A large share of NIBC's overall exposure in the transportation, logistics and offshore oil and gas sectors originates from Asia.

New York

NIBC Holding has had an office in the US since 2002 and moved to New York in 2006. The New York office conducts structured credit asset management activities in the US residential and commercial mortgage sector.

The Hague, 8 April 2009

Managing Board

Jeroen Drost, *Chairman, Chief Executive Officer*
 Jan van Nieuwenhuizen, *Vice-Chairman*
 Kees van Dijkhuizen, *Chief Financial Officer*
 Jan Sijbrand, *Chief Risk Officer*



client expertise

5

Merchant Banking is one of our two strategic pillars. Its expertise is in helping its core client mid-cap companies grow, using our established 'triple play' model of advising, financing and co-investing. Our coverage bankers maintain long-term relationships with clients and use their knowledge and expertise to identify opportunities across all business units.

An aerial photograph showing a complex multi-level highway interchange with several overpasses and ramps. Below the highway, a large body of water is visible, likely a port or harbor, with several large cargo ships docked at a pier. The image is in black and white, with a blue semi-transparent overlay on the right side containing text and a large number '6'.

6

Specialised Finance, our second strategic pillar, is active in a select group of asset classes where its expertise gives it a competitive advantage. Those segments include corporate lending, leveraged finance, oil & gas services, infrastructure & renewable financing, real estate and shipping.

asset
expertise



Financial Results

Highlights

- Net profit attributable to parent shareholders at EUR 92 million for NIBC (2007: EUR 98 million);
- Profit after tax from continuing operations amounted to EUR 93 million (2007: EUR 242 million);
- The difficult market circumstances are also reflected in the decrease of Operating income from EUR 474 million to EUR 337 million;
- Operating expenses decreased by 14% from EUR 211 million to EUR 181 million;
- The Balance Sheet decreased by 9% to EUR 28.9 billion, mainly driven by a further de-risking of non-client related portfolios in the financial markets area;
- The Tier-1 ratio remains at a strong level of 16.6% (2007: 12.0%).

In 2008, Net profit attributable to parent shareholders decreased by 6% to EUR 92 million. In 2007, the Net profit included losses on discontinued operations.

The Profit after tax from continuing operations amounted to EUR 93 million, which is 61% below the comparable figure of 2007. This decrease is mainly due to negative fair value adjustments and impairments on equity and mezzanine investments, partly compensated by positive Net trading income.

Income Statement

IN EUR MILLIONS	2008			2007
	Financial Statements (IFRS)	Consolidation effect	Excluding consolidation effect	Income Statement 2007
Net interest income	207	(6)	213	238
Net fee and commission income	43	0	43	62
Dividend income	50	0	50	84
Net trading income	81	(2)	84	(24)
Gains less losses from financial assets	(57)	4	(62)	107
Share in result of associates	7	(1)	8	1
Other operating income	40	39	2	6
OPERATING INCOME	371	34	337	474
Personnel expenses	125	18	108	135
Other operating expenses	73	7	66	59
Depreciation and amortisation	17	10	8	17
OPERATING EXPENSES	215	34	181	211
Impairment of corporate loans	42	-	42	2
Impairment of other interest bearing assets	20	1	20	(1)
TOTAL EXPENSES	277	35	242	212
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	94	(0)	94	262
Tax	(1)	(0)	(1)	(20)
PROFIT AFTER TAX FROM CONTINUING OPERATIONS	93	0	93	242
Result from discontinued operations	-	-	-	(141)
NET PROFIT	93	0	93	101
Result attributable to minority interest	(1)	(0)	(1)	3
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDERS	92	0	92	98

Small differences are possible in the table due to rounding.

The items displayed under 'consolidation effect' in the table refer to controlled non-financial companies (see note 1 to the Consolidated Financial Statements for more information).

On 1 July 2008, NIBC reclassified certain financial assets, for which no active market existed and which management intends to hold for the foreseeable future. For further details, please refer to the Financial Statements.

Operating income

The difficult market circumstances in 2008 affected the development of Operating income, which decreased from EUR 474 million to EUR 337 million.

In 2008, Net interest income decreased by 11% to EUR 213 million (2007: EUR 238 million), mainly reflecting a lower average corporate loan portfolio during 2008 as a result of the lower business volume in the current market. The residential mortgage portfolio remained stable during 2008.

Net fee and commission income decreased in 2008 by 31%, from EUR 62 million to EUR 43 million. This mainly results from the low level of lending origination in 2008. Fee income from M&A activities saw a slowdown in the second half of the year as a result of the deteriorating economic environment.

Dividend income decreased by 40% from EUR 84 million to EUR 50 million, mainly reflecting lower dividends from equity

investments and - to a lesser extent - a decrease of the average structured investments portfolio in 2008.

Net trading income increased from a loss of EUR 24 million in 2007 to a gain of EUR 84 million in 2008. In 2008, Net trading income was positively affected by repurchases and revaluations of liabilities.

Gains less losses from financial assets decreased from a gain of EUR 107 million in 2007 to a loss of EUR 62 million in 2008. The loss in 2008 is mainly due to negative fair value adjustments and impairments on a number of equity investments caused by the turmoil in the financial markets. Furthermore, in both 2008 and 2007 gains were realised on a number of exits.

The Share in result of associates increased in 2008 from EUR 1 million to EUR 8 million, which is mainly explained by revaluation of associates related to our real estate and shipping business.

Operating expenses

Operating expenses decreased in 2008 by 14% from EUR 211 million to EUR 181 million.

Personnel expenses decreased in 2008 by 20% from EUR 135 million to EUR 108 million. The decrease is mainly a result of lower variable compensation together with a decrease of the average number of FTEs by 6% in 2008.

Other operating expenses increased by 12% from EUR 59 million to EUR 66 million. The increase mainly relates to the online retail savings programme NIBC Direct, which was implemented in 2008.

Depreciation and amortisation in 2008 decreased from EUR 17 million to EUR 8 million, which is explained by a one-off accelerated depreciation of certain projects in 2007.

Impairments of interest bearing assets

Impairment of corporate loans and Impairment of other interest bearing assets are comprised of

impairments on loans, debt investments and mezzanine financing, not designated as Held

for Trading or Fair Value through Profit or Loss. In 2008, a net impairment loss was recorded of EUR 62 million (of which EUR 42 million on corporate loans and EUR 20 million on other

interest bearing assets), compared to a net loss of EUR 1 million in 2007. This development follows from current market circumstances.

Tax

Tax expense decreased in 2008 from EUR 20 million to EUR 1 million, which is mainly explained by the lower profit before tax, partially off-set by a decrease of income

components not subject to tax, such as income from equity investments qualifying for the participation exemption.

Assets

NIBC's Total assets at year-end 2008 amounted to EUR 28.9 billion (2007: EUR 31.8 billion).

Loans (whether measured at Amortised Cost, Available for Sale or Fair Value through Profit or Loss) decreased by 11% from EUR 9 billion at year-end 2007 to EUR 8 billion mid 2008, after which the portfolio remained relatively stable until year-end 2008. The residential mortgage portfolios (both own book and securitised) remained stable in 2008 at approximately EUR 11.5 billion.

After decreasing its debt investments portfolio from EUR 7.2 billion at the end of 2006 to EUR 2.6 billion at the end of 2007, NIBC further decreased this portfolio to EUR 1.5 billion at the end of 2008.

Since we hedge our interest rate exposures with derivatives (that appear on both sides of the balance sheet) and due to decreased interest rates, the total size of our Balance Sheet has increased in the last few months of the year.

Equity

Total Shareholders' equity increased from EUR 1,558 million at the end of 2007 to EUR 1,638 million at the end of 2008. The increase of EUR 80 million mainly stems from the Net profit attributable to parent shareholders of EUR 92 million. Furthermore, the hedging reserve increased by EUR 40 million, mainly due to decreased interest rates, which was more than offset by a decrease of all revaluation reserves by EUR 62 million. Other movements in Shareholders' equity amounted to EUR 10 million.

No dividends were paid to the parent shareholder in 2008.

The Tier-1 ratio further strengthened in 2008 to 16.6%, from an already strong level of 12.0% at year-end 2007. This is well above the industry standard and illustrates the strength of the bank's capital structure. The core Tier-1 ratio came at 13.5% at year-end 2008 (2007: 9.7%) and the BIS ratio also remained at a strong level of 18.9% (2007: 13.8%).



Corporate Governance and Compliance

Promoting responsibility is at the heart of the changes we made to corporate governance in 2008. The corporate governance structure is aligned with the new business model that was implemented in the summer.

NIBC operates a two-tier board system consisting of a Managing Board and a Supervisory Board to ensure that proper checks and balances exist within the company. The Managing Board is responsible for the day-to-day management of the business and its long-term strategy. The Supervisory Board is responsible for supervising management performance and advising the Managing Board.

NIBC's governance model is based on close and constructive collaboration between the Supervisory Board and supporting committees, the Managing Board and its committees, the divisional Management Teams and NIBC Holding's shareholders.

This collaboration is exemplified in NIBC's coherent and transparent governance framework of charters, with clear guidelines for the assignment of duties and responsibilities, financial reporting, risk management, compliance, corporate governance, corporate social responsibility and remuneration policies. For more information about our framework of charters, please visit www.nibc.com.

The Supervisory Board is supported by four committees consisting of Supervisory Board members:

- The Risk Policy Committee, with a sub-committee for related party transactions;
- The Audit and Compliance Committee;
- The Remuneration and Nominating Committee; and
- The Strategic Committee.

For more information about the meetings of the committees of the Supervisory Board, please refer to the Report of the Supervisory Board.

The Managing Board delegates operational decisions to the divisional Management Teams and a number of functional committees.

Each of the five divisions (Merchant Banking, Specialised Finance, Treasury, Risk Management and Corporate Center) is being headed by one of the Managing Board members. This ensures direct communication between the Managing Board and the Management Teams of the divisions and swift decision-making. In this way, accountability and responsibility are deeply embedded in the organisation and line managers are responsible for making decisions within their sphere.

In 2008, the committee structure was simplified and streamlined, making it clearer where accountability lies and enhancing the bank's ability to make decisions and take swift action.

In essence, the previous delegation model was replaced by a more centralised structure, where the four Managing Board members are directly accountable for all important decisions and are responsible for strategy and overall governance at the highest level. The Management Committee became redundant as a result and was abolished. All functional committees meet on a regular basis. They are divided into the following main areas:

Governance and internal control

All governance and internal control matters are dealt with directly by the Managing Board. The Managing Board ensures that the company maintains the highest standard of corporate governance practices and is responsible for monitoring all areas of management performance. Corporate social responsibility, disclosure issues

and operational risk matters are also handled by the Managing Board.

Risk

The risk committees are responsible for decision-making in risk management matters. They ensure that assessment and acceptance of credit, market, investment and liquidity risk exposure are made independently of the business originators.

The four risk committees are the Risk Management Committee, the Asset & Liability Committee, the Transaction Committee and the Investment Committee.

Clients

The Engagement and Compliance Committee is responsible for preventing potential commercial conflicts of interest and for compliance issues in evaluating assignments for our clients.

Best practice

NIBC supports and applies the principles of the the Code and will continue to apply the Code. As per 31 December 2008, NIBC only partly complies with or deviates from best practices and principles as laid out in the Code in the following areas:

- Best practice provisions II.2.1 through II.2.3, which relate to depositary receipts and options granted to members of the Managing Board. In deviation from best practice provisions II.2.1 and II.2.2, the existing option plan described in note 55 provided for the granting of options, in which neither the granting nor the exercising of the options was conditional upon realising certain performance criteria. In deviation from best practice provision II.2.3, depositary receipts were awarded in the past which may be disposed of by the members of the Managing Board within five years from the granting thereof;
- Best practice provision III.2.1, which provides that the members of a Supervisory Board should be independent, except for one member. At 31 December 2008, NIBC had a Supervisory Board consisting of nine members, of which two (Mr. J.C. Flowers and Mr. R.S. Sinha) do not meet the independence criteria specified in the Code. Although three other members of the Supervisory Board have relationships with investors in the Consortium (Mr. N.W. Hoek, Mr. A. de Jong and Mr. D. Rümker), these three members, as well as the Chairman of the Supervisory Board (Mr. J.H.M.

Lindenberg) and three members nominated by the Employees' Council (Mr. W.M. van den Goorbergh, Mr. C.H. van Dalen and Mr. A.H. Veenhof) meet the independence criteria mentioned in the Code. The supervisory board rules adopted by the Supervisory Board provide that certain important decisions made by the Supervisory Board require a simple majority including the supporting vote of at least one of the members of the Supervisory Board who is not nominated by the General Meeting (i.e. Mr. W.M. van den Goorbergh, Mr. C.H. van Dalen and Mr. A.H. Veenhof). If such a resolution does not have the supporting vote of such a member of the Supervisory Board, a new Supervisory Board meeting will be convened with at least 90 days' notice, in which second meeting the Supervisory Board meeting will resolve on the relevant matter by a simple majority. In this connection, the authority to approve a material transaction with an affiliated party was delegated on 12 December 2006 to a subcommittee of the Risk Policy Committee of the Supervisory Board consisting of Messrs. Van den Goorbergh and Lindenberg;

- Principle III.5 and related best practice provisions III.5.10 through III.5.13, which provide that a supervisory board of more than four members should establish a separate audit committee, a remuneration committee and a selection and nominating committee. NIBC has combined the remuneration committee and the selection and nominating committee in a combined Remuneration & Nominating Committee, which performs the tasks attributed by the Code to the remuneration committee, as well as the selection and nominating committee;

- Best practice provisions IV.4.1 through IV.4.3, which relate to the annual publication by NIBC on its website of information relating to NIBC's voting policies as shareholder of listed companies, and the execution thereof. It is not NIBC's policy to acquire shares in listed companies. Such acquisitions may occur occasionally as a side effect of transactions. NIBC does not want to emphasise its limited ownership of shares in listed companies and has therefore not formulated a voting policy in respect of such shares;
- NIBC applies best practice provision II.2.10, which provides that the remuneration report of a supervisory board should contain an overview of the remuneration policy including a description of performance criteria, insofar as the description of the performance criteria does not reflect commercially-sensitive information;
- NIBC considers itself to be in compliance with best practice provision III.7.2, which provides that any investment by a supervisory board member in shares of the company on whose supervisory board he serves is a long-term investment, as it believes that ordinary shares in its capital held, directly or indirectly, by Supervisory Board members are held by such members only by way of long-term investment.

Compliance

The Compliance department ensures that new laws and regulations are implemented within NIBC at all levels. Staff are made aware of any legislative changes, and Compliance ensures that steps are taken to act in accordance with them.

The Compliance function aims to help ensure that NIBC and its employees adhere to external legislation and internal procedures that are intended to promote sound behaviour and ethical standards.

Sound behaviour and ethical standards can only be achieved if staff members are sufficiently informed and aware of compliance issues. To this end, the Compliance function within NIBC

establishes clear procedures and creates awareness through training and compliance consultancy.

The most important development of 2008 was the implementation of the third EU anti-money laundering directive, known as the Act for the Prevention of Money Laundering and the Financing of Terrorism. Known in Dutch as the *Wet ter voorkoming van witwassen en financieren van terrorisme (WWFT)*, this legislation came into force in the Netherlands on 1 August 2008. In response to the WWFT, NIBC amended its customer due diligence procedure and introduced an enhanced automated monitoring system of NIBC clients and their possible ultimate beneficial owners.



Our People and Our Values

People are key to NIBC's ambitions for growth: we seek to align our people to our growth ambitions, assigning staff where most appropriate and providing training where necessary. The bank also strives for the most efficient organisational set-up, rationalising systems, making procurement more efficient and integrating staff departments. Human Resources is at the heart of this.

NIBC decided in the summer to streamline the bank around two strategic pillars - Merchant Banking and Specialised Finance - in order to

build a sustainable franchise for the long-term. This sharpened focus included stopping non-core activities.

Human Resources drew upon its full range of tools and expertise to provide the best possible support to all during this process. Mirroring the shift to the two-pillar business strategy, Human Resources streamlined from a structure built around six Strategic Business Units into a structure with five main divisions: Merchant Banking, Specialised Finance, Treasury, Risk Management and Corporate Center.

Main areas of focus in 2008

Performance management and reward

After fully implementing NIBC's performance management process in 2007, Human Resources built on that in 2008. The performance management system is designed to ensure that employees are evaluated effectively against *NIBC's business principles (NIBC7)* and personal targets. In 2008, great strides were made in achieving performance differentiation, in order to better reflect performance by the business and individuals. Procedures for completion rates were improved and deadlines for this were set and achieved. In order to align with industry practice, a number of specific reward programmes for the investment management business were introduced.

Talent development and succession management

Throughout the changes, Human Resources focused on ensuring that the new organisation was properly staffed with individuals fully equipped for and aware of their responsibilities. Human Resources uses 'Development Centres' to help NIBC professionals understand their strengths and development needs. In addition, a team coaching programme called 'Insights' was introduced to ensure that managers develop and apply leadership skills and can build effective teams.

Recruitment and selection

Although the number of employees decreased from 703 to 625, in order to better reflect the new organisational structure and market conditions, quite a number of new employees came on board in 2008. A group of 20 new analysts successfully

completed the NIBC Analyst Program. The programme, run in cooperation with the Amsterdam Institute of Finance, focuses on banking and personal skills. As a living example

of how people should work together, the class of 2008 included helping underprivileged youngsters set up a coffee bar in the Philippines under the 'Child at Venture' flag.

Our business principles

Teamwork, accountability and action are the hallmarks of NIBC's culture. We work together across disciplines and with our clients and partners. We are accountable in the broadest sense - from taking individual responsibility to demonstrating Corporate Social Responsibility as a company. And our strength depends on engaged, results-driven people who are entrepreneurial in a disciplined way. Our business principles also enshrine how we work:

1 We think clients

We forge strong, long-term relationships with our clients, anticipate their needs and are likely to exceed their expectations. We recognise that the needs of each client are unique and aim to create lasting value in each situation.

2 We live excellence

We go to great lengths to demonstrate excellence in everything we do. That means having and developing excellent personal and professional skills and deploying them with efficiency, discipline and flair.

3 We shape solutions

We are alert to market and client needs and quick to spot and act on new opportunities. We pride ourselves on having unique people with original ideas and problem-solving skills who deliver the right solutions.

4 We work together

We work together, sharing knowledge and supporting each other. Our business model is dependent on cooperation across all departments and geographies, giving us a uniquely close approach to teamwork that benefits from the diverse perspectives of our people.

5 We drive results

We focus on results. Stretching ourselves to go the extra mile is second nature to us. We constantly improve our efficiency and effectiveness, working in a structured, goal-oriented way that benefits all our stakeholders.

6 We develop people

We invest in the personal and professional development of our people because their capability and commitment define our success. We reward results in a differentiated way and encourage employee share ownership. We provide an environment where the best people choose to work, grow, and have influence and impact.

7 We show responsibility

We seek to apply best practices in all areas of our business. We maintain high ethical standards, behave in ways that are beneficial to our stakeholders and put the interests of the firm before their own personal interests. Our firm is a trusted and socially responsible partner in the communities in which we are present.



Employees' Council

The *Employees' Council* (**EC** or the **Council**) represents all Netherlands-based NIBC employees and is charged with ensuring that management objectives are aligned with those of employees.

In 2008, the EC worked side-by-side with management to advise on a number of important issues such as changes in the Managing Board, the sharpened strategy and the retention plan, all in light of the challenging market conditions.

Some of the EC's main activities were the following:

- The Council advised positively on the appointment of two new Managing Board members, Chairman and CEO Jeroen Drost and CRO Jan Sijbrand;
- In March, the EC discussed with the Managing Board the position of employees and their NIBC Holding shareholdings in relation to the EUR 400 million capital injection the bank received from its major shareholders in 2008. This resulted in the opportunity for employees to participate in the share issue;
- After the presentation of the two-pillar strategy by the Managing Board in the summer of 2008, the EC was asked to advise on the proposed organisational changes stemming from the sharpened strategy. The Council advised positively on the implementation of the strategy, changes to the organisational structure and consequently streamlining the organisation, reallocation of budgets and other relevant topics;
- The EC also advised positively on a new retention package for all employees. Retention is an ongoing concern for the Council as a good working environment is important to all NIBC staff;
- The Social Protocol that expired in December 2008 was renewed for another two years after intensive negotiations between the Managing Board and the EC;
- The EC finalised a document on working together with the Managing Board and the Supervisory Board. They agreed upon a framework of consultation structures within NIBC. This document, 'Overview of consultation structures and work procedures', formalises how the EC works; and
- The Council held in-depth discussions with Human Resources on the Human Resources agenda. The EC advised, for instance, on ways to improve employees' work-life balance and to enhance career, educational and personal development for staff.

The EC is keen to be informed at an early stage of developments that affect staff, so it can play the best possible role in weighing alternatives and be part of a true dialogue. To this end, the EC strives to be proactive in coming up with fresh new ideas.

The Council has six formal meetings per year with members of the Managing Board and informal meetings every four weeks with the Managing Board and Human Resources. In this way, it can truly represent staff and be their voice. Each quarter, the EC discusses NIBC's financial results with the CFO just after they are published, so that it can stay abreast of financial developments. Twice a year, the EC also meets with members of the Supervisory Board in a constructive and open manner.

Throughout the year, as always, the Council was open to all questions and suggestions from staff. On several occasions it provided an overview of the most important issues to all employees.

In order to keep close to all units and departments in the bank, the EC seeks to spread membership of the Council throughout the organisation.

The EC welcomed four new members in 2008, taking it up to a total of 10 members.

The EC would like to take this opportunity to thank the Managing Board for its constructive cooperation and all NIBC employees who provided useful input.

Jack van Reisen

Chairman

Employees' Council

Hans Nagtegaal

Vice-Chairman

Employees' Council



A black and white photograph of a person skateboarding through a large, circular tunnel. The person is in silhouette, performing a trick. The tunnel's interior is dark, while the opening reveals a bright cityscape with several buildings. A red graphic element is overlaid on the left side of the image.

7

Our clients might discuss a loan one day and a merger the next. So we need to be nimble and flexible. With a lean, streamlined organisation and short decision lines, we are fast on our feet. We react swiftly and creatively to the demands of our clients' evolving needs.

nimble and
flexible



8

NIBC's culture is one in which engaged, results-driven people live excellence. We are entrepreneurial in a disciplined way. We don't just devise an innovative idea and leave the rest up to our clients. We are with them right through from idea to implementation.

from idea to implementation

Corporate Social Responsibility



To NIBC, *Corporate Social Responsibility (CSR)* means we act in a responsible, sensitive and sustainable manner. We recognise our actions may have an impact on society and the environment. Within our ability and limits, we wish to make a contribution towards a more sustainable society for future generations.

NIBC puts sustainability at the heart of its business. We aspire to adhere to the highest possible ethical and business standards in all our operations. Focusing on sound risk management, it is NIBC's ambition to create value in a responsible manner for all our stakeholders, including clients, employees, shareholders and the communities we operate in.

NIBC seeks to contribute to the quality of life in the communities we operate in and beyond. We promote engagement of our employees in projects aimed at improving the lives of disadvantaged communities close to home or in less developed countries or regions across the world.

Policy framework

In 2008, NIBC continued implementing the three-year agenda of the Policy Framework for CSR activities adopted by the Managing Board in 2007. NIBC's approach to CSR is based on three pillars: social citizenship, environmental sustainability and client interaction. NIBC's strong commitment to sustainability was underlined in 2008 as our Chairman and CEO Jeroen Drost assumed direct

responsibility for CSR and appointed a new experienced member to the Managing Board's support staff who will help monitor and coordinate NIBC's CSR policy. NIBC is focussed on - and constantly monitoring - aligning the practical activities of the business to its CSR vision.

Social citizenship

Being a responsible corporate citizen means taking care in how we act as an employer and remembering that our human capital is our most important asset. We aim to be a force for good

in society by encouraging our employees to lend their time and expertise to projects in the community.



In 2008, NIBC employees took several initiatives to support the 'Brewing entrepreneurship' project. In cooperation with the Dutch charity Child at Venture, NIBC staff provided professional advice, training and financial support for young entrepreneurs in the Philippines who set up a seaside coffee bar on the beach of San José in a poor rural area on the island of Mindoro.

Aimed at stimulating entrepreneurship, this project has been NIBC's biggest CSR initiative to date. In May, more than 25 employees participated in the Royal Ten Run in The Hague to raise money for Child at Venture, while dozens of participants in NIBC's annual sports day also raised funds for Child at Venture. In addition, employees were given the option to convert their Christmas present into a donation to the charity.

Young financial talents participating in NIBC's Analyst Program helped develop a business plan for the young entrepreneurs in the Philippines. Three analysts travelled to the Philippines in October and offered workshops on topics such as business options, service, hygiene and implementing a concrete action plan for the Bay Bees coffee shop, which opened in October. By setting up their own business, the young adults will develop professional skills, strengthen their self-confidence and shape their independent future.

In order to provide meaningful assistance to those who need it the most, NIBC matches 50% of any time or financial contributions our workforce makes towards charitable causes. Examples of this support in 2008 were the Dutch Elimu Mount Elgon foundation, an organisation that supports education projects in the Mount Elgon region of Kenya, and the Habitat for Humanity project; several NIBC employees travelled to Africa to help build homes and other community buildings, such as a school in a remote village in Ghana.

Elsewhere, NIBC continued to make contributions to various causes linked to Dutch heritage, such as the Mauritshuis museum in The Hague, where NIBC supports various projects among others the restoration of Rembrandt's important painting 'Saul and David', and the Boijmans van Beuningen museum in Rotterdam. In addition, NIBC supported the John Adams Institute, an independent foundation based in Amsterdam dedicated to cultural exchange between the USA and the Netherlands, and the Ronald McDonald House in The Hague. NIBC also donated to Volwassenen, Kinderen en Stofwisselingsziekten and Stichting Zimbabwe Orphans Foundation.

Environmental sustainability

NIBC continued measuring all carbon dioxide emissions created by our activities (carbon footprint), including from lighting, heating and other energy use, as a first step toward reducing the direct impact of our operations. NIBC aims to become a carbon-neutral organisation by making meaningful reductions in CO₂ emissions, in addition to carbon offsetting.

Our car leasing policy stimulates employees to choose cars in the A, B or C class, which are less polluting than other categories. NIBC also offers cash allowances for employees who choose not to participate in the lease programme and who use alternative means of transport.

Client interaction

The biggest impact NIBC has on society is through its interaction with clients by providing financial support and assistance for their activities. NIBC has introduced a range of measures to ensure this interaction does not negatively affect society or the environment.

Starting on 1 January 2008, NIBC applied the Equator Principles for its project finance business. The Equator Principles are the financial industry benchmark used to assess social and environmental risk in project financing, with the aim of encouraging responsible investment.

We trained our staff in this area and have made the Equator Principles an operational part of the NIBC business model.

A 'CSR test' is an integral part of the process of agreeing credit conditions with clients, requiring them to demonstrate CSR compliance before we release finance. NIBC also intends to demonstrate its commitment to sustainability through its expertise in renewable energy financing, where it is a market pioneer. In 2008, NIBC European Infrastructure Fund became a shareholder in Electrawinds Biostoom NV, the owner of a Belgian bio steam power plant.

In Control Report and Responsibility Statement

The responsibilities of the Managing Board are anchored among other regulations, in the principals of the Financial Supervision Act¹. These responsibilities include not only compliance with the relevant legislation, but also the responsibility for the implementation of risk management and control systems that are intended to ensure reliable financial reporting and mitigate the risk that NIBC does not realise its operational and financial objectives. Throughout this process, the bank is actively monitoring its risk profile in response to changes in the market place and the economic environment.

Risk management and control framework

NIBC regards financial risk management as a core element of its business model. It has developed a risk management framework drawn from the principles set out in the Financial Supervision Act, which allows the Managing Board to carry out its risk management and risk control responsibilities. This framework is designed to fit NIBC's exposure and is focused on the control of identified risks inherent to the execution of NIBC's business activities. For a detailed description of NIBC's risks and how NIBC manages risk, please refer to the Risk Management section. The framework is aligned with IFRS and is designed to meet Basel II requirements.

In its role as the party responsible for NIBC's risk management and control framework, the Managing Board is supported by the business unit managers. The business unit managers individually provide an In Control Report to the Managing Board annually, which is based on semi-annual risk and control self-assessments of their respective activities.

To achieve a risk level that is aligned with NIBC's risk profile and appetite, it analyses strategic, financial, compliance and operational risks and evaluates potential responses. In evaluating the potential responses, both the likelihood and impact of the potential risk events are taken into consideration. Alternative control scenarios are analysed for risk reducing capacity and impact. The control measures are reviewed semi-annually by operational risk management as part of the control self-assessment process.

1. *Wet op het financiële toezicht (Wft)*, 12 October 2006.

Specific events and action points 2008

In 2008, the following events required the specific attention of the Managing Board:

- In 2008, NIBC continued to be confronted with the stress placed on financial markets as the result of balance sheet weakening in financial institutions, de-leveraging and the fall of asset prices, as well as a macro-economic environment characterised by weakening global growth. Balance sheet weakening of financial institutions has been further exacerbated by a decrease in the valuation of structured credit products and a dramatic drying up of market liquidity. To manage the risks emanating from the credit liquidity crisis, NIBC has taken a number of actions to raise capital and cut back assets to cope with the stress. These actions have included asset securitisation for collateralised funding, liquidity diversification, online retail savings (NIBC Direct), covered bonds, participation in the Dutch State's Credit Guarantee Scheme, and the issue of equity by NIBC Holding. All of NIBC's activities in 2008 have been directed toward not only preparing the organisation to be able to systematically manage the liquidity risk with which it continues to be confronted but also strengthening the organisation's solvency position;
- The year 2008 can be characterised as one of change and consolidation. As a consequence of resignations, NIBC appointed a new CEO and a new CRO. These appointments to the Managing Board combined with an ongoing evaluation of NIBC's business model given the macroeconomic environment led to a realignment of activities and the organisation structure. In this process, the number of functional committees was reduced and the governance structure simplified. The business activities were repositioned and there was a return to businesses and products at which NIBC has been historically successful;
- In 2008, NIBC launched its online retail savings programme, NIBC Direct. The new programme required NIBC to make adjustments to its internal policies and procedures while at the same time augmenting its payments and reporting system. A number of operations were outsourced to third parties. Given the nature of the product, the outsourcing of operations and the impact that a retail business has on the organisation, additional risk control and monitoring was implemented. The increased attention to the risks, controls and monitoring associated with the online retail savings programme will continue in 2009;
- In 2008, strides were made in systems performance and stability of NIBC's information technology system. Actions resulting in improvements in system performance and availability started in 2007 were completed in 2008. In the course of the year, problems with the electrical power at NIBC's remote data processing centre and the instability of back-up functionality have been dealt with successfully. The bank-wide change management procedures introduced earlier have borne fruit and assisted in the observed performance improvements and stability of systems. Attention continues to be paid to these areas as well as information security improvements. NIBC has continued with its selective co-sourcing activities for specific functions within the ICT department. This has also contributed to system availability, and improved system and network performance; and

- In 2008, data quality improvement continued to be given priority. While the data supporting financial accounting and NIBC's Basel II reporting meets the joint requirements established in 2007 by Finance and Risk Management, emphasis has been placed on supporting the commercial and risk management processes with integrated and uniform data management. This is being achieved through the integration of actions taken and experience gained at the business unit level.

During 2008, the Managing Board discussed with the Supervisory Board the corporate strategy and the main risks of the business, the result of the assessment by the Managing Board of the design and effectiveness of the internal risk management and control systems, as well as any significant change thereto.

Planned improvements and attention areas 2009

- In 2009, the management of the risks associated with the ongoing credit liquidity crisis will continue to be a priority for NIBC. NIBC will continue its program of liquidity diversification, internal securitisations to serve as collateral for secured funding, online retail savings and participation in the Dutch State's Credit Guarantee Scheme. These diversification activities will be carried out under prudent asset and liability management to further reduce potential fluctuations in its liquidity requirements. While NIBC will continue to systematically manage the liquidity risk in 2009, the impact of a weakening macroeconomic environment is expected to affect NIBC's customer base. The risks associated with potential deteriorating credit and investment portfolios will require special attention in 2009. However, NIBC's system of internal controls

and risk management process are expected to have a mitigating effect;

- The effects of the changes and organisation consolidation that took place in 2008 will continue to be areas of attention in 2009. The effects of these changes and consolidation will become visible in the planned improvement actions to support commercial activities and in the actions to simplify and improve operational efficiency. Initiatives have been started to balance system and processing efficiency with the requirements of the commercial business and operations. In this process, attention will be paid to improving the quality of management information to support commercial decision taking. Applications and associated processes will be reviewed. The improvements and attention areas are expected to lead to improved efficiency and performance as well as further improvement in the maturity level of operations/ICT and finance, while at the same time giving the organisation the opportunity to excel in executing its business strategy; and
- The online retail savings programme, NIBC Direct, will continue to be important in 2009. Given the nature of the product and its role in the liquidity diversification planning, the risk control and monitoring framework will continue to be a special point of attention.

Conclusion and responsibility statement

Within the current internal risk management and control system, certain high risk events were identified by management in the course of 2008, and where required, corrective measures were taken. However, the measures required to manage NIBC through the credit liquidity crisis and the continued attention on consolidation and repositioning of the organisation will remain areas of attention in 2009.

The internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems regarding the financial reporting risks worked properly in the year under review.

In view of the above, the Managing Board believes that it is in compliance with the requirements of the best practice provision II.1.4 of the Code taking into account the recommendations of the Corporate Governance Code Monitoring Committee on the application thereof.

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

- The annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of NIBC and its consolidated group companies;
- The report of the Managing Board gives a true and fair view of the situation on the balance sheet date and the developments during the financial year of NIBC and its consolidated group companies; and
- The annual report describes the principal risks which NIBC faces.

The Hague, 8 April 2009

Managing Board

Jeroen Drost, *Chairman, Chief Executive Officer*

Jan van Nieuwenhuizen, *Vice-Chairman*

Kees van Dijkhuizen, *Chief Financial Officer*

Jan Sijbrand, *Chief Risk Officer*



sustainable approach

9

We develop solid, sustainable solutions. We have a culture of accountability in the broadest sense - from taking individual responsibility for performance to demonstrating Corporate Social Responsibility as an organisation. We strive to create long-term value rather than short-term gains, focusing on business that contributes to NIBC's sustainable growth.



true partnership

10

Our bankers work together as an integrated operation - another virtue of our modest size. They unite in true cross-discipline teams that offer a broad array of integrated services to our clients. And the culture of teamwork runs right across the board: we cooperate closely with our clients in true partnership.



Risk Management

During 2007 a fundamental problem in the US mortgage market was uncovered, particularly in the sub-prime segment, inflicting losses on investors in mortgage backed securities based on sub-prime loans. Since many of these securities had been repackaged into more complex structured credit products, the losses spread to a much wider circle of investors. The result was a loss of confidence in the entire class of asset backed securities, followed by a loss of confidence in any fund or institution known or suspected to have exposure to them.

Financial institutions struggled to fund themselves in the wholesale markets and large mark-to-market losses forced them to replenish their capital. In autumn 2008, some institutions had such acute liquidity shortages and capital needs that a number of them were recapitalised by their governments, partially or fully nationalised or, in exceptional cases, allowed to fail.

The impact of the crisis has far outgrown the fundamental problem of sub-prime mortgages in the US. Other weaknesses in the financial system amplified the problem, such as excessively complex structured credit, overleveraging of financial institutions, a drive to bring too much exposure off the balance sheet, excessive concentrations of credit and market risk in certain institutions, too little attention to liquidity risk in the wholesale markets, and dependency on credit ratings as a substitute for proper analysis.

The result has been a paralysed banking system and, consequently, a corporate economy starved of financing possibilities.

NIBC was significantly affected by the financial crisis from its start in spring 2007, and Risk Management was a major focus throughout 2008.

The emerging losses on NIBC's US residential and commercial real estate securities portfolios became visible earlier for us than for almost any other institution, because much of our balance sheet is accounted on a fair-value basis. This led us to take early action in our Risk Management activities, with considerable de-risking of our balance sheet.

Since the spring of 2007, our exposure to market risks has been significantly reduced:

- NIBC disposed of its US residential securities portfolio back in August 2007;
- NIBC considerably reduced its US commercial real estate portfolio in 2007 and transferred it to NIBC Holding. Early in 2008, the US commercial real estate portfolio was further marked down to a very conservative level; and
- Other non-client related portfolios of securities held by the bank were also drastically reduced and marked down. NIBC has almost no proprietary trading activities anymore.

While exposure to market risk has been significantly reduced, market volatility has very much increased. In the bank, market risk continued to receive the undiminished attention of the Risk Management group. A new CRO was appointed in February 2008, and management and staffing of the Asset & Liability Management and Market Risk departments were strengthened. More background on these disciplines is given in the respective sections below.

The credit risk profile of the corporate loan book was somewhat reduced and the size of the mortgage portfolio remained stable. Exposure in the equity/mezzanine book grew. Overall, the appetite for these risks, which has always been conservative within NIBC, was further scaled back in anticipation of a severe economic recession.

A major focus of the Risk Management group is controlling NIBC's liquidity. The long-term funding from the wholesale market, which the bank used to attract, dried up due to the financial crisis. In response, we put in place a closely controlled liquidity plan very early on. This highly detailed planning and control process was supported by the fact that most of NIBC's cash flows are fully predictable. Historically, the bank has been funded by its own equity and long-term bonds. In 2008, the main developments in this area were:

- NIBC Holding raised EUR 400 million cash equity from its shareholders in the first quarter of 2008;
- NIBC successfully introduced NIBC Direct, its online retail savings programme, which reached the EUR 1 billion mark at year-end;

- EUR 1.4 billion was issued under the Dutch State's Credit Guarantee Scheme; and
- Collateralised funding was raised via a covered bond programme set up in May 2008.

The liquidity planning process is back-tested quarterly. More specific information is given in the relevant section that follows.

As of 1 January 2008, NIBC received approval from the *Dutch Central Bank (DNB)* to use the *Advanced Internal Ratings Based (AIRB)* approach for calculating solvency requirements.

Notes 56, 57, 58 and 59 to the Consolidated Financial Statements contain more detailed information on Risk Management.

Portfolio overview

The following table shows a breakdown of the book value of risk exposures (on- and off-balance) of NIBC, together with the types of risk present in these portfolios. Off-balance sheet amounts consist of loan commitments and guarantees to corporate entities, mezzanine commitments and *Credit Default Swaps (CDS)* where NIBC is a protection seller. Sold protection creates an off-balance sheet exposure to the reference entity, in addition to the counterparty risk on the CDS counterparty.

The on-balance sheet credit risk exposures are not directly comparable to the numbers in the Balance Sheet. The exposure amounts shown are broadly aligned with the regulatory capital view, except for derivatives, which show the positive replacement values only, without netting and without any potential future exposure add-on. Note 56 to the Consolidated Financial Statements presents a more detailed comparison between risk figures and balance sheet amounts.

Portfolio

BOOK VALUE, IN EUR MILLIONS	Main risk types	31 December	
		2008	2007
SPECIALISED FINANCE			
Corporate loans	Credit risk	8,098	10,251
Residential mortgages	Credit risk	11,451	11,641
MERCHANT BANKING			
Mezzanine loans	Credit risk	249	204
Equity	Investment risk	336	336
TREASURY			
Debt investments portfolio	Issuer risk/Market risk	2,392	4,170
Cash management	Issuer risk/Market risk	1,616	3,500
Counterparty risk on derivatives	Counterparty Credit risk/Market risk	3,110 ¹	2,726 ¹
Trading portfolio	Market risk	-(derivatives)	-(derivatives)
Mismatch portfolio	Market risk	-(derivatives)	-(derivatives)

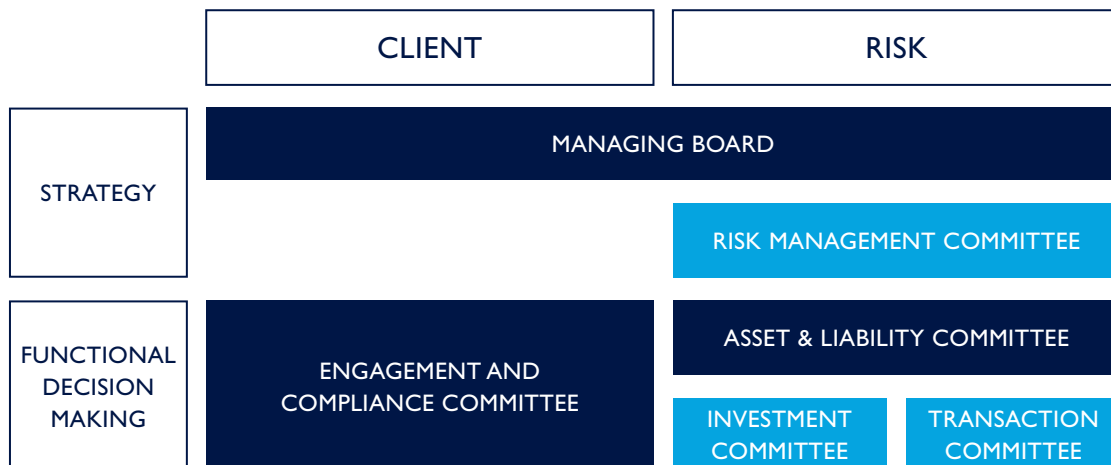
1. Positive replacement values.

Risk governance structure

Under the supervision of our Managing Board and the Risk Policy Committee of our Supervisory Board, formal authority and ultimate decision-making in respect of risk management matters is the responsibility of four committees: the Transaction Committee, the Investment Committee, the Asset & Liability Committee and the over-arching Risk Management Committee. These committees are chaired

by the CRO and they ensure that assessment and acceptance of credit, market, investment and liquidity risk exposure is made independently of the business originators within the operating segments.

Our risk management committees are set out in the following chart:



The *Risk Management Committee (RMC)* determines our overall risk appetite and risk profile at a strategic level, evaluates the risk management elements of new activities and products as well as reviews risks at portfolio level, sets country risk limits, approves acceptance policies and guidelines and approves the risk policies and manuals. Three members of our Managing Board are members of the RMC, which also includes representatives from the Transaction Committee and the Asset & Liability Committee. As necessitated by the topics to be discussed, specialists in certain areas are also invited to the meetings of the RMC. The RMC meets monthly.

The *Asset & Liability Committee (ALCO)* monitors the development of our balance sheet and market risk profile. The ALCO monitors traded market risks, exposure to interest rates and currency risks, our capital structure and our liquidity position. The ALCO also approves large transactions such as securitisations and sets overall limits on risk exposures. The ALCO receives reports on all breaches of risk limits. Three members of our Managing Board are members of the ALCO. The ALCO meets once every two weeks.

The *Transaction Committee (TC)*, NIBC's credit committee, makes decisions on individual senior debt transactions, including credit conditions and parameters and lending and underwriting strategies, as well as evaluating opportunities for potential subsequent distribution of the asset. The TC sets credit limits and monitors exposure and impairments. Two members of our Managing Board are members of the TC. Meetings of the TC take place twice a week.

The *Investment Committee (IC)* is responsible for investment risk. The IC approves transactions with respect to equity, mezzanine, and subordinated debt exposures as well as impairments and revaluations. Two members of our Managing Board are members of the IC. The IC meets, in

principle, on a weekly basis. Investment decisions of the Funds managed by Investment Management are made by the Investment Committees of the various Funds.

In addition to the above risk management committees, there is also the *Engagement and Compliance Committee (ECC)*, which is responsible for the prevention of potential commercial conflicts of interest and compliance issues in evaluating potential assignment for our clients. All four members of our Managing Board are members of the ECC.

Finally, matters concerning Operational Risk are periodically discussed in the Managing Board. Operational Risk Management is aligned with activities of the Internal Audit department.

Overlap of committee membership among Managing Board members contributes to consistency in communication and decision-making. In all our risk management committees, at least two members are members of our Managing Board.

The CRO is supported by our centralised risk management functions, which consist of three risk management departments, the *Credit Risk Management* department (**CRM**), the *Asset & Liability Management and Market Risk* department (**ALM/MR**), and the *Risk Policy* department (**RP**). These departments support the various risk management committees dedicated to monitoring the different risk categories we face.

CRM is responsible for the credit risk management of the corporate loan portfolios. CRM develops and implements policies and procedures regarding credit risk, advises on credit proposals and reviews potential impairments. The *Distressed Assets* department (**DA**) is a sub-department of CRM. DA manages assets which are impaired, or at significant risk of becoming impaired. Credit risk management of the mezzanine investments,

as well as investment risk management of the private equity positions is the responsibility of the IC or the Investment Committee of one of the NIBC Funds (depending on whether the specific mezzanine or equity position is part of NIBC's direct portfolio or part of one of the NIBC Funds).

ALM/MR is responsible for managing risks of Treasury and the residential mortgage portfolio. Key risks managed by ALM/MR are market risk (interest rate, foreign exchange and credit spread risk) and, within Treasury, credit risk from *Over The Counter (OTC)* derivatives. This type of credit risk, despite being classified as a non-market risk, is monitored by ALM/MR as part

of its comprehensive management of all financial markets' risks. On a bank-wide level, ALM/MR is responsible for balance sheet and liquidity risk. ALM/MR maintains the systems we use to measure market and counterparty risk, and supports our asset and liability management policies as established by the ALCO.

RP monitors risk at the portfolio level. RP develops policies and methods for measuring risk, notably the credit rating system used to evaluate probability of default and loss given default in our credit portfolio. RP is responsible for the reporting of credit portfolio information to the various users in the bank. The RP department is pivotal in our Basel II process.

Credit risk management

Credit risk at NIBC comes in very different shapes and forms, and it is the single most important risk for NIBC. Almost every activity at NIBC is related to credit risk: credit risk is present in the corporate loan portfolio, the residential mortgage portfolio, debt investments portfolios and counterparty credit risk. Credit risk is also present in the bank's mezzanine portfolio. This portfolio is discussed in the investment risk management paragraph.

Corporate loans

The corporate loan portfolio is one of the core portfolios of NIBC and has a size of EUR 8,098 million as at 31 December 2008.

The credit quality is concentrated in the BBB, BB and single B categories. Another important element in the corporate loan portfolio is the assessment of collateral. Almost all loans have some form of collateralisation. Loans can be collateralised by mortgages on real estate and ships, by receivables, leases, liens on machinery and equipments, or by third-party guarantees and other similar agreements.

The assessment of both the *probability of default (PD)* and the loss in event of default (*Loss Given Default (LGD)*) is supported by the *Rating Monitoring System (RMS)*. Within NIBC, RMS has been in use since 2000 and both the PD and the LGD ratings are used in the Basel II solvency report.

The basis for both the PD and the LGD methodologies is the application of expert judgement on a number of rating indicators. We consider our corporate loan products to fall within four asset classes (Corporate Lending, Asset Finance, Leveraged Finance and Project Finance), and for each of these asset types the relevant credit drivers and parameters are captured in our models.

With respect to the PD framework, the general methodology is based on several qualitative and quantitative rating indicators, such as the analysis of the business and financial profile of the counterparty, a cash flow analysis, a sovereign risk analysis, a peer-group analysis and a rating

benchmark based on third-party models. Expert judgement is applied at the end of the rating process and determines what the final rating of the counterparty will be, taking into account the rating indicators of the various models.

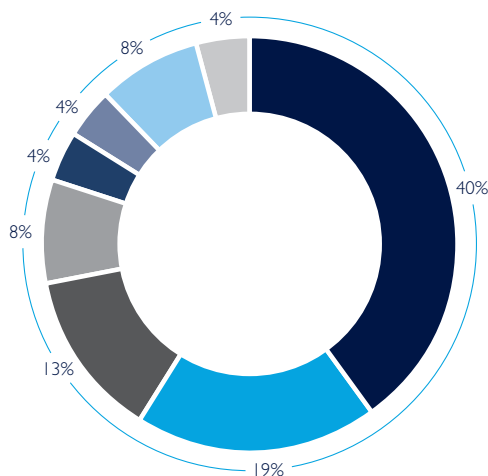
NIBC's LGD philosophy is similar to the PD approach. The LGD methodology is also based on a combination of qualitative and quantitative rating indicators that range from the assessment of the available collateral to the seniority of the loan, the legal aspects of recovery, the quality of the counterparty's assets, etc. Once the various

LGD drivers have been assessed, the final LGD rating is based upon expert judgement.

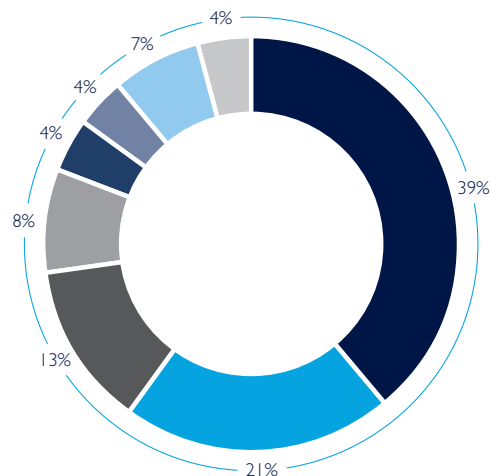
The pie charts that follow show the corporate loan portfolio split in industry sectors and regions as at 31 December 2008 and 31 December 2007. The commercial real estate figures include an amount of EUR 630 million in securitised loans. This concerns the Mesdag Delta securitisation; NIBC has retained notes for an amount of EUR 127 million, whereas EUR 503 million has been sold. The term Exposure includes both on- and off-balance sheet amounts and applies to all graphs in this section.

Corporate Loan exposure per region, 31 December

2008 (EUR 8,098 million)



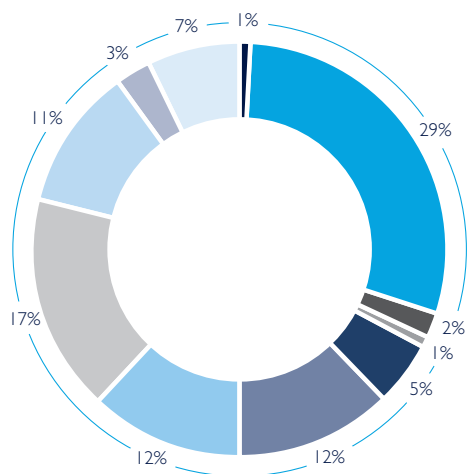
2007 (EUR 10,251 million)



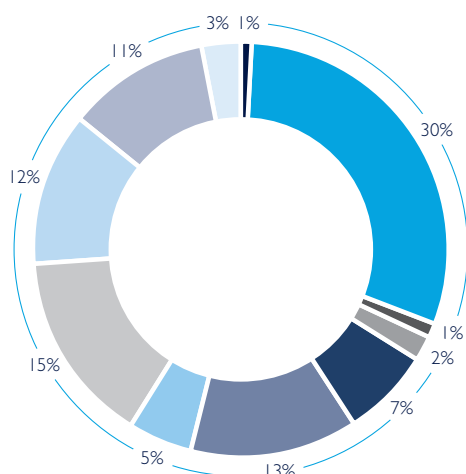
- The Netherlands
- United Kingdom
- Germany
- Rest of EU
- Non EU Europe
- North America
- South East Asia
- Other

Corporate Loan exposure per industry sector, 31 December

2008 (EUR 8,098 million)



2007 (EUR 10,251 million)



■ Aviation ■ Commercial Real Estate ■ Financial Services ■ Food/Agriculture ■ Health/Education ■ Infrastructure
■ Manufacturing ■ Shipping ■ Trade ■ Utilities ■ Other

The impact of the credit crisis on the corporate loan portfolio has, until year-end 2008, remained fairly limited. There has been some increase in the level of provisioning, particularly in leveraged finance, but they have not reached extreme levels, in part due to the high level of collateralisation.

The following table shows the average losses in basis points since 2001. Losses are attributed to the year in which the counterparty enters default (Basel II definition). The losses are based on the actual write-off on the loans and on the

outstanding provision (31 December 2008) in case the default was unresolved at year-end. The losses are related to the non-defaulted portfolio at the start of the year, containing on- and off-balance sheet amounts. With the exception of 2007, in which average losses were extremely low, the average losses at year-end 2008 remained relatively stable compared to previous years.

Note 56 to the Financial Statements contains additional information on the corporate loan portfolio.

Overview of average losses, Corporate Loan portfolio

IN BASIS POINTS	2008	2007	2006	2005	2004	2003	2002	2001
Average loss	34	7	26	23	25	37	47	76

Leveraged Finance

During 2008 we continued to focus on mid-market transactions in north-western European markets. Because of the economic climate the

number of new transactions was relatively low. All new transactions were made on a club-deal basis with relatively low final takes because of the illiquid syndication market.

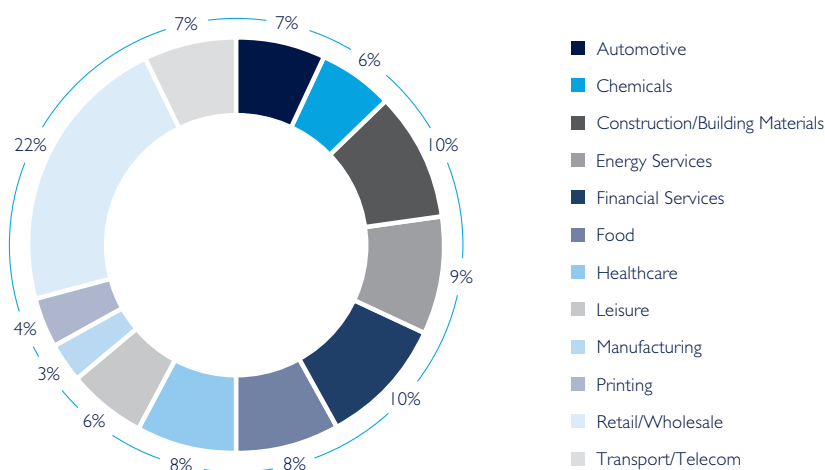
The new transactions were conservatively structured in terms of leverage and interest coverage; they required equity contribution from the financial sponsor and from management and strict documentation, while pricing was considerably higher. To further mitigate the risks, we continue to focus on a number of reputable private equity sponsors that are known for their hands-on support to their investments.

The size of the leveraged finance portfolio managed by NIBC decreased from EUR 1,260 million at year-end 2007 to

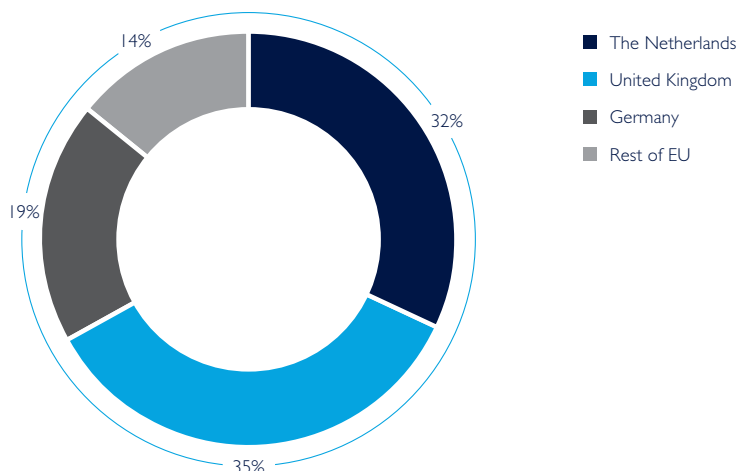
EUR 986 million at year-end 2008. The total portfolios is spread over 63 different assets in 12 different business segments. Exposure is located within the EU. Over the last year, impairment amounts increased by EUR 28 million to EUR 42 million. The Leveraged Finance portfolio is strictly monitored on a monthly basis.

The following pie charts show the exposure breakdown of the leveraged finance portfolio over the different industry sectors and regions as at 31 December 2008.

Leveraged Finance exposure per industry sector, 31 December 2008



Leveraged Finance exposure per region, 31 December 2008



Commercial Real Estate

The commercial real estate loan portfolio has a size of EUR 2,350 million at year-end 2008, of which EUR 2,183 million (93%) was drawn. These figures include an amount of EUR 630 million in securitised loans. This concerns the Mesdag Delta securitisation. NIBC has retained notes for an amount of EUR 127 million whereas EUR 503 million has been sold. The portfolio consists of 179 mortgages loans to 48 counterparties. It is diversified across various commercial real estate classes and countries. Multi-family property financing accounts for 37% of the portfolio, which reduces significantly the one-obligor exposure risk. Office property accounts for 16% and retail property financing for 12%. Hotel financing and construction financing constitute 6% and 7% respectively. The remainder (22%) of the portfolio consists of financing of miscellaneous properties, including mixed use and industrial properties.

In terms of geographical distribution, 71% of the commercial real estate portfolio is located in the Netherlands, 26% in Germany and 3% in other EU countries.

The current market outlook is less favourable compared to the previous years, resulting in a slow-down in demand, higher yields and consequently some downward pressure on the value of the assets. The generated cash flow within the portfolio (rental income), however, remains largely unchanged, resulting in sufficient debt service capacity. Only 9% of the portfolio is due for refinancing in 2009; the great majority of the rest of the portfolio matures in 2014 or later.

Note 56 to the Financial Statements contains additional information on the impairment amounts of the commercial real estate loan portfolio.

Shipping

The shipping portfolio (EUR 1,402 million at year-end 2008) involves 222 secured loans to 86 counterparties. At year-end 2008, EUR 1,188 million (85%) of the total exposure was drawn. The portfolio is diversified across different geographical areas and various shipping sub-sectors. Exposure to the three main shipping sub-sectors tankers, container vessels and bulk vessels amounts to 51%, 22% and 17% of the entire portfolio, respectively. The remainder of the portfolio (10%) includes, among others, financing of LNG tankers, container boxes and oil and gas support vessels, such as towing vessels. The weighted average loan-to-value of the entire portfolio at year-end 2008 was 57%, which is relatively low due to lower advance rates in anticipation of a shipping market decline. This percentage was already negatively affected by an adverse movement in the shipping market during the second half of 2008. This was, in particular, the case for the bulk shipping sector. For the coming year, a further downturn of the shipping market is expected. Regarding our portfolio, potential negative effects are, to a large extent, mitigated by a focus on transactions with fixed long-term employment contracts.

Note 56 to the Consolidated Financial Statements contains additional information on the impairment amounts of the shipping portfolio.

Residential Mortgages

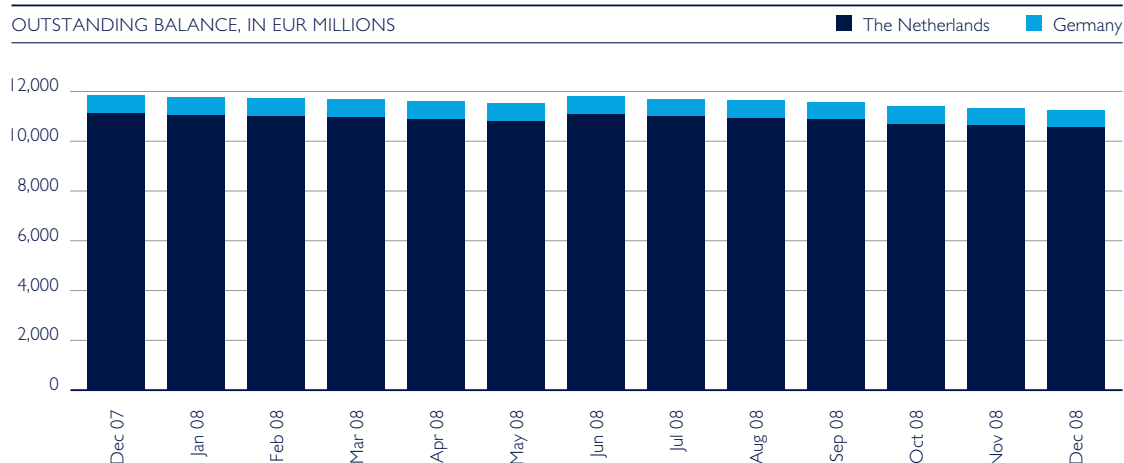
The Residential Mortgage portfolio at year-end 2008 amounted to EUR 11,451 million and consists of residential mortgage loans originated in the Netherlands and Germany. The majority (94%) of the Residential Mortgage portfolio consists of Dutch mortgages. The other 6% comprises German mortgages. The total Dutch mortgage book of EUR 10,759 million is funded for EUR 5,250 million by external securitisations.

In terms of regional distribution, the Dutch mortgages are evenly distributed throughout the Netherlands. The majority of the German mortgage portfolio is located in former West Germany.

The following chart shows the development of the outstanding balance of the Residential Mortgage portfolio between year-end 2007 and year-end 2008. The portfolio size has remained stable in this period.

Residential Mortgages, outstanding balance development

OUTSTANDING BALANCE, IN EUR MILLIONS



Mortgage acceptance follows certain acceptance criteria when screening residential mortgage applications, further specified in note 56 to the Consolidated Financial Statements.

NIBC handles the arrears management of 70% of its Dutch portfolio itself, while 30% is handled by one of the major mortgage servicers. Over the past couple of years, NIBC has significantly strengthened the arrears management by insourcing the arrears management process of the mortgages. This process of insourcing initially started in 2004 and will continue in 2009.

Risk of loss is measured by assigning PD and LGD estimates for every loan. The PD expresses the probability of any borrower entering into default, whereas the LGD measures the loss incurred when a default has taken place. These parameters are determined by an in-house developed model, which has been in use since 2006. As of 1 January 2008, NIBC's rating methodology for residential mortgages has received approval from the DNB to use the AIRB for calculating solvency requirements and reporting to DNB.

2008 has not shown an increase in either defaults or losses. The defaults and actual credit losses in the Dutch portfolio have been extremely low in the past years. The German portfolio has not

shown any credit losses at all. The following table shows an overview of the actual losses in the Dutch portfolio since 2005. Losses are expressed as a percentage of outstanding balance.

Overview of actual losses, Dutch residential mortgage portfolio

IN %	2008	2007	2006	2005
Actual loss	0.02	0.02	0.02	0.03

Debt investments and counterparty credit risk

Along with the credit risk stemming from loans to customers, NIBC is also exposed to credit risk from cash management and trading and hedging positions. The following three categories can be identified:

- Issuer risk on debt investments;
- Issuer risk related to cash management activities; and
- Counterparty risk on derivatives.

Issuer risk on debt investments

Issuer risk measures the risk of losing the principal amount on products like bonds and CDS positions (where it concerns sold protection) and it is calculated based on the book value. These positions are held in the debt investments and trading portfolios. NIBC identifies the following three categories:

- Debt from Financials, Sovereigns, Corporate entities and Structured Investments;
- Structured Credits; and
- Credit Fixed Income Funds.

Debt from Financials, Sovereigns, Corporate entities and Structured Investments

As part of NIBC's risk mitigation strategy, the credit risk on debt issued by Financial Institutions, Sovereigns, Corporate entities and Structured Investments was reduced significantly from EUR 2,663 million at 31 December 2007 to EUR 1,458 million at 31 December 2008.

In particular, the amount of debt issued by corporate entities was reduced from EUR 240 million as at 31 December 2007 to zero as at 31 December 2008.

Through the Structured Investments portfolio, NIBC invests in highly-rated debt. These debt investments are mostly issued by A or AA-rated financial institutions. All investments in this portfolio have to be approved by the RMC on a case-by-case basis. During 2008, the portfolio was reduced significantly from EUR 1,415 million as at 31 December 2007 to EUR 694 million as at 31 December 2008. A breakdown of the portfolio can be found in note 56 to the Financial Statements.

Structured Credits

Issuer risk on structured credits (RMBS, CMBS, CDO, CLO, etc.) decreased from EUR 1,374 million as at 31 December 2007 to EUR 898 million as at 31 December 2008, as a direct result of NIBC's risk policy. The current policy was implemented in late 2007 and holds that, in principle, no new debt investments will be made and that repayments will not be re-invested. A geographical breakdown of the portfolio can be found in note 56 to the Financial Statements.

Credit Fixed Income Funds

The Credit Fixed Income Funds portfolio contains investments in fixed income funds managed by hedge funds and asset managers. During 2008, the portfolio was reduced significantly. Its total book value was reduced from EUR 133 million

as at 31 December 2007 to EUR 35 million as at 31 December 2008. This reduction is in line with the decision of the bank to reduce the exposure to these funds as much as possible.

Issuer risk related to cash management activities

In addition to issuer risk from debt investments, NIBC also runs issuer risk as a result of cash management activities. In 2008, NIBC's risk management framework for cash management was adjusted by incorporating a more conservative attitude that took into account the deteriorated global markets and concern about numerous financial entities.

NIBC only places its excess cash with a selected number of sovereigns and investment-grade financial institutions. Limits currently only exist for short-term maturities up to one week, and vary per counterparty. If there are not enough counterparties in the market to place all excess cash, NIBC deposits it with the DNB, for which no limit is set. For the approved financial counterparties, a monitoring process has been set up within ALM/MR. Ratings of financial counterparties are verified on a daily basis, and limits are possibly adjusted in case of a perceived decline in creditworthiness.

NIBC also runs credit risk on accounts with other banks. These accounts are used for correspondent banking or third-party account providers, e.g. for Special Purpose Entities.

Counterparty risk on derivatives

Counterparty risk measures the risk of having to replace the counterparty in derivative contracts. NIBC manages counterparty risk, based upon the mark-to-market value plus an add-on. The add-on reflects a potential future change in mark-to-

market value during the remaining lifetime of the derivative contract.

Limits are set and monitored per counterparty on a discrete basis and compared to the mark-to-market plus add-on, taking into account collateral postings under a *Credit Support Annex (CSA)*. Note 56 to the Financial Statements provides more information on the risk monitoring of counterparty risk on derivatives.

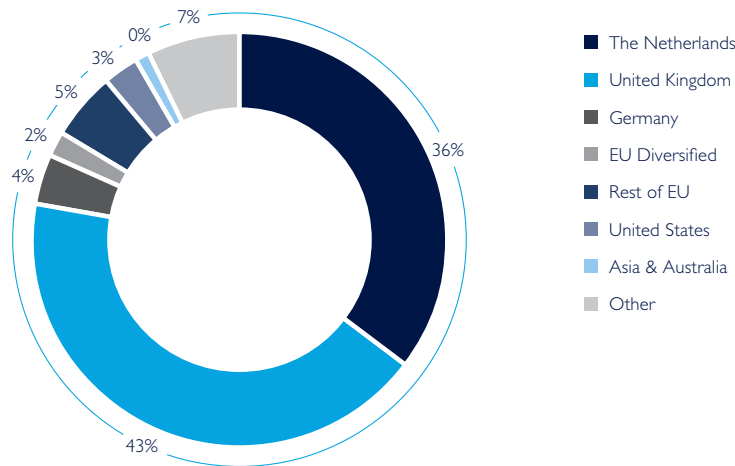
The counterparties can be split into financial institutions and corporate entities. With respect to financial institutions, NIBC only enters into OTC derivatives with investment-grade counterparties. NIBC has bilateral collateral contracts in place for all the major financial institution counterparties. These contracts aim to mitigate credit risk on the derivatives by means of CSA.

Under the CSA agreements, (cash) collateral is exchanged to account for changes in the mark-to-market value of the underlying contracts, usually on a weekly basis. In the later part of 2008, volatility in several key market drivers (interest and foreign-exchange rates) increased drastically. This resulted in significant exposures between collateral exchange moments. To limit this risk, several relevant CSA agreements have been modified to settle on a daily basis.

Changes in interest rates also affected the mark-to-market valuation of corporate derivative transactions, increasing the positive mark-to-market values and therefore also NIBC's counterparty risk exposure on corporate entities. No CSAs are in place for these contracts.

The following pie chart shows the breakdown of corporate derivatives in different regions as at 31 December 2008.

Corporate derivative exposure per region, 31 December 2008



Market risk management

This section describes the market risks that are inherent in Treasury books (see the first table of this Risk Management section) for which economic capital is calculated based on a market risk treatment. The predominant market risk drivers within NIBC are interest rate risk and credit spread risk. For both market risk drivers, de-risking was the key-word in 2008 and policy and trading changed accordingly. Currency risk at NIBC is minimal, since all activities in foreign currency are either funded in the same currency or hedged via cross-currency swaps.

Interest rate and credit spread risk parameters

NIBC's risk measurement system calculates on a daily basis interest and credit *Basis Point Value (BPV)*, interest *Value at Risk (VaR)*, credit spread VaR and total VaR for individual portfolios, as well as on aggregate levels. Interest rate and credit spread BPV measure the sensitivity of the market value for a change of one basis point in each time bucket of the interest rate and credit spread, respectively. The interest VaR, credit spread VaR and total VaR measure the threshold value, which

daily mark-to-market losses with a confidence level of 99% will not exceed, based upon 4 years of historical data for changes in interest rates, credit spreads and both simultaneously. Limits are set on all the indicators (BPV and VaR, interest, credit and total) and on various portfolio, aggregated department, and operating segment levels. A more defined limit framework within several portfolios is in place, consisting of possible limits per currency (interest and credit BPV), per group of securities in a specific industry segment, or per group of securities with similar maturities.

To complement the risk management framework, NIBC has implemented a wide set of scenarios based on historical events and possible future scenarios, including scenarios intended as stress testing and vulnerability identification.

Total VaR forms the basis for economic capital calculations for a significant part of the portfolios. Within those calculations, the confidence level is scaled to 99.9%. A broader insight into economic capital methodologies is given into the section *Economic Capital*, within this Risk Management section.

Interest rate risk

Interest rate risk within NIBC is predominantly present in the Trading portfolio and in the Mismatch portfolio. During 2007 and 2008, various portfolios that had a regulatory market risk treatment were closed. In this section, all books that had a regulatory market risk treatment are referenced as the Trading portfolio. Although the interest BPV and the interest VaR are higher for both the Trading and the Mismatch portfolios at year-end 2008 than at year-end 2007, during the year the BPV and the VaR were, on average, substantially lower.

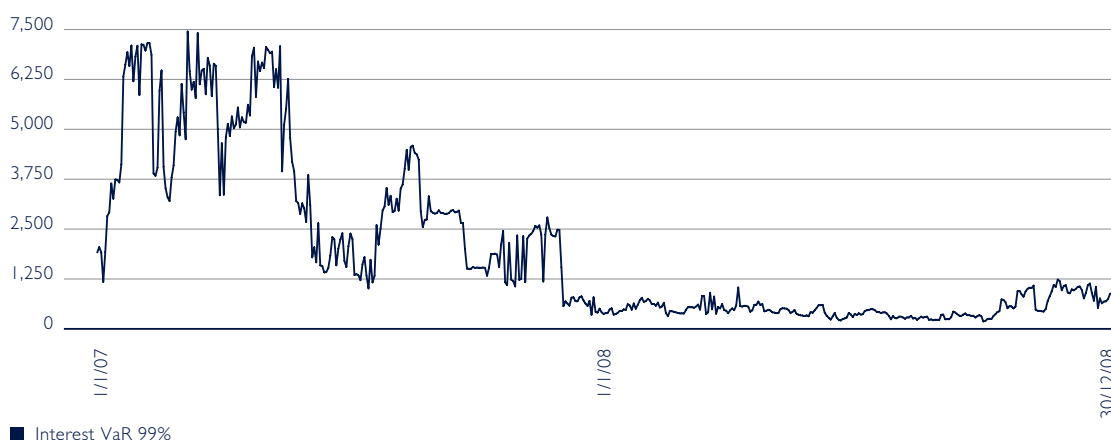
Interest rate risk in the Trading portfolio

From the graph that follows, it can be clearly observed that the VaR was substantially lower during 2008 compared to 2007.

At the end of 2008, this portfolio consisted mainly of interest rate-driven exposures. Activities comprise short-term (up to 2 years) interest position taking, money market and bond futures trading and swap spread position taking. The interest rate spread risk between positions in swaps and bond futures is also taken into account in the VaR. The portfolio is also used for facilitating derivative transactions with corporate clients.

Trading portfolio

VaR EUR x 1,000



Interest rate risk in the Mismatch portfolio

NIBC concentrates the strategic interest rate risk position of the bank in the Mismatch book. It exclusively contains swap positions, with which a view on future interest rate developments is taken. From the figures in note 57 to the Financial Statements, it can be observed that the average risk contained in this portfolio during 2008 was significantly below the risk taken in 2007.

Interest rate risk in other portfolios

Apart from the Trading portfolio and the Mismatch portfolio, interest rate risk is also contained in the following portfolios:

- Debt investments portfolio;
- Residential mortgage portfolio; and
- Residual interest rate risk portfolio.

The interest rate risk in these portfolios is significantly below the risk contained in the Mismatch portfolio, as it is the policy of NIBC to hedge the interest rate risk in these portfolios.

Average VaR figures for these portfolios can be found in note 57 to the Consolidated Financial Statements.

Credit spread risk

Within Treasury, credit spread risk is mainly concentrated in the Debt Investments portfolio, particularly in the Structured Credits EU portfolio. Although the de-risking of NIBC's credit portfolios began in the second half of 2007, credit spread risk was still a very important risk factor within NIBC's portfolios at year-end 2007. In 2008, de-risking of credit portfolios continued. These de-risking activities, together with higher

credit spread levels, have significantly decreased sensitivity to credit spread changes.

However, over the course of 2008, a dramatic deterioration in global markets unfolded, increasing credit spreads to levels that had never been observed before. At the same time, liquidity became extremely scarce, especially for structured credits. The extreme increase in the volatility of credit spreads increased the credit VaR despite the lower credit spread sensitivity.

The tables that follow present an overview of the key statistics for the Structured Credits EU portfolio as at 31 December 2008 and 31 December 2007.

Key risk statistics Structured Credits EU portfolio, 2008

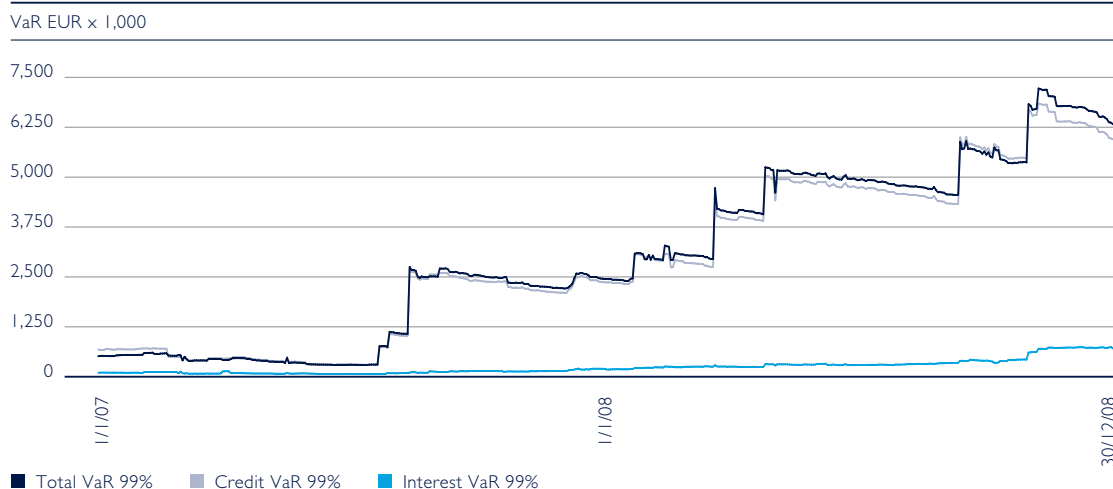
IN EUR THOUSANDS	Interest rate		Credit spread		Total VaR
	BPV	VaR	BPV	VaR	
High	57	744	(177)	6,847	7,221
Average	28	370	(247)	4,645	4,814
Low	7	180	(295)	2,319	2,400
YEAR-END 2008	54	706	(177)	5,914	6,288

Key risk statistics Structured Credits EU portfolio, 2007

IN EUR THOUSANDS	Interest rate		Credit spread		Total VaR
	BPV	VaR	BPV	VaR	
High	11	204	(271)	2,700	2,749
Average	(12)	109	(502)	1,231	1,246
Low	(31)	64	(746)	291	293
YEAR-END 2007	7	198	(271)	2,363	2,446

The following graph shows the evolution of Credit VaR, Interest VaR and Total VaR between 1 January 2007 and 31 December 2008.

Structured Credits EU



Currency risk

Apart from some investments by NIBC in funds managed by Investment Management, all of NIBC's positions in foreign currencies, including those of our subsidiaries, are hedged by either funding these investments in the appropriate foreign currency or by hedging the exposures using cross-currency swaps or foreign-exchange contracts. As a result of this policy, NIBC does not actively maintain open currency positions other than translation exposures arising from future

income in foreign currencies. The Finance department determines on a monthly basis the bank's currency positions and reports to Risk Management. When currency positions exceed NIBC's small facilitating foreign currency exposure limits for that currency, the bank reduces its positions by FX spot or FX forward transactions. The total foreign currency position, by nominal amount, is generally under EUR 25 million, in accordance with historical figures over the last few years.

Investment risk management

NIBC's investment risk relates to positions in mezzanine and private equity investments that are all recorded and managed in Investment Management, which is a department of SBU Merchant Banking. The mezzanine and private equity investments can be divided in direct investments and indirect investments. The latter are limited partnership investments in funds set up and managed by NIBC (**NIBC Funds**). As NIBC controls some of the NIBC Funds managed by Investment Management, the mezzanine and private equity investments made by these funds are assets in the Consolidated Financial Statements of NIBC.

On the one hand, investment risk for mezzanine financing is comparable to credit risk, which is the risk that a change in the credit quality or default of a counterparty will affect the value of our position. On the other hand, investment risk for our equity investments is the risk that the value of the investment will deteriorate, and is part of the market risk approach.

The investment process at Investment Management is based on the following principles:

- We authorise investment risk exposure independent of the business originators;
- Before we commit to an investment, we require authorisation by the relevant committee or by at least two authorised individuals, according to the 'four-eye' principle;
- We perform systematic risk analysis on the investment, with the aim of identifying, measuring, and evaluating all risks, and utilising experts who are independent of the functions responsible for commercial or financial performance; and

- The principles of 'know your customer', 'customer due diligence' and 'Corporate Social Responsibility' are embedded as an integral part of our overall investment assessment and approval process.

Management of investment exposures

The responsibility for the management of both direct and indirect investment exposures rests with Investment Management. Direct investment transactions with respect to private equity and mezzanine exposures are approved by the IC. The IC also decides on impairments and revaluations. As far as indirect investment transactions are concerned, they are approved by the Investment Committees of the Funds, subject to the investment guidelines stipulated in the fund agreements between the general partner and the limited partners.

Risk policies are recorded in the Investment Risk Manual and the (fund) Risk Manual, respectively. For equity investments without quoted market prices, the fair value of the investments is estimated per quarter, and the valuation principles set forth by the International Private Equity and Venture Capital Valuation Guidelines are applied to the extent that these are consistent with IAS 39. The International Private Equity and Venture Capital Valuation Guidelines set out recommendations, intended to represent current best practice on the valuation of private equity and venture capital.

The assets of Investment Management are primarily private equity, mezzanine loans and warrant positions with low liquidity. Because the size of the investment portfolio is limited, we assess concentration risk per individual new asset. In the investment risk assessment process, we take into account the impact of a specific asset on both our market and geographical exposure profiles.

Investment process within NIBC Funds

Every investment proposition is assessed by an investment team, consisting of at least one senior investment manager and an analyst working within Investment Management. After an initial screening, the investment team may decide to reject the proposition or to prepare a preliminary analysis to determine if the investment is worth pursuing. The preliminary analysis is then discussed in a weekly team meeting and, if the decision to continue is made, we undertake a due diligence and market analysis. Ultimately, an investment proposal is written and submitted to the Investment Committee of the Fund for a final decision on the investment.

Investment control process

We review all investment exposures quarterly. The relevant investment manager drafts the review and makes a valuation of the investment as described above. The IC approves the valuations of direct investments, whereas the Investment Committees of the Funds approve the valuations of indirect investments.

Exit process

In each quarterly review, we update our exit strategy on given investments, if applicable. Once an exit has been decided upon by the investment team, the investment manager drafts an exit proposal outlining, among others, the timing of exit, the reason for the exit, and the expected revenues. This form is submitted to the relevant Investment Committee for approval.

Composition of investment exposure

The direct investment portfolio of Investment Management consists primarily of mezzanine and private equity investments, including private and listed common equity investments, preference and common shares, and shareholder loans. The indirect investment portfolio consists of Limited Partnership interests in own funds (non- consolidated) and third-party funds, as well as all mezzanine and private equity investments made by NIBC Funds controlled by and, by implication, consolidated into the Financial Statements of NIBC.

On a total level, the size of equity exposures remained stable between year-end 2008 and year-end 2007, at EUR 336 million. The tables that follow present the breakdown of equity exposures in industry sectors and regions.

Breakdown of private equity exposure per industry sector

IN EUR MILLIONS	2008	2007
Financial Services	41	58
Health/Education	7	6
Manufacturing	14	24
Real Estate	26	33
Shipping	26	27
Trade	101	100
Infrastructure	43	13
Other	78	75
TOTAL AT 31 DECEMBER	336	336

Breakdown of private equity exposure per region

IN EUR MILLIONS	2008	2007
The Netherlands	260	249
United Kingdom	17	8
Germany	7	28
Rest of EU	19	20
North America	33	30
TOTAL AT 31 DECEMBER	336	336

Note 56 to the Financial Statements contains a breakdown of NIBC's mezzanine loan portfolio.

Liquidity risk management

One of the cornerstones of our liquidity risk management framework is to maintain a comfortable liquidity position, meaning the ability to meet our financial obligations even if we have difficulties in raising any new funding over a longer period. The current credit and liquidity crisis made liquidity risk management even more important. We were able to maintain our sound liquidity position in the difficult times of 2008 due to the prudent and conservative liquidity and funding policy in the past, as well as by diversifying our funding sources. The start of our online retail savings programme NIBC Direct, the start of our covered bond programme and of other secured funding initiatives, as well as a medium-term note issue using the Dutch State's Credit Guarantee Scheme, were the major new funding initiatives undertaken in 2008. In addition, NIBC was able to enhance the *European Central Bank* (ECB) eligible funding capacity that created additional liquidity buffers.

The use of ECB funding by NIBC declined towards the end of 2008 and in the beginning of 2009 as a result of the funding initiatives mentioned above. NIBC intends to replace the usage through new government guaranteed issues, as well as by means of online retail savings,

covered bond and other secured funding proceeds. The unused ECB capacity will remain a comfortable liquidity buffer.

Stress scenario

Based on projections prepared by the business units and reviewed by risk management, and the current asset and liability maturity profiles, a stress tested liquidity forecast is prepared and presented once every two weeks to the ALCO, in order to create continuous monitoring of the liquidity position. Note 58 to the Financial Statements provides more details on the assumptions behind the stress test.

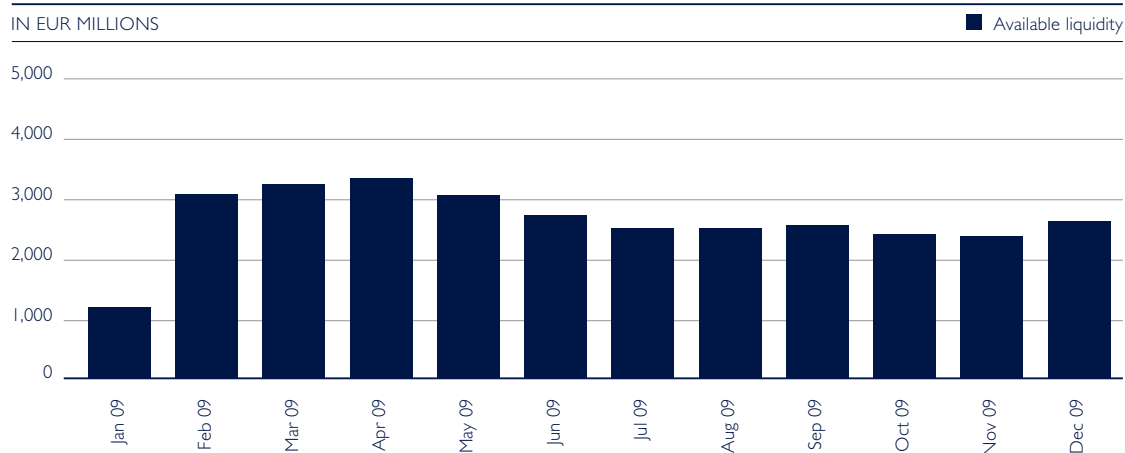
The following charts show the strong liquidity buffer in the stress scenario. Although this analysis focuses on the next 12 months, the liquidity buffer in the liquidity stress test remains positive for longer periods.

The available liquidity, as presented in the graphs that follow, is comprised of:

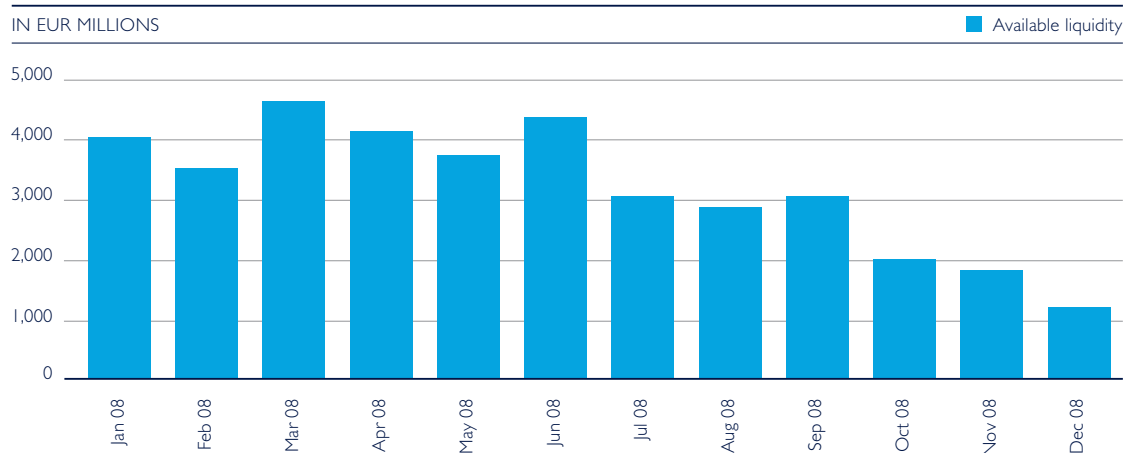
- A projected pool of cash plus collateral suitable for secured funding, minus a buffer for intraday payments, at each month end;

- A reduction to the available pool created by maturing liabilities and other projected outflows (e.g. from new business); and
- An increase in the available pool created by maturing assets, the government-guaranteed issue of February 2009 and a conservative estimate of retail funding proceeds in 2009.

Stress scenario, short-term analysis, 31 December 2008



Stress scenario, short-term analysis, 31 December 2007



A comparison of the 12-month liquidity stress test at 31 December 2007 with the test at 31 December 2008 shows that the outcome of the stress test after 12 months is positive in both years. The surplus remains positive after a year of severe liquidity stress.

At the end of 2007, a large buffer of cash and collateral for secured funding was available to

cover the relatively high amount of expiring funding in 2008. This expiring funding made the liquidity buffer converge to the current level, in line with the expectations at the beginning of 2008. Due to the scheduled additional government-guaranteed issues, the liquidity buffer is expected to rise in the coming year.

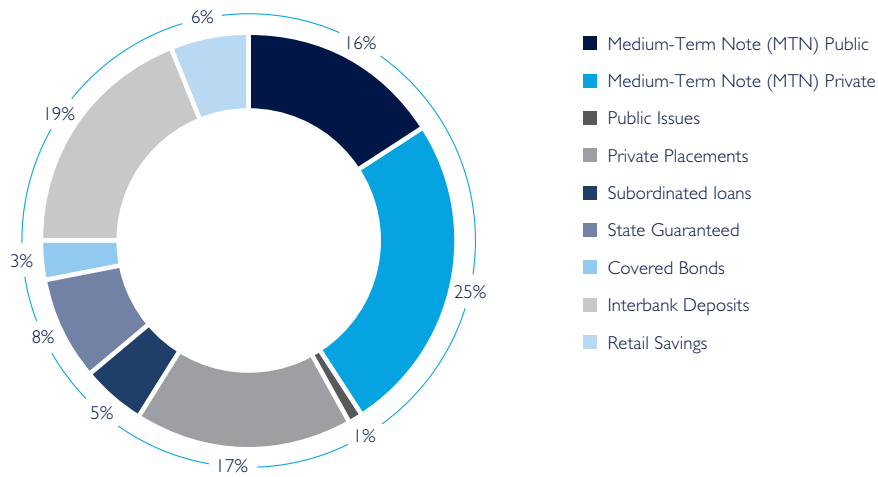
In addition to the 12-month liquidity stress analysis above, NIBC also conducts a liquidity analysis over a period of 36 months once every two weeks. This analysis assumes a possible growth in the size of the books in combination with funding initiatives as, for example, certain forms of secured funding. The analysis assumes no ordinary wholesale unsecured funding. The outcome of this 36-month liquidity analysis shows again a positive buffer throughout the period.

Funding

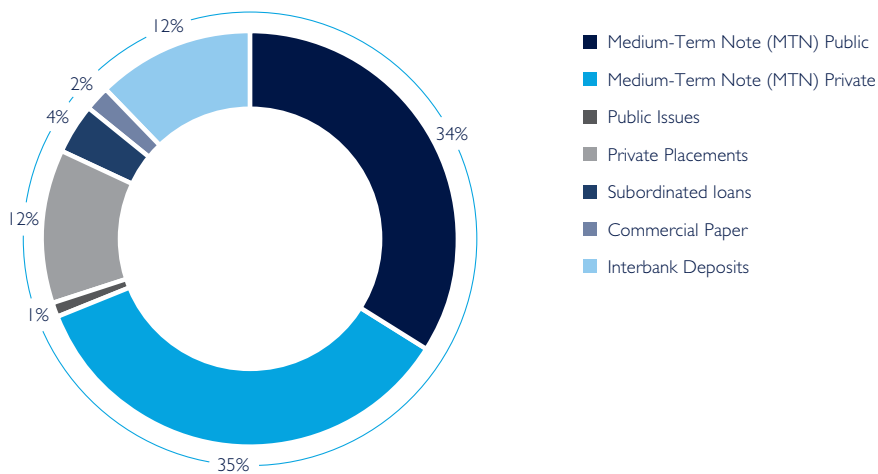
As a result of the current credit and liquidity crisis, the unsecured wholesale funding markets were closed in 2008 for many financial institutions, including NIBC. NIBC, therefore, further diversified its funding base by the initiatives mentioned earlier.

An overview of the funding portfolio as at 31 December 2008 and 31 December 2007 is shown in the following charts.

Breakdown of total funding portfolio, 31 December 2008



Breakdown of total funding portfolio, 31 December 2007



Operational risk management

We define operational risk based on the Basel II definition. Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error or external events including legal risk that affect our reputation, operational earnings and/or have an adverse effect on capital value. In addition, we have included reputation and strategic business risk as sub-categories of operational risk. For our organisation, both of these risk categories are driven by operational risk components.

The responsibility for monitoring and managing operational risk lies with our Operational Risk Manager and the business unit manager, who are responsible for implementing the enterprise wide operational risk framework. The framework sets out the roles and responsibilities for management supervision, as well as those tools and methods used within the bank for identifying, measuring, reporting, monitoring, and controlling operational risk. Sound Practices for the Management and Supervision of Operational Risk, published by the Basel Committee on Banking Supervision, has been used in the development of the operational risk framework to ensure robust and effective management and supervision. The framework is based on the principle that our Managing Board and Supervisory Board and senior management are actively involved in risk management, and that our risk management system is independent, conceptually sound and implemented with integrity. Finally, we need to ensure that there are sufficient resources available to execute the purpose and strategy of operational risk management and the business units, as well as implement control, compliance, and audit functions.

We manage operational risk at both a bank and operating segment level. The Managing Board provides consistency and oversight of significant operational issues, and oversees the adoption of best practice across the bank. At the operating segment level and below, managers are responsible for adherence to the operational risk management policy framework, for oversight of all operational risks specific to the business, and for reporting of all operational events and losses. The Operational Risk Manager, working in conjunction with business unit managers, has developed tools to assist in managing, monitoring, reporting and reducing the effects of operational risk. The tools utilised by managers provides for an integrated view of the risk self assessment, control identification, action planning, and event and loss registration. This integrated view assists in identifying, evaluating, and reducing operational risk and planning mitigation measures. The evaluation process assists in identifying emerging operational risk issues and determining how they should be pro-actively managed.

We have sought to incorporate operational risk management into all our business processes. We monitor operational risk on a daily basis and perform self assessments semi-annually. The year-end self assessment forms the basis for our In Control Report section of the annual report. 'In control' reporting seeks to ensure that the operational risk management policy framework is integrated into the daily activities of all our employees and that it forms an integral part of our internal control system. The reporting system is focused on control of the identified risks related to the operational execution of the different business activities.

Economic capital

Economic capital is the amount of capital that we allocate as a buffer against potential losses from business activities, based upon our assessment of risks. It differs from Basel II regulatory capital, as NIBC sometimes assesses the specific risk characteristics of its business activities in a different way than the general regulatory method. Relating the risk-based economic capital of each business to its profit, results in a calculation of its *Risk-Adjusted Return On Capital (RAROC)*. Economic capital and RAROC are key tools used in support of our capital usage process. These tools assist in allocating our shareholders' equity as efficiently as possible based on expectations of both risk and return. The usage of economic capital is reported once every two weeks to the ALCO. The ALCO resets the maximum allocation level of economic capital to and within each business, taking into account business expectations and our desired risk profile. Economic capital allocation is based on a one-year risk horizon, using a 99.9% confidence level. This confidence level means that there is a probability of 0.1% that losses in a period of one year will be larger than the allocated economic capital.

Economic capital methodology

NIBC uses the business model of each activity as the basis for determining the economic capital approach. If the business model of an activity is trading, distribution, or investment for a limited period of time, we use a market risk approach based upon VaR and scaled to a one-year horizon to calculate the economic capital usage. A business model equal to 'buy-to-hold' or investment to maturity means that a credit risk approach is applied based upon estimations of PD and LGD. For all activities, add-ons for operational risk are calculated. In addition, NIBC allocates economic capital for business risk, reputation risk and model risk on a bank-wide level.

The economic capital approach differs from the regulatory capital approach, in which only the trading books are assigned a market risk approach. Activities that have a business model equal to distribution or investment for a limited period of time are, in some cases, assigned a credit risk approach in the regulatory capital framework due to Basel II regulations or regulatory industry practice. For these business model categories, NIBC applies a market risk approach in the economic capital framework similar to the trading activities, as for all of these activities the market price becomes relevant at a certain point in time. Risks and economic capital are therefore monitored accordingly.

The main differences between the economic capital and regulatory capital framework exist for the residential mortgage portfolio, the European Structured Credits portfolio and NIBC's interest rate mismatch position. Economic capital is determined by a market risk approach for these activities because of their business model. The regulatory capital approach for these portfolios is either included in credit risk (mortgages and structured credits) or not included at all within Basel II Pillar I (mismatch position).

As economic capital methodology may differ significantly among financial institutions, it is more appropriate to compare the regulatory capital figures in note 59 to the Consolidated Financial Statements for the purpose of industry comparison of market risk and credit risk exposures.

Economic Capital Usage

We allocate economic capital to all our business activities in the form of limits set by the ALCO, and calculate the amount of economic capital usage of each business based on the risk of its activities.

- For our corporate loan portfolio, which uses a major part of our economic capital, we calculate economic capital usage using a credit risk approach largely based upon the Basel II regulatory capital formula and an add-on for concentration risk;
- For our debt investments and trading portfolios, residential mortgage portfolio and the interest rate mismatch position, we use a market risk approach to determine economic capital usage. We calculate economic capital usage for these portfolios using VaR calculated with four years of historical data and scaled to a one-year horizon;
- For our mezzanine portfolio, we calculate economic capital usage by applying a credit risk approach based upon the Basel II regulatory capital formula; and
- For our private equity investment portfolio, we use fixed percentages.

The following table shows the economic capital usage per business activity. In its Market Risk

Economic Capital calculation, NIBC takes diversification effects into account between credit spread and interest rate risk. Diversification occurs from the fact that not all risks will occur at the same time. Therefore, the sum of economic capital for these market risks on a stand-alone basis will be higher than the amount of economic capital if these risks are combined. This reduction of economic capital is defined as diversification. The economic capital framework does not take into account diversification effects between the different risk categories (credit, market and operational risk).

The diversification effect in the economic capital calculations is higher in 2008 than in 2007. The reason is an increased diversification effect in 2008 between interest rates and credit spreads, as well as the incorporation of a combined market risk VaR framework for residential mortgages and debt investments and trading portfolios. As a result of the latter, diversification effects between these two activities are now measured.

Economic capital per business activity

IN EUR MILLIONS	2008	2007	Difference (in %)
Corporate loan portfolio	428	518	(17)
Residential mortgage portfolio	280	239	17
Debt investments and trading portfolio	241	176	36
Mezzanine and private equity portfolio	201	151	33
Interest rate mismatch portfolio	122	104	17
Operational and other risk	95	122	(22)
Reputation risk	100	100	0
Business risk	100	100	0
Model risk	20	20	0
ECONOMIC CAPITAL USAGE	1,585	1,530	4
Diversification effect	(295)	(122)	141
TOTAL ECONOMIC CAPITAL USAGE NET OF DIVERSIFICATION EFFECT AT 31 DECEMBER	1,290	1,408	(8)

The changes in the usage of economic capital at year-end 2008 are owed to a variety of factors. The decrease of 17% noted for our corporate loan portfolio was the result of a decline in the size of this portfolio during 2008.

On the other hand, the usage of the residential mortgage portfolio increased by 17%. This increase was due to the increased credit spread volatility in 2008. The market risk methodology for these assets is based upon the most advantageous methodology under IFRS. Instead of applying a securitisation exit model based upon RMBS spreads, NIBC now uses an approach based upon the origination spreads of residential mortgages.

Furthermore, the economic capital usage of our debt investments and trading portfolios increased by 36%. Despite further de-risking of these portfolios in 2008, economic capital usage of these activities rose as a result of increased credit spread and interest rate volatility in 2008.

An increase (of 33%) was also noted for the mezzanine and private equity portfolio due to the growth in the size of these portfolios.

Lastly, the economic capital usage of our interest rate mismatch position increased by 17%, because of an increase in interest rate volatility in 2008.

Capital adequacy

The capital adequacy of NIBC is managed at the NIBC Holding level.

The principal ratios for reviewing the capital adequacy of NIBC are the Tier-1 ratio and the BIS ratio. These ratios, which were implemented by the *Bank for International Settlements (BIS)*, are intended to promote comparability between financial institutions. They are based on the Basel Capital II Accord.

NIBC monitors developments in the ratios on a monthly basis, including comparison between the expected ratios and the actual ratios. These ratios indicate capital adequacy to mitigate on-balance credit risks, including off-balance sheet commitments, market risks, operational risks and other risk positions expressed as risk-weighted items in order to reflect their relative risk.

During the year ended 31 December 2008, NIBC complied amply with the capital requirements imposed by the Dutch Central Bank, which require a minimum Tier-1 ratio of 4% and a minimum BIS ratio of 8%.

The Tier-1 ratio is defined as Tier-1 capital divided by *Risk Weighted Assets (RWA)*. The BIS ratio is defined as Total Capital (which is the sum of Tier-1 capital and Tier-2 capital) divided by RWA.

The Tier-1 ratio increased from 12.0% (2007, actual) to 16.6% (2008, actual) and the BIS ratio increased from 13.8% (2007, actual) to 18.9% (2008, actual).

The following table shows the summary of capital ratios and RWA for NIBC.

NIBC capital ratios

IN EUR MILLIONS	2008		2007
	Basel II	Basel II	Basel I
	Actual	Pro-forma	Actual
CAPITAL RATIOS			
Core Tier-I ratio	13.5%	10.2%	9.7%
Tier-I ratio	16.6%	12.7%	12.0%
BIS ratio	18.9%	15.0%	13.8%
RISK WEIGHTED ASSETS			
Credit risk	10,251	11,623	14,778
Market risk	145	620	620
Operational risk	704	1,065	-
TOTAL RWA PRE - FLOOR	11,100	13,308	15,398
Add on: Basel I Floor	364	892	NA
TOTAL RWA	11,464	14,200	15,398

Table of contents



Consolidated Financial Statements

Consolidated Income Statement	85
Consolidated Balance Sheet	86
Consolidated Statement of Changes in Shareholders' Equity	88
Consolidated Cash Flow Statement	89
Accounting Policies	90
Critical Accounting Estimates and Judgements	122
Notes to the Consolidated Financial Statements	132
1 Basis of segment preparation	132
2 Net interest income	136
3 Net fee and commission income	137
4 Dividend income	137
5 Net trading income	137
6 Gains less losses from financial assets	138
7 Other operating income	138
8 Personnel expenses	139
9 Other operating expenses	140
10 Depreciation and amortisation	140
11 Impairments of corporate loans and of other interest bearing assets	141
12 Tax	142
13 Result attributable to minority interest	142
14 Cash and balances with central banks (Amortised Cost)	143
15 Due from other banks (Amortised Cost)	143
16 Loans (Amortised Cost)	144
17 Debt investments (Amortised Cost)	145
18 Securitised loans (Amortised Cost)	148
19 Loans (Available for Sale)	149
20 Equity investments (Available for Sale)	150
21 Debt investments (Available for Sale)	150
22 Loans (designated at Fair Value through Profit or Loss)	152
23 Residential mortgages own book (designated at Fair Value through Profit or Loss)	153
24 Securitised residential mortgages (designated at Fair Value through Profit or Loss)	154
25 Debt investments at Fair Value through Profit or Loss (including trading)	156
26 Structured investments (designated at Fair Value through Profit or Loss)	158



27	Investments in associates (designated at Fair Value through Profit or Loss)	159
28	Derivative financial instruments	159
29	Investments in associates (equity method)	169
30	Intangible assets	169
31	Property, plant and equipment	171
32	Investment property	172
33	Current tax	173
34	Deferred tax	173
35	Other assets	175
36	Due to other banks (Amortised Cost)	175
37	Deposits from customers (Amortised Cost)	176
38	Own debt securities in issue (Amortised Cost)	176
39	Debt securities in issue related to securitised mortgages (Amortised Cost)	177
40	Own debt securities in issue (designated at Fair Value through Profit or Loss)	178
41	Debt securities in issue structured (designated at Fair Value through Profit or Loss)	178
42	Other liabilities	179
43	Employee benefit obligations	179
44	Subordinated liabilities (Amortised Cost)	183
45	Subordinated liabilities (designated as Fair Value through Profit or Loss)	183
46	Shareholders' equity	184
47	Repurchase and resale agreements	187
48	Commitments and contingent assets & liabilities	187
49	Business combinations	188
50	Assets pledged as security	190
51	Assets under management	190
52	Related party transactions	191
53	Discontinued operations	194
54	Principal subsidiaries, joint ventures and associates	195
55	Remuneration of the Statutory Board Members, Supervisory Board Members, Share based payments and Deferred cash	196
56	Credit risk	206
57	Market risk	224
58	Liquidity risk	227
59	Capital management	232
60	Subsequent events	234
61	Profit appropriation	234

Consolidated Income Statement

For the year ended 31 December

IN EUR MILLIONS	NOTE	2008	2007
Interest and similar income	2	1,474	1,644
Interest expense and similar charges	2	1,267	1,406
NET INTEREST INCOME		207	238
Fee and commission income	3	45	65
Fee and commission expense	3	2	3
NET FEE AND COMMISSION INCOME		43	62
Dividend income	4	50	84
Net trading income	5	81	(24)
Gains less losses from financial assets	6	(57)	107
Share in result of associates	29	7	1
Other operating income	7	40	6
		121	174
OPERATING INCOME		371	474
Personnel expenses	8	125	135
Other operating expenses	9	73	59
Depreciation and amortisation	10	17	17
OPERATING EXPENSES		215	211
Impairment of corporate loans	11	42	2
Impairment of other interest bearing assets	11	20	(1)
TOTAL EXPENSES		277	212
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		94	262
Tax	12	1	20
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		93	242
RESULT FROM DISCONTINUED OPERATIONS	53	-	(141)
NET PROFIT FOR THE YEAR		93	101
Result attributable to minority interest	13	1	3
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDERS		92	98

Consolidated Balance Sheet

At 31 December

IN EUR MILLIONS	NOTE	2008	2007
Assets			
FINANCIAL ASSETS AT AMORTISED COST			
Cash and balances with central banks	14	1,113	874
Due from other banks	15	1,770	3,145
Loans and Receivables			
Loans	16	6,303	1,490
Debt investments	17	738	-
Securitised loans	18	630	638
FINANCIAL ASSETS AT AVAILABLE FOR SALE			
Loans	19	-	5,468
Equity investments	20	108	144
Debt investments	21	35	311
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)			
Loans	22	1,136	1,374
Residential mortgages own book	23	6,201	5,285
Securitised residential mortgages	24	5,250	6,356
Debt investments	25	732	2,329
Structured investments	26	1,079	1,212
Investments in associates	27	188	147
Derivative financial assets Held for Trading	28	3,137	2,641
Derivative financial assets used for hedging	28	215	85
Investments in associates (equity method)	29	40	44
Intangible assets	30	44	-
Property, plant and equipment	31	102	72
Investment property	32	30	1
Current tax	33	6	40
Other assets	35	80	153
TOTAL ASSETS		28,937	31,809

IN EUR MILLIONS	NOTE	2008	2007
Liabilities			
FINANCIAL LIABILITIES AT AMORTISED COST			
Due to other banks	36	5,537	4,700
Deposits from customers	37	2,293	1,516
Own debt securities in issue	38	5,974	9,035
Debt securities in issue related to securitised mortgages	39	5,835	7,214
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)			
Own debt securities in issue	40	168	215
Debt securities in issue structured	41	3,110	4,152
Derivative financial liabilities Held for Trading	28	3,439	2,374
Derivative financial liabilities used for hedging	28	42	53
Other liabilities	42	158	244
Deferred tax	34	39	4
Employee benefit obligations	43	8	11
SUBORDINATED LIABILITIES			
Amortised Cost	44	229	236
Fair Value through Profit or Loss	45	467	497
TOTAL LIABILITIES		27,299	30,251
SHAREHOLDERS' EQUITY			
Share capital	46	80	80
Other reserves	46	274	296
Retained earnings		1,175	1,073
Net profit attributable to parent shareholders		92	98
TOTAL PARENT SHAREHOLDERS' EQUITY		1,621	1,547
TOTAL MINORITY INTEREST		17	11
TOTAL SHAREHOLDERS' EQUITY		1,638	1,558
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		28,937	31,809

Consolidated Statement of Changes in Shareholders' Equity

IN EUR MILLIONS	Attributable to parent shareholders ¹				Minority Interest	Total
	Share capital	Other Reserves	Retained earnings	Net Profit		
BALANCE AT 1 JANUARY 2007	80	470	923	243	-	1,716
First time adoption capital contribution share based payments ²	-	-	24	-	-	24
BALANCE AT 1 JANUARY 2007	80	470	947	243	-	1,740
Net result on cash flow hedging instruments	-	(11)	-	-	-	(11)
Revaluation loans and receivables (net of tax)	-	(117)	-	-	-	(117)
Revaluation equity investments (net of tax) ³	-	(41)	17	-	-	(24)
Revaluation debt investments (net of tax)	-	(6)	-	-	-	(6)
Revaluation property, plant and equipment (net of tax)	-	1	-	-	-	1
TOTAL GAINS/(LOSSES) RECOGNISED DIRECTLY IN EQUITY	-	(174)	17	-	-	(157)
Profit appropriation	-	-	243	(243)	-	-
Net profit for the period	-	-	-	98	3	101
COMPREHENSIVE NET RESULT	-	(174)	260	(145)	3	(56)
Dividends ⁴	-	-	(146)	-	(1)	(147)
Capital contribution of third parties in a subsidiary controlled by NIBC	-	-	-	-	9	9
Capital contribution share based payments ²	-	-	12	-	-	12
BALANCE AT 31 DECEMBER 2007	80	296	1,073	98	11	1,558
BALANCE AT 1 JANUARY 2008	80	296	1,073	98	11	1,558
Net result on cash flow hedging instruments	-	40	-	-	-	40
Revaluation loans and receivables (net of tax)	-	(14)	-	-	-	(14)
Revaluation equity investments (net of tax)	-	(36)	-	-	-	(36)
Revaluation debt investments (net of tax)	-	(12)	-	-	-	(12)
Revaluation property, plant and equipment (net of tax)	-	-	-	-	-	-
TOTAL GAINS/(LOSSES) RECOGNISED DIRECTLY IN EQUITY	-	(22)	-	-	-	(22)
Profit appropriation	-	-	98	(98)	-	-
Net profit for the period	-	-	-	92	1	93
COMPREHENSIVE NET RESULT	-	(22)	98	(6)	1	71
Dividends	-	-	-	-	-	-
Capital contribution of third parties in a subsidiary controlled by NIBC	-	-	-	-	5	5
Capital contribution share based payments	-	-	4	-	-	4
BALANCE AT 31 DECEMBER 2008	80	274	1,175	92	17	1,638

1. See note 46 for the impact of the implementation of IASB amendment 'IAS 39 Financial Instruments: Recognition and Measurement' on Shareholders' equity at 31 December 2008.
2. Shareholders' equity at 1 January 2007 has been increased by EUR 24 million and at 31 December 2007 by EUR 36 million compared to the figures displayed in the Financial Statements 2007 due to the implementation of IFRS IFRIC 11.
3. In 2004, NIBC sold a number of investments and did not release the corresponding revaluation reserve of EUR 17 million. The correction of this error, to transfer the revaluation reserve of EUR 17 million directly to Retained earnings, has no effect on the Income Statement of 2007, nor on Total Shareholders' equity and the Balance Sheet total at 31 December 2007.
4. Dividends in 2007 are comprised of EUR 61 million final ordinary dividend over 2006 and EUR 85 million extraordinary dividend in 2007.

Consolidated Cash Flow Statement

For the year ended 31 December

IN EUR MILLIONS	2008	2007
OPERATING ACTIVITIES		
Net profit	92	98
ADJUSTMENTS FOR NON-CASH ITEMS		
Depreciation, amortisation and impairment losses	79	19
Changes in employee benefit obligations	(3)	(6)
Gains less losses from financial assets	57	(107)
Share in result of associates	(7)	(1)
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Derivative financial instruments	468	(217)
Operating assets	2,243	3,142
Operating liabilities	171	(319)
Dividends received from associates	6	-
CASH FLOWS FROM OPERATING ACTIVITIES	3,106	2,609
INVESTING ACTIVITIES		
Proceeds from the sale of property, plant and equipment	1	8
Acquisition of property, plant and equipment	(37)	(9)
Disposal of subsidiaries, associates and joint ventures	6	2
Acquisition of subsidiaries	(97)	-
Acquisition of associates and joint ventures	-	(25)
CASH FLOWS FROM INVESTING ACTIVITIES	(127)	(24)
FINANCING ACTIVITIES		
Net increase/(decrease) in own debt securities in issue	(3,108)	(85)
Net increase/(decrease) in subordinated liabilities	(37)	45
Net increase/(decrease) in debt securities in issue structured	(1,042)	(401)
Dividends paid	-	(146)
CASH FLOWS FROM FINANCING ACTIVITIES	(4,187)	(587)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,208)	1,998
CASH AND CASH EQUIVALENTS AT 1 JANUARY	3,976	1,978
Net increase/(decrease) in cash and cash equivalents	(1,208)	1,998
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	2,768	3,976
CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Taxes paid	(101)	4
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and balances with central banks	1,113	874
Due from other banks (maturity 3 months or less)	1,655	3,102
	2,768	3,976



Accounting Policies

General information

NIBC Bank N.V. (the **Company**), together with its subsidiaries (**NIBC or the Group**) is a Dutch merchant bank that offers integrated solutions to mid-cap clients in the Benelux and Germany through a combination of advising, financing and co-investing. The bank is also a meaningful player in a select number of clearly-defined asset classes. It employs its expertise to provide asset financing in sectors such as corporate lending, leveraged finance, oil & gas services, infrastructure and renewables, shipping and real estate. NIBC's clients are mid-cap companies, financial

institutions, institutional investors, financial sponsors, family offices and high net worth entrepreneurs/owners. NIBC has offices in The Hague, Brussels, Frankfurt, London and Singapore.

NIBC is domiciled in the Netherlands, and is a 100% subsidiary of NIBC Holding N.V.

These Consolidated Financial Statements were approved for issue by the Managing Board of NIBC Bank N.V. on 5 March 2009.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

Basis of preparation

The Group's Consolidated Financial Statements have been prepared in accordance with *International Financial Reporting Standards* as endorsed by the European Union (**IFRS**). The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of property, Available for Sale financial assets, financial assets and financial liabilities held at Fair Value through Profit or Loss, and all derivative contracts.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in the 'Critical Accounting Estimates and Judgements'.

Standards, amendments and interpretations effective in 2008

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008:

- IFRIC 11, IFRS 2 - Group and treasury share transactions. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options on parent's shares) should be accounted for as equity-settled or cash-settled share-based payment

transactions in the stand-alone accounts of the parent and group companies. IFRIC 11 was implemented with effect from 1 January 2008. The retrospective application of IFRIC 11 affected the Group's equity position as of 1 January 2007 and 31 December 2007. The impact at 1 January 2007 amounts to a credit of EUR 24 million and at 31 December 2007 to a credit of EUR 36 million compared to the amounts presented in the Financial Statements of NIBC Bank N.V. for the year ended 31 December 2007. See Consolidated Statement of Changes in and note 46 about Shareholders' equity; and

- IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. NIBC has applied IFRIC 14 from 1 January 2008, but it has no material impact on NIBC's financial position.

Amendments effective from 1 July 2008

The IAS 39, Financial instruments: Recognition and measurement, amendment on reclassification of financial assets permits reclassification of certain financial assets out of the Held for Trading and Available for Sale categories if specified conditions are met. The related amendment to IFRS 7, Financial instruments: Disclosures, introduces disclosure requirements with respect to financial assets reclassified out of the Held for Trading and Available for Sale categories. The amendment is effective prospectively from 1 July 2008. The Group adopted the amendment from 1 July 2008.

Standards, amendments and interpretations early adopted by NIBC

IFRS 8, Operating segments (effective 1 January 2009). IFRS 8 replaces IAS 14 Segment reporting

and aligns segment reporting with the requirements of the US standard SFAS 131, Disclosures about segments of an enterprise and related information. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. NIBC decided to early adopt IFRS 8 as of the third quarter of 2008. This has resulted in a decrease in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- IAS 27 (Revised), Consolidated and separate Financial Statements (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010;
- IFRS 3 (Revised), Business combinations (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with

contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010;

- IAS 23 (Amendment), Borrowing costs. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. NIBC will apply IAS 23 (Amended) from 1 January 2009, but the Standard is currently not applicable to NIBC as NIBC has no qualifying assets;
- IFRIC 13, Customer loyalty programmes. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to NIBC's operations because NIBC does not operate any loyalty programmes;
- IAS 1 (Revised), Presentation of Financial Statements (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, Non-owner changes in equity) in the statement of changes in equity, requiring Non-owner changes in equity to be presented separately from Owner changes in equity. All Non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to

present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the Income Statement and statement of comprehensive income will be presented as performance statements; and

- IFRS 2 (Amendment), Share-based payment: Vesting conditions and cancellations (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009, but this is not expected to have a material impact on the Consolidated Financial Statements.

Company Income Statement

Under Article 402 of Part 9, Book 2 of the Netherlands Civil Code, it is sufficient for a company's statutory Income Statement to present only results of participating interests after tax and other results after tax.

Basis of consolidation

The Consolidated Financial Statements are comprised of the Financial Statements of NIBC and its subsidiaries as at and for the years ended 31 December 2007 and 2008.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the Income Statement.

The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by NIBC.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred.

Minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Minority interests in the net assets and net results of consolidated subsidiaries are shown separately on the Balance Sheet and Income Statement.

At the date of acquisition, minority interests are stated at the share of fair value of the net assets acquired (excluding goodwill). Subsequent to the date of acquisition, minority interests comprise the amount calculated at the date of acquisition adjusted for the minority's share of changes in equity since the date of acquisition.

Disposals of minority interests result in gains or losses for NIBC that are recorded in the Income Statement. Purchases of minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Joint ventures

A joint venture exists where the Group has a contractual arrangement with one or more parties to undertake activities typically, though not necessarily, through entities that are subject to joint control.

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. NIBC combines its share of the joint venture's individual income and expenses, assets and

liabilities and cash flows on a line-by-line basis with similar items in the Group's Financial Statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

With effect from 1 January 2007, to the extent that newly acquired joint ventures are held by the venture capital organisation within the operating segment Merchant Banking, which is considered to be a venture capital organisation as that term is used in IAS 31, the Group designates upon initial recognition all newly acquired investments in such joint ventures as financial assets at Fair Value through Profit or Loss. These assets are initially recognised at fair value, and subsequent changes in fair value are recognised in the Income Statement in the period of the change in fair value.

Associates

Associates are those entities over which NIBC has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Except as otherwise described below, investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

With effect from 1 January 2007, all newly acquired investments in associates held by the venture capital organisation within the operating segment Merchant Banking, which is considered to be a venture capital organisation, as that term is used in IAS 28, are designated upon initial recognition as financial assets at Fair Value through Profit or Loss. These assets are initially recognised at fair value and subsequent changes in fair value are recognised in the Income Statement in the period of the change in fair value.

Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognised in the Income Statement; its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of NIBC's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by NIBC.

Dilution gains or losses in associates are recognised in the Income Statement.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for

allocating resources and assessing performance of the operating segments, has been identified as the Managing Board of NIBC.

Foreign currency translation

Functional and presentational currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The Consolidated Financial Statements are presented in euros, the functional currency and presentation currency of NIBC.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying net investment hedges.

Changes in the fair value of monetary loans denominated in foreign currency that are classified as Available for Sale are analysed between foreign exchange translation differences and other changes in the carrying amount of the loan. Foreign exchange translation differences are recognised in the Income Statement, and other changes in the carrying amount are recognised in equity.

Foreign exchange translation differences on non-monetary assets and liabilities that are stated at Fair Value through Profit or Loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items classified as Available for Sale assets are included in the fair value reserve in equity.

Group companies

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders'

equity. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the Income Statement as part of the gain or loss on sale.

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

Recognition of financial instruments

A financial instrument is recognised in the Balance Sheet when NIBC becomes a party to the contractual provisions that comprise the financial instrument.

NIBC applies trade date accounting to all financial instruments. All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention

are recognised on the trade date, which is the date on which NIBC commits to purchase or sell the asset.

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

De-recognition of financial assets and liabilities

Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) are derecognised when:

- The rights to receive cash flows from the financial assets have expired; or
- When NIBC has transferred its contractual right to receive the cash flows of the financial assets, and either
 - substantially all risks and rewards of ownership have been transferred; or
 - substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

If NIBC has transferred its contractual rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of NIBC's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the

asset and the maximum amount of consideration that NIBC could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of NIBC's continuing involvement is the amount of the transferred asset that NIBC may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of NIBC's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or

modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective

carrying amounts is recognised in the Income Statement.

Classification of financial instruments

Financial assets are classified as:

- Financial instruments at Fair Value through Profit or Loss, including derivative instruments that do not qualify for cash flow hedge accounting;
- Available for Sale financial instruments; and
- Loans and Receivables at Amortised Cost.

Financial liabilities are classified as:

- Financial instruments at Fair Value through Profit or Loss, including derivative instruments that do not qualify for cash flow hedge accounting; and
- Financial instruments at Amortised Cost.

The measurement and income recognition in the Income Statement depends on the IFRS classification of the financial asset or liability. The classification of financial instruments is determined upon initial recognition.

Financial assets - reclassification

In accordance with the amendment to IAS 39: Reclassifications of Financial Assets NIBC may reclassify certain non-derivative financial assets Held for Trading to either the Loans and Receivables at Amortised Cost or Available for Sale categories. The amendment also allows for the transfer of certain non-derivative financial assets from Available for Sale to Loans and Receivables at Amortised Cost.

NIBC is allowed to reclassify certain financial assets out of the Held for Trading category if they are no longer held for the purpose of selling or repurchasing them in the near term.

NIBC now has the intention and ability to hold these financial assets for the foreseeable future. In order to align with market practice accounting treatment for such financial assets, NIBC has chosen to reclassify the assets to Loans and Receivables at Amortised Cost or Available for Sale.

The amendments distinguish between those financial assets, which would be eligible for classification as Loans and Receivables at Amortised Cost and those which would not. The former are those instruments which, apart from being held with the intent of sale in the near term, have fixed or determinable payments, are not quoted in an active market and contain no features that could cause the holder not to recover substantially all of its initial investment, except through credit deterioration.

Financial assets that are not eligible for classification as Loans and Receivables at Amortised Cost, may be transferred from Held for Trading to Available for Sale, only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Financial assets that would now meet the criteria to be classified as Loans and Receivables at Amortised Cost, may be transferred from Held for Trading or Available for Sale to Loans and Receivables at Amortised Cost, if the entity has the intention and ability to hold them for the foreseeable future.

Reclassifications are recorded at the fair value of the financial asset as of the reclassification date. The fair value at the date of reclassification becomes the new cost or amortised cost as applicable. Gains or losses due to changes in the fair value of the financial asset recognised in profit or loss prior to reclassification date shall not be reversed. Effective interest rates for financial assets reclassified to the Loans and Receivables at Amortised Cost category are determined at the reclassification date as the discount rate applicable to amortise the fair value back to expected future cash flows at that date. Subsequent increases in estimated future cash flows will result in a prospective adjustment to the effective interest rate applied.

For financial assets reclassified from Available for Sale to Loans and Receivables at Amortised Cost, previous changes in fair value that have been recognised in the equity revaluation reserve shall be amortised to profit or loss over the remaining life of the asset using the effective interest rate method. If such assets are subsequently determined to be impaired, the remaining balance of losses previously recognised in equity shall be released to profit or loss to the extent of the impairment loss amount and if necessary, additional impairment losses shall be recorded in profit or loss to the extent they exceed the remaining (Available for Sale) Revaluation reserve in equity.

Reclassification of financial assets (as of 1 July 2008)

As of 1 July 2008, the effective date of the amendments to IAS 39 and IFRS 7, the following financial assets were reclassified:

- Loans and Receivables: Loans, except for those that were designated at Fair Value through Profit or Loss, were reclassified out of the Available for Sale category to Loans and Receivables at Amortised Cost;

- Debt investments:
 - EU structured credits originated after 1 July 2007 were reclassified out of the Available for Sale category to Loans and Receivables at Amortised Cost to the extent the assets meet the definition of Loans and Receivables;
 - EU corporate credits and EU structured credits originated before 1 July 2007 were reclassified out of the Held for Trading category to Loans and Receivables at Amortised Cost to the extent the assets meet the definition of Loans and Receivables; and
 - EU CDO equity was reclassified out of the Held for Trading category to the Available for Sale category. Any subsequent change in fair value from the fair value at the date of reclassification will be recorded in the (Available for Sale) Revaluation reserve unless it is determined to be impaired or until the instrument is derecognised.

Changes to classification of financial assets (in 2007)

In 2007, NIBC made the following changes:

- Loans and Receivables: Loans originated before 1 July 2007 are accounted for at Fair Value through Profit or Loss (residential mortgages, commercial real estate loans and leveraged loan warehouses, secondary loan trading, and distressed asset trading) or Available for Sale (all other corporate lending). With the exception of residential mortgages, Loans originated after 1 July 2007 are classified as Loans and Receivables at Amortised Cost. These loans are initially measured at fair value plus directly attributable transaction costs, and are subsequently measured at Amortised Cost using the effective interest method. The reason for this change in classification was to align with market practice;

- Debt investments: with effect from 1 July 2007, newly originated assets in the EU structured credits books were classified as Available for Sale. Assets acquired before 1 July 2007 were classified as Held for Trading. The reason for this change in classification was to align with market practice;
- Equity investments in associates and joint ventures: with effect from 1 January 2007, all newly acquired investments in associates and joint ventures held by the venture capital organisation (as that term is used in IAS 28 and IAS 31) are designated at Fair Value through Profit or Loss. Previously acquired investments in associates, where material, were accounted for using the equity method and investments in joint ventures were proportionally consolidated. The reason for this change in classification was to align with market practice; and
- Equity investments: equity investments acquired before 1 January 2007 held in the investment portfolio of the venture capital organisation are classified as Available for Sale assets in the Consolidated Balance Sheet. With effect from 1 January 2007, all newly acquired equity investments held by the venture capital organisation are designated upon initial recognition as financial assets at Fair Value through Profit or Loss. The reason for this change in classification was to align with market practice.

An overview of the classification of different classes of financial assets is presented in the following table:

	Before Reclassification	After Reclassification
Financial assets		
LOANS AND RECEIVABLES		
COMMERCIAL REAL ESTATE LOAN PORTFOLIO		
Originated before 1 July 2007	Designated at FVPL	Designated at FVPL
Originated after 1 July 2007	L&R at AC	L&R at AC
LEVERAGED LOAN WAREHOUSES		
Originated before 1 July 2007	Designated at FVPL	Designated at FVPL
Originated after 1 July 2007	L&R at AC	L&R at AC
SECONDARY LOAN TRADING PORTFOLIO		
Originated before 1 July 2007	Designated at FVPL	Designated at FVPL
Originated after 1 July 2007	L&R at AC	L&R at AC
DISTRESSED ASSET TRADING PORTFOLIO		
Originated before 1 July 2007	Designated at FVPL	Designated at FVPL
Originated after 1 July 2007	L&R at AC	L&R at AC
OTHER CORPORATE LENDING PORTFOLIOS		
Originated before 1 July 2007	AFS	L&R at AC
Originated after 1 July 2007	L&R at AC	L&R at AC
DEBT INVESTMENTS		
STRUCTURED CREDITS EU		
Originated before 1 July 2007	HFT	L&R at AC
Originated after 1 July 2007	AFS	L&R at AC
Assets that do not meet the definition of Loans and Receivables	HFT or AFS	HFT or AFS
CORPORATE CREDITS EU		
Originated before 1 July 2007	HFT	L&R at AC
Originated after 1 July 2007	AFS	L&R at AC
EU EQUITY TRANCHE NOTES		
Originated before 1 July 2007	HFT	AFS
Originated after 1 July 2007	AFS	AFS
EQUITY INVESTMENTS (HELD BY VENTURE CAPITAL ORGANISATION)		
INVESTMENTS IN ASSOCIATES		
Originated before 1 January 2007	Equity method	Equity method
Originated after 1 January 2007	Designated at FVPL	Designated at FVPL
INVESTMENTS IN JOINT VENTURES		
Originated before 1 January 2007	Proportionately consolidated	Proportionately consolidated
Originated after 1 January 2007	Designated at FVPL	Designated at FVPL
OTHER INVESTMENTS		
Originated before 1 January 2007	AFS	AFS
Originated after 1 January 2007	Designated at FVPL	Designated at FVPL

AC: Amortised Cost - AFS: Available for Sale - FVPL: Fair Value through Profit or Loss - HFT: Held for Trading - L&R: Loans and Receivables.

The amendments to IFRS 7 regarding reclassifications require disclosure of the impact of the reclassification of each category of financial assets on the financial position and performance of NIBC.

Changes to classification of financial liabilities (in 2007)

In 2007, a change was made to the classification of certain financial liabilities (debt securities in issue) upon origination. During the period commencing 1 January 2007, plain vanilla fixed rate long-term debt securities (liabilities) were issued together with matching interest rate

swaps as part of a documented interest rate risk management strategy. An accounting mismatch would arise if the Debt securities in issue were accounted for at Amortised Cost, because the related derivatives are measured at fair value with movements in the fair value taken through the Income Statement. By designating the long-term debt as Fair Value through Profit or Loss, the movement in the fair value of the long-term debt will also be recorded in the Income Statement, and thereby off-set the gains and/or losses on the derivative instrument that is also included in the Income Statement.

Financial instruments at Fair Value through Profit or Loss

This category has two subcategories: financial instruments Held for Trading and financial instruments designated as Fair Value through Profit or Loss at inception.

Financial instruments Held for Trading

A financial instrument is classified as Held for Trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near future with the objective of generating a profit from short-term fluctuations in price or dealer's margin. Derivatives are also categorised as Held for Trading unless they are designated as effective hedging instruments.

The measurement of these financial instruments is initially at fair value, with transaction costs taken to the Income Statement. Subsequently, their fair value is remeasured, and all gains and losses from changes therein are recognised in the Income Statement in Net trading income as they arise.

Financial instruments designated upon initial recognition as Fair Value through Profit or Loss

Financial instruments are classified in this category if they meet one or more of the criteria set out below, and provided they are so designated by management. NIBC may designate financial instruments at fair value when the designation:

- Eliminates or significantly reduces valuation or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases. Under this criterion, the main classes of financial instruments designated by NIBC at Fair Value through Profit or Loss are:
 - Residential mortgage loans (own book and securitised);
 - Certain debt investment portfolios;
 - Structured investments;
 - Equity investments (including associates and joint ventures held by the venture capital organisation within the operating segment Merchant Banking); and

- Certain fixed rate long-term debt securities issued after 1 January 2007.
- Applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments is reported to management on that basis. Under this criterion, the main classes of financial instruments designated by NIBC at Fair Value through Profit or Loss are:
 - Equity investments (originated after 1 January 2007);
 - Commercial real estate loans (originated before 1 July 2007);
 - Leveraged loan warehouses;
 - Secondary loan trading; and
 - Distressed asset trading.
 NIBC has documented risk management and investment strategies designed to manage such assets at fair value, taking into consideration the relationship of assets to liabilities in a way that mitigates market risks. Reports are provided to management on the fair value of the assets; and
- Relates to financial instruments containing one or more embedded derivatives that

significantly modify the cash flows resulting from those financial instruments. Under this criterion, the main classes of financial instruments designated by NIBC at Fair Value through Profit or Loss are:

- Debt securities in issue structured; and
- Subordinated liabilities at Fair Value through Profit or Loss.

The fair value designation, once made, is irrevocable.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or liabilities are included in Net trading income.

Financial instruments at Fair Value through Profit or Loss (comprising the categories described above) are initially recognised at fair value, and transaction costs are expensed in the Income Statement.

Subsequent measurement is at fair value and all changes in fair value are reported in the Income Statement, either as Net trading income or as Gains less losses from financial assets. Interest is recorded in Interest income using the effective interest rate method, while dividend income is recorded in Dividend income when NIBC's right to receive payment is established.

Available for Sale financial assets

Available for Sale financial assets are non-derivative financial assets that are designated at Available for Sale and are not classified as (a) Loans and Receivables, (b) Held-to-Maturity investments or (c) financial assets at Fair Value through Profit or Loss.

The main classes of financial instruments designated at Available for Sale assets at 31 December 2008 include:

- Equity investments (originated before 1 January 2007);

- Certain debt investments that do not meet the definition of Loans and Receivables; and
- EU equity tranche notes.

Available for Sale financial assets are intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available for Sale financial assets are initially measured at fair value plus transaction costs

and are subsequently measured at fair value. Changes in fair value are recognised directly in the Revaluation reserve in equity, until the financial instrument is derecognised or impaired. When Available for Sale investments are sold, cumulative gains or losses previously recognised in equity are recognised in the Income Statement as Net trading income or as Gains less losses from financial assets (including equity investments).

Interest calculated using the effective interest method and foreign currency gains and losses on monetary instruments classified as Available for Sale are recognised in the Income Statement as Interest and similar income and Net trading income respectively. Dividends on Available for Sale financial instruments are recognised in the Income Statement as Dividend income when NIBC's right to receive payment is established.

Loans and Receivables at Amortised Cost

Loans and Receivables at Amortised Cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- a those that NIBC intends to sell immediately or in the short-term, which are classified as Held for Trading;
- b those that NIBC upon initial recognition designates as at Fair Value through Profit or Loss;
- c those that NIBC upon initial recognition designates as Available for Sale; and
- d those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

An interest acquired in a pool of assets that are not Loans and Receivables (for example

an interest in a mutual fund or similar fund) is not a loan or receivable.

The main classes of Loans and Receivables at Amortised Cost at 31 December 2008 include corporate lending (excluding commercial real estate and leverage loan warehouses, secondary loan trading and distressed asset trading) and investments in the EU corporate credits and EU structured credits portfolio that meet the Loans and Receivables definition.

Loans and Receivables are initially measured at fair value plus directly attributable transaction costs, and are subsequently measured at Amortised Cost using the effective interest method (including interest accruals less provision for impairment).

Financial liabilities

With the exception of those financial liabilities designated as at Fair Value through Profit or Loss, these are initially recognised at fair value net of transaction costs, and subsequently measured at Amortised Cost using the effective interest method (including interest accruals), with the periodic amortisation recorded in the Income Statement.

The main classes of financial liabilities at Amortised Cost include amounts Due to other banks, Deposits

from customers, Own debt securities in issue under NIBC's European Medium Term Note programme, Covered Bonds programme and the Dutch State's Credit Guarantee Scheme and Debt securities in issue related to securitised mortgages. The main classes of financial liabilities at Fair Value through Profit or Loss include Debt securities in issue structured that consist of notes issued with embedded derivatives and derivative financial liabilities Held for Trading and hedging.

NIBC classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The Group's perpetual bonds are not redeemable by the holders but bear an entitlement to distributions that is not at the discretion of the Group. Accordingly, they are presented as a financial liability.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the Income Statement as interest expense.

Subordinated liabilities are recognised initially at fair value net of transaction costs incurred. Subordinated liabilities without embedded derivatives are subsequently stated at Amortised Cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the Income Statement over the period of the financial liability using the effective interest method. Subordinated liabilities containing one or more embedded derivatives that significantly modify the cash flows are designated at Fair Value through Profit or Loss.

Recognition of day one profit or loss

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

The Group has entered into transactions where fair value is determined using valuation models for which not all inputs are market observable prices or rates. Such financial instruments are

initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. Significant differences between the transaction price and the model value, commonly referred to as 'day one profit or loss', are not recognised immediately in the Income Statement.

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

Offsetting

Financial assets and liabilities are offset, and the net amount is reported in the Balance Sheet when a legally enforceable right to set-off the recognised

amounts exists and the Group intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

Collateral

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

The Group obtains collateral in respect of counterparty liabilities when this is considered

appropriate. The collateral normally takes the form of a lien over the counterparty's assets and gives the Group a claim on these assets for both existing and future liabilities.

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

Derivative financial instruments and hedging

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

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

The method of recognising fair value gains and losses depends on whether the derivatives are Held for Trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives Held for Trading are recognised in the Income Statement.

When derivatives are designated as hedges, NIBC classifies them as either a (i) fair value hedge of interest rate risk ('portfolio fair value hedges'); (ii)

a fair value hedge of interest rate risk and foreign exchange rate risk ('micro fair value hedges') (iii) cash flow hedge of the variability of highly probable cash flows ('cash flow hedges'); or (iv) hedges of net investments in a foreign operation ('net investment hedge'). Hedge accounting is applied to derivatives designated as hedging instruments, provided certain criteria are met.

Hedge accounting

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

At the inception of a hedging relationship, NIBC documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. NIBC also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the

derivatives that are used in hedging relationships are highly effective in offsetting changes attributable to the hedged risk in the fair value or cash flows of the hedged items. Interest on designated qualifying hedges is included in Net interest income.

The Group discontinues hedge accounting prospectively when:

- It is determined that a derivative is not, or has ceased to be, highly effective as a hedge;
- The derivative expires, or is sold, terminated or exercised;
- The hedged item matures or is sold or repaid; or
- A forecast transaction is no longer deemed highly probable.

Fair value hedge

NIBC applies portfolio fair value hedge accounting and fair value hedge accounting on a micro level.

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the Income Statement together with changes in the fair value of the hedged items attributable to the hedged risk.

If a hedge relationship no longer meets the criteria for hedge accounting, the cumulative fair value adjustment to the carrying amount of the hedged item is amortised to the Income Statement over the remaining period to maturity using the effective interest method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the Income Statement.

Portfolio fair value hedge

NIBC applies portfolio fair value hedge accounting to the interest rate risk arising on portfolios of fixed interest rate corporate loans (classified as Available for Sale financial assets or as Amortised Cost assets) and to portfolios of plain vanilla

fixed interest rate funding (liabilities classified at Amortised Cost).

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

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

Micro fair value hedge

NIBC applies micro fair value hedge accounting to the interest rate risk and or the foreign exchange risk arising from plain vanilla fixed interest rate funding denominated in a foreign currency. Cross-currency interest rate swaps are used as hedging instruments. Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the Income Statement together with changes in the fair value of the hedged items attributable to the hedged risks.

Retrospective effectiveness is tested monthly, by comparing the cumulative fair value movement excluding interest (since inception) of the hedged item, due to changes in both benchmark interest rates and foreign exchange rates, to the total fair value movement excluding interest of the hedging instrument (the cumulative dollar offset method).

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

Cash flow hedge

Cash flow hedging is applied to hedge the variability arising on expected future cash flows due to interest rate risk on Available for Sale corporate loans and/or corporate loans at Amortised Cost with floating interest rates. As interest rates fluctuate, the future cash flows on these instruments also fluctuate. NIBC uses interest rate swaps to hedge the risk of such cash flow fluctuations.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in equity within the cash flow hedging reserve. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the Income Statement.

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

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is sold.

Hedge effectiveness testing

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

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

Hedge ineffectiveness is recognised in the Income Statement in Net trading income.

Derivatives managed in conjunction with financial instruments designated as Fair Value through Profit or Loss

All gains and losses arising from changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the Income Statement. Derivatives used to manage the interest rate and credit spread exposure on certain financial assets and liabilities (mainly structured funding, debt investments and residential mortgage loans) are not designated in hedging relationships. Gains and losses on these derivatives together with the fair value movements

on these financial assets and liabilities are reported within Net trading income.

Embedded derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Certain derivatives embedded in financial instruments are bifurcated when their risks and characteristics are not closely related to

those of the host contract and the host contract is not reported as Fair Value through Profit or Loss. These embedded derivatives are separately accounted for and measured at fair value, with fair value movements reported in the Income Statement. The amendments to IFRIC 9 require the Group to assess whether these are embedded derivatives that should be separated from financial assets reclassified out of the Fair Value through Profit or Loss category.

Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the Financial Statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts Due to other banks or Deposits from customers as appropriate.

Securities purchased under agreements to resell ('reverse repos') are recorded as Loans and Receivables to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the Financial Statements.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;

- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio (corporate loans, EU corporate credits and EU structured credits). The average period used is three months for the different corporate loan portfolios.

Losses expected from future events, no matter how likely, are not recognised.

Financial assets reported at Amortised Cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics

(i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors).

Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows from a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Following impairment, interest income is recognised using the original effective rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

When a loan is uncollectible, it is written-off against the related allowance for loan impairment. Such loans are written-off after all the necessary

procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Income Statement under Impairment of corporate loans or Impairment of other interest bearing assets.

Financial Assets classified as Available for Sale

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as Available for Sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

If objective evidence of impairment exists for Available for Sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement - is removed from equity and recognised in the Income Statement under Gains less losses from financial assets (including equity investments).

Reversals of impairment losses are subject to contrasting treatments depending on the nature of the instrument concerned:

- Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement; and

- If, in a subsequent period, the fair value of a debt instrument classified as Available for Sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement.

Non-financial assets

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

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

Renegotiated loans

Loans that are subject to collective impairment assessment and whose terms have been renegotiated are no longer considered past due but are treated as new loans only after the minimum number of payments required under the new arrangements have been received.

Intangible assets

Goodwill

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

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

Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives of five years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

Order backlog

An order backlog acquired in a business combination is recognised at fair value at the acquisition date. The order backlog has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of two years of the order backlog.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The (contractual) customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of thirteen years of the customer relationship.

Computer software

Costs associated with research and maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by NIBC and that generate economic benefits exceeding one year are capitalised as intangible assets. Computer software development costs recognised as assets are amortised over their estimated useful lives of three to five years.

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

Tangible assets

Property (land and buildings), plant and equipment

Land and buildings comprise mainly factories and offices. Land and buildings are shown at fair value. This fair value is based on the most recent appraisals by independent registered appraisers, less straight-line depreciation for buildings over the estimated economic life taking into account any residual value. Any accumulated depreciation at the date of revaluation is eliminated against the carrying amount of the asset, and the net amount is restated to the re-valued amount of the asset.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising from revaluation of land and buildings are credited to Other reserves in Shareholders' equity.

Decreases that offset previous increases of the same asset are charged against Other reserves directly in equity; all other decreases are charged

to the Income Statement. Each year the difference between depreciation based on the re-valued carrying amount of the asset charged to the Income Statement and depreciation based on the asset's original cost is transferred from Other reserves to Retained earnings.

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

■ Buildings	30-50 years
■ Machinery	4-10 years
■ Furniture, fittings and equipment	4-10 years

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Other operating income. When re-valued assets are sold, the amounts included in Other reserves are transferred to Retained earnings.

Investment property

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. The fair value is the price at which the property could be exchanged between knowledgeable, willing parties

in an arm's length transaction, without any deduction for transaction costs it may incur on sale or other disposal. The unrealised gains and losses arising from the changes in fair value of the investment property as a result of appraisals are

included in Other operating income in the Income Statement.

Investment properties are de-recognised when they have been disposed of.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to other Operating expenses in the Income Statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified

as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in Other liabilities. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted

balances with central banks and net credit balances on current accounts with other banks.

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

Other assets

Trade receivables related to consolidated non-financial companies

Trade receivables are recognised initially at fair value and subsequently measured at Amortised Cost using the effective interest method, less

allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within Other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against Other operating expenses in the Income Statement.

Inventories related to consolidated non-financial companies

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost formula. The cost of finished goods and work in progress is comprised of design costs, raw materials, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Construction contracts related to consolidated financial companies

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that the contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the percentage of completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within other assets.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Provisions

Provisions are recognised when NIBC has a present obligation (legal or constructive) as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligations and a reliable estimate can be made

of the amount of the obligation. Given their short-term nature, these provisions are not discounted.

Contingent liabilities are not recognised in the Financial Statements but are disclosed, unless they are remote.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at Amortised Cost

using the effective interest method.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, and other banking facilities.

Financial guarantees are initially recognised in the Financial Statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the liabilities under such guarantees

are measured at the higher of the initial measurement, less amortisation calculated to recognise in the Income Statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of Management. Any increase in the liability relating to guarantees is taken to the Income Statement under Other operating expenses. Any liability remaining is recognised in the Income Statement when the guarantee is discharged, cancelled or expires.

Employee benefit obligations

Pension obligations

NIBC and its subsidiaries have various pension arrangements in accordance with the local conditions and practices in the countries in which they operate. NIBC generally funds these arrangements through payments to insurance companies or trustee administered funds, determined by periodic actuarial calculations. These various pension arrangements consist of

a defined contribution plan, a defined benefit plan or a combination of these plans.

A defined contribution plan is a pension plan under which NIBC pays fixed contributions to a separate entity; the contributions are recognised as an expense in the Income Statement as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or

a reduction in the future payments is available. NIBC has no legal or constructive obligations to pay further defined contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Past service costs are recognised immediately in administrative expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past-service costs are amortised on a straight-line basis over the vesting period.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Other post-retirement obligations

Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology that is the same as for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

Obligations arising in respect of these post-retirement healthcare plans were settled in 2007 and the plans terminated.

Share-based compensation

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

For equity-settled share-based compensation plans, the fair value of the employee services received in exchange for the grant of the share-based compensation is recognised as an expense in the Income Statement as Personnel expenses. Provided that the share-based arrangement is accounted for as equity settled in the Consolidated Financial Statements of the parent, the subsidiary shall measure the services received from its employees in accordance with the requirements applicable to equity settled share-based payment transactions, with the corresponding increase recognised in equity as a contribution from the parent.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the instruments granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable. At each balance sheet date, NIBC revises its estimates of the number of instruments that are expected to become exercisable. It recognises the impact of the revision

of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity. The proceeds received, net of any directly attributable transaction costs, are credited to Retained Earnings when the instruments are vested.

For the cash-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of share-based compensation is recognised as a liability. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in the Income Statement in Personnel expenses.

Profit-sharing and bonus plans

A liability is recognised for cash settled bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to our shareholders after certain adjustments.

NIBC recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Income tax

Income tax on the profit or loss for the year is comprised of current tax and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in Shareholders' equity, in which case it is recognised in Shareholders' equity.

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

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

NIBC's principal temporary differences arise from the revaluation of certain financial assets and liabilities including derivative contracts,

the depreciation of property and provisions for pensions and other post-retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

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

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled

by the Group and it is probable that the difference will not reverse in the foreseeable future.

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

Deferred tax related to the fair value remeasurement of Available for Sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the Income Statement when the deferred gain or loss is recognised in the Income Statement.

Shareholders' equity

Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period that the obligation for payment has been established, being in the period in which they are approved by the shareholders.

Share issue costs

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

Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable

that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest income and expense

Interest income and interest expense are recognised in the Income Statement for all interest bearing financial instruments, including those classified as Held for Trading or designated at Fair Value through Profit or Loss.

For all interest bearing financial instruments, interest income or interest expense is recognised using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability (on an amortised cost basis). The calculation includes all contractual terms of the financial instrument (for example, prepayment options) but not future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets is impaired, interest income is subsequently recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Any increase in estimated future cash flows of financial assets reclassified to Loans and Receivables at Amortised Cost on 1 July 2008 will result in a prospective adjustment to the effective interest rates.

Fee and commission income and expense

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commissions and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis.

Asset management fees related to investment funds are recognised pro rata over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

Dividend income

Dividends are recognised in the Income Statement when the entity's right to receive payment is established.

Net trading income

Net trading income comprises all gains and losses not presented under Gains less losses from financial assets from changes in the fair value of financial assets and financial liabilities measured at Fair Value through Profit or Loss and Held for Trading as well as realised gains and losses of financial assets and financial liabilities measured at Amortised Cost, Available for Sale, Held for Trading and designated as at Fair Value through

Profit or Loss (including foreign exchange gains and losses).

Gains less losses from financial assets

Realised gains or losses from Debt investments and Equity investments at Available for Sale previously recognised in equity, and gains or losses from associates and equity investments at Fair Value through Profit or Loss and impairment losses on equity investments are recognised in the Income Statement as Gains less losses from financial assets.

Other operating income

The revenue diminished by cost of sales from consolidated non-financial companies is presented under Other operating income.

Sales of goods by consolidated non-financial companies

The Group manufactures and sells products to clients. Sales of goods are recognised when a Group entity has delivered products to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the client, and either the client has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Products are often sold with volume discounts and customers have a right to return faulty products. Sales are recorded based on the price specified in the sales contracts, net of estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. Volume discounts are assessed based on anticipated

annual sales. No element of financing is deemed present as the sales are made with a credit term of 90 days, which is consistent with the market practice.

Sales of services by consolidated non-financial companies

The Group sells water and pile services and transportation services. These services are provided on a time and materials basis or as fixed-price contracts, with contract terms generally ranging from less than one year to two years.

Revenue from time and material contracts, typically from delivering water and pile services, is recognised using the percentage of completion method. Revenue is generally recognised at the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours delivered as a percentage of total hours to be delivered. For material contracts, the stage of completion is measured on the basis of direct expenses incurred as a percentage of the total expenses to be incurred.

Revenue from fixed-price contracts for delivering water and pile services is also recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

Revenue from fixed-price contracts for delivering transportation services is generally recognised in the period the services are provided, using a straight-line basis over the term of the contract.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and a) represents a separate major line of business or geographical area of operations; b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or c) is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative Income Statement and Consolidated Cash Flow Statement are represented as if the operation had been discontinued from the start of the comparative period.

Consolidated Cash Flow Statement

The Consolidated Cash Flow Statement, based on the indirect method of calculation, gives details of the source of cash and cash equivalents that became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in Loans and Receivables and inter-bank deposits are included in the cash flow from operating activities.

Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in and sales of subsidiaries and associates, property, plant and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Movements due to currency translation differences as well as the effects of the consolidation of acquisitions, where of material significance, are eliminated from the cash flow figures.

Fiduciary activities

NIBC acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets

and income arising thereon are excluded from these Financial Statements, as they are not assets of the Group.

Critical Accounting

Estimates and Judgements

NIBC makes estimates and assumptions that affect the reported amounts of assets and liabilities.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements and estimates are principally made in the following areas:

- Estimated impairment of goodwill arising on consolidated non-financial companies;
- Fair value of certain financial instruments;
- Impact of reclassified financial assets;
- Impairment of corporate loans;
- Impairment of equity investments classified as Available for Sale;
- Securitisations and special purpose entities;
- Pension benefits; and
- Income taxes.

Estimated impairment of goodwill arising on consolidated non-financial companies

The Group tests annually whether its goodwill is impaired in accordance with its accounting policy.

The recoverable amount of a group of *cash generating units (CGUs)* related to consolidated non-financial companies is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Managing Boards of the acquirer companies covering a ten year period (2009-2018). Cash flows beyond the ten year period are extrapolated using an estimated perpetual growth rate.

The key assumptions used in the value-in-use calculations for 2008 are as follows:

- | | |
|-------------------------|--------------|
| ■ Perpetual growth rate | 2.0%-2.5% |
| ■ Pre-tax discount rate | 11.7%-12.7% |
| ■ Tax rate | 25.5%-28.95% |

Management determined budgeted results based upon past performance and its expectations of market developments. The discount rate (weighted average cost of capital) used is pre-tax and reflects specific risks relating to the operations of the group of CGUs.

The Group has not recognised a goodwill impairment charge for the consolidated non-financial companies.

The rate used to discount the future cash flows of the group of CGUs can have a significant effect on the group of CGUs valuation. The discount rate calculated depends on inputs reflecting a number of financial and economic variables including the risk-free interest rate and a premium to reflect the inherent risk of the business being evaluated.

These variables are established on the basis of management judgement.

If the estimated pre-tax discount rate applied to the discounted cash flow for the group of CGUs had been 1% higher than management estimates (12.7%-13.7% instead of 11.7%-12.7%) the Group would also not have recognised a goodwill impairment charge.

Management judgement is also required in estimating the future cash flows of the group of CGUs. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. While the acceptable range within which underlying assumptions can be applied is governed by the requirement to compare resulting forecasts with actual performance and verifiable economic data in

future years, the cash flow forecasts necessarily and appropriately reflect management's view of future business prospects.

When this exercise demonstrates that the expected cash flows of a group of CGUs have declined and/or that its discount rate has increased, the effect is to reduce the estimated recoverable amount. If this results in an estimated recoverable amount that is lower than the carrying value of the group of CGUs, a charge for impairment of goodwill will be recorded, thereby reducing by a corresponding amount NIBC's profit for the year.

If the budgeted profit before tax of the group of CGUs used in the value-in-use calculation had been 5% lower than management's estimates at 31 December 2008, the Group would also not have recognised a goodwill impairment charge in respect of its controlled non-financial companies.

Fair value of certain financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable willing parties in an arm's length transaction. NIBC determines fair value either by reference to a quoted price in an active market for a given financial instrument or, when a quoted price in an active market is not available, by using a valuation technique.

If NIBC determines fair value using valuation techniques (for example, in the case of mortgage loans, corporate loans and certain debt investments), the valuation is determined by discounting to present value the cash flows (after expected pre-payments) that it expects to receive from holding the instrument. These discounted cash flow models require management to estimate a number of parameters, including interest rate yield curves, credit spreads, liquidity risk

premiums, equity and commodity prices, option volatilities and currency rates. Some parameters are either directly observable or are implied from instrument prices in the market place. In light of the dramatic widening in credit spreads, valuations have become particularly sensitive to this parameter. Due to the absence of liquidity in a number of financial instruments, directly observable data on credit spreads is sparse.

The calculation of fair value for any financial instrument may also require adjustment of the quoted price or the value generated by the valuation technique to reflect the cost of credit risk and liquidity risk (where not embedded in underlying models or prices used) or to reflect hedging costs not captured in the valuation model (to the extent that they would be taken into account by market participants in determining a price).

The process of determining fair value for illiquid instruments using valuation techniques requires estimation of the expected maturity of an instrument (and therefore the expected cash flows), certain pricing parameters, or other assumptions or model characteristics. Although NIBC calibrates its valuation techniques against industry standards and observable transaction prices (to the extent that this is possible in current market conditions), the calculation of fair value is an inherently subjective process, particularly when data on observable transactions is sparse.

In 2008, market conditions were characterised by the near absence of liquidity in credit markets and a significant widening of credit spreads. In these market conditions, the estimation of the fair value of NIBC's residential mortgage loans, corporate loans, its own liabilities designated at Fair Value through Profit or Loss and the financial assets reclassified out of Held for Trading and Available for Sale categories is highly judgemental and necessarily subjective, given the absence of market transactions and other observable market data. Consequently, the ranges within which NIBC has estimated the fair value of these portfolios have widened significantly.

Gains (or losses) are recognised upon initial recognition only when such profits (or losses) can be measured by reference to observable current market transactions or valuation techniques based on observable market inputs.

EU structured credits

NIBC considers the European *asset backed securities (ABS)* market to be inactive during 2008. Effective 1 July 2008, Debt investments amounting to EUR 838 million were reclassified from financial assets at Fair Value through Profit or Loss (trading) and Available for Sale to Loans and Receivables at Amortised Cost. Consequently, the fair value at 30 June 2008 of those debt

investments has been used as the amortised cost of the reclassified debt investments.

For the determination of fair value at 30 June 2008, NIBC incorporated, where available, market observable prices and rates derived from market verifiable data. Where such factors are not market observable, changes in assumptions could affect the reported fair value of financial instruments. NIBC has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations, but estimating fair value in an inactive market inherently involves a significant degree of judgement. Valuation adjustments are also made to reflect such elements as deteriorating creditworthiness and liquidity. Although a significant degree of judgement is, in some cases, required in establishing fair values, management believes that the fair values recorded in the Balance Sheet and the changes in fair values recorded in the Income Statement reflect the underlying economics, based on NIBC's established fair value and model governance policies and the related controls and procedural safeguards.

At 31 December 2008, the fair value of the portfolio EU structured credits that was not reclassified amounts to EUR 98 million.

The valuation of EU structured credits as at 30 June 2008 and 31 December 2008 is sensitive to a range of factors, in particular, to market observable broker quotes. A 100 basis point change in the weighted average quoted price applied in the 31 December 2008 and 30 June 2008 valuation of Debt investments Held for Trading would have an impact on fair value of EUR 1.5 million and EUR 9 million, respectively.

Credit default swaps

NIBC has analysed the structured *Credit default swaps (CDS)* market and considered it to be inactive during 2008. At 31 December 2008,

the fair value of this portfolio was EUR 2 million Derivative financial assets Held for Trading and EUR 12 million Derivative financial liabilities Held for Trading.

For the valuation as of 31 December 2008, NIBC incorporated, where available, market observable credit spreads linked to the underlying instruments derived from multiple broker quotes. Where such factors are not market observable, changes in assumptions could affect the reported fair value of financial instruments. NIBC has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations, but estimating fair value in an inactive market inherently involves a significant degree of judgement. Valuation adjustments are also made to reflect such elements as deteriorating creditworthiness and liquidity. The valuation of the structured credit CDS portfolio as at 31 December 2008 is sensitive to a range of factors, in particular, market observable credit spreads. A 100 basis point change in the weighted average credit spread used to determine the fair value of this portfolio at 31 December 2008 would have led to an increase or decrease of the fair value of the derivatives Held for Trading by EUR 0.5 million.

NIBC considers the single name and index CDS markets to be active during 2008.

Structured investments

The structured investment portfolio consists of three types of investments described as follows:

- Investments in tax efficient funds;
- Investments in credit fixed income funds; and
- Investments in tax efficient investment vehicles.

The fund investments are priced on observed transaction values for structures that are set up for third parties. The positions in credit fixed income funds are priced using the valuation statements of

the administrators. These valuations form the basis at arms' length market transactions in these funds and therefore, serve as a reliable basis for valuation. The fair values of the investments in the tax efficient vehicles (bonds issued by financials) are determined using market observable credit spreads based on quotes provided by market participants.

NIBC considers the market for structured investments to be active, during 2008.

Own liabilities designated at Fair Value through Profit or Loss

At 31 December 2008, the fair value of these liabilities was estimated to be EUR 3,745 million (2007: EUR 4,864 million). This portfolio was designated at Fair Value through Profit or Loss and is reported on the face of the Balance Sheet under the following headings:

- Financial liabilities at Fair Value through Profit or Loss Own debt securities in issue;
- Financial liabilities at Fair Value through Profit or Loss Debt securities in issue structured; and
- Financial liabilities at Fair Value through Profit or Loss Subordinated liabilities.

NIBC considers the market for these liabilities inactive during 2008. Debt securities in issue structured consist of notes issued with embedded derivatives that are tailored to specific investors' needs. The return on these notes is dependent upon the level of certain underlying equity, interest rate, currency, credit, commodity or inflation-linked indices. The embedded derivative within each note issued is fully hedged on a back-to-back basis, such that effectively synthetic floating rate funding is created. Because of this economic hedge, the Income Statement is not sensitive to fluctuations in the price of these indices.

In the case of Debt securities in issue structured and Subordinated liabilities, the fair value of the notes issued and the back-to-back hedging swaps

is determined using a valuation model developed by a third party employing Monte Carlo simulation, lattice valuations or closed formulas, depending on the type of embedded derivative.

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

The credit spread used to revalue these liabilities was based on the observable spread (including guarantee fee) on NIBC's issue of EUR 1.4 billion of three year funding notes issued in December 2008. This funding was guaranteed by the Dutch State under the Credit Guarantee Scheme. Whilst recognising that NIBC's obligations under this funding transaction are guaranteed by the Dutch State, NIBC believes that it provides the most appropriate spread for revaluation purposes because the spread is based on a directly observable transaction and because other data on applicable credit spreads (e.g. CDS rates and funding transactions by other comparable institutions) is sparse and its application to NIBC's funding programmes is highly subjective.

The observable Dutch State guaranteed funding credit spread includes a guarantee fee paid to the Dutch State that is based on NIBC's credit rating as below A-. The guarantee fee is based on an average of market observed credit spreads for debt issuances of similar rated banks calculated by the Dutch State. In addition, NIBC paid a liquidity premium to the lenders, which is included in the credit spread applied for 31 December 2008 valuation of the liabilities designated at Fair Value through Profit or Loss. Bearing in mind the market inactivity, both for cash and synthetic NIBC funding and protection, other market indicators such as Itraxx indices and credit curve developments, support the reasonableness of the range in which the applied credit spread falls.

The valuation of all the above classes of own liabilities designated at Fair Value through Profit or Loss is sensitive to the estimated credit spread used to discount future expected cash flows. A 10 basis point change in the weighted average credit spread used to discount future expected cash flows would increase or decrease the fair value of these own liabilities by EUR 15 million (2007: EUR 19 million).

Residential mortgages

NIBC determines the fair value of residential mortgages (both those it holds in its own warehouse and those it has securitised) by using a valuation model developed by NIBC. NIBC considers the market for these assets to be inactive during 2008. To calculate the fair value, NIBC discounts expected cash flows (after expected prepayments) to present value using inter bank zero-coupon rates, adjusted for a spread that principally takes into account the credit spread risk of the mortgages and uncertainty relating to prepayment estimates. In the absence of observable primary RMBS transactions in combination with the declining relevance of RMBS indices, NIBC has used observed offered mortgage rates as an additional benchmark to determine this spread.

On the basis of the available data on RMBS spreads and offered mortgage rates, NIBC concluded that in 2008 the use of offered mortgage rates provides the best estimate of the spread that would be inherent in a hypothetical transaction at the balance sheet date motivated by normal business considerations. The underlying assumption underpinning the valuations is that professional market parties interested in building exposures in the residential mortgage market would be indifferent between originating the loans themselves or acquiring existing portfolios.

The offered mortgage rate is determined by collecting mortgage rates from other professional lenders sorted by product, loan to value class

and the fixed rate period. The discount spread is derived by comparing the offered mortgage rate to the market interest rates taking into account the upfront mortgage offering costs embedded in the offered mortgage rate.

Prices for mortgage loans in the form of offered mortgage rates and the estimated prepayment rate are the most significant and subjective parameters used in the valuation of the residential mortgages as of 31 December 2008. The determination of the applicable offered mortgage rates and prepayment rates requires NIBC to make subjective judgements. A one basis point shift in either direction of the discount spread across the mortgage portfolio would have had either a positive or a negative impact as of 31 December 2008 of approximately EUR 3.6 million (2007: EUR 3.5 million) on the fair value of the mortgages. A 1% point shift in the assumption NIBC makes about expected prepayments would have had an impact as of 31 December 2008 of approximately EUR 1.5 million (2007: EUR 11.2 million) on the fair value of the mortgages.

Loans

Loans at Fair Value through Profit or Loss

Loans designated at Fair Value through Profit or Loss consists of assets that are traded in the secondary loan market or active syndications market. In an active market environment, these assets are mark-to-market by applying market bid quotes observed on the secondary market. The quotes received from other banks or brokers and applied in the mark-to-market process are calibrated to actual trades executed and settled to the extent possible.

During 2008, the secondary loan market was confronted with exceptionally low volumes and on the syndication market only a few deals could be used as pricing references for the Loans designated at Fair Value through Profit or Loss as at 31 December 2008. In certain instances,

additional pricing reference points have been obtained by collecting spreads using primary transactions that are comparable with the loans in the Fair Value through Profit or Loss category.

A one basis point shift in the applicable credit spread in either direction would have an impact of EUR 0.45 million on the fair value of the Loans designated at Fair Value through Profit or Loss as at 31 December 2008.

Loans designated as Available for Sale

NIBC applied an internal valuation model for determining the fair value of the loans designated as Available for Sale. The reason for applying a valuation model is that there is no active market for these assets. As at 1 July 2008, all Loans in the amount of EUR 4,285 million designated as Available for Sale were reclassified to Loans and Receivables at Amortised Cost. Consequently, the fair value as at 30 June 2008 of the Loans designated as Available for Sale has been used as the amortised cost of the reclassified loans.

The model used to determine the fair value as at 30 June 2008 assumed that the book is securitised. The most significant valuation parameters are yield curves by currency and the credit discount spread. An average life of the loan book of four years is assumed, consistent with NIBC's historical experience. The valuation is particularly sensitive to the credit spread assumptions. This spread reflects two important inputs. The first is *Collateralised Loan Obligation (CLO)* and *Commercial Mortgage Backed Securities (CMBS)* spreads, both derived from independent brokers. The CLO and CMBS markets were both characterised by the near absence of primary issuances. Consequently, in the absence of observable primary transactions, the credit spread used for valuation purposes as at 30 June 2008 was derived largely from spreads quoted by independent banks.

The second input is the model used to tranche the portfolio. NIBC applies the Fitch Vector

model (version 3.01), including the probabilities of default provided by Fitch.

A one basis point shift in the applicable credit spread as at 30 June 2008 in either direction would have an impact of EUR 1 million (2007: EUR 1 million) on the fair value of these loans.

Fair value of financial assets venture capital organisation within operating segment Merchant Banking

The Group estimates the fair value of its venture capital assets using valuation models, and it applies the valuation principles set forth by the International Private Equity and Venture Capital Valuation Guidelines to the extent these are consistent with IAS 39.

At 31 December 2008, the fair value of this portfolio was estimated to be EUR 296 million. This portfolio is reported on the face of the Balance Sheet under financial assets at Fair Value through Profit or Loss on the line item Investments in associates (EUR 188 million) and under financial assets at Available for Sale in the line item Equity investments (EUR 108 million).

The fair value of equity investments is established by applying capitalisation multiples to maintainable earnings. Maintainable earnings are estimated

based on the last twelve months' EBITDA, adjusted for one-off gains and losses. Capitalisation multiples are derived from the enterprise value and the normalised trailing last twelve months EBITDA at the time of the acquisition. At each balance sheet date, the capitalisation multiple of each equity investment is compared against those derived from the market capitalisation and publicly available earnings information of traded peers, where these can be identified. Peer capitalisation multiples are normalised for factors such as, amongst others, differences in regional and economic environment, time lags in earnings information, liquidity and one-off gains and losses.

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

The determination of the fair value of unlisted financial assets in this manner is necessarily a subjective process. For the Equity investments as at 31 December 2008, a 10% increase in the capitalisation multiples that the Group uses would have produced an increase in the fair value of the Equity investments of approximately EUR 32.8 million. A 10% decrease in capitalisation multiples would have produced a decrease in the fair value of the Equity investments of approximately EUR 31.9 million.

Impact of reclassified financial assets

NIBC has chosen to reclassify as of 1 July 2008 certain financial assets that are no longer held for the purpose of selling in the near term as permitted by the October 2008 amendment to IAS 39 and IFRS 7. In NIBC's judgement, the deterioration in the world's financial markets is an example of a rare circumstance. Had NIBC determined that the market conditions during the third quarter of 2008 did not represent a rare

circumstance or that NIBC did not have the intention and ability to hold the financial assets for the foreseeable future or until maturity and had NIBC therefore not reclassified the financial assets, a post-tax net loss of EUR 117 million would have been recognised in profit or loss and a post-tax net loss of EUR 220 million would have been recognised in the revaluation reserve in equity due to incremental fair value losses.

Impairment of corporate loans

NIBC assesses whether there is an indication of impairment of corporate loans classified as Available for Sale assets or as Loans and Receivables at Amortised Cost on an individual basis and at least quarterly. NIBC considers a range of factors that have a bearing on the expected future cash flows that it expects to receive from the loan, including the business prospects of the borrower and its industry sector, the realisable value of collateral held, the level of subordination relative to other lenders and creditors, and the likely cost and likely duration of any recovery process. Subjective judgements are made in the process including, among others, the determination of expected future cash flows and their timing, the market value of collateral, and market discount rates. Furthermore, NIBC's judgements change with time as new information becomes available, or as recovery strategies evolve,

resulting in frequent revisions to individual impairments, on a case-by-case basis. NIBC regularly reviews the methodology and assumptions used for estimating both the amount and timing of future cash flows, to reduce any differences between loss estimates and actual loss experience.

If, as at 31 December 2008, for each of the impaired corporate loans, the net present value of the estimated cash flows had been 5% lower than estimated, NIBC would have recognised an additional impairment loss of EUR 6.5 million (2007: EUR 6.8 million). If, as at 31 December 2008, for each of NIBC's impaired corporate loans, the net present value of the estimated cash flows had been 5% higher than estimated, the impairment loss would have been reduced by EUR 6.5 million (2007: EUR 6.8 million).

Impairment of Equity investments classified as Available for Sale

NIBC determines an impairment loss on the Available for Sale Equity investments held in the investment portfolio of the venture capital organisation within the operating segment Merchant Banking when there has been a significant or prolonged decline in the fair value below its original cost (including previous impairment losses). NIBC exercises judgement in determining what is 'significant' or 'prolonged' by evaluating, among other factors, whether the decline is outside the normal range of volatility in the asset's price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the company whose securities NIBC holds, a decline

in industry or sector performance, adverse changes in technology or problems with operational or financing cash flows.

The level of the impairment loss that NIBC recognises in the Consolidated Income Statement is the cumulative loss that had been recognised directly in equity. If NIBC had deemed 'significant' or 'prolonged' all of the declines in fair value of Equity investments below cost, the effect would have been EUR 2.2 million (2007: EUR 0.8 million) reduction in the Profit before tax from continuing operations (Gains less losses from financial assets) in 2008.

Securitisations and special purpose entities

NIBC sponsors the formation of *Special Purpose Entities* (SPEs) primarily for the purpose of allowing clients to hold investments in separate legal entities, to allow clients to invest jointly in alternative assets, for asset securitisation transactions, and for buying or selling credit protection. NIBC does not consolidate SPEs that it does not control.

The determination of whether NIBC exercises control over an SPE requires NIBC to make judgements about its exposure to the risks and rewards derived from the SPE as well as its ability to make operational decisions for the SPE in question. In many instances, elements are present that considered in isolation indicate control or lack of control over an SPE, but when considered together make it difficult to reach a clear conclusion. In such cases, the SPE is consolidated.

When assessing whether NIBC has to consolidate an SPE, it evaluates a range of factors, including whether:

- It will obtain the majority of the benefits of the activities of an SPE;
- It retains the majority of the residual ownership risks related to the assets in order to obtain the benefits from its activities;
- It has decision-making powers to obtain the majority of the benefits; and
- The activities of the SPE are being conducted on NIBC's behalf according to NIBC's specific business needs so that it obtains the benefits from the SPEs operations. Such an evaluation is necessarily subjective.

Were the Group not to consolidate the assets, liabilities and the results of these consolidated SPEs, the net effect on the Balance Sheet would be a decrease in net assets of EUR 6.0 billion (2007: EUR 7.3 billion) and the net effect on the Income Statement in both 2008 and 2007 would be insignificant.

De-recognition of assets and recognition of continuous involvement

NIBC executed transactions under their CMBS programme. The purpose of this programme is to offer NIBC real estate clients access to the capital markets. NIBC established SPEs for the commercial backed securities programme. All loans transferred to the SPEs are collateralised by commercial real estate properties. The SPEs obtain funding from the capital markets by issuing CMBS notes. The commercial real estate loans, included in the commercial mortgage backed securities programme, were originated by NIBC or by other banks prior to the securitisation. The total amount of commercial loans originated by NIBC prior to the securitisation and that was subsequently transferred to these SPEs amounts to EUR 1,288 million. The notional amount at 31 December 2008 was EUR 1,233 million (2007: EUR 1,243 million). The loans that continued to be recognised to the extent of NIBC's continuing involvement amounted to EUR 701 million at 31 December 2008 (2007: EUR 710 million). The reason for recognising this continuing involvement is that based on a risks and rewards analysis, NIBC did not transfer substantially all risks and rewards associated with the securitised assets. The continuing involvement is reflected in the Balance Sheet as EUR 630 million (2007: EUR 638 million) in Securitised loans valued at Amortised Cost and with a corresponding amount in Debt securities in issue related to Securitised mortgages and Loans, EUR 64 million (2007: EUR 64 million) in Loans at Fair Value through Profit or Loss and with a corresponding amount in Debt securities in issue related to securitised mortgages and Loans and EUR 7 million (2007: EUR 8 million) in Debt investments at Fair Value through Profit or Loss which concerns the fair value of NIBC's investment in certain CMBS notes.

Pension benefits

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) of pensions include the discount rate, the expected return on plan assets, future salary increases, future inflation and future pension increases. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-

quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 43.

Were the discount rate used to differ by 10% from management's estimates, the carrying amount of pension obligations would be an estimated EUR 12.9 million (2007: EUR 14 million) lower or EUR 14.2 million (2007: EUR 16 million) higher. The service cost would be EUR 0.4 million (2007: EUR 0.7 million) lower or EUR 0.4 million (2007: EUR 0.8 million) higher.

Income taxes

NIBC is subject to income taxes in a number of tax jurisdictions. NIBC makes estimates in determining its worldwide provision for income taxes, and files its tax returns after the finalisation of its Financial Statements. The ultimate tax determination by tax authorities for certain transactions arising in the ordinary course of business may remain uncertain for several years after their occurrence. NIBC recognises assets

and or liabilities for taxation when it is probable that the relevant taxation authority will require NIBC to receive and or pay taxation. Where the final outcome of such determination is different from the amounts that were initially estimated and recorded, these differences will impact the income tax expenses or deferred tax position in the period in which the determination is made.

Notes

to the Consolidated Financial Statements

I Basis of segment preparation

The segment information has been prepared in accordance with IFRS 8, Operating segments, which defines requirements for the disclosure of financial information of an entity's operating segments as NIBC decided to early adopt IFRS 8. IFRS 8 replaces IAS 14, Segment Reporting.

Identification of segments

IFRS 8 requires operating segments to be identified on the basis of internal reports on components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess segment performance.

As of 1 July 2008, the early adoption date of IFRS 8 Operating segments, NIBC is comprised of the following operating segments:

- Merchant Banking; and
- Specialised Finance.

Segment information for these two operating segments is presented in these Financial Statements on the same basis as used for internal reporting within NIBC.

Through the Merchant Banking business NIBC advises, finances, and co-invests with its mid-cap clients in the Benelux and Germany.

The following services are provided by Merchant Banking:

- Coverage bankers maintain long-term relationships and provide strategic advice to NIBC's mid-cap clients in the Benelux and Germany. Together with product specialists operating in multidisciplinary teams, client teams deliver a wide range of customised products and solutions, including merger and acquisition advisory, financing, derivative products, mezzanine and equity investments;
- M&A provides advisory services in close cooperation with the coverage bankers. It executes M&A-related transactions, including mergers, acquisitions, disposals and buyouts; and
- Investment Management creates and manages funds that are open to third-party investors. Funds have been developed in the fields of private equity and mezzanine (for our corporate clients), infrastructure and real estate. Investment Management also manages and services NIBC's direct investments (including private equity investments in non-financial companies included in the consolidation) and investments in third-party funds.

Specialised Finance provides asset financing in a select number of clearly-defined asset classes: corporate lending, leveraged finance, oil & gas services, infrastructure and renewables, shipping and real estate. It also includes NIBC's retail activities in the residential mortgage market and in online retail savings via NIBC Direct.

Specialised Finance performs the following functions:

- Origination structures, arranges and underwrites debt financing for its clients and is organised around the six asset classes;
- Structuring is the liaison between the origination and distribution teams and is responsible for structuring transactions for clients as well as fund and tax structuring;
- Distribution is the integrated distribution platform of NIBC and matches investor appetite with NIBC's origination network and structuring capabilities;
- Portfolio Management pro-actively monitors credit quality and covenant compliance of borrowers and reviews the status of assets provided as collateral; and
- Retail Markets activities include residential mortgage origination in the Netherlands and Germany on the basis of white labelling through a number of distribution partners and NIBC's online retail savings programme, NIBC Direct.

IFRS 8 requires the disclosure of the information used by the chief operating decision maker to allocate resources and to assess performance. Management reporting within NIBC is based on IFRS. Segment reporting under IFRS 8 requires a presentation of the segment results based on management reporting methods and a reconciliation between the results of the operating segments and the Consolidated Financial Statements.

Segment reporting

The following table presents the results of the operating segments, including a reconciliation

to the consolidated results under IFRS for the year 2008 and 2007.

Operating segments

IN EUR MILLIONS	Merchant Banking		Specialised Finance		Total (internal management report)		Consolidation effects ¹		Total (Financial Statements)	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net interest income	47.8	64.6	165.1	173.3	212.9	237.9	(5.9)	-	207.0	237.9
Net fee and commission income	32.8	35.4	10.1	26.9	42.9	62.3	-	-	42.9	62.3
Dividend income	9.8	37.7	40.0	45.8	49.8	83.5	-	-	49.8	83.5
Net trading income	(3.3)	(5.7)	86.8	(17.9)	83.5	(23.6)	(2.1)	-	81.4	(23.6)
Gains less losses from financial assets	(59.8)	106.8	(1.7)	0.5	(61.5)	107.3	4.3	-	(57.2)	107.3
Share in result of associates	3.3	1.1	4.3	0.2	7.6	1.3	(0.6)	-	7.0	1.3
Other operating income	1.0	1.9	0.8	3.8	1.8	5.7	38.5	-	40.3	5.7
OPERATING INCOME	31.6	241.8	305.4	232.6	337.0	474.4	34.2	-	371.2	474.4
OPERATING EXPENSES	72.5	94.0	108.4	117.4	180.9	211.4	34.0	-	214.9	211.4
Impairment of corporate loans	21.8	0.1	19.9	1.9	41.7	2.0	-	-	41.7	2.0
Impairment of other interest bearing assets	20.2	(0.9)	(0.4)	(0.1)	19.8	(1.0)	0.6	-	20.4	(1.0)
TOTAL EXPENSES	114.5	93.2	127.9	119.2	242.4	212.4	34.6	-	277.0	212.4
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	(82.9)	148.6	177.5	113.4	94.6	262.0	(0.4)	-	94.2	262.0
Tax	(27.9)	8.7	29.1	11.4	1.2	20.1	(0.4)	-	0.8	20.1
PROFIT AFTER TAX FROM CONTINUING OPERATIONS	(55.0)	139.9	148.4	102.0	93.4	241.9	-	-	93.4	241.9
AVERAGE ALLOCATED ECONOMIC CAPITAL	365	382	985	918	1,350	1,300	-	-	1,350	1,300
AVERAGE UNALLOCATED CAPITAL	-	-	198	200	198	200	-	-	198	200
SEGMENT ASSETS	2,674	3,377	26,122	28,432	28,796	31,809	141	-	28,937	31,809
SEGMENT LIABILITIES	2,523	3,212	24,651	27,039	27,174	30,251	125	-	27,299	30,251
CAPITAL EXPENDITURE	1	2	1	5	2	7	-	-	2	7
SHARE IN RESULT OF ASSOCIATES BASED ON THE NET EQUITY METHOD	3.3	1.1	4.3	0.2	7.6	1.3	-	-	7.6	1.3
INVESTMENTS IN ASSOCIATES BASED ON THE NET EQUITY METHOD	20	20	20	24	40	44	-	-	40	44

1. Concerning controlled non-financial companies included in the consolidation.

NIBC's operating segments were implemented during 2008. This segment report reflects this organisational change, including comparative figures for 2007.

The measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies. Transactions between segments are conducted on normal commercial terms and conditions. The funding requirements of each segment reflect funding at market interest rates. Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The items displayed under 'consolidation effects' refer to entities over which Merchant Banking has control. IFRS requires NIBC to consolidate these entities. The internal management report differs from this, as the investments in these entities are non-strategic and the activities of these entities are non-financial. Therefore, in the income statement of Merchant Banking only NIBC's share in the net profit of these entities is included in the line-item Share in result of associates. Subsequently, under 'consolidation effects' this is eliminated and replaced by the figures of these entities used in the Consolidated Financial Statements of NIBC.

In the income statement of Merchant Banking and Specialised Finance the following allocations are made:

- All expenses relating to Risk Management, Corporate Center and the Managing Board are allocated to the two segments based on the number of direct FTEs in each segment. Total operating expenses relating to support and overhead amounted to EUR 74 million in 2008 (2007: EUR 99 million);
- Certain client-related portfolios are managed by Merchant Banking and Specialised Finance together; all related income and expenses of these portfolios (interest, fee and trading income, impairments and also related operating expenses) are therefore allocated on a 50/50 base to the two operating segments. Total operating income from these portfolios amounted to EUR 70 million in 2008 (2007: EUR 121 million), total operating expenses to EUR 7 million (2007: EUR 6 million) and impairments to EUR 44 million (2007: nil);
- All income and expenses related to Treasury activities are included in Specialised Finance, with the exception of income from NIBC's strategic mismatch position, which is allocated equally to the two operating segments. Income from NIBC's strategic mismatch position amounted to EUR 23 million in 2008 (2007: EUR 17 million); and
- During 2008, an average of EUR 365 million of economic capital was allocated to Merchant Banking (2007: EUR 382 million), the remainder was allocated to Specialised Finance. The average before tax return on average economic capital for Merchant Banking was 4% in 2008 (2007: 2.75%).

Besides the allocations mentioned above, there are no further inter-segment revenues and expenses in 2008 and 2007.

NIBC generated 102% of its revenues in the Netherlands (2007: 84%) and -2% abroad (2007: 16%). Due to negative trading income in the international branches in 2008, total operating income in these branches was negative.

2 Net interest income

IN EUR MILLIONS	2008	2007
INTEREST AND SIMILAR INCOME		
Interest income from assets designated at Fair Value through Profit or Loss	784	849
Interest income from other assets	690	795
	1,474	1,644
INTEREST EXPENSE AND SIMILAR CHARGES		
Interest expense from liabilities designated at Fair Value through Profit or Loss	544	572
Interest expense from other liabilities	723	834
	1,267	1,406
	207	238

For the year ended 31 December 2008, Net interest income includes interest on impaired financial assets of EUR 4 million (2007: EUR 5 million).

For the year ended 31 December 2008, net interest expense related to Deposits from customers amounts to EUR 121 million (2007: EUR 121 million).

Interest income from debt and other fixed income instruments Held for Trading or designated as Fair Value through Profit or Loss is recognised in Interest and similar income at the effective interest rate.

Interest income of reclassified assets in 2008 (following from the application of amendments to IAS 39), both after reclassification (as reported in the Consolidated Income Statement 2008) and before reclassification (assuming the reclassification had not been made) is displayed in the following table. The difference between the figure before and the figure after reclassification reflects amortisation of discounts and premiums of assets reclassified out of trading.

IN EUR MILLIONS	For the period ended 31 December		
	After reclassification	2008	2007
Interest income	331	323	505

3 Net fee and commission income

IN EUR MILLIONS	2008	2007
FEE AND COMMISSION INCOME		
Agency and underwriting fees	14	35
Investment management fees	15	13
Other	16	17
	45	65
FEE AND COMMISSION EXPENSE		
Other non-interest related	2	3
	2	3
	43	62

4 Dividend income

IN EUR MILLIONS	2008	2007
Equity investments (Available for Sale)	8	33
Equity investments (investments in associates at Fair Value through Profit or Loss)	2	6
Structured investments (Fair Value through Profit or Loss)	40	45
	50	84

5 Net trading income

IN EUR MILLIONS	2008	2007
Assets and liabilities designated as Fair Value through Profit or Loss (including related derivatives)	36	2
Assets and liabilities designated as Held for Trading	(93)	(26)
Other net trading income	138	-
	81	(24)

Net trading income includes a foreign exchange loss of EUR 9 million (2007: gain of EUR 13 million).

Revaluation of certain assets and liabilities are sometimes interrelated due to hedges and are larger than normal, mainly resulting from the special market circumstances especially during the second half of 2008.

Net trading income of reclassified assets in 2008 (following from the application of amendments to IAS 39), both after reclassification (as reported in the Consolidated Income Statement 2008)

and before reclassification (assuming the reclassification had not been made) is displayed in the following table:

IN EUR MILLIONS	For the period ended 31 December		2007
	After reclassification	Before reclassification	
Net trading income	(45)	(201)	(22)

6 Gains less losses from financial assets

IN EUR MILLIONS	2008	2007
Equity investments		
GAINS LESS LOSSES FROM EQUITY INVESTMENTS (AVAILABLE FOR SALE):		
Net gain/(losses) on disposal	9	10
Net revaluation gain/(losses) transferred from equity on disposal	26	20
Gains less losses from associates (Fair Value through Profit or Loss)	(24)	78
Impairment losses equity investments	(65)	(1)
	(54)	107
DEBT INVESTMENTS		
Gains less losses from debt investments (Available for Sale)	(3)	-
	(57)	107

Impairment losses relating to debt investments (available for sale) are presented under Impairment of other interest bearing assets.

7 Other operating income

IN EUR MILLIONS	2008	2007
Real estate rental income	1	1
Net revenue of non-financial companies included in the consolidation	38	-
Other	1	5
	40	6

IN EUR MILLIONS	2008	2007
NET REVENUE OF NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION CAN BE CATEGORISED AS FOLLOWS:		
Net sales	50	-
Cost of sales	(12)	-
	38	-

8 Personnel expenses

IN EUR MILLIONS	2008	2007
Salaries	65	67
Variable compensation	25	48
PENSION AND OTHER POST RETIREMENT CHARGES:		
Defined benefit plan	7	8
Defined contribution plan	3	2
Other post retirement charges/(releases)	(1)	2
Other social security charges	7	6
Other staff expenses	2	2
Staff cost of non-financial companies included in the consolidation	17	-
	125	135

The decrease in salaries and the lower pension and other post retirement charges in 2008 are mainly explained by lower average FTEs in 2008 (661) compared to 2007 (700).

The decrease in variable compensation mainly relates to lower expenses related to share-based payment plans (partly related to forfeited rights due to employees leaving NIBC) and lower performance related reward arrangements (carried interest).

The number of FTEs (excluding the non-financial companies included in the consolidation) decreased from 703 at 31 December 2007 to 625 at 31 December 2008. The number of FTEs

employed outside of the Netherlands decreased from 111 at 31 December 2007 to 106 at 31 December 2008.

516 FTEs are employed at the non-financial companies included in the consolidation at 31 December 2008. 483 of these FTEs work outside of the Netherlands (2007: not applicable).

Information on the pension charge is included in Employee benefit obligations (note 43).

Information on NIBC's share-based payment plans as well as on the remuneration of the Statutory and Supervisory Board can be found in note 55.

9 Other operating expenses

IN EUR MILLIONS	2008	2007
Fees of the external auditor	3	4
Other operating expenses of non-financial companies included in the consolidation	7	-
Other operating expenses	63	55
	73	59

IN EUR MILLIONS	2008	2007
FEES OF THE EXTERNAL AUDITOR CAN BE CATEGORISED AS FOLLOWS:		
Audit Financial Statements	2	2
Other audit related activities	1	2
Other non-audit related activities	-	-
Fiscal services	-	-
	3	4

The fees listed above relate to the procedures applied to NIBC and its consolidated group entities by accounting firms and external auditors as referred to in Section 1(1) of the Dutch

Accounting Firms Oversight Act (Dutch acronym: Wta), as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

10 Depreciation and amortisation

IN EUR MILLIONS	2008	2007
Property, plant and equipment	6	17
Property, plant and equipment non-financial companies included in the consolidation	8	-
Intangible assets	3	-
	17	17

IN EUR MILLIONS	2008	2007
AMORTISATION OF INTANGIBLE ASSETS CAN BE CATEGORISED AS FOLLOWS:		
Goodwill	-	-
Trademarks and licenses	-	-
Customer relationships	1	-
Order backlog	2	-
Other intangible fixed assets	-	-
	3	-

In 2008, all intangible assets are related to non-financial companies included in the consolidation.

II Impairments of corporate loans and of other interest bearing assets

IN EUR MILLIONS	2008	2007
IMPAIRMENTS		
Loans classified as Amortised Cost	48	-
Loans classified as Available for Sale	34	15
Debt investments classified as Amortised Cost	-	-
Debt investments classified as Available for Sale	7	-
	89	15
REVERSALS OF IMPAIRMENTS		
Loans classified as Amortised Cost	(14)	-
Loans classified as Available for Sale	(11)	(14)
Debt investments classified as Amortised Cost	-	-
Debt investments classified as Available for Sale	-	-
	(25)	(14)
Other	(2)	-
	62	1

Further details on interest on impaired financial assets can be found in note 2.

Impairments of interest bearing assets reclassified in 2008 (following from the application of

amendments to IAS 39), both after reclassification (as reported in the Consolidated Income Statement 2008) and before reclassification (assuming the reclassification had not been made) is displayed in the following table:

IN EUR MILLIONS	For the period ended 31 December		
	After reclassification	2008	2007
Impairments of interest bearing assets	(35)	(27)	(7)

12 Tax

IN EUR MILLIONS	2008	2007
Current tax	1	18
Deferred tax	-	2
	1	20

Further information on deferred income tax is presented in note 34. The Tax on NIBC's profit

before tax differs from the theoretical amount that would arise using the basic tax rate.

IN EUR MILLIONS	2008	2007
THESE DIFFERENCES CAN BE ANALYSED AS FOLLOWS:		
Profit before tax from continuing operations	94	262
Tax calculated at the nominal Dutch corporate tax rate of 25.5% (2007: 25.5%)	24	67
Effect of different tax rates in other countries	-	1
Impact of income not subject to tax	(23)	(53)
Impact of expenses not deductible for tax purposes	2	7
Utilisation of previously unrecognised tax losses	(2)	(2)
	1	20
Effective tax rate	1.1%	7.6%

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

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

13 Result attributable to minority interest

IN EUR MILLIONS	2008	2007
Result attributable to minority interest	1	3
	1	3

The minority interest reflects third-party participations in investment funds controlled by NIBC and in non-financial companies included

in the consolidation held by investment funds controlled by NIBC.

14 Cash and balances with central banks (Amortised Cost)

IN EUR MILLIONS	2008	2007
Cash and balances with central banks	1,113	874
	1,113	874

The amounts included in this item are available on demand. Cash and balances with central banks are interest bearing.

The fair value of this balance sheet item does not materially deviate from its face value, due to the short-term nature of the underlying assets.

15 Due from other banks (Amortised Cost)

IN EUR MILLIONS	2008	2007
Current accounts	625	457
Deposits with other banks	1,145	2,688
	1,770	3,145

IN EUR MILLIONS	2008	2007
Receivable on demand	613	684
Not receivable on demand	1,157	2,461
	1,770	3,145

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF THE ITEMS NOT RECEIVABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
In three months or less	1,042	2,418
In more than three months but not more than one year	12	5
In more than one year but not more than five years	103	38
Longer than five years	-	-
	1,157	2,461

Subordinated loans included in this item amount to EUR 0 million (2007: EUR 5 million).

short-term nature of the underlying assets and the credit quality of the counterparties.

The fair value of this balance sheet item does not materially deviate from its face value, due to the

No impairments were recorded in 2008 and 2007 on the amounts Due from other banks at Amortised Cost.

16 Loans (Amortised Cost)

IN EUR MILLIONS	2008	2007
Loans to corporate entities	6,265	1,490
Public sector	38	-
	6,303	1,490

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF THE LOANS IS ANALYSED AS FOLLOWS:		
In three months or less	335	266
In more than three months but not more than one year	175	97
In more than one year but not more than five years	2,530	423
Longer than five years	3,263	704
	6,303	1,490

IN EUR MILLIONS	2008	2007
IMPAIRMENT LOSSES ON LOANS:		
BALANCE AT 1 JANUARY	-	-
IMPAIRMENT LOSSES RECOGNISED:		
Additional allowances	48	-
Write-offs	(7)	-
Amounts released	(14)	-
Unwinding of discount adjustment	(1)	-
	26	-
Differences due to foreign currency translation	(1)	-
BALANCE AT 31 DECEMBER	25	-

Impairment losses are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate when the asset was reclassified.

If NIBC had fair valued the loans classified as Amortised Cost using the valuation methodology applied to Loans designated as Available for Sale as per 31 December 2008, then the balance sheet amount would decrease at the balance sheet date

by EUR 432 million (2007: EUR 10 million).

This decrease reflects both changes due to interest rates and credit spreads. NIBC hedges its interest rate risk from these assets.

The maximum credit risk exposure including undrawn credit facilities arising on Loans at Amortised Cost amounts to EUR 7,313 million (2007: EUR 2,030 million).

The total amount of subordinated loans in this item amounts to EUR 27 million in 2008 (2007: EUR 196 million).

In 2008, EUR 38 million (2007: nil) is guaranteed by the State of the Netherlands.

At the reclassification date 1 July 2008, the fair value of the financial assets reclassified to Loans at Amortised Cost is disclosed in the following table:

IN EUR MILLIONS	Fair value on date of reclassification	Carrying value as per 31 December 2008	Fair value as per 31 December 2008
Loan portfolio reclassified from Available for Sale category	4,285	3,632	3,356

The effective interest rates on financial assets reclassified into Loans at Amortised Cost as at the

date of reclassification - 1 July 2008 - fell approximately into the following ranges:

	Range
Loan portfolio reclassified from Available for Sale category	5% - 9%

Presented below are the estimated amounts of undiscounted cash flows NIBC expects to recover

from the reclassified financial assets as at 1 July 2008:

IN EUR MILLIONS	Less than one year	Between one and two years	Between two and five years	More than five years	Total
Loan portfolio reclassified from Available for Sale category	746	668	3,684	-	5,098

In the current year before reclassification (that is per 1 July 2008), NIBC recognised in the revaluation reserve in equity a fair value loss in the amount of EUR 34 million on financial assets reclassified out of the Available for Sale category

into the Loans and Receivables category (the loss recognised in the revaluation reserve in equity in 2007 on Available for Sale assets reclassified in the current period was EUR 117 million).

17 Debt investments (Amortised Cost)

IN EUR MILLIONS	2008	2007
Debt investments	738	-
	738	-

IN EUR MILLIONS	2008	2007
Government	-	-
Other	738	-
	738	-

IN EUR MILLIONS	2008	2007
Listed	738	-
Unlisted	-	-
	738	-

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS IS ANALYSED AS FOLLOWS:		
In three months or less	1	-
In more than three months but not more than one year	39	-
In more than one year but not more than five years	223	-
Longer than five years	475	-
	738	-

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	-	-
IAS 39 - reclassifications	838	-
Disposals (sale and redemption)	(92)	-
Exchange differences and amortisation	(8)	-
BALANCE AT 31 DECEMBER	738	-

No impairments were recorded in 2008 on Debt investments at Amortised Cost.

If NIBC had fair valued the Debt investments classified as Amortised Cost using the valuation methodology applied to Debt investments at

Held for Trading or Available for Sale as per 31 December 2008, the balance sheet amount would decrease at the balance sheet date by EUR 167 million (2007: nil). This decrease reflects both changes due to interest rates and credit spreads. NIBC hedges its interest rate risk from these assets.

At the reclassification date 1 July 2008, the fair value of financial assets reclassified to Debt

investments at Amortised Cost is disclosed in the following table:

IN EUR MILLIONS	Fair value on date of reclassification	Carrying value as per 31 December 2008	Fair value as per 31 December 2008
DEBT INVESTMENTS RECLASSIFIED FROM:			
Held for Trading category	696	601	458
Available for Sale category	142	137	112

The effective interest rates on financial assets reclassified into Debt investments at Amortised

Cost as at the date of reclassification - 1 July 2008 - fell approximately into the following ranges:

	Range
DEBT INVESTMENTS RECLASSIFIED FROM:	
Held for Trading category	1% - 20%
Available for Sale category	5% - 8%

Presented below are the estimated amounts of undiscounted cash flows NIBC expects to

recover from the reclassified financial assets as at 1 July 2008:

IN EUR MILLIONS	Less than one year	Between one and two years	Between two and five years	More than five years	Total
DEBT INVESTMENTS RECLASSIFIED FROM:					
Held for Trading category	33	67	270	590	960
Available for Sale category	6	24	43	124	197

18 Securitised loans (Amortised Cost)

IN EUR MILLIONS	2008	2007
Loans to corporate entities	630	638
	630	638

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF THE SECURITISED LOANS IS ANALYSED AS FOLLOWS:		
In three months or less	7	-
In more than three months but not more than one year	-	-
In more than one year but not more than five years	-	-
Longer than five years	623	638
	630	638

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN SECURITISED LOANS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	638	-
Additions	6	638
Disposals (sale and redemption)	(14)	-
BALANCE AT 31 DECEMBER	630	638

If NIBC had fair valued the Securitised loans classified as Amortised Cost using the valuation methodology applied to Loans designated as Available for Sale as per 31 December 2008, then the balance sheet amount would decrease at the balance sheet date by EUR 136 million (2007: EUR 25 million). The fair value reflects movements due to both interest rate changes and credit spread changes. NIBC hedges its interest rate risk from these assets.

The maximum credit risk exposure including undrawn credit facilities arising on Securitised loans at Amortised Cost amounts to EUR 630 million (2007: EUR 638 million).

No impairments were recorded in 2008 and 2007 on Securitised loans at Amortised Cost.

19 Loans (Available for Sale)

IN EUR MILLIONS	2008	2007
Loans to corporate entities	-	5,409
Loans to public sector	-	59
	-	5,468

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF THE LOANS IS ANALYSED AS FOLLOWS:		
In three months or less	-	535
In more than three months but not more than one year	-	337
In more than one year but not more than five years	-	2,144
Longer than five years	-	2,452
	-	5,468

IN EUR MILLIONS	2008	2007
IMPAIRMENT LOSSES ON LOANS:		
BALANCE AT 1 JANUARY	66	83
IMPAIRMENT LOSSES RECOGNISED:		
Additional allowances	34	15
Write-offs	(4)	(8)
Amounts released	(11)	(14)
Unwinding of discount adjustment	(3)	(5)
	82	71
Differences due to foreign currency translation	(3)	(5)
Impact IAS 39 amendments	(79)	-
BALANCE AT 31 DECEMBER	-	66

Impairment losses are defined as the difference between the fair value of loans that exhibit indicators of impairment and original cost.

The maximum credit risk exposure including undrawn credit facilities arising on Loans recognised as Available for Sale amounts to EUR 0 million (2007: EUR 6,622 million).

The total amount of subordinated loans in this item amounts to EUR 0 million (2007: EUR 141 million), of which EUR 0 million (2007: EUR 59 million) is guaranteed by the State of the Netherlands.

The total amount of Loans in the Available for Sale category has been reclassified to the Loans category at Amortised Cost as at 1 July 2008.

20 Equity investments (Available for Sale)

IN EUR MILLIONS	2008	2007
Equity investments	108	144
	108	144

IN EUR MILLIONS	2008	2007
Listed	15	18
Unlisted	93	126
	108	144

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN EQUITY INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	144	185
Additions	72	37
Disposals (sale and capital repayments)	(14)	(49)
Changes in fair value	(35)	(28)
Impairment	(59)	(1)
BALANCE AT 31 DECEMBER	108	144

IN EUR MILLIONS	2008	2007
IMPAIRMENT LOSSES ON EQUITY INVESTMENTS:		
BALANCE AT 1 JANUARY	15	17
IMPAIRMENT LOSSES RECOGNISED:		
Additional allowances	65	1
Foreign currency revaluation	(5)	-
Write-offs	(1)	(3)
BALANCE AT 31 DECEMBER	74	15

Impairment losses are defined as the difference between the fair value of equity investments

that exhibit indicators of impairment and original cost.

21 Debt investments (Available for Sale)

IN EUR MILLIONS	2008	2007
Debt investments	35	311
	35	311

IN EUR MILLIONS	2008	2007
Government	-	-
Other	35	311
	35	311

IN EUR MILLIONS	2008	2007
Listed	27	273
Unlisted	8	38
	35	311

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS IS ANALYSED AS FOLLOWS:		
In three months or less	-	-
In more than three months but not more than one year	-	-
In more than one year but not more than five years	7	15
Longer than five years	28	296
	35	311

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	311	-
Additions	54	323
Disposals (sale and redemption)	(178)	(4)
IAS 39 - reclassifications	(113)	-
Impairments	(7)	-
Changes in fair value	(32)	(8)
BALANCE AT 31 DECEMBER	35	311

The changes in fair value in the table above reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest

rate risk from these assets, the movement due to interest rate changes is compensated elsewhere in the Balance Sheet.

At the reclassification date 1 July 2008 the fair value of financial assets reclassified to

Debt investments at Available for Sale is disclosed in the following table:

IN EUR MILLIONS	Fair value on date of reclassification	Carrying value as per 31 December 2008	Fair value as per 31 December 2008
Debt investments reclassified from Held for Trading category	28	9	9

The effective interest rates on financial assets reclassified into Debt investments at Available for

Sale as at the date of reclassification - 1 July 2008 - fell approximately into the following ranges:

	Range
Debt investments reclassified from Held for Trading category	13% - 26%

Presented below are the estimated amounts of undiscounted cash flows NIBC expects to recover

from the reclassified financial assets as at 1 July 2008:

IN EUR MILLIONS	Less than one year	Between one and two years	Between two and five years	More than five years	Total
Debt investments reclassified from Held for Trading category	7	6	24	24	61

22 Loans (designated at Fair Value through Profit or Loss)

IN EUR MILLIONS	2008	2007
Loans to corporate entities	1,136	1,374
	1,136	1,374

IN EUR MILLIONS	2008	2007
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THE LEGAL MATURITY ANALYSIS OF LOANS IS ANALYSED AS FOLLOWS:

In three months or less	9	-
In more than three months but not more than one year	-	8
In more than one year but not more than five years	728	53
Longer than five years	399	1,313
	1,136	1,374

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN LOANS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	1,374	952
Additions	-	450
Disposals	(190)	-
Changes in fair value	(48)	(28)
BALANCE AT 31 DECEMBER	1,136	1,374

The changes in fair value in the table above reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated elsewhere in the Balance Sheet.

Interest income from loans is recognised in Interest and similar income based on the effective interest rate. Fair value movements excluding interest are recognised in Net trading income.

The portion of fair value changes in 2008 included in the balance sheet amount (designated at Fair Value through Profit or Loss) as at 31 December 2008 relating to the movement in credit spreads amounts to EUR 49 million credit, being a reduction in the balance sheet carrying amount (2007: EUR 28 million).

The maximum credit risk exposure including undrawn credit facilities amounts to EUR 1,136 million (2007: EUR 1,740 million).

23 Residential mortgages own book (designated at Fair Value through Profit or Loss)

IN EUR MILLIONS	2008	2007
Residential mortgages own book	6,201	5,285
	6,201	5,285

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF THE RESIDENTIAL MORTGAGES OWN BOOK IS ANALYSED AS FOLLOWS:		
In three months or less	15	11
In more than three months but not more than one year	18	14
In more than one year but not more than five years	107	87
Longer than five years	6,061	5,173
	6,201	5,285

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN THE RESIDENTIAL MORTGAGES OWN BOOK MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	5,285	4,438
Additions (including repurchases from consolidated SPEs)	1,547	2,633
Disposals (sale and redemption, including replenishment of consolidated SPEs)	(902)	(1,746)
Changes in fair value	271	(40)
BALANCE AT 31 DECEMBER	6,201	5,285

The changes in fair value in the table above reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated elsewhere in the Balance Sheet.

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

The maximum credit exposure including committed but undrawn facilities is EUR 6,283 million (2007: EUR 5,524 million).

At 31 December 2008, EUR 797 million (2007: EUR 964 million) of credit protection by means of a guarantee structured in a synthetic securitisation (Provide Orange) was in place in connection with NIBC's Residential mortgages own book.

24 Securitised residential mortgages (designated at Fair Value through Profit or Loss)

IN EUR MILLIONS	2008	2007
Securitised residential mortgages	5,250	6,356
	5,250	6,356

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF THE SECURITISED RESIDENTIAL MORTGAGES IS ANALYSED AS FOLLOWS:		
In three months or less	1	2
In more than three months but not more than one year	1	2
In more than one year but not more than five years	10	17
Longer than five years	5,238	6,335
	5,250	6,356

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN THE SECURITISED RESIDENTIAL MORTGAGES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	6,356	6,988
Additions	50	1,160
Disposals (sale and redemption including sales to own book)	(1,389)	(1,603)
Changes in fair value	233	(189)
BALANCE AT 31 DECEMBER	5,250	6,356

The changes in fair value in the table above reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated elsewhere in the Balance Sheet.

At 31 December 2008, Securitised residential mortgages in the amount of EUR 5,250 million (2007: EUR 6,356 million) were pledged as collateral for NIBC's own liabilities (see note 50).

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

The maximum credit exposure is EUR 5,250 million (2007: EUR 6,356 million).

The portion of fair value changes in 2008 included in the balance sheet amount (designated as Fair Value through Profit or Loss) as at 31 December 2008 relating to the movement in credit spreads on Residential mortgages own book (note 23) and Securitised residential mortgages (note 24) amounts to EUR 58 million credit, being a reduction in the balance sheet carrying amount (2007: EUR 112 million credit).

The change in fair value in 2008 was determined by a discount spread basis point value calculation, which is based on a number of parameters such as the composition of the mortgage portfolio sorted by loan to value class and fixed rate period, the spread widening observed in the mortgage offer rates, the prepayment rates and the level of the interest rates.

The aggregate difference yet to be recognised in the profit or loss between transaction prices at initial recognition and the fair value determined by a valuation model at 31 December 2008 amounts to a liability of EUR 28 million (2007: nil).

Securitised residential mortgages are retained on NIBC's Balance Sheet based on the risks and rewards NIBC retains in the SPEs issuing the mortgage backed notes. Risks and rewards can be retained by NIBC by (amongst others) retaining issued notes, providing overcollateralisation to the SPEs or implementing reserve accounts in the SPEs. At the balance sheet date, NIBC retained EUR 48 million (2007: EUR 75 million) of notes issued by the SPEs, overcollateralisation provided to the SPEs amounted to EUR 34 million (2007: EUR 28 million) and reserve accounts amounted to EUR 9 million (2007: EUR 15 million).

25 Debt investments at Fair Value through Profit or Loss (including trading)

IN EUR MILLIONS	2008	2007
Held for Trading (non-government)	98	1,374
Designated as Fair Value through Profit or Loss	634	955
	732	2,329

IN EUR MILLIONS	2008	2007
DEBT INVESTMENTS HELD FOR TRADING CAN BE CATEGORISED AS FOLLOWS:		
Listed	98	1,325
Unlisted	-	49
	98	1,374

In 2008, EUR 696 million has been reclassified out of the Held for Trading category to Debt investments at Amortised Cost and EUR 29 million has been reclassified to Debt investments at Available for Sale.

IN EUR MILLIONS	2008	2007
DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS CAN BE CATEGORISED AS FOLLOWS:		
Government	-	356
Other	634	599
	634	955

IN EUR MILLIONS	2008	2007
Listed	606	771
Unlisted	28	184
	634	955

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF THE DEBT INVESTMENTS DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS IS ANALYSED AS FOLLOWS:		
In three months or less	-	155
In more than three months but not more than one year	12	133
In more than one year but not more than five years	583	439
Longer than five years	39	228
	634	955

IN EUR MILLIONS	2008	2007
THE MOVEMENT OF THE DEBT INVESTMENTS DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	955	1,723
Additions	249	675
Disposals (sale and redemption)	(532)	(1,344)
Exchange differences	(8)	(36)
Changes in fair value	(30)	(63)
BALANCE AT 31 DECEMBER	634	955

The changes in fair value in the table above reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated elsewhere in the Balance Sheet.

The portion of fair value changes in 2008 included in the balance sheet amount (designated as Fair Value through Profit or Loss) relating to

the movement in credit spreads amounts to EUR 2 million credit, being a reduction in the balance sheet carrying amount (2007: EUR 4 million credit).

Interest income from Debt investments is recognised in Interest and similar income at the effective interest rate until the date of reclassification. Fair value movements (excluding interest) have been recognised in Net trading income.

26 Structured investments (designated at Fair Value through Profit or Loss)

IN EUR MILLIONS	2008	2007
Structured investments	1,079	1,212
	1,079	1,212

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF THE STRUCTURED INVESTMENTS IS ANALYSED AS FOLLOWS:		
In three months or less	67	70
In more than three months but not more than one year	555	371
In more than one year but not more than five years	457	618
Longer than five years	-	153
	1,079	1,212

IN EUR MILLIONS	2008	2007
THE MOVEMENT OF THE STRUCTURED INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	1,212	914
Additions	491	587
Disposals	(640)	(290)
Changes in fair value	13	18
Exchange differences	3	(17)
BALANCE AT 31 DECEMBER	1,079	1,212

The changes in fair value in the table above reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated elsewhere in the Balance Sheet.

All Structured investments are unlisted instruments.

Dividends received from Structured investments are recognised in Dividend income. Fair value

movements (excluding interest) are recognised in Net trading income.

The portion of fair value changes in 2008 included in the balance sheet amount (designated as Fair Value through Profit or Loss) relating to the movement in credit spreads amounts to EUR 2 million debit, being an increase in the balance sheet carrying amount (2007: EUR 5 million credit).

27 Investments in associates (designated at Fair Value through Profit or Loss)

IN EUR MILLIONS	2008	2007
Investments in associates	188	147
	188	147

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN INVESTMENTS IN ASSOCIATES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	147	-
Additions	83	69
Disposals	(18)	-
Changes in fair value	(24)	78
BALANCE AT 31 DECEMBER	188	147

All of these associates are unlisted instruments and are held by the venture capital organisation within the operating segment Merchant Banking.

28 Derivative financial instruments

IN EUR MILLIONS	2008	2007
DERIVATIVE FINANCIAL ASSETS		
Derivative financial assets Held for Trading (trading portfolios)	2,508	2,041
Derivative financial assets Held for Trading (other portfolios)	629	600
Derivative financial assets used for hedging	215	85
	3,352	2,726
DERIVATIVE FINANCIAL LIABILITIES		
Derivative financial liabilities Held for Trading (trading portfolios)	2,914	1,786
Derivative financial liabilities Held for Trading (other portfolios)	525	588
Derivative financial liabilities used for hedging	42	53
	3,481	2,427

Derivative financial instruments - Held for Trading (trading portfolios) at 31 December 2008

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
INTEREST RATE DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Forward rate agreements	750	-	-	750	3	16
Interest rate swaps	10,993	10,639	59,757	81,389	1,940	2,382
Interest rate options (purchase)	-	42	685	727	13	-
Interest rate options (sale)	11	91	619	721	-	12
SUBTOTAL	11,754	10,772	61,061	83,587	1,956	2,410
CURRENCY DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Currency/cross currency swaps	-	1,180	2,308	3,488	504	460
SUBTOTAL	-	1,180	2,308	3,488	504	460
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
<i>OTC-PRODUCTS:</i>						
Other swaps	-	14	967	981	12	23
Other options (purchase)	-	10	153	163	36	-
Other options (sale)	-	10	153	163	-	21
SUBTOTAL	-	34	1,273	1,307	48	44
TOTAL DERIVATIVES HELD FOR TRADING (TRADING PORTFOLIOS)	11,754	11,986	64,642	88,382	2,508	2,914

Derivative financial instruments - Held for Trading (trading portfolios) at 31 December 2007

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
INTEREST RATE DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Forward rate agreements	8,925	12,975	-	21,900	35	39
Interest rate swaps	14,463	11,353	58,623	84,439	959	918
Interest rate options (purchase)	-	33	749	782	9	-
Interest rate options (sale)	2	28	675	705	-	13
SUBTOTAL	23,390	24,389	60,047	107,826	1,003	970
CURRENCY DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Currency/cross currency swaps	1	3,546	2,894	6,441	937	742
SUBTOTAL	1	3,546	2,894	6,441	937	742
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
<i>OTC-PRODUCTS:</i>						
Other swaps	131	20	1,742	1,893	5	8
Other options (purchase)	103	52	267	422	96	-
Other options (sale)	36	24	176	236	-	66
SUBTOTAL	270	96	2,185	2,551	101	74
TOTAL DERIVATIVES HELD FOR TRADING (TRADING PORTFOLIOS)	23,661	28,031	65,126	116,818	2,041	1,786

Derivative financial instruments - Held for Trading (other portfolios) at 31 December 2008

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
INTEREST RATE DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Interest rate swaps	133	265	3,754	4,152	335	474
SUBTOTAL	133	265	3,754	4,152	335	474
CURRENCY DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Forward rate agreements	45	61	89	195	6	6
Interest currency rate swaps	2,538	77	300	2,915	280	39
Other currency contracts	32	57	111	200	-	3
SUBTOTAL	2,615	195	500	3,310	286	48
<i>OTC-PRODUCTS:</i>						
Credit default swaps (guarantees given)	18	22	89	129	1	2
Credit default swaps (guarantees received)	-	-	27	27	-	1
Other currency contracts	5	12	78	95	7	-
SUBTOTAL	23	34	194	251	8	3
TOTAL DERIVATIVES HELD FOR TRADING (OTHER PORTFOLIOS)	2,771	494	4,448	7,713	629	525

Derivative financial instruments - Held for Trading (other portfolios) at 31 December 2007

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
INTEREST RATE DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Interest rate swaps	1,033	1,276	13,285	15,594	373	372
SUBTOTAL	1,033	1,276	13,285	15,594	373	372
CURRENCY DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Forward rate agreements	18	374	145	537	85	85
Interest currency rate swaps	2,883	705	2,009	5,597	117	99
Other currency contracts	4	48	183	235	-	5
SUBTOTAL	2,905	1,127	2,337	6,369	202	189
<i>OTC-PRODUCTS:</i>						
Credit default swaps (guarantees given)	39	104	316	459	20	1
Credit default swaps (guarantees received)	17	103	255	375	5	26
SUBTOTAL	56	207	571	834	25	27
TOTAL DERIVATIVES HELD FOR TRADING (OTHER PORTFOLIOS)	3,994	2,610	16,193	22,797	600	588

Fair value hedges of interest rate risk

The following table discloses the fair value of

the swaps designated in fair value hedging relationships.

IN EUR MILLIONS		2008	2007
Fair value pay - fixed swaps (hedging assets)	assets	12	11
Fair value pay - fixed swaps (hedging assets)	liabilities	(29)	(18)
		(17)	(7)
Fair value pay - floating swaps (hedging liabilities)	assets	97	38
Fair value pay - floating swaps (hedging liabilities)	liabilities	(13)	(36)
		84	2

Cash flow hedges of interest rate risk

The following table discloses the fair value of the swaps designated in cash flow hedging relationships.

IN EUR MILLIONS		2008	2007
Fair value receive - fixed swaps	assets	107	36
Fair value receive - fixed swaps	liabilities	-	-
		107	36
Fair value receive - floating swaps	assets	-	-
Fair value receive - floating swaps	liabilities	-	-
		-	-

The average remaining maturity (in which the related cash flows are expected to enter into the determination of profit or loss) is 4 years (2007: 4 years).

Derivative financial instruments - Used for hedging at 31 December 2008

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE HEDGES OF INTEREST RATE RISK						
<i>OTC-PRODUCTS:</i>						
Interest rate swaps	285	1,374	4,912	6,571	69	41
Interest currency rate swaps	807	99	731	1,637	39	1
SUBTOTAL	1,092	1,473	5,643	8,208	108	42
DERIVATIVES ACCOUNTED FOR AS CASH FLOW HEDGES OF INTEREST RATE RISK						
<i>OTC-PRODUCTS:</i>						
Interest rate swaps	-	-	429	429	107	-
SUBTOTAL	-	-	429	429	107	-
TOTAL DERIVATIVES USED FOR HEDGING	1,092	1,473	6,072	8,637	215	42

Derivative financial instruments - Used for hedging at 31 December 2007

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE HEDGES OF INTEREST RATE RISK						
<i>OTC-PRODUCTS:</i>						
Interest rate swaps	430	173	2,326	2,929	33	33
Interest currency rate swaps	7	65	243	315	16	20
SUBTOTAL	437	238	2,569	3,244	49	53
DERIVATIVES ACCOUNTED FOR AS CASH FLOW HEDGES OF INTEREST RATE RISK						
<i>OTC-PRODUCTS:</i>						
Interest rate swaps	-	-	407	407	36	-
SUBTOTAL	-	-	407	407	36	-
TOTAL DERIVATIVES USED FOR HEDGING	437	238	2,976	3,651	85	53

Hedging activities

Portfolio fair value hedge of plain vanilla funding

According to NIBC's Hedging Policy, NIBC should not be exposed to interest rate risk from its fixed rate plain vanilla funding activities above certain limits prescribed by the ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate funding. To mitigate any accounting mismatches, NIBC has defined a portfolio fair value hedge for the fixed rate plain vanilla funding and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2008 was EUR 45 million debit (2007: EUR 6 million debit).

The gains on the hedging instruments were EUR 39 million (2007: EUR 1 million). The losses on the hedged item attributable to the hedged risk were EUR 42 million (2007: EUR 2 million).

Micro fair value hedge of plain vanilla funding

According to NIBC's Hedging Policy, NIBC should not be exposed to interest rate and foreign exchange risk from its fixed rate plain vanilla funding activities above certain limits prescribed by ALCO. Consequently, NIBC uses cross currency interest rate swaps to hedge the fair value interest rate risk and foreign exchange risk arising on this fixed rate funding. To mitigate any accounting mismatches, NIBC has defined a micro fair value hedge for fixed rate plain vanilla funding and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2008 was EUR 38 million debit (2007: EUR 3 million credit). The gains on the hedging instruments were EUR 38 million (2007: loss of EUR 1 million). The losses on the hedged item attributable to the hedged risk were EUR 39 million (2007: gain of EUR 1 million).

Portfolio fair value hedge of loans

According to NIBC's Hedging Policy, NIBC should not be exposed to interest rate risk from its corporate loan activities above certain limits as set by ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising from these fixed rate loans. To mitigate any accounting mismatches, NIBC has defined a portfolio fair value hedge for the fixed rate loan and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these hedge relationships at 31 December 2008 was EUR 17 million credit (2007: EUR 7 million credit). The losses on the hedging instruments were EUR 7 million (2007: gain of EUR 3 million). The gains on the hedged item attributable to the hedged risk were EUR 6 million (2007: loss of EUR 4 million).

Cash flow hedges

NIBC has classified a large part of its corporate loans as Loans and Receivables at Amortised Cost and previously at Available for Sale. Therefore, variability in the cash flows of the floating rate corporate loans is accounted for in future periods, when the coupons are recorded in the Income Statement on an amortised cost basis. Interest rate

swaps are used to hedge the floating cash flows of its floating corporate loans. These swaps are classified at Fair Value through Profit or Loss. This accounting mismatch creates volatility in the Income Statement of NIBC. Therefore NIBC applies hedge accounting on these positions. Hedge accounting is applied to all swaps that are used to hedge the cash flow risk of the floating corporate loans by defining a macro cash flow hedge relationship with the floating corporate loans.

The variability in interest cash flows arising on floating rate corporate loans is hedged on a portfolio basis with interest rate swaps that receive fixed and pay floating (generally 1, 3 and 6 months floating rates). The highly probable cash flows being hedged relate both to the highly probable cash flows on outstanding corporate loans and to the future reinvestment of these cash flows. NIBC does not hedge the variability of future cash flows of corporate loans arising from changes in credit spreads.

Interest rate swaps with a net fair value of EUR 107 million debit (2007: EUR 36 million debit) were designated in a cash flow hedge relationship. The cash flow on the hedged item will be reported in income over the next 10 years. In 2008, the ineffectiveness recognised in the Income Statement that arose from cash flow hedges was a gain of EUR 7 million (2007: gain of EUR 3 million).

There were no transactions in respect of which cash flow hedge accounting had to be ceased in 2008 or 2007 as a result of the highly probable cash flows no longer being expected to occur.

The amount that was recognised in equity during the year 2008 is EUR 67 million credit (2007: EUR 1 million credit). The amount that was removed from equity and included in the Income Statement in 2008 was a EUR 13 million gain (2007: gain of EUR 16 million).

Net investment hedge

NIBC hedges part of the currency translation risk arising on its net investments in foreign operations by using foreign currency debt as a hedging instrument. Debt amounting to USD 236 million (2007: USD 231 million) was designated as a hedging instrument, and gave rise to currency losses for the year 2008 of EUR 6 million (2007: EUR 18 million), which were recognised in the translation reserve component of equity. No ineffectiveness was recognised in the Income Statement arising from hedges of net investments in foreign operations.

No amounts were withdrawn from equity during the year (2007: nil), as there were no disposals of foreign operations that were included in the net investment hedge.

Derivative financial instruments

The following tables present the derivative financial instruments that will be settled on a net basis into relevant maturity classes based on the contractual maturity date as at 31 December 2008 and 2007. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Derivatives, as per 31 December 2008

IN EUR MILLIONS	Less than three months	Between three months and one year	One to five years	Five years or more	Total
DERIVATIVES HELD FOR TRADING					
FX FORWARD					
Inflow	-	-	-	-	-
Outflow	-	-	-	-	-
INTEREST RATE DERIVATIVES					
Inflow	1,295	2,452	6,855	4,567	15,169
Outflow	(1,387)	(2,529)	(6,896)	(4,072)	(14,884)
CREDIT DERIVATIVES					
Inflow	1	4	8	-	13
Outflow	(1)	(4)	(7)	-	(12)
DERIVATIVES USED FOR HEDGING					
FX FORWARD					
Inflow	2,451	84	91	-	2,626
Outflow	(2,263)	(84)	(91)	-	(2,438)
INTEREST RATE DERIVATIVES					
Inflow	153	89	295	202	739
Outflow	(134)	(71)	(205)	(155)	(565)
CREDIT DERIVATIVES					
Inflow	-	-	-	-	-
Outflow	-	-	-	-	-
TOTAL INFLOW	3,900	2,629	7,249	4,769	18,547
TOTAL OUTFLOW	(3,785)	(2,688)	(7,199)	(4,227)	(17,899)

Derivatives, as per 31 December 2007

IN EUR MILLIONS	Less than three months	Between three months and one year	One to five years	Five years or more	Total
DERIVATIVES HELD FOR TRADING					
FX FORWARD					
Inflow	-	-	-	-	-
Outflow	-	-	-	-	-
INTEREST RATE DERIVATIVES					
Inflow	877	5,919	9,840	5,984	22,620
Outflow	(847)	(5,786)	(9,710)	(5,566)	(21,909)
CREDIT DERIVATIVES					
Inflow	2	9	29	5	45
Outflow	(3)	(11)	(36)	(10)	(60)
DERIVATIVES USED FOR HEDGING					
FX FORWARD					
Inflow	3,122	376	145	-	3,643
Outflow	(3,091)	(375)	(145)	-	(3,611)
INTEREST RATE DERIVATIVES					
Inflow	23	57	365	164	609
Outflow	(24)	(57)	(328)	(152)	(561)
CREDIT DERIVATIVES					
Inflow	-	-	-	-	-
Outflow	-	-	-	-	-
TOTAL INFLOW	4,024	6,361	10,379	6,153	26,917
TOTAL OUTFLOW	(3,965)	(6,229)	(10,219)	(5,728)	(26,141)

29 Investments in associates (equity method)

IN EUR MILLIONS	2008	2007
Investments in associates	40	44
	40	44

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN INVESTMENTS IN ASSOCIATES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	44	23
Purchases and additional payments	1	25
Disposals	(6)	(2)
Share in result of associates	7	1
Dividend received	(6)	-
Impairments	-	(3)
BALANCE AT 31 DECEMBER	40	44

At the end of 2008 and 2007, all investments in associates were unlisted.

There is no unrecognised share of losses of an associate, both for the period and cumulatively.

There are no significant restrictions on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans.

See note 54 for further details on Investments in associates.

30 Intangible assets

IN EUR MILLIONS	2008	2007
Intangible assets	44	-
	44	-

IN EUR MILLIONS	2008	2007
INTANGIBLE ASSETS RELATED TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION MAY BE SUMMARISED AS FOLLOWS:		
Cost	47	-
Accumulated amortisation	(3)	-
	44	-

IN EUR MILLIONS	Goodwill	Trademarks and licences	Customer relationships	Order backlog	Total
THE MOVEMENT IN INTANGIBLE ASSETS MAY BE SUMMARISED AS FOLLOWS:					
BALANCE AT 1 JANUARY 2008	-	-	-	-	-
Acquisition of subsidiaries	20	4	19	4	47
Amortisation	-	(1)	(1)	(1)	(3)
BALANCE AT 31 DECEMBER 2008	20	3	18	3	44

The accumulated amortisation as at 31 December 2008 is EUR 3 million (2007: nil). Amortisation of EUR 3 million is included in Depreciation and amortisation in the Income Statement.

Intangible assets pledged as security for liabilities are nil for both 2008 and 2007.

Goodwill acquired in business combinations is reviewed annually at 31 December for impairment

or more frequently when there are indications that impairments may have occurred, by comparing the recoverable amount of each cash generating unit to which goodwill has been allocated with its carrying value. NIBC recognised goodwill of EUR 20 million and other intangible assets of EUR 27 million following the preliminary allocation of fair values arising on new business combinations in 2008. For further information see note 49.

IN EUR MILLIONS	2008	2007
GOODWILL HAS BEEN ALLOCATED TO THE GROUP OF CASH GENERATING UNITS AS FOLLOWS:		
Non-financial companies included in the consolidation	20	-
	20	-

No impairments were recorded in 2008 on Intangible assets.

31 Property, plant and equipment

IN EUR MILLIONS	2008	2007
Land and buildings	61	65
Other fixed assets	5	7
	66	72
Land and buildings from non-financial companies	6	-
Other fixed assets from non-financial companies	30	-
	36	-
	102	72

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	72	81
Additions	7	8
Acquired in business combinations	37	-
Depreciation	(14)	(17)
BALANCE AT 31 DECEMBER	102	72

In 2008, EUR 8 million in the depreciation line relates to non-financial companies included in the consolidation (2007: nil).

IN EUR MILLIONS	2008	2007
THE ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT CAN BE CATEGORISED AS FOLLOWS:		
Land and buildings	32	28
Other fixed assets	17	14
	49	42
Land and buildings from non-financial companies	-	-
Other fixed assets from non-financial companies	8	-
	8	-
	57	42

Buildings in use by NIBC are insured for EUR 81 million (2007: EUR 63 million). Other fixed assets are insured for EUR 90 million (2007: EUR 26 million). Other fixed assets of the non-financial companies included in the consolidation are insured for EUR 55 million.

In 2008, EUR 36 million of Land and buildings and Other fixed assets from the non-financial companies included in the consolidation are pledged as security for liabilities (2007: not applicable).

In 2008, capital expenditure contracted for related to non-financial companies included in the consolidation amounts to EUR 5 million (2007: not applicable). An amount of EUR 2 million is recognised in the carrying amount of Property, plant and equipment in the course of construction at 31 December 2008.

NIBC's Land and buildings in own use were last revalued as of 31 December 2006 based on an external appraisal carried out in January 2007.

32 Investment property

IN EUR MILLIONS	2008	2007
Land and buildings	30	1
	30	1

In 2008, Investment property is insured for EUR 12.5 million (2007: nil).

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN INVESTMENT PROPERTY MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	1	8
Additions resulting from acquisition	30	1
Disposals	(1)	(8)
BALANCE AT 31 DECEMBER	30	1

Investment property is stated at fair value. The fair value at 31 December 2008 is based upon various external appraisals, which were made prior to the acquisition of the properties in the fourth quarter of 2007 and in 2008 on the basis that there have been no material changes in the fair value of the investment property since the acquisition date. This balance sheet item also includes acquired

property of EUR 2 million (2007: EUR 1 million) from work-out and restructuring activities related to residential mortgages.

The amount recognised in profit or loss is EUR 1 million (2007: nil), concerning rental income.

33 Current tax

IN EUR MILLIONS	2008	2007
Current tax	6	40
	6	40

It is expected that the Current Tax balance will be settled within 12 months.

34 Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a nominal tax rate of 25.5% in 2008 (2007: 25.5%).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

IN EUR MILLIONS	2008	2007
THE OFFSET AMOUNTS ARE AS FOLLOWS:		
Deferred tax assets	-	-
Deferred tax liabilities	39	4

IN EUR MILLIONS	2008	2007
THE AMOUNTS OF DEFERRED INCOME TAX ASSETS, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, IS AS FOLLOWS:		
Loans (Available for Sale)	21	18
Debt investments (Available for Sale)	6	2
	27	20

THE AMOUNTS OF DEFERRED INCOME TAX LIABILITIES, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, IS AS FOLLOWS:		
Equity investments (Available for Sale)	3	3
Cash flow hedges	26	12
Property	9	9
Temporary differences as a result of internal securitisations	28	-
	66	24
	(39)	(4)

Internal securitisations mainly relate to SPEs, which are consolidated in the Financial

Statements, but not included in the fiscal unity of NIBC.

IN EUR MILLIONS	2008	2007
THE GROSS MOVEMENT ON THE DEFERRED INCOME TAX ACCOUNT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	(4)	(57)
EMPLOYEE BENEFIT OBLIGATIONS		
(Charged)/credited to the Income Statement	-	(3)
LOANS (Reported as Available for Sale)		
Fair value remeasurement (charged)/credited to revaluation reserve	4	44
Fair value hedges through revaluation reserve	(1)	(1)
Changes in tax rates	-	2
DEBT INVESTMENTS (Reported as Available for Sale)		
Fair value remeasurement (charged)/credited to revaluation reserve	4	2
PROPERTY REPORTED AT FAIR VALUE:		
(Charged)/credited to the Income Statement	-	1
Changes in tax rate	-	1
EQUITY INVESTMENTS (Reported as Available for Sale)		
Fair value remeasurement (charged)/credited to revaluation reserve	-	2
CASH FLOW HEDGES		
Fair value remeasurement (charged)/credited to hedging reserve	(14)	4
Changes in tax rate	-	1
Temporary differences as a result of internal securitisations	(28)	-
BALANCE AT 31 DECEMBER	(39)	(4)

The recovery period for the deferred tax assets is estimated at 3.5 years.

Tax losses of EUR 3 million (2007: EUR 5 million) have not been tax recognised because it is not probable that these losses can be utilised. These unrecognised tax losses have no expiry date.

35 Other assets

IN EUR MILLIONS	2008	2007
Interest	20	84
Other accruals and receivables	37	69
Other assets related to non financial companies included in the consolidation	23	-
	80	153

The decrease of interest in 2008 reflects the transfer of interest accrued on loans to the relevant items in the Balance Sheet.

The fair value of this balance sheet item does not materially deviate from its face value, due to the short-term nature of its related assets.

IN EUR MILLIONS	2008	2007
OTHER ASSETS RELATED TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION CAN BE CATEGORISED AS FOLLOWS:		
Inventories (less provision for obsolescence)	18	-
Trade receivables (less provisions for doubtful debt)	4	-
Other	1	-
	23	-

36 Due to other banks (Amortised Cost)

IN EUR MILLIONS	2008	2007
Payable on demand	493	607
Not payable on demand	5,044	4,093
	5,537	4,700

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF DUE TO OTHER BANKS NOT PAYABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
Three months or less	2,135	1,966
Longer than three months but not longer than one year	1,289	901
Longer than one year but not longer than five years	1,277	1,042
Longer than five years	343	184
	5,044	4,093

Interest is recognised in Interest expense and similar charges on an effective interest basis.

37 Deposits from customers (Amortised Cost)

IN EUR MILLIONS	2008	2007
Deposits from customers	2,293	1,516
	2,293	1,516

IN EUR MILLIONS	2008	2007
DEPOSITS FROM CUSTOMERS CAN BE CATEGORISED AS FOLLOWS:		
On demand	745	292
Term deposits	1,548	1,224
	2,293	1,516

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF DEPOSITS FROM CUSTOMERS IS ANALYSED AS FOLLOWS:		
Three months or less	807	576
Longer than three months but not longer than one year	186	206
Longer than one year but not longer than five years	719	364
Longer than five years	581	370
	2,293	1,516

Interest is recognised in Interest expense and similar charges on an effective interest basis.

38 Own debt securities in issue (Amortised Cost)

IN EUR MILLIONS	2008	2007
Bonds and notes issued	5,926	9,059
Fair value hedge adjustment	48	(24)
	5,974	9,035

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF OWN DEBT SECURITIES IN ISSUE IS ANALYSED AS FOLLOWS:		
Three months or less	776	1,290
Longer than three months but not longer than one year	1,161	2,590
Longer than one year but not longer than five years	3,838	4,975
Longer than five years	199	180
	5,974	9,035

For an amount of EUR 1,390 million of the issued notes, the State of The Netherlands has unconditionally and irrevocably guaranteed the due payment of all amounts of principal and interest due by NIBC under these notes according and subject to (I) the Rules governing the 2008 Credit Guarantee Scheme of the State of

The Netherlands and (II) the Guarantee Certificate issued under those Rules in respect of these notes. These Rules and the Guarantee Certificate are available at www.dutchstate.nl. In 2008, credit spread gains of EUR 129 million were realised on the repurchase of liabilities with respect to this balance sheet item.

39 Debt securities in issue related to securitised mortgages (Amortised Cost)

IN EUR MILLIONS	2008	2007
Bonds and notes issued	5,835	7,218
Fair value hedge adjustment	-	(4)
	5,835	7,214

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IN ISSUE RELATED TO SECURITISED MORTGAGES IS ANALYSED AS FOLLOWS:		
Three months or less	60	22
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	91	-
Longer than five years	5,684	7,192
	5,835	7,214

40 Own debt securities in issue (designated at Fair Value through Profit or Loss)

IN EUR MILLIONS	2008	2007
Bonds and notes issued	168	215
	168	215

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF OWN DEBT SECURITIES IN ISSUE IS ANALYSED AS FOLLOWS:		
Three months or less	-	26
Longer than three months but not longer than one year	81	67
Longer than one year but not longer than five years	55	90
Longer than five years	32	32
	168	215

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated elsewhere in the Balance Sheet.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date amounts to

EUR 171 million on 31 December 2008 (2007: EUR 223 million).

The portion of fair value changes during 2008 attributable to the movement in credit spreads amounts to EUR 9 million debit, being a reduction in the carrying value (2007: nil). There was no fair value change attributable to movements in credit spreads prior to 2007.

41 Debt securities in issue structured (designated at Fair Value through Profit or Loss)

IN EUR MILLIONS	2008	2007
Bonds and notes issued	3,110	4,152
	3,110	4,152

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IN ISSUE STRUCTURED IS ANALYSED AS FOLLOWS:		
Three months or less	143	404
Longer than three months but not longer than one year	261	253
Longer than one year but not longer than five years	847	1,731
Longer than five years	1,859	1,764
	3,110	4,152

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated elsewhere in the Balance Sheet.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date amounts to EUR 3,200 million on 31 December 2008 (2007: EUR 4,132 million).

The portion of fair value changes during 2008 attributable to the movement in credit spreads amounts to EUR 94 million debit, being a reduction in the carrying value (2007: EUR 81 million debit). There was no fair value change attributable to movements in credit spreads prior to 2007. In 2008, credit spread gains of EUR 59 million were realised on the repurchase of liabilities with respect to this balance sheet item.

42 Other liabilities

IN EUR MILLIONS	2008	2007
Accruals	63	55
Payables	95	189
	158	244

In 2008, EUR 11 million of the Other liabilities is related to (trade) payables of the non-financial companies included in the consolidation (2007: nil).

The amortisation of any discount or premium and interest related to Other liabilities is recognised in Interest expense and similar charges using the effective interest method.

43 Employee benefit obligations

IN EUR MILLIONS	2008	2007
Pension benefit obligations	4	6
Other post retirement obligations	-	-
Other	4	5
	8	11

Pension benefit obligations

NIBC operates a number of pension plans covering substantially all employees. The schemes are generally funded through payments to insurance companies or separate trustee-administered funds, determined by periodic actuarial calculations. NIBC has both defined benefit and defined contribution plans.

A defined benefit plan is a plan where the rules specify the benefits to be paid to the members at retirement. These benefits will depend on the number of years of service, the final salary (up to a maximum) upon retirement and the accrual rate of the scheme. Most of the pension plans are defined benefit plans based on a maximised final pay salary and are funded.

A defined contribution plan is a pension plan under which NIBC each year pays a fixed percentage of the salaries of the members into the scheme. The size of the fund on retirement will be determined by how much was contributed to the scheme and the investment return achieved.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The latest actuarial valuation was carried out at 31 December 2008. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and

that have terms to maturity approximating to the terms of the related pension liability. The assets of the funded plans are held independently of NIBC's assets in separate trustee administered funds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to the Income Statement over the employees' expected average remaining working lives. Past-service costs are recognised immediately in the Income Statement.

For defined contribution plans, NIBC pays directly into the member's scheme. NIBC has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

IN EUR MILLIONS	2008	2007
PENSION BENEFIT OBLIGATION CAN BE CATEGORISED AS FOLLOWS:		
Present value of funded obligations	159	163
Fair value of plan assets	156	157
DEFICIT FOR FUNDED PLANS	3	6
Present value of unfunded obligations	-	1
Unrecognised actuarial losses	1	(1)
PENSION BENEFIT OBLIGATION	4	6

IN EUR MILLIONS	2008	2007
CHANGES IN THE PRESENT VALUE OF FUNDED AND UNFUNDED OBLIGATIONS ARE AS FOLLOWS:		
BALANCE AT 1 JANUARY	164	169
Current service cost	6	8
Interest cost	8	7
Actuarial (gains)/losses	(14)	(15)
Benefits paid	(5)	(5)
BALANCE AT 31 DECEMBER	159	164

IN EUR MILLIONS	2008	2007
CHANGES IN THE FAIR VALUE OF PLAN ASSETS ARE AS FOLLOWS:		
BALANCE AT 1 JANUARY	157	148
Expected return on plan assets	8	7
Actuarial (gains)/losses	(12)	(1)
Employer contributions	8	8
Benefits paid	(5)	(5)
BALANCE AT 31 DECEMBER	156	157

IN EUR MILLIONS	2008	2007
PLAN ASSETS ARE COMPRISED AS FOLLOWS:		
Equities	33	41
Bonds	125	117
Cash	1	2
Subordinated loans	(3)	(3)
	156	157

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity

investments reflect long-term real rates of return experienced in the respective markets.

The actual return on plan assets was EUR 3 million loss (2007: EUR 6 million gain).

IN EUR MILLIONS	2008	2007
THE AMOUNTS RECOGNISED IN THE INCOME STATEMENT ARE AS FOLLOWS:		
Current service cost	6	8
Interest cost	8	7
Expected return on plan assets	(8)	(7)
TOTAL INCLUDED IN STAFF COSTS	6	8

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN THE LIABILITY RECOGNISED IN THE BALANCE SHEET IS RECONCILED AS FOLLOWS:		
BALANCE AT 1 JANUARY	6	6
Total expense - as above	6	8
Contribution paid	(8)	(8)
BALANCE AT 31 DECEMBER	4	6

IN %	2008	2007
THE PRINCIPAL ACTUARIAL ASSUMPTIONS USED WERE AS FOLLOWS:		
Discount rate	5.75%	5.25%
Expected return on plan assets	5.75%	5.25%
Future salary increases, excluding career developments	2.25%	2.25%
Future pension increases (price inflation)	2.00%	2.00%

For the mortality assumptions, NIBC used the Generation tables from the Actuarial Society setback by 3 years for males and 1 year for females.

The amounts for the current annual period and previous four annual periods for the pension benefit obligations are disclosed in the following table:

IN EUR MILLIONS	2008	2007	2006	2005	2004
Present value of obligation at end of year	159	163	167	165	144
Fair value of plan assets at end of year	156	157	148	147	131
DEFICIT/(SURPLUS)	3	6	19	18	13
Unrecognised actuarial loss/(gain)	1	(1)	(15)	(16)	(13)
Present value of unfunded obligation	-	1	2	4	5
Unrecognised past service cost	-	-	-	-	-
Unrecognised transition amount	-	-	-	-	-
Adjustment for limit on net asset	-	-	-	-	-
LIABILITY RECOGNISED IN BALANCE SHEET AT END OF YEAR	4	6	6	6	5

Other

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN THE LIABILITY RECOGNISED IN THE BALANCE SHEET MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	5	5
Releases	(1)	-
BALANCE AT 31 DECEMBER	4	5

Other employee benefit obligations are related to payments to be made in respect of other leave obligations. These obligations are short-term in nature and therefore valued at nominal value. EUR 4 million is payable within 12 months (2007: EUR 5 million).

In 2008, no amount is related to employee benefit obligations of the non-financial companies included in the consolidation (2007: nil).

44 Subordinated liabilities (Amortised Cost)

IN EUR MILLIONS	2008	2007
Subordinated loans qualifying as Tier-I capital	130	136
Other subordinated loans	99	100
	229	236

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS ANALYSED AS FOLLOWS:		
One year or less	56	8
Longer than one year but not longer than five years	30	55
Longer than five year but not longer than ten years	1	25
Longer than ten years	142	148
	229	236

All of the above loans are subordinated to the other liabilities of NIBC. EUR 130 million (2007: EUR 136 million) qualifying as Tier-1 capital is subordinated to other subordinated loans that rank pari passu. These securities are perpetual securities and may be redeemed by NIBC at its option after 10 years with the prior

approval of the Dutch Central Bank. Interest expense of EUR 14 million was recognised on these subordinated liabilities during the year 2008 (2007: EUR 16 million). In 2008, credit spread gains of EUR 11 million were realised on the repurchase of liabilities with respect to this balance sheet item.

45 Subordinated liabilities (designated at FairValue through Profit or Loss)

IN EUR MILLIONS	2008	2007
Subordinated loans qualifying as Tier-I capital	225	219
Other subordinated loans	242	278
	467	497

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS ANALYSED AS FOLLOWS:		
One year or less	51	10
Longer than one year but not longer than five years	-	49
Longer than five year but not longer than ten years	113	137
Longer than ten years	303	301
	467	497

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated elsewhere in the Balance Sheet.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date amount to EUR 558 million on 31 December 2008 (2007: EUR 537 million).

The portion of fair value changes during 2008 attributable to the movement in credit spreads amounts to EUR 51 million debit, being a reduction in the carrying value (2007: EUR 25 million debit). There was no fair value change attributable to movements in credit spreads prior to 2007. All of the above loans are subordinated to the other liabilities of NIBC. EUR 225 million (2007: EUR 219 million) qualifying as Tier-1 capital is subordinated to other subordinated loans that rank pari passu. These securities are perpetual securities and may be redeemed by NIBC at its option after 10 years with the prior approval of the Dutch Central Bank. Interest expense of EUR 26 million was recognised on these subordinated liabilities during the year 2008 (2007: EUR 28 million). In 2008, credit spread gains of EUR 7 million were realised on the

repurchase of liabilities with respect to this balance sheet item.

Fair value of liabilities

Debt securities in issue structured, Own debt securities in issue and derivative financial instruments are valued at fair value. All other liabilities are valued at Amortised Cost. For these other liabilities, except for own debt securities in issue and subordinated liabilities, the carrying value is considered to approximate the fair value because these liabilities are either short-term, have assets pledged as security against them or a combination of both. The carrying value of Own debt securities in issue classified at Amortised Cost amounts to EUR 5,974 million (2007: EUR 9,035 million), and the fair market value amounts to EUR 5,796 million (2007: EUR 8,917 million). The carrying value of Subordinated Liabilities classified at Amortised Cost amounts to EUR 229 million (2007: EUR 236 million), and the fair market value amounts to EUR 237 million (2007: EUR 226 million). The fair values of these items are calculated by applying a benchmark curve reflecting current spreads for repurchasing debt securities and reflecting current spreads for issuing new debt securities.

NIBC has not had any defaults of principal, interest or redemption amounts during both 2008 and 2007 on its liabilities.

46 Shareholders' equity

The parent company is NIBC Holding, a company incorporated in The Netherlands.

Share capital

IN EUR MILLIONS

THIS ITEM CAN BE CATEGORISED AS FOLLOWS:

Paid-up capital

2008

2007

80

80

80

80

	2008	2007
THE NUMBER OF AUTHORISED SHARES IS SPECIFIED AS FOLLOWS:		
Number of authorised shares ¹	218,937,500	218,937,500
Number of shares issued and fully paid ²	62,586,794	62,586,794
Par value per A-share	1.28	1.28
Par value per preferent share	1.00	1.00

1. Authorised capital amounts to EUR 250 million and is divided into 110,937,500 A-shares of EUR 1.28 nominal value and 108,000,000 preference shares of EUR 1.00 nominal value.
2. The shares issued and fully paid consist of A-shares.

Other reserves

IN EUR MILLIONS	2008	2007
OTHER RESERVES ARE COMPRISED OF:		
Share premium	238	238
Hedging reserve - cash flow hedges	75	35
Revaluation reserve - loans (Available for Sale)	(64)	(49)
Revaluation reserve - equity investments (Available for Sale)	15	51
Revaluation reserve - debt investments (Available for Sale)	(18)	(6)
Revaluation reserve - property, plant and equipment	28	27
	274	296

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserve	Total
BALANCE AT 1 JANUARY 2007	238	46	186	470
Net result on cash flow hedging instruments	-	(11)	-	(11)
Revaluation (net of tax)	-	-	(163)	(163)
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY	-	(11)	(163)	(174)
BALANCE AT 31 DECEMBER 2007	238	35	23	296
BALANCE AT 1 JANUARY 2008	238	35	23	296
Net result on cash flow hedging instruments	-	40	-	40
Revaluation (net of tax)	-	-	(62)	(62)
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY	-	40	(62)	(22)
BALANCE AT 31 DECEMBER 2008	238	75	(39)	(274)

Share premium

The proceeds from rights issues and options exercised received net of any directly attributable transaction costs deducted with the nominal value are credited to share premium.

Hedging reserve - cash flow hedges

This reserve comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge (net of tax).

Revaluation reserve - equity investments (Available for Sale)

This reserve comprises changes in fair value of Available for Sale equity investments (net of tax).

IAS 39

The impact of the application of amendments to IAS 39 on certain elements of Shareholders' equity (revaluation reserves of loans and receivables, debt investments and financial assets) can be explained as follows:

Revaluation reserve - loans at Available for Sale

In the current year, before reclassification (as per 1 July 2008), NIBC recognised in the revaluation reserve in Shareholders' equity a fair value loss of EUR 34 million on financial assets reclassified out of the Available for Sale category into the Loans and Receivables category (the loss recognised in the revaluation reserve in Shareholders' equity in 2007 on Available for Sale assets reclassified in the current period was EUR 117 million).

Revaluation reserve - debt investments at Available for Sale

In the current year, before reclassification (as per 1 July 2008), NIBC recognised in the revaluation reserve in Shareholders' equity a fair value loss of EUR 2 million on financial assets reclassified out

of the Available for Sale category into the Loans and Receivables category (the loss recognised in the revaluation reserve in Shareholders' equity in 2007 on Available for Sale assets reclassified in the current period was EUR 4 million).

Revaluation reserve financial assets reclassified into Available for Sale category

A fair value loss of EUR 7 million was recognised in the revaluation reserve in Shareholders' equity in the current year after the reclassification on financial assets reclassified out of Held for Trading into the Available for Sale category (year ended 31 December 2007: no such reclassification permitted).

NIBC has chosen to reclassify as of 1 July 2008 certain financial assets that are no longer held for the purpose of selling in the near term as permitted by the October 2008 amendment to IAS 39 and IFRS 7. In NIBC's judgement, the deterioration in the world's financial markets is an example of a rare circumstance. Had NIBC determined that the market conditions during 2008 did not represent a rare circumstance or that NIBC did not have the intention and ability to hold the financial assets for the foreseeable future or until maturity and had NIBC therefore not reclassified the financial assets as per 31 December 2008, a net of tax loss of EUR 117 million would have been recognised in profit or loss and a net of tax loss of EUR 220 million would have been recognised in the revaluation reserve in equity due to incremental fair value losses. For all reclassifications the reason for applying the amendment to IAS 39 and IFRS 7 is alignment to best market practice. For more details see notes 2, 5, 11, 16, 17 and 21.

Revaluation reserve - property, plant and equipment

This reserve comprises changes in fair value of land and buildings, after tax.

Retained earnings

Retained earnings reflect accumulated earnings less dividends accrued and paid to shareholders and transfers from other reserves. The cumulative

effect of changes in accounting policy and the correction of errors is also reflected as an adjustment in retained earnings (if applicable).

47 Repurchase and resale agreements

During 2008, NIBC transacted several repo transactions with third parties, in which notes amounting to a notional of EUR 1,964 million were transferred from NIBC to third parties in exchange for EUR 1,667 million in cash for periods ranging from one month up to three years. In the same period, NIBC transacted

several reverse repo transactions with third parties, in which notes amounting to a notional of EUR 53 million were transferred to NIBC from third parties in exchange for EUR 40 million in deposit for periods ranging from four months up to one year.

48 Commitments and contingent assets & liabilities

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

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

The contractual amounts of commitments (excluding residential mortgage commitments of EUR 82 million at 31 December 2008 (2007: EUR 239 million), which in these Financial Statements are measured at Fair Value through Profit or Loss) and contingent liabilities are set out in the following table by category. In the table, it is assumed that amounts are fully advanced.

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

IN EUR MILLIONS	2008	2007
CONTRACT AMOUNT		
Committed facilities with respect to corporate loan financing	1,203	2,380
Guarantees granted	214	588
Irrevocable letters of credit	76	79
	1,493	3,047

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

Details of concentrations of credit risk including concentrations of credit risk arising from commitments and contingent liabilities as well as NIBC's policies for collateral for loans are set out in note 56.

Legal proceedings

There were a number of legal proceedings outstanding against NIBC at 31 December 2008. No provision has been made, as legal advice indicates that it is unlikely that any significant loss will arise.

Liquidity facility

On 5 May 2006, a group of financial institutions provided an unconditional liquidity facility to NIBC, for a 3-year tenor, maturing in May 2009. At 31 December 2008, the size of this liquidity facility was EUR 850 million. Since the issue date in 2006, no draw downs have taken place under this facility.

49 Business combinations

Acquisitions completed in 2008

In 2008, NIBC acquired 100% ownership of GRW Bearing GmbH, and 75% ownership of NIBusker Holding B.V. The total cash consideration including directly attributable costs for these

acquisitions was EUR 100 million. Approximately EUR 20 million of this amount relates to goodwill (preliminary, subject to completion of the purchase price allocation process).

Name of acquired company	GRW Bearing GmbH
Transaction date	29 February 2008
Interest acquired	100%
Activity	Miniature, high precision ball and groove ball bearings manufacturer.

Name of acquired company	NIBusker Holding B.V.
Transaction date	16 April 2008
Interest acquired	75%
Activity	Niche player in the building/construction industry.

The fair value of assets and liabilities acquired and goodwill arising can be categorised as follows:

IN EUR MILLIONS	Fair value		Acquiree's carrying amount	
	2008	2007	2008	2007
Cash at banks	3	-	3	-
Receivables	8	-	8	-
Inventories	17	-	17	-
Fixed assets	37	-	11	-
Intangible assets	28	-	-	-
Liabilities	(8)	-	(8)	-
Deferred tax liabilities	(5)	-	-	-
FAIR VALUE OF NET ASSETS	80	-	31	-
Goodwill	20	-		
TOTAL PURCHASE CONSIDERATION	100	-		

IN EUR MILLIONS	2008	2007
DETAILS OF NET ASSETS ACQUIRED AND GOODWILL ARE AS FOLLOWS:		
Cash paid	99	-
Direct costs relating to the acquisition	1	-
TOTAL PURCHASE CONSIDERATION	100	-
Purchase consideration settled in cash	100	-
Cash and cash equivalents in subsidiary acquired	(3)	-
CASH OUTFLOW ON ACQUISITION	97	-

The acquired businesses contributed net revenues of EUR 37 million and a net result of EUR 3 million (loss) to NIBC from acquisition date to 31 December 2008. If the acquisitions had occurred on 1 January 2008, net revenues from financial companies included as private equity investments would have been EUR 40 million, and the loss before allocations would have been EUR 1 million.

These amounts have been calculated using NIBC's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2008, together with the consequential tax effects.

There were no acquisitions in the year ended 31 December 2007.

50 Assets pledged as security

IN EUR MILLIONS	2008	2007
ASSETS HAVE BEEN PLEDGED AS SECURITY IN RESPECT OF THE FOLLOWING LIABILITIES AND CONTINGENT LIABILITIES:		
LIABILITIES		
Due to other banks	4,114	2,058
Debt securities in issue related to securitised loans and mortgages	5,835	7,214
Derivative financial liabilities	1,000	494
	10,949	9,766

IN EUR MILLIONS	2008	2007
DETAILS OF THE CARRYING AMOUNTS OF ASSETS PLEDGED AS COLLATERAL ARE AS FOLLOWS:		
ASSETS PLEDGED		
Assets utilised as collateral	4,559	2,058
Cash	1,000	494
Securitised loans and mortgages	5,880	6,994
	11,439	9,546

As part of NIBC's funding and credit risk mitigation activities, the cash flows of selected financial assets are transferred or pledged to third parties. Furthermore, NIBC pledges assets as collateral for derivative transactions. Substantially all financial assets included in these transactions are residential mortgages, other loan portfolios, debt investments and cash collateral. The extent of NIBC's continuing involvement in these financial assets varies by transaction.

With respect to assets utilised as collateral, the total portfolio eligible for use to collateralise funding was EUR 5.9 billion (2007: EUR 4.9 billion).

As of 31 December 2008, the excess cash liquidity of NIBC was EUR 1.1 billion (2007: EUR 1.8 billion), consisting of EUR 1.0 billion (2007: EUR 0.9 billion) cash placed with the Dutch Central Bank and EUR 0.1 billion (2007: EUR 0.9 billion) placed overnight with other banks.

51 Assets under management

NIBC provides collateral management services, whereby it holds and manages assets or invests funds received in various financial instruments on behalf of the customer. NIBC receives fee income for providing these services. Assets under management are not recognised in the Consolidated Balance Sheet. NIBC is not exposed

to any credit risk relating to such placements, as it does not guarantee these investments.

At 31 December 2008, total assets held by NIBC on behalf of customers were EUR 2,520 million (2007: EUR 3,346 million).

52 Related party transactions

Transactions related to employees

All transactions with employees are reported in the tables in note 55 Remuneration of Statutory Board Members, Supervisory Board Members, Share-based payments and Deferred cash.

Transactions related to associates

As at 31 December 2008, NIBC had EUR 245 million of loans advanced to its associates (2007: EUR 286 million). Besides interest income on these loans, NIBC earned EUR 7 million (2007: EUR 2 million) in fees from these associates.

In June 2007, NIBC launched the NIBC European Infrastructure Fund I, (which was NIBC's first third-party equity fund) with a final close in August 2008. During 2007 and 2008, NIBC raised EUR 347 million, of which EUR 247 million was provided by four third-party investors and EUR 100 million by NIBC. The fund invests in infrastructure projects in Western Europe. In 2007, NIBC sold all of its assets related to this activity to the fund, and realised a gain on disposal in 2007 in Operating income of EUR 9 million. In addition to this, NIBC realised losses from its investment in the fund of EUR 15 million in 2008 (2007: nil) and earned fees of EUR 6 million (EUR 4 million). In NIBC's Financial Statements, this fund is classified as an associate at Fair Value through Profit or Loss.

At 31 December 2008, NIBC had EUR 28 million of loans granted to a joint venture in which 'NIBC Grondwaarde Fonds-I' acquired a 50% equity stake in June 2008. 'NIBC Grondwaarde Fonds-I', a wholly owned subsidiary of NIBC, that invests in land in Western Europe, was launched in the second quarter of 2008. NIBC's income from this fund in 2008 was minor. In NIBC's Financial Statements, the joint venture is classified as an associate at Fair Value through Profit or Loss.

In September 2008, NIBC launched the NIBC European CMBS Opportunity Fund and raised EUR 64 million, of which EUR 49 million was provided by third-party investors and EUR 15 million by NIBC. The fund invests in commercial real estate in Western Europe. NIBC's income from this fund in 2008 was minor. In NIBC's Financial Statements, this fund is classified as an associate at Fair Value through Profit of Loss.

In 2008, NIBC paid fees relating to the servicing of its online retail savings programme NIBC Direct to Welke Beheer B.V. of EUR 2 million (2007: nil). In 2007, NIBC acquired a 25% stake in Welke Beheer B.V. In NIBC's Financial Statements, this entity is classified as an associate (equity method).

Transactions involving NIBC's shareholders

Significant related party transactions executed in 2008 and 2007 concern the following:

At 31 December 2008, NIBC had EUR 438 million of loans advanced to its parent and to entities controlled by its parent entity (2007: EUR 296 million).

In June 2006, the general partner of J.C. Flowers II LP (together with its sister vehicle, 'Flowers Fund-II'), an investment fund managed by an affiliate of J.C. Flowers & Co., accepted a USD 100 million capital commitment from NIBC. The management fee and the profits interest otherwise payable by limited partners in such fund were waived with respect to the investment by NIBC. In addition, NIBC will receive a portion of (i) the profits interest payable to an affiliate of J.C. Flowers & Co. by investors in Flowers Fund-II, and (ii) the management fee payable to J.C. Flowers & Co. by Flowers Fund-II, in each case based on the percentage of aggregate capital

commitments to Flowers Fund-II represented by the capital commitment of NIBC. During 2008, NIBC's commitment was fully drawn. In 2008, NIBC earned fees of EUR 1 million (2007: EUR 1 million) relating to this transaction.

Investment advisory firm J.C. Flowers & Co., receives a management fee from Flowers Fund-II in consideration for acting as investment adviser to Flowers Fund-II. NIBC performs fund-raising activities for this fund for which a placement fee is received.

In 2007, Mr. Enthoven, the then Chairman and Chief Executive Officer of NIBC and Mr. Jansen Schoonhoven, one of NIBC's senior managers, served on the Transaction and Advisory Committee of Flowers Fund-II. This committee met weekly to discuss new investment prospects, structuring and execution of investments under consideration and enhancing value in current portfolio companies of Flowers Fund-II. Mr. Enthoven and Mr. Jansen Schoonhoven stepped down from this committee at the beginning of 2008. At 31 December 2008, one member of NIBC's Managing Board and some of NIBC's employees had personally invested in Flowers Fund-II as limited partners.

NIBC's US sub-prime related portfolio was sold on 24 August 2007 to a company controlled by the shareholders of NIBC Holding for USD 528 million. The acquisition by that company was partially funded by USD 248 million from NIBC Holding advanced in exchange for preference shares in the company, which were subsequently distributed by NIBC Holding to NIBC Holding's shareholders as a dividend. During 2007, NIBC recognised a pre-tax trading loss of EUR 124 million on this portfolio. As of 24 August 2007, both NIBC Bank and NIBC Holding are no longer exposed to US sub-prime residential mortgage securities.

On 24 August 2007, NIBC entered into a total return swap under which all gains and losses on NIBC's portfolio of US Commercial Real Estate structured credits (mainly CMBS and CRE CDOs) were transferred to NIBC Venture Capital N.V. (**Veca**), a public limited liability company incorporated under the laws of the Netherlands. Veca is indirectly a 100% subsidiary of NIBC Holding. Under the terms of the total return swap between Veca and NIBC, Veca prepaid the equivalent of EUR 948 million to NIBC. Veca financed itself through EUR 300 million of equity provided by NIBC Holding, EUR 198 million of subordinated financing provided by NIBC and EUR 450 million of senior debt provided by a third party.

Under the terms of the total return swap between NIBC and Veca, fair value movements on the US Commercial Real Estate portfolio are offset by compensating fair value movements on the total return swap. On 21 December 2007, NIBC terminated the total return swap by transferring the contractual rights to receive cash flows on the portfolio of US Commercial Real Estate structured credits to Veca. As a consequence of this transfer, NIBC de-recognised these assets on 21 December 2007. In the period from 1 January 2007 to 24 August 2007, NIBC recognised a trading loss of EUR 48 million net of tax on this portfolio.

In the first quarter of 2008, after NIBC Holding attracted EUR 400 million of new capital from its shareholders, NIBC's loan to Veca was prepaid. As of that moment, Veca is fully financed by NIBC Holding and NIBC no longer has exposure to Veca.

On 21 December 2007, NIBC entered into a securities lending agreement with an entity controlled by NIBC Holding and a related party of NIBC, in which NIBC borrowed, on an unsecured basis, securities for a period ending 20 August 2009. The nominal value of the securities is

EUR 612 million as at 31 December 2008 (2007: EUR 882 million).

In 2008, fees were paid to NIBC Holding of EUR 0 million (2007: EUR 3 million) related to asset management activities. Furthermore, in 2007 a fee of EUR 3 million was received from NIBC Holding, relating to NIBC's role in the sale of an associate.

In 2007, NIBC supported the bid of J.C. Flowers together with J.P. Morgan and Bank of America to acquire SLM Corp (Sallie Mae), the US student loan company. NIBC committed USD 75 million to the Sallie Mae acquisition, of which about half is syndicated. NIBC subscribed to a further USD 20 million co-investment with J.C. Flowers. NIBC had a commitment of USD 100 million in the J.C. Flowers II LP, of which at 31 December 2007 USD 25 million was drawn. J.C. Flowers

subsequently invoked the 'material adverse effect' clause and Sallie Mae responded with legal proceedings. In January 2008, Sallie Mae agreed to cease its pending lawsuit against JCF and the co-investors. In addition, the parties have agreed to terminate the merger agreement. The Buyer Group is not and will not be obligated to make any payment of any kind to Sallie Mae, which means that NIBC has no Sallie Mae-related exposure at 31 December 2008.

Loan from NIBC Bank to the Pension Fund

At the balance sheet date, NIBC has advanced a subordinated loan (interest charge: 0%) for an amount of EUR 3 million (2007: EUR 3 million) to the trustee-administered fund (NIBC's Pension Fund). There will be no repayment of this loan until the fund has reached a solvency ratio of 150%.

53 Discontinued operations

In 2007, NIBC discontinued its US structured credit investments and trading business.

The income statement and cash flow statement

of these activities in 2007 are displayed in the following table:

IN EUR MILLIONS	2008	2007
Net interest income	-	11
Net fee and commission income	-	(4)
Net trading income	-	(196)
OPERATING INCOME	-	(189)
OPERATING EXPENSES	-	-
OPERATING PROFIT	-	(189)
Result on disposal of subsidiaries	-	-
Tax	-	48
RESULT FROM DISCONTINUED OPERATIONS	-	(141)
Net result attributable to parent shareholders	-	(141)

Cash flow statement discontinued operations

IN EUR MILLIONS	2008	2007
OPERATING ACTIVITIES		
Net result for the year	-	(141)
Derivatives financial instruments (assets and liabilities)	-	(11)
Operating assets	-	2,228
Operating liabilities	-	(2,076)
CASH FLOWS FROM OPERATING ACTIVITIES DISCONTINUED OPERATIONS	-	-
INVESTING ACTIVITIES	-	-
CASH FLOWS FROM INVESTING ACTIVITIES DISCONTINUED OPERATIONS	-	-
FINANCING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES DISCONTINUED OPERATIONS	-	-

54 Principal subsidiaries, joint ventures and associates

	%	Country	Assets	Liabilities	Operating Income	Net result
SUBSIDIARIES OF NIBC BANK						
NIBC Bank Ltd	100	Singapore				
B.V. NIBC Mortgage Backed Assets	100	Netherlands				
Parnib Holding N.V.	100	Netherlands				
NIBC Foreign Debt Fund XIII B.V.	100	Netherlands				
Counting House B.V.	100	Netherlands				
Vredezicht 's-Gravenhage 110 B.V.	100	Netherlands				
NIBC Principal Investments B.V.	100	Netherlands				
GRW Reinfurt GmbH	100	Germany				
NIBusker Holding B.V.	75	Netherlands				
JOINT VENTURES						
SR-Hypotheek N.V.	50	Netherlands	361	307	16	12
ASSOCIATES (Net asset value)						
De Nederlandse Participatie Maatschappij voor de Nederlandse Antillen N.V.	100	Netherlands	31	31	1	-
PE express I B.V., Breskens	37.5	Netherlands	17	17	7	2
PE express II B.V., Breskens	37.5	Netherlands	17	17	6	1
PE express III B.V., Breskens	35	Netherlands	22	22	5	1
PE express IV B.V., Breskens	35	Netherlands	22	22	5	1
Welke Beheer B.V., Hoorn	25	Netherlands	15	15	11	1
ASSOCIATES (Designated at Fair Value through Profit or Loss)						
	NA ¹	Netherlands	1,017	1,017	401	29

1. NA = not applicable.

In view of the control exercised by the government over the policy of NIBC's wholly owned associate De Nederlandse Participatie Maatschappij voor de Nederlandse Antillen N.V., this company has not been treated as a subsidiary.

The list of participating interests and companies for which statements of liability have been issued, has been filed at the Chamber of Commerce in The Hague.

55 Remuneration of the Statutory Board Members, Supervisory Board Members, Share based payments and Deferred cash

Remuneration of the Statutory Board Members

In the year under review, Mr. Drost joined NIBC as new Chairman and CEO on 1 May 2008 and Mr. Sijbrand as new CRO on 22 February 2008. At that time the *Remuneration and Nominating Committee (RNC)* was completing its discussions with the Statutory Board about the need for and the extent of a retention pool for selected senior executives. In an attempt to guarantee longer term stability and continuity in the leadership of NIBC, the RNC recommended and the Supervisory Board resolved to approve that such a retention pool, indeed, be created. In total 44 selected senior executives were awarded a combination of *Restricted Depositary Receipts (RDRs)* and Options. Additionally, and in keeping with NIBC's overall remuneration philosophy and practice, all other employees also received an allocation of options, the number of which varied dependent on their respective corporate title. Simultaneously, and related to their investment of EUR 3 million (325 thousand CDRs at a price of EUR 9.06) in NIBC CDRs with own funds, members of the Managing Board were offered long-term sign on and/or retention awards in a mix of RDRs and Options with a combined value of EUR 6 million, which would have vested over a period of up to four years.

However, in the period after 31 December 2008 in view of the debate about executive compensation in financial institutions and in anticipation of a new 2009 Remuneration Policy, the Managing Board, Supervisory Board and

Shareholders have jointly decided to fully rescind the aforementioned package at the original conditions, i.e. both the long-term sign on and retention awards for members of the Managing Board and the investments made by them.

In the tables hereafter relating to Annual total regular remuneration, CDRs, RDRs and Options the effects of this rescinded package have been excluded.

In view of current market developments, the Statutory Board members also elected to waive any entitlement to regular 2008 variable compensation.

In the year under review, the average number of members of the Statutory Board appointed under the articles of association was 4.0 (2007: 4.0).

Mr. Enthoven (former Chairman and CEO) and Mr. Stegmann (former CRO) stepped down from their respective responsibilities and subsequently left NIBC in the early part of 2008. Due to the changes in the composition of the Statutory Board during 2008, the figures below are split in members and former members. The total regular remuneration costs (including pension costs) for the members and former members of the Statutory Board, appointed under the articles of association, excluding the above-mentioned one-off sign on and/or retention awards and including the contractual severance payments made to Messrs. Enthoven and Stegmann, amounted to EUR 4.0 million in 2008 (2007: EUR 2.9 million).

The breakdown of the amounts per member and former member of the Statutory Board is as follows:

	Members				Total	Former members		Total
	Mr. Jeroen Drost ¹	Mr. Jan van Nieuwenhuizen	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand ²		Mr. Michael Enthoven ³	Mr. Jurgen Stegmann ⁴	
Base Salary 2008	466,667	400,000	400,000	344,444	1,611,111	385,000	226,667	611,667
Base Salary 2007	-	400,000	350,000	-	750,000	700,000	400,000	1,100,000
Short-term Bonus 2008	-	-	-	-	-	-	-	-
Short-term Bonus 2007	-	140,000	140,000	-	280,000	-	-	-
Deferred Compensation 2008	-	-	-	-	-	-	-	-
Deferred Compensation 2007 ⁵	-	140,000	140,000	-	280,000	-	-	-
TOTAL DIRECT COMPENSATION 2008	466,667	400,000	400,000	344,444	1,611,111	385,000	226,667	611,667
TOTAL DIRECT COMPENSATION 2007	-	680,000	630,000	-	1,310,000	700,000	400,000	1,100,000
Pension costs 2008	88,581	86,509	86,509	66,160	327,759	20,093	13,110	33,203
Pension costs 2007	-	80,000	70,000	-	150,000	75,400	80,900	156,300
Severance Payments 2008	-	-	-	-	-	700,000	400,000	1,100,000
Expense Allowance 2008	800	1,200	1,200	1,028	4,228	300	200	500
Expense Allowance 2007	-	1,200	1,200	-	2,400	1,200	1,200	2,400
Other emoluments 2008	76,218	77,347	30,816	16,754	201,135	33,584	45,084	78,668
Other emoluments 2007	-	25,704	35,851	-	61,555	65,466	39,825	105,291
TOTAL REMUNERATION 2008	632,266	565,056	518,525	428,386	2,144,233	1,138,977	685,061	1,824,038
TOTAL REMUNERATION 2007	-	786,904	737,051	-	1,523,955	842,066	521,925	1,363,991
Variance 2008/2007	NA	(28%)	(30%)	NA	(41%)	35%	31%	34%

1. Joined NIBC on 1 May 2008; appointed as a member of the Statutory Board on 1 May 2008.

2. Joined NIBC on 22 February 2008; appointed as a member of the Statutory Board on 22 February 2008.

3. Stepped down as a member of the Statutory Board as from 30 January 2008 and employment ended with effect from 20 March 2008. Base salary payment 2008 relates to the period up to the end of employment including payment in lieu of notice.

4. Stepped down as a member of the Statutory Board as from 30 January 2008 and employment ended with effect from 21 February 2008. Base salary payment 2008 relates to the period up to the end date of employment including payment in lieu of notice.

5. The after-tax amounts of deferred compensation are mandatorily converted into RDRs, based on the fair market value of the depositary receipts calculated in accordance with the conditions of administration.

Remuneration of the Statutory Board recognised as Personnel Expenses in the Income Statement 2008¹

	Members				Total	Former members		Total
	Mr. Jeroen Drost	Mr. Jan van Nieuwenhuizen	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand		Mr. Michael Enthoven	Mr. Jurgen Stegmann	
Total Remuneration 2008 (see remuneration table above)	632,266	565,056	518,525	428,386	2,144,233	1,138,977	685,061	1,824,037
Deferred compensation 2008 (see remuneration table above)	-	-	-	-	-	-	-	-
Vesting of deferred compensation granted in previous years	-	944,683	238,448	-	1,183,131	-	-	-
TOTAL REMUNERATION RECOGNISED IN THE INCOME STATEMENT 2008	632,266	1,509,739	756,973	428,386	3,327,364	1,138,977	685,061	1,824,037

1. In addition to the above, Personnel expenses in the 2008 Income Statement also include a further EUR 1.8 million relating to the vesting of the Managing Board's sign on and retention awards, which were rescinded after 31 December 2008. In accordance with the company's accounting policy for share-based compensation, this amount has been credited to Other reserves.

Remuneration of the Statutory Board recognised as Personnel Expenses in the Income Statement 2007

	Members				Total	Former members		Total
	Mr. Jeroen Drost	Mr. Jan van Nieuwenhuizen	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand		Mr. Michael Enthoven	Mr. Jurgen Stegmann	
Total Remuneration 2007 (see remuneration table above)	-	786,904	737,051	-	1,523,955	842,066	521,925	1,363,991
Deferred compensation 2007 (see remuneration table above)	-	(140,000)	(140,000)	-	(280,000)	-	-	-
Vesting of deferred compensation granted in previous years ¹	-	1,005,558	73,112	-	1,078,670	(320,206)	(148,808)	(469,014)
TOTAL REMUNERATION RECOGNISED IN THE INCOME STATEMENT 2007	-	1,652,462	670,163	-	2,322,625	521,860	373,117	894,977

1. As a result of their employment ending, Messrs. Enthoven and Stegmann have forfeited all their options.

Remuneration of the Supervisory Board members

The remuneration of the Supervisory Board

members relates to their position within NIBC Holding and NIBC Bank.

IN EUR	Annual fixed fees	Committee fees	Expense allowance	Total Remuneration
MEMBERS IN 2008				
Mr. J. H. M. Lindenbergh ¹	55,000	48,000	5,000	108,000
Mr. J. C. Flowers ¹	45,000	33,000	5,000	83,000
Mr. C.H. van Dalen	35,000	15,000	5,000	55,000
Mr. W.M. van den Goorbergh	35,000	38,000	5,000	78,000
Mr. N.W. Hoek	35,000	10,000	5,000	50,000
Mr. A. de Jong	35,000	-	5,000	40,000
Mr. D. Rümker ¹	35,000	11,500	5,000	51,500
Mr. R.S. Sinha ¹	35,000	26,500	5,000	66,500
Mr. A.H.A. Veenhof	35,000	-	5,000	40,000
TOTAL	345,000	182,000	45,000	572,000
MEMBERS IN 2007				
Mr. J. H. M. Lindenbergh ¹	55,000	48,000	5,000	108,000
Mr. J. C. Flowers ¹	45,000	33,000	5,000	83,000
Mr. C.H. van Dalen	35,000	26,500	5,000	66,500
Mr. W.M. van den Goorbergh	35,000	38,000	5,000	78,000
Mr. N.W. Hoek	35,000	-	5,000	40,000
Mr. J. R. Inciarte until 30/10/07 ¹	29,167	8,333	4,166	41,666
Mr. A. de Jong	35,000	-	5,000	40,000
Mr. D.B. Marron until 30/04/07	11,667	-	1,667	13,334
Mr. D. Rümker ¹	35,000	23,000	5,000	63,000
Mr. R.S. Sinha ¹	35,000	26,500	5,000	66,500
Mr. A.H.A. Veenhof	35,000	-	5,000	40,000
TOTAL	385,834	203,333	50,833	640,000

I. In line with Dutch tax regulations, an increase of 19% VAT is payable on the total remuneration payable to the relevant Supervisory Board member.

Stock Appreciation Rights

A *Stock Appreciation Right (SAR)* scheme was introduced in 2001 and is a cash settled variable compensation scheme. A SAR entitles the holder to a share in the growth of the Net Asset Value of NIBC Holding. The exercise value of part of the SARs awarded to Managing Directors (whether or not appointed under the Articles of Association) has been capped at EUR 126.37. As of 31 December 2005, all capped SARs were converted into NIBC Choice. The expected cost

of the outstanding SARs is recognised as Personnel expenses during the vesting period of five years.

On 15 November 2007, the Supervisory Board together with the Managing Board decided to exercise their right to discontinue the SAR Plan and allow accelerated vesting of all unvested SARs against the exercise price of EUR 124.79, being the fair value as at 30 June 2007. All outstanding SARs were consequently exercised. The SAR

liability as at 31 December 2007 is therefore nil. No new SARs were awarded in 2008.

With respect to SARs, an amount of EUR 0.8 million credit was recognised in Personnel expenses in the

Income Statement in 2007. In 2008, no expenses were recognised in the Income Statement.

The movement of the outstanding Stock Appreciation Rights can be analysed as follows:

	Staff	Total
POSITION AT 1 JANUARY 2007	116,599	116,599
SAR rights exercised	(115,807)	(115,807)
Weighted average exercise price	124.79	124.79
SAR rights forfeited	(792)	(792)
POSITION AT 31 DECEMBER 2007	-	-

NIBC Choice

Introduction

In 2005, a new share-based compensation plan called NIBC Choice was introduced in close co-operation with the then new shareholders. This plan allowed Statutory Board members and all other employees to convert the after tax proceeds of their accumulated rights under NIBC's various deferred compensation arrangements into common depositary receipts (with respect to vested rights) and restricted depositary receipts (with respect to unvested rights). All accumulated vested and unvested rights under the Stock Appreciation Rights plan and the Liquidity Event plan qualified for this conversion. The opportunity to invest was offered in the firm belief that management and employee ownership that aligns personal financial interests with those of the other shareholders is instrumental in creating long-term value for NIBC. As an additional incentive for all those who chose to participate in NIBC Choice, NIBC offered Matching Options for common or restricted depositary receipts acquired. Additionally, the new shareholders exercised their discretion to grant additional Management Options to the members of the Statutory Board and selected executives.

All members of the then Statutory Board of NIBC chose to convert their after tax proceeds of vested amounts under the legacy plans into common depositary receipts and their after tax proceeds of unvested amounts under those plans into restricted depositary receipts. The purchase price of a depositary receipt when NIBC Choice was first introduced was EUR 18.25, equal to the share price paid by the then new shareholders. The initial NIBC Choice plan also allowed investment of own funds in common depositary receipts.

Components of variable compensation

Under NIBC's remuneration policy, NIBC Choice forms a deferred compensation part of the variable compensation. The other part of the variable compensation is the award of a discretionary short-term cash bonus. NIBC Choice is only open to management and employees and contains restrictions relating to termination of employment or certain corporate events, such as restructurings, affecting the rights that would otherwise accrue to them.

Depository receipts

The *Depository Receipts (DRs)*, consisting of **CDRs** and **RDRs**, are issued by *Stichting Administratiekantoor NIBC Holding (the Foundation)* in accordance with its conditions of administration (*administratievoorwaarden*) applicable to the relevant DRs.

The Foundation issues a DR for each ordinary share it holds in NIBC Holding. The Foundation exercises the voting rights in respect of each of these ordinary shares at its own discretion, while the holder of a DR is entitled to the dividends and other distributions declared payable in respect of the underlying ordinary share. Holders of DRs cannot exercise voting rights or request a power of attorney from the Foundation to vote in respect of our ordinary shares.

Under the conditions of administration, the holders of DRs have similar pre-emptive rights as other shareholders of NIBC Holding, subject to the Foundation having been given pre-emptive rights. Consequently, when given these pre-emptive rights, the Foundation will exercise the pre-emptive rights attached to the ordinary shares underlying the DRs if these holders so elect.

The purchase price established for a DR when NIBC Choice was first introduced was EUR 18.25. Employees are informed on a quarterly basis of the fair market value for the DRs, defined in the applicable conditions of administration.

RDRs cannot be transferred, and are subject to specific vesting rules. Up to 1 January 2008, they were subject to 5-year vesting with 1/5th vesting on the 1st of January of each year. In 2008, the vesting schedule was changed to 3-year vesting, with 1/3rd vesting each year on the 1st of January, to better align with vesting practices in other financial institutions. Additionally, RDRs are subject to certain limitations, including the right

of the Foundation to cancel the RDR in case of termination of employment, or in case of certain corporate events, such as restructurings.

As part of NIBC's deferred compensation, NIBC Holding granted 439,013 *new RDRs in 2008 (2008 RDRs)* in respect of the financial year 2007. The conditions of administration applicable to these 2008 RDRs are in line with those applicable to the 2007 RDRs, except for the vesting period, which was reduced to 3-years as described above. The grant price of these 2008 RDRs, EUR 9.06, was determined on the price that was paid in that period by the external investors subscribing for the Rights Issue and not, as would normally be the case, on the basis of changes in the net asset value of NIBC Holding, calculated using a fixed formula contained in the conditions of administration of the Foundation, compared with the purchase price of EUR 18.25, which was determined when NIBC Choice was first introduced.

Additionally, the Supervisory Board approved a Statutory Board proposal to introduce a one-off retention package to selected senior executives in the first half of 2008 and 210,144 2008 RDRs were granted in this respect. The same grant price of EUR 9.06 per share was determined for this retention package.

Stock option plan

NIBC Choice also comprises an *employee option plan (the Option Plan)* which allowed NIBC Holding to grant options to members of its Statutory Board and employees up to a maximum of 5% of its share capital as at 14 December 2005 on a fully diluted basis. The Option Plan was introduced with the intention of further enhancing the attractiveness of converting accumulated rights under the legacy plans into NIBC Choice by granting options to employees who converted their entitlements into DRs. In addition, options were granted to encourage

investment of own funds by employees in CDRs and as part of the compensation of senior management and other employees. NIBC may decide to grant further options under the current Option Plan.

Each option gives the option holder the right to be issued one CDR. The options are only exercisable by the option holder. Of the options granted on a certain date, 50% vests after three years and the remainder vests after four years from the date of grant and the options granted in 2005 and 2006 have a 7-year exercise period with a possibility for a 3-year extension in case a liquidity event has not yet taken place before the end of the 7-year period, provided that such a period will end no later than 14 December 2015. As a general rule, all options shall be forfeited for no consideration upon termination of employment of an option holder. However, vested options are exercisable during open periods, provided that the option holder is still employed by NIBC or, if no longer employed by NIBC, during the next open period following termination. An open period generally is the 21 day period following the date of approval of our annual, semi-annual or quarterly results, taking into account NIBC's internal regulations on private investment transactions.

The exercise price of an option is equal to the fair market value of a DR at the date of grant as defined and calculated in accordance with the conditions of administration of the Foundation. This fair market value is based on the changes in NIBC's net asset value, calculated using a fixed formula, relative to the exercise price of EUR 18.25, which was determined when NIBC first introduced the Option Plan in December 2005. The resulting exercise price at the date of grant for options granted prior to 31 March 2006

ranged from EUR 18.25 in December 2005 to EUR 18.49 in March 2006 per option. Any dividends payable shall be deducted from the exercise price of an option. The exercise price at the date of grant for options granted in 2006 on or after 31 March 2006 ranged from EUR 19.81 in April 2006 to EUR 20.67 in September 2006.

In June 2008, as part of the same one-off retention package mentioned above, 1,491,400 options were granted to selected senior executives and other staff subject to the rules of the existing Option Plan. The exercise price of these options is determined at EUR 9.06. Any dividends payable shall be deducted from the exercise price of an option. The Statutory Board may allow for a cashless exercise, allowing the holder to convert his options into fewer CDRs than he would otherwise be entitled to, while not having to pay the exercise price. Upon the occurrence of certain corporate events, such as capital adjustments, payment of stock dividends, an issue of shares or recapitalisations, the Statutory Board, following consultation with the Supervisory Board, may adjust the number of options and/or the exercise price as is equitable to reflect the event.

Carried interest

Additionally, with respect to some key investment professionals within Merchant Banking, separate performance related reward arrangements ('carried interest') are agreed upon. These reward arrangements are partly related to the employment of the investment professionals and partly related to their own investments in the specific funds. All related expenses are recognised under Personnel expenses in the Income Statement. The actual payment of carried interest, if any, to the investment professionals is subject to specific conditions.

Common Depositary Receipts

As at the year-end 2008, 2,014,369 (2007: 1,964,712) CDRs were issued to employees. In case an employee has the right to demand cash settlement against their fair value, the CDRs

are considered cash settled (as opposed to equity settled). Of the position as at year-end 2008, 31,735 which is 1.4% of CDRs are considered cash settled (2007: 27,833 and 1.4%).

	Mr. Jeroen Drost	Mr. Jan van Nieuwenhuizen	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand	Subtotal Board Members	Staff ²	Total
POSITION AS AT 1 JANUARY 2007 (Investment from own funds)	-	131,575	10,000	-	141,575	1,563,877	1,705,452
POSITION AS AT 1 JANUARY 2007 (Granted)	-	57,754	-	-	57,754	156,705	214,459
Investments by/grants to new joiners	-	-	-	-	-	28,002	28,002
Weighted average grant price per CDR	-	-	-	-	-	19.68	19.68
Vesting of RDRs	-	2,236	520	-	2,756	49,023	51,779
CDRs repaid	-	-	-	-	-	(34,980)	(34,980)
POSITION AS AT 31 DECEMBER 2007 (Investment from own funds)	-	131,575	10,000	-	141,575	1,556,899	1,698,474
POSITION AS AT 31 DECEMBER 2007 (Granted)	-	59,990	520	-	60,510	205,728	266,238
Fair market value per CDR as at 31 December 2007 ¹	-	17.32	17.32	-	17.32	17.32	17.32
POSITION AS AT 1 JANUARY 2008 (Investment from own funds)	-	131,575	10,000	-	141,575	1,556,899	1,698,474
POSITION AS AT 1 JANUARY 2008 (Granted)	-	59,990	520	-	60,510	205,728	266,238
Investments by new joiners and existing personnel from own funds	-	-	-	-	-	74,268	74,268
Weighted average grant price per CDR	-	-	-	-	-	9.06	9.06
Vesting of RDRs	-	62,253	1,129	-	63,382	566,295	629,677
CDRs repaid	-	-	-	-	-	(654,288)	(654,288)
POSITION AS AT 31 DECEMBER 2008 (Investment from own funds)	-	131,575	10,000	-	141,575	976,879	1,118,454
POSITION AS AT 31 DECEMBER 2008 (Granted)	-	122,243	1,649	-	123,892	772,023	895,915
Fair market value per CDR as at 31 December 2008 ¹	-	11.95	11.95	-	11.95	11.95	11.95

1. The Fair Market Value per CDR is defined by the conditions of administration as parent shareholders' equity, decreased by the revaluation reserve for corporate loans, the hedging reserve and proposed (but not yet paid out) dividend, increased by the difference between the acquisition price of NIBC N.V. in 2005 and the fair market value of NIBC N.V. on 30 June 2005, divided by the number of outstanding shares in NIBC Holding on the relevant balance sheet date. The fair market value is calculated including the effect of proposed dividend.
2. Former members of the Statutory Board are included in these figures.

Restricted Depositary Receipts

As at the year-end 2008, 940,778 (2007: 1,047,725) RDRs were issued to employees, with a weighted average remaining vesting period of 1.13 years (2007: 1.02). A requirement for vesting at the vesting date is that the holder is still employed by NIBC Holding or one of its group companies.

The RDRs are considered cash settled (as opposed to equity settled) to the extent that, following vesting and conversion into CDRs, an employee has the right to demand payment against their fair value. Of the position as at year-end 2008, no RDRs were considered as cash settled (2007: 3,902 and 0.4%).

	Mr. Jeroen Drost	Mr. Jan van Nieuwenhuizen	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand	Subtotal Board Members	Staff ²	Total
POSITION AS AT 1 JANUARY 2007	-	68,934	2,596	-	71,530	661,620	733,150
Granted in 2007	-	11,311	3,049	-	14,360	408,446	422,806
Weighted average grant price per RDR	-	19.68	19.68	-	19.68	19.68	19.68
Forfeited	-	-	-	-	-	(56,452)	(56,452)
Vested into CDRs	-	(2,236)	(520)	-	(2,756)	(49,023)	(51,779)
POSITION AS AT 31 DECEMBER 2007	-	78,009	5,125	-	83,134	964,591	1,047,725
Fair market value per RDR as at 31 December 2007 ¹	-	17.32	17.32	-	17.32	17.32	17.32
POSITION AS AT 1 JANUARY 2008	-	78,009	5,125	-	83,134	964,591	1,047,725
Granted in 2008 from annual remuneration 2007	-	9,828	7,418	-	17,246	421,767	439,013
Weighted average grant price per RDR	-	9.06	9.06	-	9.06	9.06	9.06
Granted in 2008 from one-off long-term sign on and/or retention incentive awards	-	-	-	-	-	210,144	210,144
Weighted average grant price per RDR	-	-	-	-	-	9.18	9.18
Forfeited	-	-	-	-	-	(126,427)	(126,427)
Vested into CDRs	-	(62,253)	(1,129)	-	(63,382)	(566,295)	(629,677)
POSITION AS AT 31 DECEMBER 2008	-	25,584	11,414	-	36,998	903,780	940,778
Fair market value per RDR as at 31 December 2008 ¹	-	11.95	11.95	-	11.95	11.95	11.95

1. The Fair Market Value per RDR is defined by the conditions of administration as parent shareholders' equity, decreased by the revaluation reserve for corporate loans, the hedging reserve and proposed (but not yet paid out) dividend, increased by the difference between the acquisition price of NIBC N.V. in 2005 and the fair market value of NIBC N.V. on 30 June 2005, divided by the number of outstanding shares in NIBC Holding on the relevant balance sheet date. The fair market value is calculated including the effect of proposed dividend.

2. Former members of the Statutory Board are included in these figures.

Options

As at the year end 2008, 4,438,293 (2007: 3,552,569) options on depositary receipts of NIBC Holding were in issue, with an weighted average remaining vesting period of 1.2 (2007: 1.6) years. A requirement for

vesting at the vesting date is that the holder is still employed by NIBC Holding or one of its group companies. The weighted average exercise period of the options is 4.0 (2007: 5.1) years. All options are equity settled instruments.

	Mr. Jeroen Drost	Mr. Jan van Nieuwenhuizen	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand	Subtotal Board Members	Staff ²	Total
POSITION AS AT 1 JANUARY 2007	-	410,286	60,000	-	470,286	4,461,153	4,931,439
Options 2006/2007 granted	-	-	-	-	-	-	-
Average exercise price per Option	-	-	-	-	-	-	-
Options forfeited	-	-	-	-	-	(1,378,870)	(1,378,870)
POSITION AS AT 31 DECEMBER 2007	-	410,286	60,000	-	470,286	3,082,283	3,552,569
POSITION AS AT 1 JANUARY 2008	-	410,286	60,000	-	470,286	3,082,283	3,552,569
Options 2008 granted	-	-	-	-	-	1,491,400	1,491,400
Average exercise price per Option	-	-	-	-	-	9.31	9.31
Options forfeited	-	-	-	-	-	(605,676)	(605,676)
POSITION AS AT 31 DECEMBER 2008	-	410,286	60,000	-	470,286	3,968,007	4,438,293
Average fair value per Option at grant date ¹	-	6.00	6.00	-	6.00	5.23	5.31
Weighted average exercise price per Option as at 31 December 2008	-	15.15	15.15	-	15.15	13.34	13.53

1. The fair value of the options at grant date is calculated using a Black & Scholes pricing model. For the options issued in 2005, the fair value was calculated using an implied volatility of 24%, based on the implied volatility of long-term options of peer-banks, an exercise period of 7 years, an exercise price of EUR 18.25, a fair value of the underlying CDR of EUR 18.25, a risk-free rate of return of 3.2% and expected dividend pay-outs of nil (as based on the NIBC Choice option regulation, these are periodically adjusted in the exercise price). These options represent 63% of the options outstanding at the end of 2008 (2007: 91%). The fair value at grant date of the two smaller series of options issued in 2006 are calculated in the same way using the same volatility, exercise period and dividend assumptions, but with updated input variables for the risk-free rate of return, exercise price and fair value of the underlying. There were no new option series granted in 2007. For the options issued in 2008, the fair value was calculated using an implied volatility of 45%, based on the implied volatility of long-term options of peer-banks, an exercise period of 4 years, an exercise price of EUR 9.06, a fair value of the underlying CDR of EUR 9.06, a risk free rate of return of 4.25% and expected dividend pay-outs of nil. The average fair value at grant date was EUR 5.31 at the end of 2008.
2. Former members of the Statutory Board are included in these figures.

With respect to all instruments relating to NIBC Choice (CDRs, RDRs and Options), an amount of EUR 11 million was expensed through Personnel Expenses in 2008 (2007: EUR 20 million), of which EUR 0 million (2007: EUR 1 million credit) refers to cash settled instruments and EUR 5 million (2007: EUR 11 million) to equity settled instruments. With respect to the cash settled instruments, the amount expensed during the vesting period through the Income Statement is based on the number of instruments originally granted at grant date and at balance sheet date, their fair value at grant date and at balance sheet date, the vesting period and estimates of the number of instruments that will be forfeited during the remaining vesting period.

The liability in the Balance Sheet with respect to cash settled instruments is EUR 0 million (2007: EUR 1 million). With respect to the equity settled

instruments, options and RDRs, the amount expensed during the vesting period through the Income Statement is based on the number of instruments granted at balance sheet date, their fair value at grant date, the vesting period and estimates of the number of instruments that will be forfeited during the remaining vesting period.

In the current account position with NIBC Holding, an amount of EUR 30 million payable is included (2007: EUR 28 million) relating to NIBC Choice. This is a result of NIBC Holding pushing down expenses with respect to NIBC Choice (on both cash- and equity settled instruments) to its subsidiaries. In view of IFRIC 11, NIBC has a receivable in the current account position with NIBC Holding for the capital contribution of EUR 42 million in relation to the share-based payments program granted by NIBC Holding.

56 Credit risk

At NIBC almost every activity is related to credit risk, which is present in many portfolios. The following portfolios that contain credit risk are distinguished:

- Corporate loans;
- Mezzanine loans;
- Residential mortgages;
- Debt Investments portfolio;
- Cash management; and
- Counterparty risk on Derivatives.

The Debt Investments portfolio is further subdivided into:

- Debt from Financials, Sovereigns, Corporate entities and Structured Investments;
- Structured Credits; and
- Credit Fixed Income Funds.

The following table shows the maximum credit risk exposures, without taking collateral or any other credit risk reduction into consideration. The credit risk analysis includes all financial assets subject to credit risk. Non-financial assets and equity are not included. Off-balance sheet exposures are included where relevant: loan commitments and guarantees to corporate entities, mezzanine commitments and *Credit Default Swaps (CDS)* where NIBC is a protection seller. Sold protection creates an off-balance sheet exposure to the reference entity, in addition to the counterparty risk on the CDS counterparty.

The on-balance sheet credit risk exposures are not directly comparable to the numbers in the Balance Sheet. The exposure amounts shown are broadly aligned with the regulatory capital view, except for derivatives, which show the positive replacement values only, without netting and without any potential future exposure add-on.

The table displays the book value of asset classes that are recognised as having distinct characteristics. For each class, risk is managed separately.

Corporate loans and mezzanine loans are recognised on the Balance Sheet under Loans and Securitised loans. The main differences are that the figures stated in the table also incorporate the off-balance sheet commitments. Furthermore, the figures in the table do not include loans from NIBC to NIBC Holding.

Residential Mortgages are recognised on the Balance Sheet under Residential mortgages own book and Securitised residential mortgages.

For Structured Investments, the figure in the table is lower than the figure on the Balance Sheet by EUR 364 million. The difference is mainly caused by an investment in a structured investment vehicle which includes securitised residential mortgages originated by NIBC. These positions in the risk figures are included under residential mortgages. On NIBC's Balance Sheet these mortgages have been included under the residential mortgages as well as under Structured investments, in combination with a corresponding balance included in the line Deposits from customers on the liabilities side, reflecting NIBC's liability with the structured investment vehicle.

The amount on Debt investments (other than Structured investments) is larger than the total of Debt investments on the Balance Sheet. This is mainly caused by the fact that the figures in the table include sold CDS protection.

The cash management exposure should be compared to Cash and balances with Central Banks and Due from other banks on the Balance Sheet. The major difference is caused by cash from collateral postings due to counterparty risk on derivatives not being included in the risk figures. Furthermore, cash from securitisation vehicles of which NIBC does not own notes has been excluded from the risk figures.

Counterparty risk on derivatives should be compared to Derivative financial assets held for trading and hedging on the Balance Sheet. The main difference concerns a swap position, which

has been reported on a gross basis on the asset side, with a corresponding balance on the liability side of NIBC's Balance Sheet, but which has been excluded in the figures of the table.

Exposure breakdown per portfolio

IN EUR MILLIONS	31 December 2008	31 December 2007
Corporate Loans	8,098	10,251
Mezzanine Loans	249	204
Residential Mortgages	11,451	11,641
DEBT INVESTMENTS PORTFOLIO		
Debt from Financials, Sovereigns and Corporate entities and Structured Investments	1,458	2,663
Structured Credits	898	1,374
Credit Fixed Income Funds	35	133
SUBTOTAL DEBT INVESTMENTS PORTFOLIO	2,392	4,170
Cash management	1,616	3,500
Counterparty risk on Derivatives ¹	3,110	2,726

1. Positive replacement values.

Corporate loans

Credit approval process

In principle, all individual credit proposals are approved in the Transaction Committee. Proposals and amendments of smaller scale can be approved by the *Credit Risk Management* department (CRM). All approvals of individual credit proposals are granted only after CRM has made a credit risk assessment and has analysed proposals by taking into consideration, among others, aggregate limits set per country, per industry segment, and per individual counterparty.

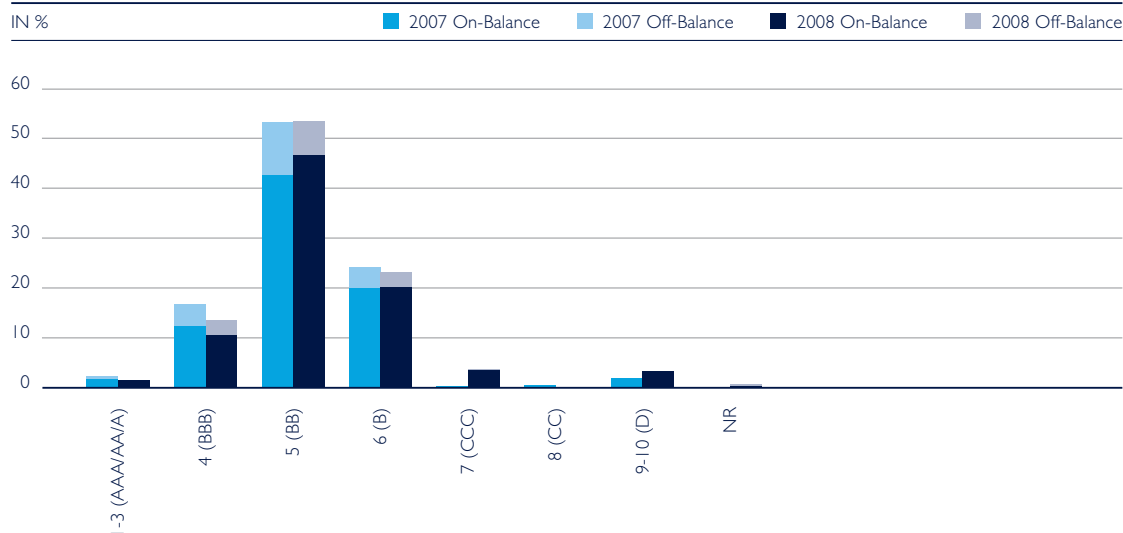
CRM assesses counterparty risk and validates counterparty credit and *Loss Given Default (LGD)* ratings based on the internally-developed rating system.

NIBC has applied an internally-developed credit rating methodology since 2000. This methodology

consists of two elements: a counterparty credit rating that reflects the probability of default of the borrower, and an anticipated loss element that expresses the potential loss in the event of default. All counterparties are reviewed at least once a year. The internal counterparty credit ratings are generated on a scale from 1 to 10 and are mapped to the corresponding credit ratings of Standard & Poor's, labelled from AAA to D.

The figure that follows shows the distribution of on- and off-balance sheet corporate loan exposures per counterparty credit rating. The numbers on the horizontal axis refer to NIBC's internal rating scale, whereas the letters inside the parentheses refer to the Standard & Poor's equivalent ratings. NR stands for not rated; a small part of the corporate loan portfolio was not rated at 31 December 2008. All figures presented in this section are based on both on- and off-balance sheet items, unless otherwise stated.

On- and Off-Balance Corporate Loan exposure, 31 December 2008 and 31 December 2007



The portfolio effects of individual credit proposals are also assessed. The total *One Obligor Exposure (OOE)* and both sector concentrations and country concentrations are taken into account.

The following tables show a breakdown in percentages of the corporate loan portfolio among

regions and industry sectors, as per 31 December 2008 and 2007. The commercial real estate figures include an amount of EUR 630 million in Securitised loans. NIBC has retained notes for an amount of EUR 127 million, whereas EUR 503 million has been sold.

Corporate Loan exposure per industry sector, 31 December 2008

IN %	The Netherlands	United Kingdom	Germany	Rest of EU	Non EU Europe	North America	South East Asia	Other	Total (%)	Total (in EUR millions)
Aviation	0	0	-	0	-	0	0	-	1	102
Commercial Real Estate	22	0	7	1	0	0	0	-	30	2,350
Financial Services	1	0	0	0	0	-	0	0	2	144
Food/Agriculture	0	0	0	0	0	0	0	0	1	44
Health/Education	0	4	1	0	0	0	0	0	5	443
Infrastructure	4	4	3	1	0	0	0	0	12	964
Manufacturing	2	2	1	2	2	1	1	1	12	973
Shipping	1	2	0	1	1	2	7	2	17	1,402
Trade	6	3	1	1	0	0	0	0	11	909
Utilities	2	0	0	0	0	0	0	0	3	217
Other	2	4	0	0	0	-	0	0	7	551
TOTAL	41	19	13	8	4	4	8	4	100	8,098
TOTAL (IN EUR MILLIONS)	3,237	1,552	1,085	619	295	324	694	292		8,098

Corporate Loan exposure per industry sector, 31 December 2007

IN %	The Netherlands	United Kingdom	Germany	Rest of EU	Non EU Europe	North America	South East Asia	Other	Total (%)	Total (in EUR millions)
Aviation	0	0	-	0	-	0	0	-	1	116
Commercial Real Estate	18	2	9	1	0	0	0	0	30	3,121
Financial Services	1	-	0	-	-	-	-	-	1	137
Food/Agriculture	1	-	0	0	-	-	-	-	2	170
Health/Education	1	5	1	0	-	-	-	-	7	733
Infrastructure	4	6	0	1	0	0	-	-	11	1,156
Manufacturing	3	3	1	2	1	1	1	2	13	1,356
Shipping	1	1	0	1	1	2	6	2	14	1,488
Trade	7	3	2	1	-	0	-	0	13	1,219
Utilities	2	0	-	0	0	0	0	-	3	291
Other	2	2	-	0	0	-	-	-	4	465
TOTAL	39	21	13	9	4	4	7	4	100	10,251
TOTAL (IN EUR MILLIONS)	4,028	2,189	1,287	862	372	374	719	421		10,251

Country risk

Country risk is potentially an important cause of increased counterparty default risk since a large number of related individual debtors could default at the same time. NIBC's policy is to attempt to minimise country risk by monitoring the following elements:

- Gross country exposure: As a rule, NIBC allocates exposure to the country in which the borrower's cash flows are generated. Gross country exposure is defined as the aggregate maximum exposure (both drawn and undrawn) to all borrowers or guarantors in a given country;
- Net country exposure: Net country exposure is the gross country exposure modified to take into account the value of certain moveable assets, such as ships and aircraft that secure loans to borrowers in a given country. After applying a valuation formula, the fair market value of such collateral is deducted facility by facility from the gross exposure under all lending facilities in a given country, in order to generate the net country exposure; and

- Country limits: A country limit system is maintained to manage country risks by net country exposure for certain countries. In general, NIBC does not apply a country limit to the member countries of the Organisation for Economic Co-operation and Development. For other selected countries, a methodology is applied based on government bond ratings provided by Moody's or Standard & Poor's to determine country limits.

Collateral

An important element in NIBC's credit approval process is the assessment of collateral. Almost all loans have some form of collateralisation. Loans can be collateralised by mortgages on real estate and ships, by receivables, leases or liens on machinery and equipments, or by third-party guarantees and other similar agreements. A loan is deemed to be collateralised, fully or partly, if such assets are legally pledged in support of the loan.

In general, NIBC requests collateral to protect its interests. NIBC ascribes value to collateral accepted for loans and guarantees, based on the

condition that the collateral is sufficiently liquid, that documentation is effective and that enforcing NIBC's legal rights to the collateral will be successful. The type and quantity of the collateral depends on the type of transaction, the counterparty and the risks involved. The most significant types of collateral securing the loan portfolio are tangible assets, such as real estate, ships and equipment.

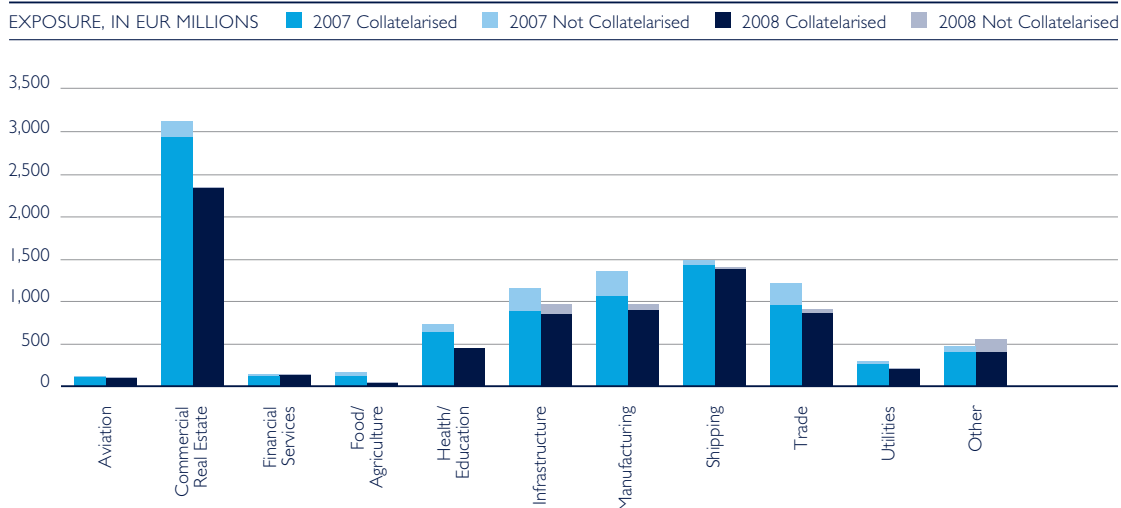
NIBC initially values collateral based on fair market value when structuring the transaction, and evaluates the collateral (semi-) annually during the lifetime of the loan. NIBC typically confirms that its interest is legally enforceable with independent third-party experts. Loans in the shipping and oil and gas sectors are secured by moveable assets such as ships and drilling vessels. The commercial real estate portfolio is primarily collateralised by mortgages on financed properties. Collateral value is estimated using third-party appraisers, whenever possible, or valuation techniques based on common market practice.

Other commercial loans are, to a large extent, collateralised by assets such as equipment, inventory, debtors, and third-party credit protection (e.g. guarantees). The value of these types of collateral can be more difficult to determine, therefore such collateral is attributed a nil value in order to be conservative.

It is impracticable for NIBC to estimate the total fair value of collateral. NIBC, therefore, does not disclose this fair value. Furthermore, NIBC recognises that the fair values of collateral in a diverse portfolio may not present a correct indication of the recovery prospects. Some asset types are more liquid than others and may thus require a smaller haircut in case of a quick sale. Furthermore, different asset types can be subject to very different asset price volatilities.

The following chart shows the breakdown of collateralised and uncollateralised exposures by industry sector as per 31 December 2008 and 2007. The term collateralised may indicate full or partial collateralisation.

Breakdown of (un)collateralised exposures per industry sector, 31 December 2008 and 31 December 2007



Past due loan amounts

Past due loan amounts are reported to the *Transaction Committee (TC)* on a monthly basis.

Payments may be past due for various reasons. However, late payments that are not yet received are not automatically assumed to be uncollectible.

An overview of the past due amounts of all corporate loan exposures is provided in the tables that follow. The outstanding amounts refer to the on-balance sheet amounts of those facilities with an arrear. The amounts in arrear are the actual amounts past due as at 31 December 2008 and 2007 respectively. The term collateralised may indicate full or partial collateralisation. The column labelled Impairment Amount includes on-balance sheet impairment amounts only (2008: EUR 80 million; 2007: EUR 57 million).

The impairment amounts presented in the following two tables have been determined based on the assumption that these instruments have been classified to the Amortised Cost category in 2008. The amount differs from the impairment amount presented in note 16 to the Consolidated Financial Statements, due to the reclassification under the amendment of IAS 39, whereby assets have been reclassified from the Available for Sale category to the Amortised Cost category.

Past due loan amounts, 31 December 2008

IN EUR MILLIONS	Outstanding				Amount in Arrear				Impairment Amount
	Collateralised	Not Collateralised	Total	% of On Balance	Collateralised	Not Collateralised	Total	% of On Balance	
AGE OF PAYMENT IN ARREAR									
Up to 30 days	391	36	427	6.1	17	0	17	0.2	11
30 - 60 days	63	0	63	0.9	5	0	5	0.1	4
60 - 90 days	19	14	33	0.5	0	14	14	0.2	-
SUBTOTAL LESS THAN 90 DAYS	474	50	524	7.5	22	14	35	0.5	16
Over 90 days	40	11	51	0.7	4	6	9	0.1	8
No payment arrear	6,107	335	6,442	91.8	0	0	0	0.6	56
TOTAL	6,621	396	7,017	100	25	19	45	0.6	80

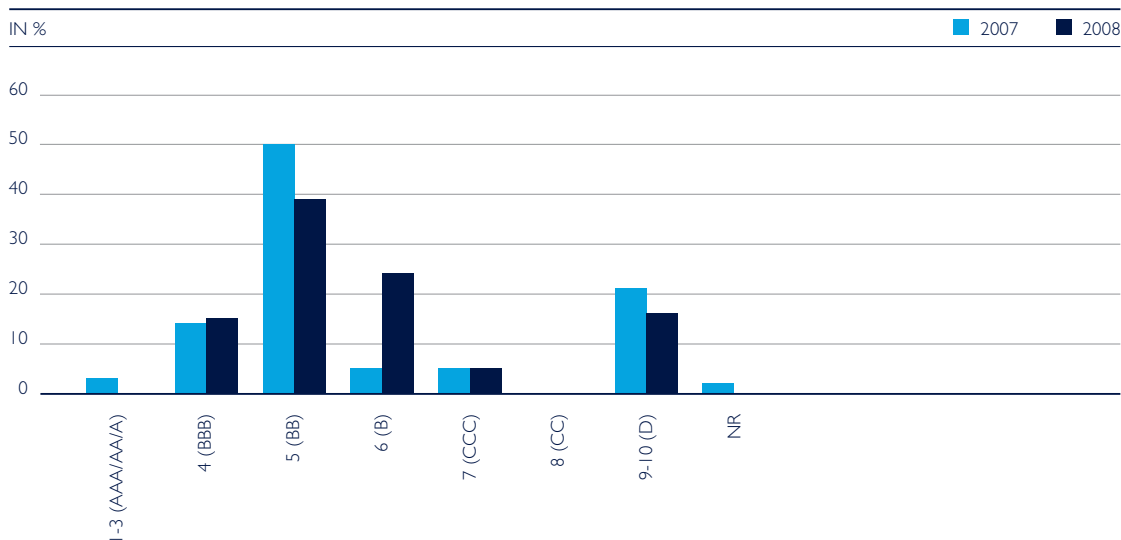
Past due loan amounts, 31 December 2007

IN EUR MILLIONS	Outstanding				Amount in Arrear				Impairment Amount
	Collateralised	Not Collateralised	Total	% of On Balance	Collateralised	Not Collateralised	Total	% of On Balance	
AGE OF PAYMENT IN ARREAR									
Up to 30 days	176	17	193	2.4	31	2	33	0.4	3
30 - 60 days	10	0	10	0.1	0	0	0	0.0	-
60 - 90 days	0	0	0	0.0	0	0	0	0.0	-
SUBTOTAL LESS THAN 90 DAYS	186	17	203	2.5	31	2	33	0.4	3
Over 90 days	73	40	113	1.4	10	26	36	0.4	26
No payment arrear	7,025	840	7,865	96.1	0	0	0	0.0	28
TOTAL	7,283	897	8,180	100	41	28	69	0.8	57

The following graph shows the rating distribution of the outstanding amounts of all loans with an amount past due. The total outstanding amount at 31 December 2008 is EUR 575 million and at 31 December 2007 EUR 316 million. The numbers on the horizontal axis refer to NIBC's

internal rating scale, whereas the letters inside the parentheses refer to the Standard & Poor's equivalent ratings. NR stands for not rated; a small part of the corporate loan portfolio was not rated at 31 December 2008.

Distribution of outstanding amounts with a payment arrear per rating category, 31 December 2008 and 31 December 2007



Impairment amounts

Credit officers and CRM monitor the quality of counterparties in the portfolios on a regular basis. On a quarterly basis, the entire corporate loan portfolio is assessed for impairment. All existing impairments are reviewed as well.

NIBC calculates an impairment amount by taking certain factors into account, particularly the available collateral securing a loan. An impairment amount is recorded only if the total outstanding amount is greater than the sum of the net present value of the realisable collateral value and any other cash flow that NIBC expects to collect on the loan.

If an impairment amount is taken against a facility, the entire outstanding amount of that particular debtor is classified as impaired.

Apart from debtors with an impairment amount, NIBC also considers as impaired those debtors with a default rating (9 or 10), although, due to over-collateralisation, no individual impairment amount may have been assigned to it.

The following two tables show an overview of impairments as at 31 December 2008 and 2007, subdivided in regions and industry sectors, respectively. The column labelled Exposure includes both on- and off-balance sheet amounts, and the column labelled Impairment Amount refers to the on- and off-balance sheet amounts of impaired facilities. IBNR stands for Incurred But Not Reported.

The impairment amount presented in the following two tables have been determined based on the assumption that these instruments have

been classified to the Amortised Cost category in 2008. The amount differs from the impairment amount presented in note 16 to the Consolidated Financial Statements, due to the reclassification

under the amendment of IAS 39, whereby assets have been reclassified from the Available for Sale category to the Amortised Cost category.

Impairment per Region

IN EUR MILLIONS	31 December 2008				31 December 2007			
	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
The Netherlands	3,237	108	21	8	4,028	90	17	5
United Kingdom	1,552	92	34	1	2,189	78	21	-
Germany	1,085	32	17	-	1,287	18	10	2
Rest of EU	619	13	6	-	862	1	-	2
Non EU Europe	295	-	-	-	372	-	-	-
North America	324	24	3	-	374	22	5	-
South East Asia	694	-	-	1	719	4	4	2
Other	292	0	0	-	421	-	0	-
IBNR Corporate Loans			2				-	
TOTAL	8,098	271	83	10	10,251	213	57	11

Impairment per Industry Sector

IN EUR MILLIONS	31 December 2008				31 December 2007			
	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
Aviation	102	40	9	0	116	41	11	2
Commercial Real Estate	2,350	9	3	1	3,121	12	7	-
Financial Services	144	8	0	-	137	11	0	-
Food/Agriculture	44	1	0	0	170	1	0	-
Health/Education	443	23	4	-	733	-	-	-
Infrastructure	964	67	16	8	1,156	116	22	-
Manufacturing	973	38	8	1	1,356	22	11	4
Shipping	1,402	19	1	-	1,488	2	1	-
Trade	909	28	21	0	1,219	7	3	-
Utilities	217	-	-	-	291	-	-	-
Other	551	39	18	-	465	0	-	5
IBNR Corporate Loans			2				-	
TOTAL	8,098	271	83	10	10,251	213	57	11

Mezzanine loans

Mezzanine loans are originated and monitored by Merchant Banking and are separated from the (senior) corporate loan portfolio.

As NIBC controls some of the *funds set up and managed by NIBC (NIBC Funds)*, the mezzanine investments made by these funds are assets in the Consolidated Financial Statements of NIBC.

Responsibility for the management of direct investment exposures rests with Merchant Banking. Direct investment transactions with respect to mezzanine exposures are approved

by the *Investment Committee (IC)* of NIBC. The IC also decides on impairments and revaluations.

Responsibility for the management of NIBC Funds (indirect investments) rests also with Merchant Banking. Indirect investment transactions are approved by the Investment Committees of the Funds, subject to the investment guidelines stipulated in the fund agreements between the general partner and the limited partners.

The tables that follow show a breakdown of mezzanine loans per region and industry sector, respectively, at 31 December 2008 and 2007.

Breakdown of mezzanine exposure per region

IN EUR MILLIONS	31 December 2008		31 December 2007	
	Exposure	%	Exposure	%
The Netherlands	107	43.1	56	27.4
United Kingdom	62	24.9	42	20.9
Germany	44	17.6	22	10.9
Rest of EU	30	12.0	37	18.0
North America	0	0.0	40	19.5
Other	6	2.3	7	3.4
TOTAL	249	100	204	100

Breakdown of mezzanine exposure per industry sector

IN EUR MILLIONS	31 December 2008		31 December 2007	
	Exposure	%	Exposure	%
Food/Agriculture	0	0.0	37	18.3
Manufacturing	121	48.5	31	15.4
Real Estate	5	2.0	6	3.2
Trade	61	24.5	128	63.0
Other	62	24.9	0	0.1
TOTAL	249	100	204	100

Impairment amounts

As at 31 December 2007, the total impairment amount for mezzanine loans was EUR 6 million, spread over the different sectors. The impairment amount increased to EUR 18 million as at 31 December 2008. The increase can be attributed to a single impairment with a size of EUR 15 million in the automotive sector, partly offset by a EUR 3 million of impairment amount write-off. The remaining impairment amount consists of small impairments, spread over the different sectors.

The impairment amount of EUR 15 million refers to an asset which is not collateralised. Past-due amounts for mezzanine exposures are insignificant, due to the fact that most are payments in kind.

Residential mortgages

At 31 December 2008, the composition of the residential mortgage portfolio (EUR 11,451 million) was as follows:

Breakdown of Residential Mortgage Portfolio, 31 December 2008

IN EUR MILLIONS	
Dutch Own book portfolio	5,509
Dutch Securitised portfolio	5,250
German portfolio	692
TOTAL	11,451

Dutch Portfolio

The Dutch residential mortgage portfolio contains loans that have been originated on a white-label basis (i.e. the mortgage products offered do not contain the NIBC brand) by business partners following set underwriting criteria. The servicing and administration of the mortgage portfolio is outsourced to third-party services. 29% of the mortgage loan portfolio as at 31 December 2008 has a *Dutch government guarantee (NHG guarantee)* in accordance with the general terms and conditions set by the *Stichting Waarborgfonds Eigen Woningen (WEW, Social Housing Guarantee Fund)*.

A large part of the Dutch residential mortgage portfolio has been securitised. In most cases, NIBC has retained junior notes and other positions related to these securitisation programmes. These securitisation programmes are consolidated on NIBC's Balance Sheet. The notional amount of theretained positions is EUR 89 million.

Risk governance

In order to control the credit risk in the origination of residential mortgages, an acceptance policy framework has been 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;
- 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;
- A maximum loan-to-foreclosure value of 130% is applied and payment protection insurance for amounts exceeding 125% loan-to-foreclosure value is required; and

- Underwriting criteria for mortgages with a 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.

Arrears management

In order to control the credit risk of the residential mortgage portfolio, NIBC has established standardised procedures to manage all loan amounts in arrears. To further improve results,

the arrears management is largely managed in-house. This ensures a dedicated team focused on minimising losses.

The first month of arrears is managed by the services. When amounts in arrears are outstanding longer than one month, the arrears management is transferred to the NIBC Arrears Management department. At the end of 2008, NIBC managed in-house about 70% of the Dutch residential mortgage portfolio arrears longer than one month. As of 2009, all arrears longer than one month will be managed in-house. The following table shows the arrears overview of the total Dutch mortgage portfolio as at 31 December 2008 and 2007.

Arrears Overview, Dutch Residential Mortgage portfolio

IN %	31 December 2008	31 December 2007
No arrears	97.5	97.1
0 < ≤30 days	1.6	2.0
30 < ≤60 days	0.4	0.6
60 < ≤90 days	0.2	0.2
>90 days	0.3	0.2
TOTAL	100	100
TOTAL (IN EUR MILLIONS)	10,759	10,912

Risk Measurement

Risk of loss is measured by assigning *Probability of Default (PD)*, and *Loss Given Default (LGD)* estimates for every loan. The PD expresses the probability of any borrower entering into default, whereas the LGD measures the loss incurred when a default has taken place. These parameters are determined by an in-house developed Basel II Advanced Internal Ratings Based Model that has

been in use since 2006. This model is used for solvency reporting to the *Dutch Central Bank (DNB)*. The PD estimates are dependent on a variety of factors, of which the key factors are Debt-to-Income and Loan-to-Value ratios. The following table shows the PD distribution of the Dutch mortgage portfolio as at 31 December 2008 and 2007. A PD of 100% means that a borrower is more than 90 days in arrears.

Rating class allocation of Residential Mortgages

IN %	Own book Dutch mortgages		Securitised Dutch mortgages	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
PROBABILITY OF DEFAULT				
<= 1%	95.5	92.0	97.7	97.2
1-2%	1.0	1.3	0.1	0.2
2-5%	1.3	1.6	1.1	1.3
5-99%	1.3	1.5	0.8	1.2
100%	0.4	0.3	0.2	0.2
Not rated	0.5	3.4	0.0	0.0
TOTAL	100	100	100	100
TOTAL (IN EUR MILLIONS)	5,509	4,557	5,250	6,355

Risk mitigation and collateral management

Credit losses are mitigated in a number of different ways:

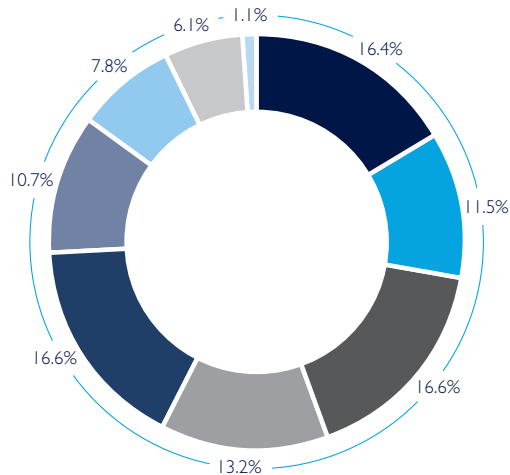
- The underlying property is pledged as collateral;
- 15% of the Dutch own book portfolio and 43% of the securitised portfolio are covered by the NHG programme;
- For the part of the Dutch portfolio that has been securitised, credit losses higher than the retained positions are attributable to investors in the securitisation programmes;
- A CDS with a government-backed financial counterparty protects EUR 797 million of the Dutch portfolio against credit losses.

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

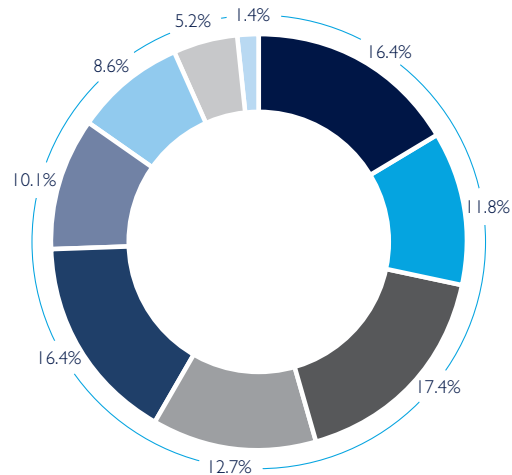
A measurement for potential losses, taking into account indexation of house prices and seasoning, is achieved by calculating the *Loan-to-Indexed-Market-Value (LTiMV)*. The indexation is made by using the Cadastre index, which is based on market observables. The following pie charts show a breakdown of the LTiMV for the portfolio not covered by the CDS or the NHG programme as at 31 December 2008 and 2007. Only 7% of the total portfolio has an LTiMV above 100%. For the remainder of the portfolio, the indexed collateral value is sufficient to cover the entire loan balance outstanding.

Loan-to-Indexed-Market-Value of portfolio not covered by CDS/NHG programme, 31 December

2008



2007



≥0% and <40%
 ≥40% and <50%
 ≥50% and <60%
 ≥60% and <70%
 ≥70% and <80%
 ≥80% and <90%
 ≥90% and <100%
 ≥100% and <110%
 ≥110%

German Portfolio

The German Residential Mortgage portfolio amounted to EUR 692 million as at 31 December 2008 (31 December 2007: EUR 728 million). The majority of this portfolio was acquired from third parties via two portfolio purchases. The purchased portfolios contain highly seasoned loans with low *loan-to-market values (LTV)*. The servicing and administration of the total German mortgage portfolio is outsourced to third-party servicers, including arrears and foreclosure management.

In order to control the credit risk in the origination of residential mortgages, an acceptance policy and underwriting criteria have been formulated to screen residential mortgage applications. Acceptance of newly originated mortgages depends on the following criteria:

- All applicants are checked by SCHUFA (similar to the BKR) and other private credit bureaus, such as Infoscore;
- NIBC secures mortgage loans by first-lien mortgage rights;

- NIBC allows the borrower a maximum of 111% of the purchase price for owner-occupied properties and up to 100% for buy-to-let properties;
- For additional risk (e.g. applicants older than 50 years), NIBC requires a risk life insurance or limits the LTV to 60%; and
- In addition to desk valuations, NIBC has on-site inspections of its properties.

In order to control the credit risk of the German mortgage portfolio, NIBC has established standardised procedures to manage all loan amounts in arrear. The arrear process starts directly at the servicer by means of countered direct debits, i.e. when a direct withdrawal from the borrower's account fails. The servicer contacts the customer to get insight into the reason for arrears. They claim the outstanding amount with an arrears letter sent every two weeks. In case of private insolvency or arrears beyond 90 days, responsibility is taken over by the special servicer.

The following table shows an overview of the arrears as at 31 December 2008 for the German mortgage portfolio. Due to migration of the mortgage portfolio to a new servicer, 31 December 2007 arrears figures are not comparable to the 31 December 2008 figures presented below. As it is market practice in

Germany to start the foreclosure procedure after being 6 months in arrears (180 days), the arrears of more than 90 days for the German portfolio are higher in comparison to the Dutch portfolio. Furthermore, the foreclosure procedure takes, on average, 18 months to complete, which is substantially longer than in the Netherlands.

Arrears overview, German Residential Mortgage Portfolio

IN %	31 December 2008
No arrears	95.8
0 < ≤ 30 days	1.9
30 < ≤ 60 days	1.1
60 < ≤ 90 days	0.4
> 90 days	1.0
TOTAL	100
TOTAL (IN EUR MILLIONS)	692

As is the case in the Netherlands, the underlying property is the primary collateral for any mortgage loan granted. In contrast to the Dutch Market, the majority of mortgage loans contain an annuity repayment, leading to a lower outstanding balance during the lifetime of the loan. The majority of the underlying collateral for the German portfolio is located in former West Germany.

Debt investments

The Debt Investments portfolio is exposed to issuer risk, which is the risk of losing the principal amount on products like bonds and CDS positions (where it concerns sold protection). It is calculated based on the book value. De-risking and liquidity-improving transactions are responsible for a significant decline in NIBC's debt investments exposures.

Risk monitoring and measurement

The risks are controlled by applying an exposure limit structure. All transactions must fit into the predetermined limits. The limit structure by issuer is approved in the *Asset & Liability Committee (ALCO)*, and is, in general, based on the external credit ratings of the counterparty. Any deviation from the limit framework relates to specific transactions and is approved by ALCO.

Apart from the exposure limit structure, risk is also monitored by assessing credit spread risk. Both sensitivity analysis (basis point values) and Value at Risk numbers are used. Reference is made to note 57 on Market Risk, which contains more information on these variables.

In the remainder of this section, the exposure has been divided into the following three categories:

- Debt from Financials, Sovereigns, Corporate entities and Structured Investments;
- Structured Credits; and
- Credit Fixed Income Funds.

Debt from Financials, Sovereigns, Corporate entities and Structured investments

NIBC has invested in debt issued by Financial Institutions, Sovereigns and Corporate entities, partly in the form of sold CDS protection.

Part of this investment is embedded in the so-called structured investments, where profits are enhanced by setting up investment structures with

financial counterparties. Through the structured investments portfolio, NIBC invests in highly-rated debt. These debt investments are either issued or guaranteed by AAA, AA or A-rated financial institutions. The tables that follow show that the Structured Investment portfolio has decreased significantly from EUR 1,415 million as at 31 December 2007 to EUR 694 million as at 31 December 2008.

Structured investments, 31 December 2008

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	NR	Total
Financial Institutions	68	529	97	-	-	-	1	694
TOTAL	68	529	97	-	-	-	1	694

Structured investments, 31 December 2007

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	NR	Total
Financial Institutions	50	970	395	-	-	-	-	1,415
TOTAL	50	970	395	-	-	-	-	1,415

Including the investments in debt from Financial Institutions in the structured investments portfolio, the issuer risk on debt from Financials, Sovereigns and Corporate entities has decreased

from EUR 2,663 million as at 31 December 2007 to EUR 1,458 million as at 31 December 2008, as the following tables present.

Debt investments and sold CDS (including Structured Investments), 31 December 2008

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	NR	Total
Financial Institutions	414	584	183	0	7	0	52	1,240
Sovereigns	206	10	-	0	3	0	0	218
Corporate entities	-	-	-	0	0	0	0	0
TOTAL	619	594	183	0	9	0	52	1,458

Debt investments and sold CDS (including Structured Investments), 31 December 2007

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	NR	Total
Financial Institutions	415	1,344	590	0	0	0	7	2,356
Sovereigns	11	0	56	0	0	0	0	67
Corporate entities	7	41	158	24	6	5	0	240
TOTAL	433	1,385	804	24	6	5	7	2,663

Exposure on debt issued by Financial Institutions has been reduced by almost 50%. The increase in the non-rated exposure relates to a guarantee provided on NIBC's former Curacao subsidiary. The issuer risk on corporate debt has been reduced to zero as at 31 December 2008.

Structured credits

NIBC sold its US residential mortgage backed securities in 2007. During 2007, the US commercial real estate exposure was sold from NIBC Bank to NIBC Holding, except for a very small residual US collateralised exposure (EUR 2 million). The European portfolio is a mix of mainly residential and commercial real estate that has also seen negative revaluations, although

less extreme than the US assets. Both due to revaluations and due to the sale of assets, the total exposure decreased by EUR 467 million in 2008. More importantly, NIBC has been able to reduce significantly its exposure to lower-rated securities. The exposure to BBB or lower-rated securities was reduced from EUR 292 million as at 31 December 2007 to EUR 141 million as at 31 December 2008. With the exception of EUR 2.6 million, all the 2008 equity notes are exclusively retained notes from NIBC's own securitisations.

The following tables show an overview of NIBC's structured credit portfolio at 31 December 2008 and 2007.

Structured credits (including equity notes own securitisations), 31 December 2008

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Equity	Total
EU - ABS	4	7	1	1	1	-	-	13
EU - CDO	107	58	34	14	12	-	15	239
EU - CMBS	105	43	32	9	7	-	-	196
EU - RMBS	258	49	59	73	10	-	-	448
TOTAL EUROPEAN STRUCTURED CREDITS	473	155	126	96	30	0	15	896
US - Collateralised	2	-	-	-	-	-	-	2
TOTAL STRUCTURED CREDITS	475	155	126	96	30	1	15	898

Structured credits (including equity notes own securitisations), 31 December 2007

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Equity	Total
EU - ABS	18	12	5	1	5	-	-	42
EU - CDO	192	53	18	22	24	-	35	345
EU - CMBS	140	88	47	35	7	-	-	317
EU - RMBS	335	61	100	126	36	1	-	659
TOTAL EUROPEAN STRUCTURED CREDITS	686	214	171	184	72	1	35	1,363
US - Collateralised	4	-	-	-	-	-	7	11
TOTAL STRUCTURED CREDITS	690	214	171	184	72	1	42	1,374

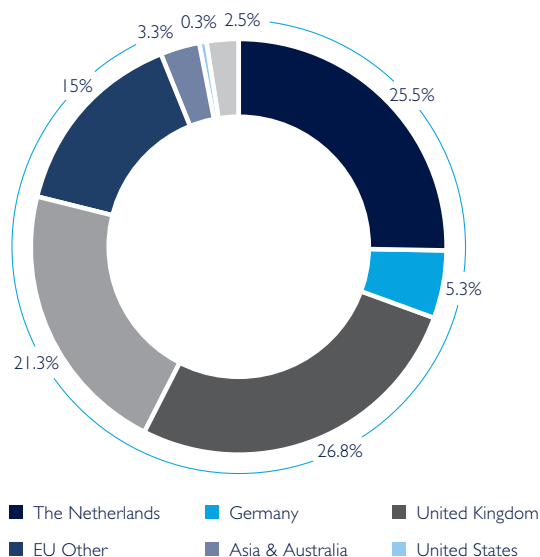
Geographic distribution

The following chart presents the distribution of the issuers of the assets in the European Structured Credits portfolio by geographic region, as at 31 December 2008 and 2007. NIBC allocates

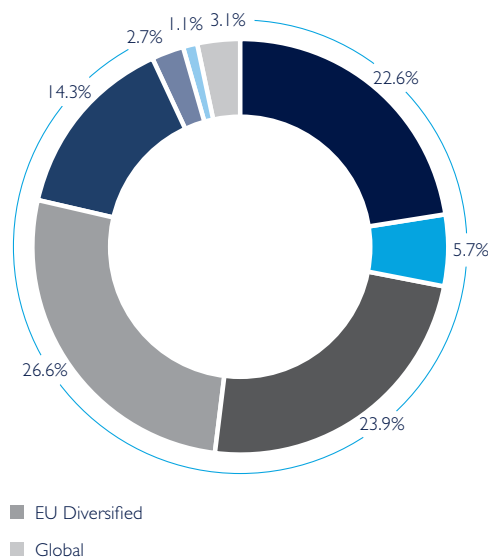
exposure to a region based on the geographic location in which the counterparty or issuer's cash flows are generated. The geographic distribution illustrates that the vast majority of these assets were originated by European issuers.

Distribution of Structured Credits per Region, 31 December

2008



2007



Credit Fixed Income Funds

The Credit Fixed Income Funds portfolio contains investments in credit fixed income funds managed by hedge funds and asset managers. During 2008, the portfolio was reduced significantly. Its total book value was reduced from EUR 133 million as at 31 December 2007 to EUR 35 million as at 31 December 2008.

Cash management

NIBC is also exposed to issuer risk as a result of cash management activities. In 2008, NIBC's risk management framework for cash management has been adjusted, incorporating a more conservative attitude by taking into account the deteriorated global markets and concern about numerous financial entities.

Risk monitoring and measurement

NIBC only places its excess cash with a selected number of Sovereign and investment-grade Financial Institutions. Limits only exist for short maturities up to one week and vary per counterparty. If there are not enough counterparties in the market to place all the excess cash, NIBC deposits it at the *Dutch Central Bank (DNB)*, for which no limit is set. For the approved financial counterparties, a monitoring process is in place within the Market Risk Management department.

Correspondent banking and third-party account providers

Apart from the exposure in cash management, NIBC holds foreign currency accounts at correspondent banks and also utilises third-party account providers for internal securitisations.

Exposures

As at 31 December 2008, Treasury had placed EUR 23 million with an AA-rated financial institution and the remaining cash surplus of EUR 1 billion with the DNB. Furthermore, at

31 December 2008, EUR 467 million was placed at third-party account providers. The Non-Treasury-Sovereigns exposure consisted of tax receivables with a value of EUR 12 million, and EUR 63 million was placed with the current account at the DNB.

Cash management, 31 December 2008

IN EUR MILLIONS	AAA	AA	A	Total
Treasury - Financial institutions	-	23	-	23
Treasury - Sovereigns/DNB	1,050	-	-	1,050
Non-Treasury - Financial institutions	22	421	24	467
Non-Treasury - Sovereigns/DNB	75	-	-	75
TOTAL	1,148	444	24	1,616

Counterparty risk on derivatives

Counterparty risk measures the loss in case of a default of the counterparty in derivative transactions. NIBC's counterparty risk can be split into exposures on Financial Institutions and Corporate entities. NIBC's policy is to minimise counterparty risk. Therefore, NIBC only enters into *Over The Counter (OTC)* contracts with financial institutions that are investment grade. 2008 was a turbulent year for these markets as well, due to volatile foreign exchange and interest rates, rating migrations and several defaults of well-established financial institutions. These events did not have a severe financial impact on NIBC.

Risk monitoring and measurement

Counterparty risk is based on the mark-to-market value and add-on of the derivative. The add-on reflects a potential future change in mark-to-

market value during the remaining lifetime of the derivative contract. For financial institutions, separate limits for counterparty risk are in place, based on the external rating and the maturity. For corporate clients, NIBC only enters into a derivative transaction as part of its relationship management. The credit approval process for these derivatives is closely linked with the credit approval process of the loan. These proposals are reviewed in the TC and both the loan and the derivative are treated as a single package.

Exposures

The table that follows shows NIBC's exposures from counterparty risk allocated across the rating class of the underlying counterparty. The exposure shown is the sum of the positive mark-to-market value of derivative contracts excluding the effect of netting and collateral exchange.

Counterparty exposure excluding netting and collateral, 31 December 2008

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	D	NR	Total
Financial institutions	29	2,196	378	-	-	-	-	-	4	2,607
Corporate entities	-	4	6	125	230	89	8	2	38	502
TOTAL	29	2,199	385	125	230	89	8	2	42	3,110

Collateral

To the extent possible, NIBC attempts to limit credit risk from derivatives. Therefore, NIBC enters into bilateral collateral agreements with financial counterparties to mitigate credit risk on OTC derivatives by means of *Credit Support Annexes (CSAs)*. Positive mark-to-market values can be netted with negative mark-to-market values and the remaining exposure is mitigated through bilateral collateral settlements. Accepted collateral is mainly cash collateral. The primary counterparties in these CSAs are large

international banks with ratings of A or higher. NIBC generally carries out weekly cash collateral exchange to account for changes in the market value of the contracts included in the CSA.

The terms and conditions of these CSAs are in line with general International Swaps and Derivatives Association credit support documents. The collateral from CSAs significantly decreases the counterparty exposure on derivatives, as presented in the following table.

Counterparty exposure including netting and collateral, 31 December 2008

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	D	NR	Total
Financial institutions	1	121	99	-	-	-	-	-	-	221
Corporate entities	-	4	6	125	230	89	8	2	36	501
TOTAL	1	125	106	125	230	89	8	2	36	722

57 Market risk

This section describes the market risk inherent in books that have a regulatory market risk treatment and the overall interest rate risk of the bank. In line with the general de-risking policy, these risks have been considerably reduced.

Risk monitoring and measurement

Interest *Basis Point Value (BPV)*, credit BPV, interest *Value at Risk (VaR)*, and credit VaR measures are calculated on a daily basis for the major currencies and reviewed by the Market Risk department. NIBC's historical VaR measure

calculates risk based on the assumption that the future will behave as the past four years. To mitigate this weakness of the VaR measure, the risk analysis is complemented by a wide set of scenarios, including scenarios intended as stress testing and vulnerability identification, both based on historical events and on possible future outcomes. The Income Statement for all trading portfolios is also monitored daily.

Interest and credit BPV measure the sensitivity of the market value for a change of one basis point in each time bucket of the interest rate and credit

spread, respectively. The interest VaR, credit spread VaR and total VaR measure the threshold value, which daily mark-to-market losses with a confidence level of 99% will not exceed, based upon 4 years of historical data for changes in interest rates, credit spreads and both simultaneously. Limits are set on all the indicators (BPV and VaR, interest, credit and total). The limits and utilisation are reported to the ALCO once every two weeks. Any significant breach of market risk limits is reported to the Chief Risk Officer on a daily basis.

Exposures

Interest rate risk in the Trading portfolio

During 2007 and 2008, various portfolios that had a regulatory market risk treatment have been closed. At the end of 2008, the books that have a

regulatory market risk treatment consisted effectively of only the Trading portfolio. In this section, all books that had a regulatory market risk treatment are referred to as the Trading portfolio. For this portfolio, the implemented de-risking policy can be observed in the 2008 statistics. Although the VaR was higher at the end of 2008 than at the end of 2007, during the year the interest BPV and the interest VaR were, on average, substantially lower.

The Trading portfolio consisted at the end of 2008 mainly of interest rate-driven exposures. Activities comprise short-term (up to 2 years) interest position taking, money market and bond futures trading and swap spread position taking. The interest rate spread risk between positions in swaps and bond futures is also taken into account in the VaR. The portfolio is also used for facilitating derivative transactions with corporate clients.

Key risk statistics Trading portfolio, 2008

IN EUR THOUSANDS	Interest rate	
	BPV	VaR
High	113	1,237
Average	1	521
Low	(151)	186
YEAR-END 2008	(101)	773

Key risk statistics Trading portfolio, 2007

IN EUR THOUSANDS	Interest rate	
	BPV	VaR
High	646	7,451
Average	42	3,384
Low	(706)	354
YEAR-END 2007	(26)	375

Interest rate risk in the Mismatch portfolio

NIBC concentrates the strategic interest rate risk position of the bank in the Mismatch portfolio. It exclusively contains swap positions with which

a view on future interest rate developments is taken. Also for this portfolio, the average exposure during 2008 has been significantly lower than during 2007.

Key risk statistics Mismatch portfolio, 2008

IN EUR THOUSANDS	Interest rate	
	BPV	VaR
High	(93)	6,123
Average	(275)	3,898
Low	(355)	1,861
YEAR-END 2008	(309)	5,652

Key risk statistics Mismatch portfolio, 2007

IN EUR THOUSANDS	Interest rate	
	BPV	VaR
High	(268)	11,194
Average	(487)	7,355
Low	(729)	4,794
YEAR-END 2007	(268)	4,888

Interest rate risk in other portfolios

Apart from the Trading portfolio and the Mismatch portfolio interest rate risk is also present, but to a lesser extent, in the following portfolios:

- Debt Investments portfolio;
- Residential Mortgage portfolio; and
- Residual interest rate risk portfolio.

The interest rate risk in the Debt Investments portfolio appears mainly in the Structured Credits portfolio. For the Debt Investments portfolio, the interest rate risk is relatively small compared to the Mismatch portfolio. The average interest rate VaR was EUR 370,000 over 2008. The interest rate risk on the Residential Mortgage portfolio is hedged within small facilitating limits. The average interest rate VaR for this portfolio was EUR 303,000 over 2008. The Residual interest rate

risk portfolio (also known as Corporate Treasury portfolio) contains the funding activities of the bank and the loans to counterparties. The interest rate risk of this portfolio is nearly fully hedged. The average interest rate VaR was EUR 488,000 over 2008.

Currency risk

Apart from some investments by NIBC in funds managed by Merchant Banking, all of NIBC's positions in foreign currencies, including those of our subsidiaries, are hedged by either funding these investments in the appropriate foreign currency or by hedging the exposures using cross-currency swaps or foreign exchange contracts. As a result of this policy, NIBC does not actively maintain open currency positions other than translation exposures arising from

future income in foreign currencies. The Finance department determines on a monthly basis NIBC's currency positions and reports to Risk Management. When currency positions exceed NIBC's small facilitating foreign currency exposure limits for that currency, NIBC reduces

its positions by FX spot or FX forward transactions. The total foreign currency position, by nominal amount, is generally under EUR 25 million, in accordance with historical figures over the last few years.

58 Liquidity risk

Maintaining a sound liquidity and funding profile is one of NIBC's most important risk management objectives. NIBC analyses its funding profile by mapping all assets and liabilities into time buckets that correspond to their maturities. Based on projections prepared by the business units and reviewed by risk management, and the current asset and liability maturity profiles, a stress tested liquidity forecast is prepared and presented once every two weeks to the ALCO, in order to create continuous monitoring of the liquidity position.

Assumptions

This stress scenario assumes a worldwide liquidity shortage in which no unsecured wholesale funding can be raised by NIBC and external sales or securitisations of assets are not possible. In addition, the following assumptions are made:

- In order to maintain NIBC's business franchise, it is assumed that new asset production continues at a level where the current books are maintained constant;
- Conservative assumptions for prepayments, callable funding and collateral cash-out flows (payments from CSAs) are made;
- A conservative liquidity buffer is maintained for intraday payments;
- A government-guaranteed issue of EUR 1.5 billion in February 2009 and a conservative amount of expected retail savings proceeds are included; and
- A committed liquidity facility that is available to NIBC until May 2009 is excluded.

The projection of NIBC's liquidity in this way is necessarily a subjective process and requires management to make assumptions about, for example, fair value of eligible collateral, further funding from retail deposits, and the impact of interest rate fluctuations on movements of cash collateral placed by NIBC with derivative counterparties.

In the light of these projections, and NIBC's continued access to the guaranteed funding scheme of the state of the Netherlands through to 31 December 2009, NIBC is confident that sufficient liquidity is available for it to meet maturing obligations over the next 12 months.

Maturity calendar Consolidated Balance Sheet

The following tables show the maturity calendar of the Consolidated Balance Sheet (assets and liabilities) at 31 December 2008. The maturity table of the assets is based upon the fair value (discounted cash flows) for those assets which are classified as Fair Value through Profit or Loss or Available for Sale. The maturity table of the liabilities is based upon undiscounted cash flows. Financial liabilities at Fair Value through Profit or Loss are therefore restated to nominal amounts. These tables exclude cash flows from derivatives. Note 28 to the Consolidated Financial Statements shows the cash flow table of the derivatives.

Consolidated Balance Sheet, 31 December 2008

IN EUR MILLIONS	Not dated	Receivable on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Assets							
FINANCIAL ASSETS AT AMORTISED COST							
Cash and balances with central banks	-	1,113	-	-	-	-	1,113
Due from other banks	-	1,624	31	12	103	-	1,770
Loans and Receivables							
Loans	-	-	335	175	2,530	3,263	6,303
Debt investments	-	-	1	39	223	475	738
Securitised loans	-	-	7	-	-	623	630
FINANCIAL ASSETS AT AVAILABLE FOR SALE							
Loans	-	-	-	-	-	-	-
Equity investments	108	-	-	-	-	-	108
Debt investments	-	-	-	-	7	28	35
FINANCIAL ASSETS FAIR VALUE THROUGH PROFIT OR LOSS (Including trading)							
Loans	-	-	9	-	728	399	1,136
Residential mortgages own book	-	-	15	18	107	6,061	6,201
Securitised residential mortgages	-	-	1	1	10	5,238	5,250
Debt investments	-	-	-	12	492	137	641
Structured investments	-	-	67	555	457	-	1,079
Investments in associates	188	-	-	-	-	-	188
Investments in associates (equity method)	40	-	-	-	-	-	40
Intangible assets	44	-	-	-	-	-	44
Property, plant and equipment	102	-	-	-	-	-	102
Investment property	30	-	-	-	-	-	30
Current tax	-	-	-	6	-	-	6
Deferred tax	-	-	-	-	-	-	-
Other assets	-	-	-	80	-	-	80
TOTAL ASSETS (excluding derivatives)	512	2,737	466	898	4,657	16,224	25,494

Consolidated Balance Sheet, 31 December 2008

IN EUR MILLIONS	Not dated	Payable on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Liabilities							
FINANCIAL LIABILITIES AT AMORTISED COST							
Due to other banks	-	493	2,135	1,289	1,277	343	5,537
Deposits from customers	-	745	62	186	719	581	2,293
Own debt securities in issue	-	-	776	1,161	3,838	199	5,974
Debt securities in issue related to securitised mortgages	-	-	60	-	-	5,684	5,744
FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT OR LOSS (Including trading)							
Own debt securities in issue	-	-	-	80	53	34	167
Debt securities in issue structured	-	-	138	267	847	1,807	3,059
Other liabilities	-	-	-	158	-	-	158
Current tax	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	39	-	39
Employee benefit obligations	-	-	-	4	4	-	8
SUBORDINATED LIABILITIES							
Amortised Cost	-	-	-	56	30	143	229
Fair Value through Profit or Loss	-	-	16	34	-	500	550
TOTAL LIABILITIES (Excluding derivatives)	-	1,238	3,187	3,235	6,807	9,291	23,758
Estimated contractual interest cash flows	-	-	176	447	1,707	1,386	3,716
TOTAL LIABILITIES (excluding derivatives) including estimated interest rate cash flows	-	1,238	3,363	3,682	8,514	10,677	27,474

The following tables show the maturity calendar of the Consolidated Balance Sheet (assets and liabilities) at 31 December 2007. The maturity table of the assets is based upon the fair value (discounted cash flows) for those assets which are classified as Fair Value through Profit & Loss or Available for Sale. The maturity table of the

liabilities is based upon undiscounted cash flows. Financial liabilities at Fair Value through Profit & Loss are therefore restated to nominal amounts. These tables exclude cash flows from derivatives. Note 28 to the Consolidated Financial Statements shows the cash flow table of the derivatives.

Consolidated Balance Sheet, 31 December 2007

IN EUR MILLIONS	Not dated	Receivable on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Assets							
FINANCIAL ASSETS AT AMORTISED COST							
Cash and balances with central banks	-	874	-	-	-	-	874
Due from other banks	-	684	2,418	5	38	-	3,145
Loans and Receivables							
Loans	-	-	570	97	423	704	1,794
Debt investments	-	-	-	-	-	-	-
Securitised loans	-	-	-	-	-	638	638
FINANCIAL ASSETS AT AVAILABLE FOR SALE							
Loans	-	-	231	337	2,144	2,452	5,164
Equity investments	144	-	-	-	-	-	144
Debt investments	-	-	-	-	15	296	311
FINANCIAL ASSETS FAIR VALUE THROUGH PROFIT OR LOSS (Including trading)							
Loans	-	-	-	8	53	1,313	1,374
Residential mortgages own book	-	-	11	14	87	5,173	5,285
Securitised residential mortgages	-	-	2	2	17	6,335	6,356
Debt investments	-	-	155	133	439	1,602	2,329
Structured investments	-	-	70	371	618	153	1,212
Investments in associates	147	-	-	-	-	-	147
Investments in associates (equity method)	44	-	-	-	-	-	44
Intangible assets	-	-	-	-	-	-	-
Property, plant and equipment	72	-	-	-	-	-	72
Investment property	1	-	-	-	-	-	1
Current tax	-	-	-	40	-	-	40
Deferred tax	-	-	-	-	-	-	-
Other assets	-	-	-	153	-	-	153
TOTAL ASSETS (excluding derivatives)	408	1,558	3,457	1,160	3,834	18,666	29,083

Consolidated Balance Sheet, 31 December 2007

IN EUR MILLIONS	Not dated	Payable on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Liabilities							
FINANCIAL LIABILITIES AT AMORTISED COST							
Due to other banks	-	607	1,966	901	1,042	184	4,700
Deposits from customers	-	292	284	206	364	370	1,516
Own debt securities in issue	-	-	1,290	2,590	4,975	180	9,035
Debt securities in issue related to securitised mortgages	-	-	22	-	-	7,192	7,214
FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT OR LOSS (Including trading)							
Own debt securities in issue	-	-	26	67	92	33	218
Debt securities in issue structured	-	-	360	223	1,595	1,942	4,120
Other liabilities	-	-	-	244	-	-	244
Current tax	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	4	-	4
Employee benefit obligations	-	-	-	5	6	-	11
SUBORDINATED LIABILITIES							
Amortised Cost	-	-	-	8	55	173	236
Fair-Value through Profit or Loss	-	-	-	10	48	469	527
TOTAL LIABILITIES (excluding derivatives)	-	899	3,948	4,254	8,181	10,543	27,824
Estimated contractual interest cash flows	-	-	299	749	2,803	2,225	6,075
TOTAL LIABILITIES (excluding derivatives, including estimated interest rate cash flows)	-	899	4,247	5,003	10,984	12,768	33,899

59 Capital management

Overview

It is NIBC's policy to maintain a strong capital base, to meet regulatory capital requirements at all times and to support the development of its business by allocating capital efficiently.

Allocation of capital to the business is based on an economic capital approach. Economic capital is the amount of capital which NIBC allocates as a buffer against potential losses from business activities, based upon our assessment of risks.

The economic capital NIBC allocates to each business is based on the assessment of risk of its activities. It differs from Basel II regulatory capital as in certain cases NIBC assesses the specific risk characteristics of its business activities in a different way than the regulatory method. Total regulatory capital, however, in combination with a minimum benchmark Tier-1 ratio, does form a limit to the maximum amount of economic capital that can be allocated to the business.

Combining the risk-based economic capital of each business to its profit delivers a RAROC for each business. Economic capital and RAROC are key tools in our capital allocation and usage process, assisting us in allocating our shareholders' equity as efficiently as possible, based on expectations of both risks and return. Usage of economic capital is assessed once every two weeks in the ALCO. The ALCO resets the maximum allocation level of economic capital to and within each business, taking into account business expectations, NIBC's desired risk profile and the regulatory requirements.

Methodology

NIBC uses the business model of each activity as the basis for determining the economic capital approach. If the business model of an activity is trading, distribution or investment for a limited period, a market risk approach based upon VaR

and scaled to a one-year horizon is used to calculate the economic capital usage. A business model based on 'buy-to-hold' or investment to maturity leads to a credit risk approach being applied based upon estimations of PD and LGD. For all activities add-ons for operational risk are calculated. Furthermore, NIBC allocates economic capital for business risk, reputation risk and model risk on a bank-wide level.

The economic capital approach differs from the regulatory approach in which only the trading books are assigned a market risk approach. In the regulatory framework, activities that are not trading but have a business model based on distribution or investment for a limited period are often assigned a credit risk approach, following Basel II regulations or regulatory industry practice, whereas in the economic capital framework NIBC applies a market risk approach similar to that of the trading activities. Risks and economic capital are monitored accordingly.

The main differences between the economic capital and regulatory framework come from the residential mortgage portfolio, the European structured credits portfolio and NIBC's interest rate mismatch position. Economic capital is determined by a market risk approach for these activities, which follows from their business model. The regulatory approach is either a credit risk approach (residential mortgages and European structured credits) or is not part of Basel II Pillar I at all (mismatch position).

Capital allocation

NIBC allocates economic capital to all its business activities in the form of limits set by the ALCO, and calculates the amount of economic capital usage of each business based on the risk of its activities.

- For the corporate loan portfolios, which use a major part of the economic capital, NIBC calculates economic capital usage by means of a credit risk approach largely based upon the Basel II regulatory capital formula and an add-on for concentration risk;
- For the debt investment and trading portfolios, residential mortgage portfolio and the interest rate mismatch position, NIBC uses a market risk approach to determine economic capital usage. Economic capital usage for these portfolios is calculated using VaR, calculated with four years of historical data and scaled to a one-year horizon;
- For the Investment Management portfolios, NIBC calculates economic capital usage for mezzanine investments by applying a credit approach based upon the Basel II regulatory capital formula. NIBC uses fixed percentages for the equity investments.

Basel II regulatory capital

The objective of Basel II is to improve the capital adequacy of the banking industry by making it more responsive to risk.

Basel II is structured on 3 'pillars':

- Pillar 1 describes the capital adequacy requirements for 3 risk types; Credit risk, Market risk and Operational risk;
- Pillar 2 describes the additional *Supervisory Review Process (SREP)* where regulators analyse the internal capital adequacy process of the individual banks;
- Pillar 3 displays the required risk reporting standards, supporting additional market discipline in the international capital markets.

Under Basel II, banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from 'standardised' to 'advanced'.

For credit risk, NIBC has adopted the *Advanced Internal Rating Based (AIRB)* approach as further specified in Basel II for the majority of its business. As of 1 January 2008, NIBC has started using the AIRB. A small residue of exposures is measured on the standardised approach. For market risk, NIBC has adopted an internal model VaR approach. NIBC has adopted the standardised approach for measuring operational risk.

The basis for Pillar 2 is NIBC's *Internal Capital Adequacy Assessment Process (ICAAP)*, which is NIBC's self assessment of risks not captured by Pillar 1.

Pillar 3 is related to market discipline and complements the operation of Pillars 1 and 2, aiming to make banks more transparent. NIBC will publish its Pillar 3 disclosures as at 31 December 2008 on its website in the course of 2009.

The following table displays the composition of regulatory capital as at 31 December 2008 and 31 December 2007. NIBC complied with the DNB's Basel II capital requirements.

Regulatory capital as at 31 December

	2008	2007	2007
	Basel II	Basel II	Basel I
IN EURO MILLIONS	Actual	Pro-forma	Actual
TIER-1			
Called up share capital	80	80	80
Share premium	238	238	238
Deduction of own shares (Treasury shares)	0	0	0
Eligible reserves	1,175	1,073	1,073
Net profit	92	98	98
Minority interests	17	11	11
Deduction of certain securitisation exposures not included in risk-weighted assets	(13)	(28)	-
Deduction excess of expected losses over impairment allowances	(39)	(25)	-
CORE TIER-1 CAPITAL	1,550	1,447	1,500
Innovative hybrid Tier-1 capital	130	136	136
Non-innovative hybrid Tier-1 capital	229	220	220
TOTAL TIER-1 CAPITAL	1,909	1,803	1,856
TIER-2			
Reserves arising from revaluation of property and unrealised gains on Available for Sale equities	43	78	78
Qualifying subordinated liabilities			
Undated loan capital	-	6	6
Dated loan capital	268	302	302
Deduction of certain securitisation exposures not included in risk-weighted assets	(13)	(28)	-
Deduction excess of expected losses over impairment allowances	(39)	(25)	-
TOTAL TIER-2 CAPITAL	259	333	386
Deduction of certain securitisation exposures not included in risk-weighted assets	-	-	(160)
TOTAL CAPITAL RESOURCES	2,168	2,136	2,082

60 Subsequent events

On 10 February 2009 NIBC issued a three-year senior unsecured bond of EUR 1.5 billion under the Dutch State's Credit Guarantee Scheme.

On 30 March 2009 NIBC issued a five-year senior unsecured bond of EUR 1.5 billion under the Dutch State's Credit Guarantee Scheme.

Both bonds were issued under NIBC's European Medium Term Note programme.

61 Profit appropriation

The profit appropriation is included in the Other Information.

Table of contents



Company Financial Statements

Company Income Statement	237
Company Balance Sheet	238
Company Statement of Changes in Shareholders' Equity	240
Company Accounting Policies	241
Notes to the Company Financial Statements	242
1 Cash and balances with central banks	242
2 Due from other banks	242
3 Loans and receivables	243
4 Interest bearing securities	244
5 Equity investments	247
6 Participating interests in group companies	248
7 Other participating interests	248
8 Property, plant and equipment	249
9 Assets held under financial lease	250
10 Derivative financial instruments	250
11 Prepayments and accrued income	256
12 Due to other banks	256
13 Deposits from customers	257
14 Debt securities	258
15 Other liabilities	258
16 Provisions	260
17 Subordinated liabilities (Amortised Cost)	261
18 Subordinated liabilities (designated at Fair Value through Profit or Loss)	262
19 Shareholders' equity	263
20 Repurchase and resale agreements	265
21 Commitments and contingent assets & liabilities	265
22 Assets pledged as security	266
23 Assets under management	267
24 Related party transactions	267
25 Principal subsidiaries, joint ventures and associates	267
26 Financial Risk Management	267
27 Number of employees	268
28 Remuneration	268
29 Profit Appropriation	268



Company Income Statement

For the year ended 31 December

IN EUR MILLIONS	NOTE	2008	2007
Results of participating interests after tax	6	-	(18)
Other results after tax		92	116
NET PROFIT FOR THE YEAR		92	98

Company Balance Sheet

Before profit appropriation, as at 31 December

IN EUR MILLIONS	NOTE	2008	2007
Assets			
Cash and balances with central banks	1	1,113	874
Due from other banks	2	2,035	2,778
Loans and receivables			
Guaranteed by public authorities	3	38	59
To the private sector	3	14,497	15,206
Interest bearing securities	4	2,432	3,418
Equity investments	5	17	30
Participating interests in group companies	6	877	980
Other participating interests	7	2	1
Property, plant and equipment	8	15	52
Assets held under financial lease	9	32	-
Derivative financial instruments	10	3,919	2,969
Prepayments and accrued income	11	48	183
TOTAL ASSETS		25,025	26,550

IN EUR MILLIONS	NOTE	2008	2007
Liabilities			
Due to other banks	12	4,100	3,625
Deposits from customers	13	5,711	4,521
Debt securities	14	9,008	13,319
Other liabilities	15	123	93
Derivative financial instruments	10	3,714	2,700
Provisions	16	59	14
SUBORDINATED LIABILITIES			
Amortised Cost	17	222	234
Fair-Value through Profit or Loss	18	467	497
TOTAL LIABILITIES		23,404	25,003
SHAREHOLDERS' EQUITY			
Share capital	19	80	80
OTHER RESERVES			
Share premium reserves	19	238	238
Hedging reserve	19	75	35
Revaluation reserve	19	(39)	23
Retained earnings		1,175	1,073
Net result		92	98
TOTAL PARENT SHAREHOLDERS' EQUITY		1,621	1,547
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		25,025	26,550
Contingent liabilities		1,284	1,666
Irrevocable facilities		775	1,964

Company Statement of Changes in Shareholders' Equity

IN EUR MILLIONS	Attributable to parent shareholders ¹				Total
	Share capital	Other Reserves	Retained earnings	Net Profit	
BALANCE AT 1 JANUARY 2007	80	470	923	243	1,716
First time adoption capital contribution share based payments ²	-	-	24	-	24
BALANCE AT 1 JANUARY 2007	80	470	947	243	1,740
Net result on cash flow hedging instruments	-	(11)	-	-	(11)
Revaluation loans (net of tax)	-	(117)	-	-	(117)
Revaluation equity investments (net of tax) ³	-	(41)	17	-	(24)
Revaluation debt investments (net of tax)	-	(6)	-	-	(6)
Revaluation property, plant and equipment (net of tax)	-	1	-	-	1
TOTAL GAINS/(LOSSES) RECOGNISED DIRECTLY IN EQUITY	-	(174)	17	-	(157)
Profit appropriation	-	-	243	(243)	-
Net result for the period	-	-	-	98	98
COMPREHENSIVE NET RESULT	-	(174)	260	(145)	(59)
Dividends ⁴	-	-	(146)	-	(146)
Capital contribution share based payments ²	-	-	12	-	12
BALANCE AT 31 DECEMBER 2007	80	296	1,073	98	1,547
BALANCE AT 1 JANUARY 2008	80	296	1,073	98	1,547
Net result on cash flow hedging instruments	-	40	-	-	40
Revaluation loans (net of tax)	-	(14)	-	-	(14)
Revaluation equity investments (net of tax)	-	(36)	-	-	(36)
Revaluation debt investments (net of tax)	-	(12)	-	-	(12)
Revaluation property, plant and equipment (net of tax)	-	-	-	-	-
TOTAL GAINS/(LOSSES) RECOGNISED DIRECTLY IN EQUITY	-	(22)	-	-	(22)
Profit appropriation	-	-	98	(98)	-
Net result for the period	-	-	-	92	92
COMPREHENSIVE NET RESULT	-	(22)	98	(6)	70
Capital contribution share based payments	-	-	4	-	4
BALANCE AT 31 DECEMBER 2008	80	274	1,175	92	1,621

1. See note 19 for the impact of the implementation of IASB amendment 'IAS 39 Financial Instruments: Recognition and Measurement' on Shareholders' equity at 31 December 2008.
2. Shareholders' equity at 1 January 2007 has been increased by EUR 24 million and at 31 December 2007 by EUR 36 million compared to the figures displayed in the Financial Statements 2007 due to the implementation of IFRS IFRIC 11.
3. In 2004, NIBC sold a number of investments and did not release the corresponding revaluation reserve of EUR 17 million. The correction of this error, to transfer the revaluation reserve of EUR 17 million directly to Retained earnings, has no effect on the Income Statement of 2007, nor on Total shareholders' equity and the balance sheet total at 31 December 2007.
4. Dividends paid in 2007 concern EUR 61 million final ordinary dividend over 2006 and EUR 85 million extraordinary dividend in 2007.

Company Accounting Policies



Basis of Preparation

The principal accounting policies applied in the preparation of the Company Financial Statements are set out in the Consolidated Financial Statements. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

The Company Financial Statements have been prepared in accordance with the legal requirements for financial statements contained in Title 9, Book 2, of the Netherlands Civil Code. NIBC applies the provisions in Section 362, paragraph 8, Book 2, of the Netherlands Civil Code that make it possible to prepare the Company Financial Statements in accordance with the accounting policies (including those for the presentation of financial instruments as equity or liability) used in its Consolidated Financial Statements.

The Company Financial Statements are presented in euros rounded to the nearest million. The euro is the functional and presentation currency of NIBC. Under Article 402 of Part 9, Book 2 of the Netherlands Civil Code, it is sufficient for the Company's Income Statement to present only results of participating interests after tax and other results after tax.

Summary of significant accounting policies

Except as set forth below, the accounting policies applied in the Company Financial Statements are the same as those for the Consolidated Financial Statements.

Investments in subsidiaries

Subsidiaries, as defined in the section Summary of significant accounting policies in the basis of consolidation of subsidiaries (in the notes to the Consolidated Financial Statements), are measured at net asset value. Net asset value is determined by measuring the assets, provisions, liabilities and income based on the accounting policies used in the Consolidated Financial Statements. The company's share of its subsidiaries' profits or losses is recognised in the Income Statement. Its movement in reserves is recognised in reserves.

If losses of group companies that are attributable to the company exceed the carrying value of the interest in the Group company (including separately presented goodwill, if any, and including other non-secured receivables), further losses are not recognised unless the company has incurred obligations or made payments on behalf of the Group company to satisfy obligations of the Group company. In such a situation, the Company recognises a provision up to the extent of its obligation.



Notes

to the Company Financial Statements

1 Cash and balances with central banks

IN EUR MILLIONS	2008	2007
Cash and balances with central banks	1,113	874
	1,113	874

The amounts included in this item are available on demand. Cash and balances with central banks are interest bearing.

The fair value of this balance sheet item does not materially deviate from its face value, due to the short-term nature of the underlying assets.

2 Due from other banks

IN EUR MILLIONS	2008	2007
Current accounts	76	48
Deposits with other banks	1,446	2,284
Due from group companies	513	446
	2,035	2,778

IN EUR MILLIONS	2008	2007
Receivable on demand	176	756
Not receivable on demand	1,859	2,022
	2,035	2,778

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF THE ITEMS NOT RECEIVABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
In three months or less	1,481	1,621
In more than three months but not longer than one year	32	5
In more than one year but not longer than five years	18	1
Longer than five years	328	395
	1,859	2,022

Subordinated loans included in this item amount to EUR 0 million (2007: EUR 5 million).

The fair value of this balance sheet item does not materially deviate from its face value, due to the short-term nature of the underlying assets and the credit quality of the counterparties.

Other than from group companies, NIBC does not have receivables from other participating interests. There were no impairments recorded in 2008 and 2007 on this balance sheet item.

3 Loans and receivables

IN EUR MILLIONS	2008	2007
Loans - Amortised Cost	5,489	1,701
Loans - Available for Sale	-	4,455
Loans - Fair Value through Profit or Loss	1,841	2,103
Public sector - Available for Sale	38	59
Group companies - Amortised Costs	7,167	6,947
	14,535	15,265

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF THE LOANS AND RECEIVABLES IS ANALYSED AS FOLLOWS:		
In three months or less	5,284	4,031
In more than three months but not longer than one year	203	1,533
In more than one year but not longer than five years	2,209	2,195
Longer than five years	6,839	7,506
	14,535	15,265

IN EUR MILLIONS	2008	2007
IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES:		
BALANCE AT 1 JANUARY	60	76
IMPAIRMENT LOSSES RECOGNISED:		
Additional allowances	71	15
Write-offs	(8)	(9)
Amounts released	(25)	(13)
Unwinding of discount adjustment	(4)	(5)
	94	64
Differences due to foreign currency translation	(4)	(4)
Impact IAS 39 amendments	(76)	-
BALANCE AT 31 DECEMBER	14	60

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Impairment losses of Loans at Available for Sale are defined to be the difference between the fair value of loans that exhibit indicators of impairment and original cost.

The maximum credit risk exposure for loans including undrawn credit facilities amounts to EUR 8,812 million in 2008 (2007: EUR 10,164 million), (excluding the group companies).

The total amount of subordinated loans in this item, as at 31 December 2008, amounts to EUR 2 million (2007: EUR 135 million). An amount of EUR 0 million (2007: EUR 6 million) of subordinated loans is included with respect to group companies.

EUR 38 million (2007: EUR 59 million) of loans to the public sector at Available for Sale is guaranteed by the State of the Netherlands.

If NIBC had fair valued the Loans classified as Amortised Cost, then the balance sheet amount would decrease at the balance sheet date by EUR 380 million (2007: EUR 10 million). This decrease reflects both changes due to interest rates and credit spreads.

As a policy, NIBC does not provide loans to its executives.

EUR 76 million relates to the impact of the IAS 39 implementation. This reflects the reclassification of the impairments related to the Available for Sale Loans to the Loans category at Amortised Cost. The total amount of Loans in the Available for Sale category net of impairments has been reclassified to the Loans category at Amortised Cost, as at 1 July 2008.

For the impact of the implementation of IASB amendments 'IAS 39 Financial Instruments: Recognition and Measurements' on the Income Statement and on Shareholders' equity see notes to the Consolidated Financial Statements 2008 of NIBC.

4 Interest bearing securities

IN EUR MILLIONS	2008	2007
Amortised Cost	809	-
Held for Trading	98	1,410
Available for Sale	34	309
Fair Value through Profit or Loss	1,491	1,699
	2,432	3,418

The table above displays the IFRS accounting treatment of interest bearing securities.

IN EUR MILLIONS	2008	2007
INTEREST BEARING SECURITIES HELD FOR TRADING CAN BE CATEGORISED AS FOLLOWS:		
Listed	98	1,361
Unlisted	-	49
	98	1,410

All Held for Trading interest bearing securities are non-government.

IN EUR MILLIONS	2008	2007
INTEREST BEARING SECURITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS, AVAILABLE FOR SALE AND AMORTISED COST CAN BE CATEGORISED AS FOLLOWS:		
Government	-	281
Non- government	2,334	1,727
	2,334	2,008

IN EUR MILLIONS	2008	2007
Listed	1,271	878
Unlisted	1,063	1,130
	2,334	2,008

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF INTEREST BEARING SECURITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS, AVAILABLE FOR SALE AND AMORTISED COST IS ANALYSED AS FOLLOWS:		
In three months or less	51	89
In more than three months but not longer than one year	753	484
In more than one year but not longer than five years	897	983
Longer than five years	633	452
BALANCE AT 31 DECEMBER	2,334	2,008

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN INTEREST BEARING SECURITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS, AVAILABLE FOR SALE AND AMORTISED COST MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	2,008	2,234
Additions	871	749
Disposals (sale and redemption)	(1,372)	(866)
Impact IAS39 amendments	888	-
Exchange differences	(32)	(30)
Changes in fair value	(29)	(79)
BALANCE AT 31 DECEMBER	2,334	2,008

Subordinated assets included in Interest bearing securities amount to EUR 19 million (2007: EUR 151 million).

Interest bearing securities do not include assets issued and bought by NIBC for market making purposes. Any such assets are eliminated from the Balance Sheet.

Interest income from interest bearing securities and other fixed-income instruments is recognised in Interest and similar income at the effective interest rate. Fair value movements (excluding interest) are recognised in Net trading income.

The portion of fair value changes in 2008 included in the balance sheet amount (designated as Fair Value through Profit or Loss) as at 31 December 2008 relating to the movement in credit spreads amounts to EUR 21 million credit, being a reduction in the carrying value of the assets (2007: EUR 9 million credit).

For interest bearing securities at Amortised Cost the maximum credit exposure including unused Debt investments at Amortised Cost amounts to

EUR 825 million (2007: nil). The other interest bearing securities are reported at fair value which represents the maximum credit exposure for these assets.

If NIBC had fair valued the interest bearing securities classified as Amortised Cost, then the balance sheet amount would decrease at the balance sheet date by EUR 168 million (2007: nil). This decrease reflects both changes due to interest rates and credit spreads.

No impairments were recorded in 2008 and 2007 on Interest bearing securities at Amortised Cost.

As at 1 July 2008, debt investments from the Available for Sale and Held for Trading category were reclassified to debt investments at Amortised Costs.

For the impact of the implementation of IASB amendments 'IAS 39 Financial Instruments: Recognition and Measurements' on the Income Statement and on Shareholders' equity see notes to the Consolidated Financial Statements 2008 of NIBC.

5 Equity investments

IN EUR MILLIONS	2008	2007
Equity investments	17	30
	17	30

IN EUR MILLIONS	2008	2007
Listed	8	18
Unlisted	9	12
	17	30

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN EQUITY INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	30	35
Disposals (sale and capital repayments)	-	(3)
Gains/(losses) from changes in fair value	(13)	(2)
BALANCE AT 31 DECEMBER	17	30

IN EUR MILLIONS	2008	2007
IMPAIRMENT LOSSES ON EQUITY INVESTMENTS:		
BALANCE AT 1 JANUARY	8	9
IMPAIRMENT LOSSES RECOGNISED:		
Additional allowances	-	-
Write-offs	-	(1)
Amounts released	-	-
BALANCE AT 31 DECEMBER	8	8

Equity investments are accounted for as Available for Sale.

Impairment losses are defined as the difference between the fair value of equity investments that exhibit indicators of impairment and original cost.

6 Participating interests in group companies

IN EUR MILLIONS	2008	2007
Participating interests	877	980
	877	980

IN EUR MILLIONS	2008	2007
BALANCE AT 1 JANUARY	980	881
Purchases and investments	-	194
Disposals	(5)	(24)
Revaluation	(54)	(29)
Dividend received	(47)	(6)
Results of group companies	-	(18)
Exchange differences	3	(18)
BALANCE AT 31 DECEMBER	877	980

The group companies are not listed.

NIBC Bank Ltd included in group companies is a registered credit institution.

Participating interests in group companies are accounted for at net asset value.

7 Other participating interests

IN EUR MILLIONS	2008	2007
Other participating interests	2	1
	2	1

IN EUR MILLIONS	2008	2007
BALANCE AT 1 JANUARY	1	3
Purchases and investments	2	1
Disposals	(1)	-
Impairment	-	(3)
BALANCE AT 31 DECEMBER	2	1

Other participating interests are accounted for at net asset value.

On the balance sheet dates at the end of 2008 and 2007, all Other participating interests were unlisted.

The Other participating interests are not registered as credit institutions.

to the investor in the form of cash dividends, or repayment of loans.

There are no significant restrictions on the ability of Other participating interests to transfer funds

There is no unrecognised share of losses of Other participating interests, both for the period and cumulatively.

8 Property, plant and equipment

IN EUR MILLIONS	2008	2007
Land and buildings (in own use)	10	45
Other fixed assets	5	7
	15	52

IN EUR MILLIONS	2008	2007
THE MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	52	61
Additions	2	7
Transferred to assets held under financial lease	(32)	-
Depreciation	(7)	(16)
BALANCE AT 31 DECEMBER	15	52

IN EUR MILLIONS	2008	2007
THE ACCUMULATED DEPRECIATION IN PROPERTY, PLANT AND EQUIPMENT CAN BE CATEGORISED AS FOLLOWS:		
Land and buildings (in own use)	7	17
Other fixed assets	16	13
	23	30

For information about insurance of Property, plant and equipment, please refer to note 31 of the Consolidated Financial Statements.

There are no expenditures recognised in the carrying amount of Property, plant and equipment in the course of its construction at 31 December 2008 and 31 December 2007.

There are no Property, plant and equipment pledged as security for liabilities.

There are no contractual commitments for the acquisition of Property, plant and equipment at 31 December 2008 and 31 December 2007.

The fair value of land and buildings does not materially deviate from its face value.

NIBC's land and buildings in own use were last revalued as of 31 December 2006 based on an external appraisal carried out in January 2007.

9 Assets held under financial lease

IN EUR MILLIONS	2008	2007
Assets held under financial lease	32	-
	32	-

IN EUR MILLIONS	2008	2007
MOVEMENTS IN ASSETS HELD UNDER FINANCIAL LEASE WERE AS FOLLOWS:		
BALANCE AT 1 JANUARY	-	-
Transferred from property, plant and equipment	32	-
BALANCE AT 31 DECEMBER	32	-

Assets held under financial lease are pledged as security for liabilities to group companies.

10 Derivative financial instruments

IN EUR MILLIONS	2008	2007
DERIVATIVE FINANCIAL ASSETS:		
Derivative financial assets Held for Trading (trading portfolios)	3,066	2,165
Derivative financial assets Held for Trading (other portfolios)	637	719
Derivative financial assets used for hedging	216	85
	3,919	2,969
DERIVATIVE FINANCIAL LIABILITIES:		
Derivative financial liabilities Held for Trading (trading portfolios)	3,100	2,031
Derivative financial liabilities Held for Trading (other portfolios)	572	616
Derivative financial liabilities used for hedging	42	53
	3,714	2,700

Derivative financial instruments - Held for Trading (trading portfolios) at 31 December 2008

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
INTEREST RATE DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Forward rate agreements	750	-	-	750	4	16
Interest rate swaps	11,228	11,901	83,255	106,384	2,419	2,525
Interest rate options (purchase)	-	42	685	727	13	-
Interest rate options (sale)	11	91	619	721	-	12
SUBTOTAL	11,989	12,034	84,559	108,582	2,436	2,553
CURRENCY DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Currency/cross currency swaps	154	1,180	2,970	4,304	582	502
SUBTOTAL	154	1,180	2,970	4,304	582	502
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
<i>OTC-PRODUCTS:</i>						
Other swaps	-	14	967	981	12	23
Other options (purchase)	-	10	153	163	36	-
Other options (sale)	-	10	153	163	-	22
SUBTOTAL	-	34	1,273	1,307	48	45
TOTAL DERIVATIVES HELD FOR TRADING (TRADING PORTFOLIOS)	12,143	13,248	88,802	114,193	3,066	3,100

Derivative financial instruments - Held for Trading (trading portfolios) at 31 December 2007

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
INTEREST RATE DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Forward rate agreements	8,925	12,975	-	21,900	35	39
Interest rate swaps	14,268	12,918	80	27,266	1,097	1,151
Interest rate options (purchase)	-	33	749	782	9	-
Interest rate options (sale)	2	28	675	705	-	13
SUBTOTAL	23,195	25,954	1,504	50,653	1,141	1,203
CURRENCY DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Currency/cross currency swaps	1	3,546	4,177	7,724	953	754
SUBTOTAL	1	3,546	4,177	7,724	953	754
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
<i>OTC-PRODUCTS:</i>						
Other swaps	131	20	2,742	2,893	5	8
Other options (purchase)	36	24	176	236	66	-
Other options (sale)	36	24	176	236	-	66
SUBTOTAL	203	68	3,094	3,365	71	74
TOTAL DERIVATIVES HELD FOR TRADING (TRADING PORTFOLIOS)	23,399	29,568	8,775	61,742	2,165	2,031

Derivative financial instruments - Held for Trading (other portfolios) at 31 December 2008

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
INTEREST RATE DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Interest rate swaps	133	265	3,186	3,584	342	519
SUBTOTAL	133	265	3,186	3,584	342	519
CURRENCY DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Forward rate agreements	45	61	89	195	7	6
Interest currency rate swaps	137	77	323	537	279	41
Other currency contracts	32	57	111	200	-	3
SUBTOTAL	215	195	523	933	286	50
<i>OTC-PRODUCTS:</i>						
Credit Default Swaps (guarantees given)	18	22	89	129	1	2
Credit Default Swaps (guarantees received)	-	-	27	27	1	1
Other options (purchase)	5	12	78	95	7	-
SUBTOTAL	23	35	193	250	9	3
TOTAL DERIVATIVES HELD FOR TRADING (OTHER PORTFOLIOS)	370	495	3,902	4,767	637	572

Derivative financial instruments - Held for Trading (other portfolios) at 31 December 2007

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
INTEREST RATE DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Interest rate swaps	1,033	2,074	17,201	20,308	463	396
SUBTOTAL	1,033	2,074	17,201	20,308	463	396
CURRENCY DERIVATIVES						
<i>OTC-PRODUCTS:</i>						
Forward rate agreements	55	374	145	574	84	85
Interest currency rate swaps	2,883	705	2,269	5,857	117	103
Other currency contracts	4	48	183	235	-	5
SUBTOTAL	2,942	1,127	2,597	6,666	201	193
<i>OTC-PRODUCTS:</i>						
Credit Default Swaps (guarantees given)	39	104	316	459	20	1
Credit Default Swaps (guarantees received)	17	103	255	375	5	26
Other options (purchase)	67	28	91	186	30	-
SUBTOTAL	123	235	662	1,020	55	27
TOTAL DERIVATIVES HELD FOR TRADING (OTHER PORTFOLIOS)	4,098	3,436	20,460	27,994	719	616

Fair value hedges of interest rate risk

The interest rate risk of financial assets with a fixed interest rate classified as Available for Sale or as Amortised Cost are hedged with interest rate swaps under which NIBC pays a fixed rate and receives floating rates. Fair value hedge accounting is applied to these so-called hedge relationships.

Interest rate swaps under which NIBC pays a floating rate and receives a fixed rate, are used in fair value hedges of fixed interest rate liabilities (as far as not Held for Trading purposes or designated as Fair Value through Profit or Loss).

The following table discloses the fair value of the swaps designated in fair value hedging relationships.

IN EUR MILLIONS		2008	2007
Fair value pay - fixed swaps (hedging assets)	assets	12	11
Fair value pay - fixed swaps (hedging liabilities)	liabilities	(29)	(18)
		(17)	(7)
Fair value pay - floating swaps (hedging liabilities)	assets	97	38
Fair value pay - floating swaps (hedging liabilities)	liabilities	(13)	(36)
		84	2

Cash flow hedges of interest rate risk

The following table discloses the fair value of the

swaps designated in cash flow hedging relationships.

IN EUR MILLIONS		2008	2007
Fair value receive - fixed swaps	assets	107	36
Fair value receive - fixed swaps	liabilities	-	-
		107	36
Fair value receive - floating swaps	assets	-	-
Fair value receive - floating swaps	liabilities	-	-
		-	-

The average remaining maturity (in which the related cash flows are expected to enter into the

determination of profit and loss) is 4 years (2007: 4 years).

Derivative financial instruments - Used for hedging at 31 December 2008

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE HEDGES OF INTEREST RATE RISK						
<i>OTC-PRODUCTS:</i>						
Interest rate swaps	285	1,374	4,912	6,571	70	41
Interest currency rate swaps	807	99	731	1,637	39	1
SUBTOTAL	1,092	1,473	5,643	8,208	109	42
DERIVATIVES ACCOUNTED FOR AS CASH FLOW HEDGES OF INTEREST RATE RISK						
<i>OTC-PRODUCTS:</i>						
Interest rate swaps	-	-	429	429	107	-
SUBTOTAL	-	-	429	429	107	-
TOTAL DERIVATIVES USED FOR HEDGING	1,092	1,473	6,072	8,637	216	42

Derivative financial instruments - Used for hedging at 31 December 2007

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE HEDGES OF INTEREST RATE RISK						
<i>OTC-PRODUCTS:</i>						
Interest rate swaps	430	173	2,326	2,929	33	33
Interest currency rate swaps	7	65	243	315	16	20
SUBTOTAL	437	238	2,569	3,244	49	53
DERIVATIVES ACCOUNTED FOR AS CASH FLOW HEDGES OF INTEREST RATE RISK						
<i>OTC-PRODUCTS:</i>						
Interest rate swaps	-	-	407	407	36	-
SUBTOTAL	-	-	407	407	36	-
TOTAL DERIVATIVES USED FOR HEDGING	437	238	2,976	3,651	85	53

II Prepayments and accrued income

IN EUR MILLIONS	2008	2007
Interest	3	94
Current tax	12	45
Other prepayments and accrued income	33	44
	48	183

Current tax

IN EUR MILLIONS	2008	2007
Corporate tax	12	45
	12	45

I2 Due to other banks

IN EUR MILLIONS	2008	2007
Payable on demand	12	456
Not payable on demand	4,088	3,169
	4,100	3,625

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF DUE TO OTHER BANKS THE ITEMS NOT PAYABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
In three months or less	2,120	2,034
In more than three months but not longer than one year	1,269	889
In more than one year but not longer than five years	464	140
Longer than five years	235	106
	4,088	3,169

Interest is recognised in Interest expense and similar charges on an effective interest basis.

13 Deposits from customers

IN EUR MILLIONS	2008	2007
Certificates of deposits	3,845	4,122
Due to customers	1,866	399
	5,711	4,521

IN EUR MILLIONS	2008	2007
Payable on demand	1,120	3
Not payable on demand	4,591	4,518
	5,711	4,521

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF DEPOSITS FROM CUSTOMERS NOT PAYABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
In three months or less	3,071	2,940
In more than three months but not longer than one year	213	561
In more than one year but not longer than five years	718	239
Longer than five years	589	778
	4,591	4,518

Interest is recognised in Interest expense and similar charges on an effective interest basis.

The balance sheet item includes EUR 3,771 million (2007: EUR 3,461 million) in respect of deposits from customers to group companies.

The balance sheet item includes all non-subordinated liabilities other than debt securities and amounts owed to credit institutions.

14 Debt securities

IN EUR MILLIONS	2008	2007
Bonds and notes issued - Amortised Costs	6,461	9,614
Bonds and notes issued - Fair Value through Profit or Loss	2,499	3,729
Fair value hedge adjustment	48	(24)
	9,008	13,319

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IS ANALYSED AS FOLLOWS:		
In three months or less	918	1,712
In more than three months but not longer than one year	1,503	2,910
In more than one year but not longer than five years	4,708	6,796
Longer than five years	1,879	1,901
	9,008	13,319

For an amount of EUR 1,390 million of the issued notes, the State of The Netherlands has unconditionally and irrevocably guaranteed the due payment of all amounts of principal and interest due by NIBC under these notes according and subject to (I) the Rules governing the 2008 Credit Guarantee Scheme of the State of The Netherlands and (II) the Guarantee

Certificate issued under those Rules in respect of these notes. Those Rules and that Guarantee Certificate are available at www.dutchstate.nl.

The balance sheet item includes debentures and other negotiable fixed-income debt investments, other than subordinated items.

15 Other liabilities

IN EUR MILLIONS	2008	2007
Interest	30	32
Accruals	46	32
Payables	15	29
Finance lease liabilities	32	-
	123	93

Finance lease liabilities

The lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in event of default.

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF THE GROSS FINANCE LEASE LIABILITIES - MINIMUM LEASE PAYMENTS - IS ANALYSED AS FOLLOWS:		
Not longer than one year	5	-
In more than one year but not longer than five years	18	-
Longer than five years	22	-
	45	-

IN EUR MILLIONS	2008	2007
THE PRESENT VALUE OF THE FINANCE LEASE LIABILITIES CAN BE CATEGORISED AS FOLLOWS:		
Gross financial lease liability	45	-
Future interest charge of finance leases	(13)	-
	32	-

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF THE PRESENT VALUE OF FINANCE LEASE LIABILITIES IS ANALYSED AS FOLLOWS:		
Not longer than one year	4	-
In more than one year but not longer than five years	14	-
Longer than five years	14	-
	32	-

At the end of 2008, NIBC has leased land and buildings. The annual lease payments are EUR 4.5 million.

The remaining contractual term of the finance lease contract is 10 years.

For the financial year 2008, EUR 0.2 million in lease installments has been paid.

16 Provisions

IN EUR MILLIONS	2008	2007
Deferred tax	51	4
Employee benefit obligations	8	10
	59	14

For a specification of the employee benefit obligations, please refer to note 43 of the Consolidated Financial Statements.

Deferred tax

IN EUR MILLIONS	2008	2007
THE AMOUNTS OF DEFERRED INCOME TAX ASSETS, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, IS AS FOLLOWS:		
Loans to customers	7	18
Debt securities	5	2
	12	20
THE AMOUNTS OF DEFERRED INCOME TAX LIABILITIES, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, IS AS FOLLOWS:		
Equity investments	1	4
Cash flow hedges	26	12
Property	8	8
Temporary differences as a result of internal securitisations	28	-
	63	24
	(51)	(4)

IN EUR MILLIONS	2008	2007
THE GROSS MOVEMENT ON THE DEFERRED INCOME TAX ACCOUNT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	(4)	(57)
EMPLOYEE BENEFIT OBLIGATIONS:		
(Charged)/credited to the Income Statement	-	(3)
LOANS (REPORTED AS AVAILABLE FOR SALE):		
Fair value remeasurement (charged)/credited to revaluation reserve	(11)	44
Fair value hedges through revaluation reserve	-	(1)
Changes in tax rates	-	2
DEBT INVESTMENTS (REPORTED AS AVAILABLE FOR SALE):		
Fair value remeasurement (charged)/credited to revaluation reserve	3	2
PROPERTY REPORTED AT FAIR VALUE:		
(Charged)/credited to the Income Statement	-	1
Changes in tax rate	-	1
EQUITY INVESTMENTS REPORTED AS AVAILABLE FOR SALE:		
Fair value remeasurement (charged)/credited to revaluation reserve	3	2
CASH FLOW HEDGES:		
Fair value remeasurement (charged)/credited to hedging reserve	(14)	4
Changes in tax rate	-	1
TEMPORARY TAX DIFFERENCES:		
Temporary differences as a result of internal securitisations	(28)	-
BALANCE AT 31 DECEMBER	(51)	(4)

The fair value of this balance sheet item does not materially deviate from its face value due to the short-term nature of the related assets.

Tax losses of EUR 3 million (2007: EUR 5 million) have not been tax recognised because it is not probable that these losses can be utilised. These unrecognised tax losses have no expiry date.

The recovery period for the deferred tax assets is estimated at 3.5 years.

17 Subordinated liabilities (Amortised Cost)

IN EUR MILLIONS	2008	2007
Subordinated loans qualifying as Tier-I capital	130	136
Other subordinated loans	92	98
	222	234

IN EUR MILLIONS	2008	2007
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS ANALYSED AS FOLLOWS:		
One year or less	56	6
Longer than one year but not longer than five years	23	55
Longer than five years but not longer than ten years	1	25
Longer than ten years	142	148
	222	234

All of the above loans are subordinated to other liabilities of NIBC. EUR 130 million (2007: EUR 136 million) qualifying as Tier-1 capital is subordinated to other subordinated loans that rank pari passu. These securities are perpetual securities and may be redeemed by NIBC at its option after 10 years with the prior approval of the Dutch Central Bank. Interest expense of

EUR 14 million was recognised on these subordinated liabilities during the year 2008 (2007: EUR 16 million).

The Subordinated liabilities reflect 9 transactions (2007: 10 transactions), of which the largest three have a size of EUR 189 million (2007: EUR 197 million).

18 Subordinated liabilities (designated at Fair Value through Profit or Loss)

IN EUR MILLIONS	2008	2007
Subordinated loans qualifying as Tier-1 capital	225	219
Other subordinated loans	242	278
	467	497

THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS ANALYSED AS FOLLOWS:

One year or less	51	10
Longer than one year but not longer than five years	-	49
Longer than five years but not longer than ten years	113	137
Longer than ten years	303	301
	467	497

All of the above loans are subordinated to other liabilities of NIBC. EUR 225 million (2007: EUR 219 million) qualifying as Tier-1 capital for NIBC is subordinated to other subordinated loans that rank pari passu. These securities are perpetual securities and may be redeemed by NIBC at its option after 10 years with the prior approval of the Dutch Central Bank.

Interest expense of EUR 26 million was recognised on these subordinated liabilities during the year 2008 (2007: EUR 28 million).

The Subordinated liabilities reflect 11 transactions (2007: 11 transactions), of which the largest three have a size of EUR 277 million (2007: EUR 276 million).

19 Shareholders' equity

The parent company is NIBC Holding N.V., a company incorporated in the Netherlands.

Share capital

IN EUR MILLIONS	2008	2007
Paid-up capital	80	80
	80	80

	2008	2007
--	------	------

THE NUMBER OF AUTHORISED SHARES IS SPECIFIED AS FOLLOWS:

Number of authorised shares ¹	218,937,500	218,937,500
Number of shares issued and fully paid ²	62,586,794	62,586,794
Par value per A-share	1.28	1.28
Par value per preferent share	1.00	1.00

1. Authorised capital amounts to EUR 250 million and is divided into 110,937,500 A-shares of EUR 1.28 nominal value and 108,000,000 preference shares of EUR 1.00 nominal value.

2. The shares issued and fully paid consists of A-shares.

Other reserves

IN EUR MILLIONS	2008	2007
Share premium	238	238
Hedging reserve - cash flow hedges	75	35
Revaluation reserve - loans and receivables	(64)	(49)
Revaluation reserve - equity investments	15	51
Revaluation reserve - debt securities	(18)	(6)
Revaluation reserve - property, plant and equipment	28	27
	274	296

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserve	Total
BALANCE AT 1 JANUARY 2007	238	46	186	470
Net result on cash flow hedging instruments	-	(11)	-	(11)
Revaluation loans and receivables (net of tax)	-	-	(117)	(117)
Revaluation equity investments (net of tax)	-	-	(41)	(41)
Revaluation debt securities (net of tax)	-	-	(6)	(6)
Revaluation property, plant and equipment (net of tax)	-	-	1	1
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY	-	(11)	(163)	(174)
BALANCE AT 31 DECEMBER 2007	238	35	23	296
BALANCE AT 1 JANUARY 2008	238	35	23	296
Net result on cash flow hedging instruments	-	40	-	40
Revaluation loans and receivables (net of tax)	-	-	(14)	(14)
Revaluation equity investments (net of tax)	-	-	(36)	(36)
Revaluation debt securities (net of tax)	-	-	(12)	(12)
Revaluation property, plant and equipment (net of tax)	-	-	-	-
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY	-	40	(62)	(22)
BALANCE AT 31 DECEMBER 2008	238	75	(39)	274

If NIBC had not reclassified financial assets during the current period, fair value losses recognised for year 2008 in profit or loss, and losses recognised in the revaluation reserve in Shareholders' equity would have amounted to EUR 117 million after tax and EUR 220 million after tax respectively. Impairment charges would have amounted to nil for these assets that were classified out of Available for Sale into Loans and Receivables. In addition, NIBC would have recognised interest income out of Available for Sale assets for the amount of EUR 8 million. For more information see note 46 of the Consolidated Financial Statements.

Information on NIBC's solvency ratios is include in the Risk Management section of this Annual Report.

At 31 December 2008, Retained earnings and Net profit attributable to parent shareholders include unrealised fair value changes on Residential mortgages (own book and securitised), on certain non-listed trading assets, on derivatives related to Residential mortgages (own book and securitised) and to these non-listed trading assets, on associates designated as Fair Value through Profit or Loss and on liabilities designated as Fair Value through Profit or Loss. With respect to unrealised fair value gains arising on these instruments, a legal reserve has been established of EUR 101 million (2007: EUR 157 million), that is included in Other reserves. At the balance sheet date, for associates accounted for based on the net equity method, a further legal reserve has been established of EUR 1 million (2007: EUR 1 million), which is included in Other reserves. At the balance sheet date, the legal reserve for currency translation differences are nil for both 2008 and 2007.

Including the Revaluation and Hedging reserves displayed in note 46 of the Consolidated Financial Statements, total legal reserves at

31 December 2008 amount to EUR 144 million (2007: EUR 234 million).

20 Repurchase and resale agreements

During 2008, NIBC transacted several repo transactions with third parties, in which notes amounting to a notional of EUR 1,964 million were transferred from NIBC to third parties in exchange for EUR 1,667 million in cash for periods ranging from one month up to three years.

During 2008, NIBC transacted several reverse repo transactions with third parties, in which notes amounting to a notional of EUR 53 million were transferred to NIBC from third parties in exchange for EUR 40 million in deposit for periods ranging from four months up to one year.

21 Commitments and contingent assets & liabilities

At any time, NIBC has outstanding commitments to extend credit. Outstanding offers for loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months. Commitments extended to customers related to mortgages at fixed interest rates or fixed spreads are hedged with interest rate swaps recorded at fair value. These commitments are designated upon initial recognition as Fair Value through Profit or Loss.

NIBC provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed

limits and generally extend for a period up to five years. Expirations are not concentrated in any period.

The contractual amounts of commitments (excluding mortgages commitments, which are measured at Fair Value through Profit or Loss) and contingent liabilities are set out in the following table by category. In the table, it is assumed that amounts are fully advanced. The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

IN EUR MILLIONS	2008	2007
CONTRACT AMOUNT:		
Undrawn facilities	775	1,964
Guarantees and letters of credit	1,284	1,666
	2,059	3,630

The item includes EUR 1,000 million (2007: EUR 1,000 million) in respect of guarantees to group companies.

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

Details of concentrations of credit risk including concentrations of credit risk arising from commitments and contingent liabilities as well as NIBC's policies for collateral for loans are set out in the Risk Management paragraph.

Guarantees within the meaning of Section 403, Book 2, of the Netherlands Civil Code have been given on behalf of De Nationale Maatschappij voor Industriële Financieringen B.V., Parnib Holding N.V. and B.V. NIBC Mortgage Backed Assets. A complete list of the companies on behalf of which NIBC has given guarantees within the meaning of Section 403, Book 2, of the Netherlands Civil Code has been filed with the Chamber of Commerce in The Hague. Declaration of joint and several liability has also been made to the respective monetary authorities of DNI Inter Asset Bank N.V. and NIBC Bank Ltd.

NIBC Bank N.V. is, together with other group companies and participating interests, a member of one fiscal entity NIBC Holding N.V.. Besides NIBC Bank N.V. and NIBC Holding N.V., the principal other members are B.V. NIBC Mortgage Backed Assets, Parnib Holding N.V., Vredzicht 's-Gravenhage 110 B.V. and NIBC Principal Investments Mezzanine B.V..

22 Assets pledged as security

IN EUR MILLIONS	2008	2007
ASSETS HAVE BEEN PLEDGED AS SECURITY IN RESPECT OF THE FOLLOWING LIABILITIES AND CONTINGENT LIABILITIES:		
LIABILITIES		
Due to other banks	4,114	2,058
Debt securities in issue related to securitised loans and mortgages	5,835	7,214
Derivative financial liabilities	1,000	494
	10,949	9,766

IN EUR MILLIONS	2008	2007
DETAILS OF THE CARRYING AMOUNTS OF ASSETS PLEDGED AS COLLATERAL ARE AS FOLLOWS:		
ASSETS PLEDGED		
Assets utilised as collateral	4,559	2,058
Cash	1,000	494
Securitised loans and mortgages	5,880	6,994
	11,439	9,546

As part of NIBC's funding and credit risk mitigation activities, the cash flows of selected financial assets are transferred or pledged to third parties. Furthermore, NIBC pledges assets as collateral for derivative transactions. Substantially all financial assets included in these transactions are residential mortgages, other loan portfolios, debt investments and cash collateral. The extent of NIBC's continuing involvement in these financial assets varies by transaction.

With respect to assets utilised as collateral, the total portfolio eligible for use to collateralise funding was EUR 5.9 billion (2007: EUR 4.9 billion).

As of 31 December 2008, the excess cash liquidity of NIBC was EUR 1.1 billion (2007: EUR 1.8 billion), consisting of EUR 1.0 billion (2007: EUR 0.9 billion) cash placed with the Dutch Central Bank and EUR 0.1 billion (2007: EUR 0.9 billion) placed overnight with other banks.

23 Assets under management

NIBC provides collateral management services, whereby it holds and manages assets or invests funds received in various financial instruments on behalf of the customer. NIBC receives fee income for providing these services. Assets under management are not recognised in the Consolidated Balance Sheet. NIBC is not exposed

to any credit risk relating to such placements, as it does not guarantee these investments.

At 31 December 2008, the total assets held by NIBC on behalf of customers were EUR 2,520 million (2007: EUR 3,346 million).

24 Related party transactions

For a specification of the related party transactions, please refer to note 52 of the Consolidated Financial Statements.

In addition, as at 15 December 2008, a mortgage loan to an amount of EUR 53 million was given

by NIBC to Vredezicht C.V. relating to the financing of the take-over of the premises in use by NIBC from Exploitatiemaatschappij Burgemeester Patijnlaan B.V. and NIBC Offices N.V. (both subsidiaries of NIBC).

25 Principal subsidiaries, joint ventures and associates

For a specification of the principal subsidiaries, joint ventures and associates, please refer to note 54 of the Consolidated Financial Statements.

26 Financial Risk Management

Please refer to note 56 to 59 of the Consolidated Financial Statements, for NIBC's Risk management policies.

27 Number of employees

On a Full Time Equivalent basis, the average number of employees was 650 (2007: 684).

28 Remuneration

For the remuneration of the Statutory Board and Supervisory Board we refer to note 55 of the Consolidated Financial Statements.

At 31 December 2008 and 31 December 2007 there are no receivables outstanding with members of the Statutory Board.

29 Profit Appropriation

The profit appropriation is included in the Other Information.

The Hague, 8 April 2009

Managing Board

Jeroen Drost, *Chairman, Chief Executive Officer*
Jan van Nieuwenhuizen, *Vice-Chairman*
Kees van Dijkhuizen, *Chief Financial Officer*
Jan Sijbrand, *Chief Risk Officer*

Supervisory Board

Mr. J. H. M. Lindenbergh, *Chairman*
Mr. C.H. van Dalen
Mr. W.M. van den Goorbergh
Mr. N.W. Hoek
Mr. A. de Jong
Mr. D. Rümker
Mr. R.S. Sinha
Mr. A.H.A. Veenhof

Table of contents



Other Information

Auditor's Report	270
Profit Appropriation	272
Articles of Association	273
Investor Relations	278
Principal Subsidiaries and Offices	279
Key Figures	280



Auditor's Report



To the General Meeting of Shareholders of
NIBC Bank N.V.

**PricewaterhouseCoopers
Accountants N.V.**
Fascinatio Boulevard 350
3065 WB Rotterdam
P.O. Box 8800
3009 AV Rotterdam
The Netherlands
Telephone +31 (10) 407 55 00
Facsimile +31 (10) 456 43 33
www.pwc.com/nl

Auditor's report

Report on the financial statements

We have audited the accompanying 2008 financial statements of NIBC Bank N.V. (the 'Company'), The Hague as set out on pages 85 to 268. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company income statement for the year then ended and the notes.

The managing board's responsibility

The managing board of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Managing Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

JS/e0109774/av

PricewaterhouseCoopers is the trade name of among others the following companies: PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287) and PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289). The services rendered by these companies are governed by General Terms & Conditions, which include provisions regarding our liability. These General Terms & Conditions are filed with the Amsterdam Chamber of Commerce and can also be viewed at www.pwc.com/nl.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the managing board, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of the Company as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5f of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Managing Board is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 8 April 2009

PricewaterhouseCoopers Accountants N.V.

Originally signed by J.A.M. Stael RA

Profit Appropriation

List of Principal Participating Interests of NIBC Bank N.V.

Parnib Holding N.V., The Hague	100%
SR-Hypotheken N.V., Rotterdam	50%
NIBC Foreign Debt Fund XIII B.V., The Hague	100%
Counting House B.V., The Hague	100%
B.V. NIBC Mortgage Backed Assets, The Hague	100%
NIBC Bank Ltd, Singapore	100%
Vredeszicht 's-Gravenhage 110 B.V., The Hague	100%
NIBC Principal Investments B.V., The Hague	100%
GRW Reinfurt GmbH	100%
NIBusker Holding B.V.	75%

Profit appropriation

IN EUR MILLIONS	2008
Profit available for shareholders' distribution	92
PROFIT AVAILABLE FOR SHAREHOLDERS' DISTRIBUTION	92

IN EUR MILLIONS	2008
Transferred to retained earnings	92
TRANSFERRED TO RETAINED EARNINGS	92

Subsequent events

On 10 February 2009 NIBC issued a three-year senior unsecured bond of EUR 1.5 billion under the Dutch State's Credit Guarantee Scheme.

On 30 March 2009 NIBC issued a five-year senior

unsecured bond of EUR 1.5 billion under the Dutch State's Credit Guarantee Scheme. Both bonds were issued under NIBC's European Medium Term Note programme.

Articles of Association

Profit Distribution - Article 45

- 1 Distribution of profits pursuant to this Article shall be made following the adoption of the annual accounts evidencing that such distribution is allowed.
- 2 The General Meeting resolves whether dividends shall be paid on the preference shares of the series B through E. If the General Meeting resolves to pay dividends on the preference shares of the series B through E then, to the extent possible, the dividend due to each of them shall be paid to the holders of preference shares series B through E.
- 3a The dividend - expressed as a percentage of the nominal amount paid up on each share of the series of preference shares B1 through B12, C1 through C12 and D1 through D12, increased with the share premium paid on each share of this series - to which each holder of preference shares of a series is entitled is equal to the percentage meant in sub b. hereof.
- 3b The percentage of the dividend for the preference shares B, C and D of a particular series is, as determined by the Board of Managing Directors for such particular series, equal to:
 - I a fixed percentage which may be linked to a specific fixed interest rate (or an average thereof) with or without an increase or reduction;
 - II a floating percentage linked to a specific floating interest rate (benchmark) with or without an increase or reduction; or
 - III a combination of (i) and (ii), which percentage, including the applicable increase or reduction, if any, at the moment of the determination thereof, for the series preference shares B, C, and D set out below, between:
 - B1: three and four percent (3-4%);
 - B2: three and a half to four and a half percent (3.5-4.5%);
 - B3: four and five percent (4-5%);
 - B4: four and a half to five and a half percent (4.5-5.5%);
 - B5: five and six percent (5-6%);
 - B6: five and a half to six and a half percent (5.5-6.5%);
 - B7: six and seven percent (6-7%);
 - B8: six and a half to seven and a half percent (6.5-7.5%);
 - B9: seven and eight percent (7-8%);
 - B10: seven and a half to eight and a half percent (7.5-8.5%);
 - B11: eight to nine percent (8-9%);
 - B12: eight and a half to nine and a half percent (8.5-9.5%);
 - C1: three and four percent (3-4%);
 - C2: three and a half to four and a half percent (3.5-4.5%);
 - C3: four and five percent (4-5%);
 - C4: four and a half to five and a half percent (4.5-5.5%);
 - C5: five and six percent (5-6%);
 - C6: five and a half to six and a half percent (5.5-6.5%);
 - C7: six and seven percent (6-7%);
 - C8: six and a half to seven and a half percent (6.5-7.5%);
 - C9: seven and eight percent (7-8%);
 - C10: seven and a half to eight and a half percent (7.5-.8.5%);

- C11: eight and nine percent (8-9%);
- C12: eight and a half to nine and a half percent (8.5-9.5%);
- D1: three and four percent (34%);
- D2: three and a half to four and a half percent (3.5-4.5%);
- D3: four and five percent (4-5%);
- D4: four and a half to five and a half percent (4.5-5.5%);
- D5: five and six percent (5-6%);
- D6: five and a half to six and a half percent (5.5-6.5%);
- D7: six and seven percent (6-7%);
- D8: six and a half to seven and a half percent (6.5-7.5%);
- D9: seven and eight percent (7-8%);
- D10: seven and a half to eight and a half percent (7.5-8.5%);
- D11: eight and nine percent (8-9%);
- D12: eight and a half to nine and a half percent (8.5%-9.5%).

3c The fixed or floating interest rate as well as the increase or reduction meant in b. are determined by the Board of Managing Directors in relation to prevailing market conditions. The fixed or floating interest rate, as applicable, must be an interest rate which is commonly used in the market, determined every working day and published on Reuters, Bloomberg and/or Telerate or otherwise easily verifiable for shareholders of the Company, The interest rate and the increase or reduction may differ per series of preference shares B, C and D.

4a The dividend - expressed as a percentage of the nominal amount paid up on each share of preference shares E in United States Dollars increased by the share premium paid on each share E in United States Dollars - which accrues to each holder of preference shares of series E is a percentage related to the United States Dollar interest swap for a period as described hereafter (the 'Fixed Dividend Period') in this sub clause, calculated and established in the manner as described hereafter in this sub clause, without prejudice to the provisions of E below.

4b For each of the series of preference shares E below the Fixed Dividend Period is the period as: mentioned next to the relevant series:

- I Series E1 and E7: ten years;
- II Series E2 and E8: eleven years;
- III Series E3 and E9: twelve years;
- IV Series E4 and E10: thirteen years;
- V Series E5 and E11: fourteen years; and
- VI Series E6 and E12: fifteen years,

whereby the Fixed Dividend Period for the preference shares of a series E ('Tier-1 Preference Shares E') shall be reduced if such preference shares are issued upon conversion of notes which the Dutch Central Bank regards as forming part of the Tier-1 capital of the Company ('Tier-1 Notes') - in that case the Fixed Dividend Period shall be the period remaining after deduction of

- a the period during which the Tier-1 Notes, failing conversion or redemption or a similar event, would have carried a fixed rate interest according to their terms;
- b the period from date of issue of the Tier-1 Notes until date of conversion of the Tier-1 Notes into Tier-1 Preference Shares E.

4c The calculation of the dividend percentage for preference shares E (other than Tier-1 Preference Shares E) of a series is done by taking the rate of the dollar denominated interest swap as published on Bloomberg page(s) IRSB «GO», 18«GO», page 1, under column ASK (the 'Bloomberg Rate'),

for the relevant period, at eleven hundred hours (11.00 am) London time, two London banking days (as described hereafter) before the day of first issuance of the preference shares E of the relevant series or the day when the dividend percentage is adapted or the latest time preceding the time of eleven hundred hours (11.00 am), or the Bloomberg page(s) replacing the page(s) mentioned and whereby the dividend percentage shall be equal to this relevant rate, increased or decreased by an adjustment amount of not more than three hundred (300) basis points (3%), depending on the then current market situation, by means of a resolution of the Board of Managing Directors with the approval of the Board of Supervisory Directors, whereby the adjustment amount may differ from one series to another. The calculation of the dividend percentage for Tier-1 Preference Shares E of a series is done by taking the Bloomberg Rate, for the relevant period, at eleven hundred hours (11.00 am) London time, two London banking days (as described hereafter) before the day of issuance of the relevant Tier-1 Notes (which are converted into the relevant Tier-1 Preference Shares E) or the day when the dividend percentage is adapted or the latest time preceding the time of eleven hundred hours (11.00 am), or the Bloomberg page(s) replacing the page(s) mentioned, and whereby the dividend percentage shall be equal to this relevant rate, increased or decreased by an adjustment amount of not more than three hundred (300) basis points (3%), depending on the then current market situation, by means of a resolution of the Board of Managing Directors with the approval of the Board of Supervisory Directors, whereby the adjustment amount may differ from one series to another.

For the application of the above a London banking day is each day on which transactions are cleared in United States Dollars in the interbank London market. For the calculation of the dividend to be paid in respect of a certain period of time the annual dividend basis shall be multiplied by a fraction of which the numerator is the number of days in the relevant period (whereby every past month is counted as thirty (30) days) and the denominator is three hundred sixty (360).

- 4d** For the first time on the last day of the Fixed Dividend Period, for preference shares E other than Tier-1 Preference Shares E, respectively, for Tier-1 Preference Shares E, for the first time on the latest date on which the interest rate was amended pursuant to the terms and conditions of the relevant Tier-1 Notes (which are converted into the relevant Tier-1 Preference Shares E), and thereafter (for all preference shares E) each three months thereafter (a 'Dividend Reset Date'), the dividend percentage of all preference shares E of the relevant series will be adapted to the rate for United States Dollar deposits with a three month maturity, as published on the DOW Jones Money line Telerate Service page 3750 (the 'Telerate LIBOR Page') at eleven hundred hours (11.00 am) London time, two London banking days before a Dividend Reset Date, and whereby the rate may be increased or decreased by an adjustment amount of not more than three hundred (300) basis points (3%), depending on the then current market situation, by means of a resolution of the Board of Managing Directors with the approval of the Board of Supervisory Directors, whereby the adjustment amount may differ from one series to another. LIBOR means London Interbank Offered Rate. If as a result of the rate not being available on this page of the Telerate LIBOR page no dividend percentage can be set in accordance with the preceding sentences, the rate will be established on the basis of the rate for deposits in United States Dollars as offered by Merrill Lynch International, Goldman Sachs International, Deutsche Bank AG London and J.P. Morgan Securities Ltd, (the 'Reference Banks') at eleven hundred hours (11.00 am) London time, two London banking days before a Dividend Reset Date and for an amount equal to the nominal amount of the relevant series of preference shares E increased with the amount paid up on these shares as share premium. A request will be made to the main office of the Reference Banks to indicate the rate. If at least two of such rates are being

provided, the rate for the relevant Dividend Reset Date shall be the arithmetic mean of those rates. If less than two such rates are being provided, the rate for the relevant Dividend Reset Date will be the arithmetic mean of the rates provided by Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co, Deutsche Bank Securities Inc and JP Morgan Securities Inc, at eleven hundred hours (11.00 am) New York City time, United States of America, at the relevant Dividend Reset Date for United States Dollar loans to prominent European banks for a period of three months starting on the day of the relevant Dividend Reset Date and for an amount equal to the nominal value of the relevant series of preference shares E increased by the share premium amount paid on the shares. In case one or more of the Reference Banks has:

- I transferred offering of such rates to another financial institution then this financial institution will take the place of the bank which has transferred these activities; or
- II stopped providing such rates, then one of the following banks will take the place of this bank which has stopped these activities, in the following order:
 - 1 ABN Amro Bank. N.V.;
 - 2 Lehman Brothers International (Europe);
 - 3 Bear, Stearns International Limited;
 - 4 Citigroup Global Markets Limited;
 - 5 Barclays Bank Plc;
 - 6 UBS Limited;
 - 7 Morgan Stanley & Co International Limited;
 - 8 Nomura International Plc;
 - 9 BNP Paris; and
 - 10 Credit Suisse First Boston (Europe) Limited.

The rate referenced in the preceding sentences may be increased or decreased as referenced at the end of the first sentence of this paragraph d. For the calculation of the dividend to be paid in respect of a certain period of time the annual dividend basis shall be multiplied by a fraction of which the numerator is the number of days in the relevant financial year and the denominator is three hundred sixty (360).

- 4e All payment of dividends on preference shares in series E1 through E6 shall be made without withholding tax or other levies, which are imposed by any part of Dutch authorities, unless such withholding is required by statute. In case such withholding is required by statute, the Company will make additional payments so that the holders of the preference shares of series E1 through E6 shall receive net amounts which are equal to the amounts they would have received if no taxes or levies had been withheld, taking into account the next sentence. The Board of Managing Directors may with the approval of the Board of Supervisory Directors resolve upon further conditions for making these additional payments.
- 5 The dividend to which each holder of preference shares of the series B through E is entitled is calculated on the basis of the number of days in respect of which the distribution is made.
- 6 If in any year the General Meeting determines that dividends will be distributed on the preference shares of the series B through E, but the profits do not or not completely permit the distributions as referred to in the preceding paragraphs, the amount permitted for the distribution shall be distributed to the holders of preference shares of the series B through E, in proportion to the amounts to which they are then entitled.
- 7 Of any amount which remains after application of the preceding provisions of this Article, the Board of Managing Directors will, with the approval of the Board of Supervisory Directors, reserve as much

as it deems necessary into the company reserves (statutair reservefond) or the free reserves, on the understanding that the Board of Managing Directors cannot in any year reserve into the company reserves, if in that year the General Meeting does not resolve to distribute or cannot distribute dividends on the preference shares of the series B through E. No distributions to shareholders can be made from the company reserves. To the extent profits are not being reserved in application of the preceding sub-clause, profits are at the disposal of the General Meeting for reservation into the free reserves or for distribution, on the understanding that:

- I distributions on shares not fully paid up shall be determined by having regard to the nominal amount paid up on such shares and
 - II the General Meeting cannot in any year resolve to distribute dividends on ordinary shares, if in that year it does not resolve to distribute or cannot distribute the full amount of dividends on the preference shares of the series B through E.
- 8 The Company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued and called up share capital and the reserves to be maintained pursuant to the law.
- 9 A loss may only be discharged against reserves to be maintained by law, to the extent the law allows such discharge.

Investor Relations

CORPORATE CALENDER

2009

Publication Q1 results 2009

19 May

Publication Q2 results 2009

18 August

Publication Q3 results 2009

18 November

Contact details

To receive press releases and other NIBC news, please subscribe to the email service by sending an email to info@nibc.com

Corporate Communications

<i>Address</i>	PO Box 380, 2501 BH The Hague
<i>Telephone</i>	+31 (0) 70 342 5625
<i>Fax</i>	+31 (0) 70 345 9129
<i>E-mail</i>	info@nibc.com
<i>Internet</i>	www.nibc.com

Investor Relations

<i>Address</i>	PO Box 380, 2501 BH The Hague
<i>Telephone</i>	+31 (0) 70 342 9824
<i>Fax</i>	+31 (0) 70 342 5205
<i>E-mail</i>	info@nibc.com
<i>Internet</i>	www.nibc.com

Sources of information

You can find out more about NIBC from the sources shown below.

<i>Annual Reports</i>	These reports are available in English.
<i>Quarterly Results Releases</i>	These releases are available in English and Dutch.
<i>How to order reports</i>	The above-mentioned publications can be downloaded from www.nibc.com Where available, printed copies can be ordered by email: info@nibc.com

Information tools for investors and analysts

<i>Website</i>	Our website at www.nibc.com offers a wide range of information about NIBC, financial information, corporate information, corporate calendar and press releases. The information on the website is available in English.
<i>Results presentations</i>	Senior management presents NIBC's annual and half-year results. These presentations can be downloaded at www.nibc.com

Principal Subsidiaries and Offices

The Netherlands

NIBC Holding N.V.

Carnegieplein 4
2517 KJ The Hague, the Netherlands
P.O. Box 380
2501 BH The Hague, the Netherlands
Telephone + 31 70 342 5425
Fax + 31 70 365 1071

The Netherlands

NIBC Bank N.V.

Carnegieplein 4
2517 KJ The Hague, the Netherlands
P.O. Box 380
2501 BH The Hague, the Netherlands
Telephone + 31 70 342 5425
Fax + 31 70 365 1071

Belgium

NIBC Bank N.V.

Wetenschapsstraat 41
1040 Brussels, Belgium
Telephone + 32 2 235 8800
Fax + 32 2 235 8809

United Kingdom

NIBC Bank N.V.

7 Bishopsgate
London EC2N 3BX, United Kingdom
Telephone + 44 207 375 7777
Fax + 44 207 588 6483

Singapore

NIBC Bank Ltd

1 Finlayson Green # 15-01
Singapore 049246
Republic of Singapore
Telephone + 65 6 538 0736
Fax + 65 6 538 2510

Germany

NIBC Bank N.V.

Main Tower, Neue Mainzer Strasse 52
D-60311 Frankfurt am Main, Germany
Telephone + 49 69 5050 6550
Fax + 49 69 5050 2183

USA

NIBC Credit Management, Inc.¹

527 Madison Avenue, 8th floor
New York, NY 10022
USA
Telephone + 1 212 461 6400
Fax + 1 212 461 6498

1. Subsidiary of NIBC Holding N.V.

Annual report 2008

Concept, design and production

Dart | Brand guidance & Design, Amsterdam, the Netherlands

Photography Managing Board

Gabriela Hengeveld, Amsterdam, the Netherlands

Text contribution

Stampa Communications, Amsterdam, the Netherlands

Printing

Albani, The Hague, the Netherlands

Binding

Combi Bind, Benthuisen, the Netherlands

NIBC Bank N.V.

Carnegieplein 4
2517 KJ The Hague
the Netherlands

www.nibc.com

Presentation of information

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Cautionary statement regarding forward-looking statements

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

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Key Figures NIBC Bank

IN EUR MILLIONS	2008	2007	2006
CONSOLIDATED BALANCE SHEET			
Shareholders' equity	1,638	1,558	1,740
Group capital base	2,334	2,291	2,428
Corporate loans	8,069	8,970	8,043
Residential mortgages (own book)	6,201	5,285	4,438
Balance sheet total	28,937	31,809	32,474
CONSOLIDATED INCOME STATEMENT			
Operating income	337	474	482
Operating expenses	181	211	199
Profit after tax from continuing operations	93	242	233
Net profit attributable to parent shareholders	92	98	243
SOLVENCY INFORMATION			
Risk weighted assets (EUR billions)	11.5	15.4	14.8
Tier-1 ratio	16.6%	12.0%	12.3%
BIS ratio	18.9%	13.8%	13.3%
Capital ratio (shareholders' equity/total assets)	5.7%	4.9%	5.4%
EARNINGS RATIOS			
Return on net asset value	6%	17%	17%
Efficiency ratio	54%	45%	41%
(Dividend) pay-out ratio	0%	87%	88%
OTHER INFORMATION			
Assets under management for third parties (EUR billions)	2.5	3.3	3.5
Number of FTEs end of year	625	703	693

Annual report 2008

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Photography Managing Board

Gabriela Hengeveld, Amsterdam, the Netherlands

Text contribution

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Carnegieplein 4
2517 KJ The Hague
the Netherlands
phone: +31 70 342 5425
fax: +31 70 365 1071

www.nibc.com

