NIBC ANNUAL REPORT 2009

the bank of choice

for decisive financial moments

NIBC

the bank of choice for decisive financial moments

Last year, we honed our mission and ambition to ensure they fully reflect our client-centred strategy. Our mission and ambition statements are our source of direction and the foundation on which to build our future.

NIBC's ambition is to be the enterprising bank. Crystal-clear answers to complex financial challenges. Spot-on solutions for defining moments. The top team for the task – every single time. Agile and always available.

Those individual elements of our ambition statement are illustrated on the special theme pages of this annual report. Each theme page shows how we put our ambition into practice: clients and bankers discuss behind-the-scenes details of deals we completed in 2009. And the X-ray images illustrate the transparency and clarity with which we work and communicate with all our stakeholders.

At a glance

Our profile

NIBC is the bank of choice for decisive financial moments. We develop tailor-made solutions that help our clients' businesses develop and grow. The spirit of enterprise inspires everything we do: we think as entrepreneurs and always go the extra mile for our clients as we use our expertise to help them chart their financial course.

We offer Merchant Banking in the Benelux and Germany through a combination of advice, financing and co-investment; and Specialised Finance in sectors such as shipping, oil & gas services, infrastructure & renewables and commercial real estate. We put together a hand-picked cross-discipline team for every transaction.

We build long-term relationships with our clients – corporations, financial institutions, institutional investors, financial sponsors, family offices and entrepreneurial investors. Headquartered in The Hague, we also have offices in Brussels, Frankfurt, London, Singapore and New York.

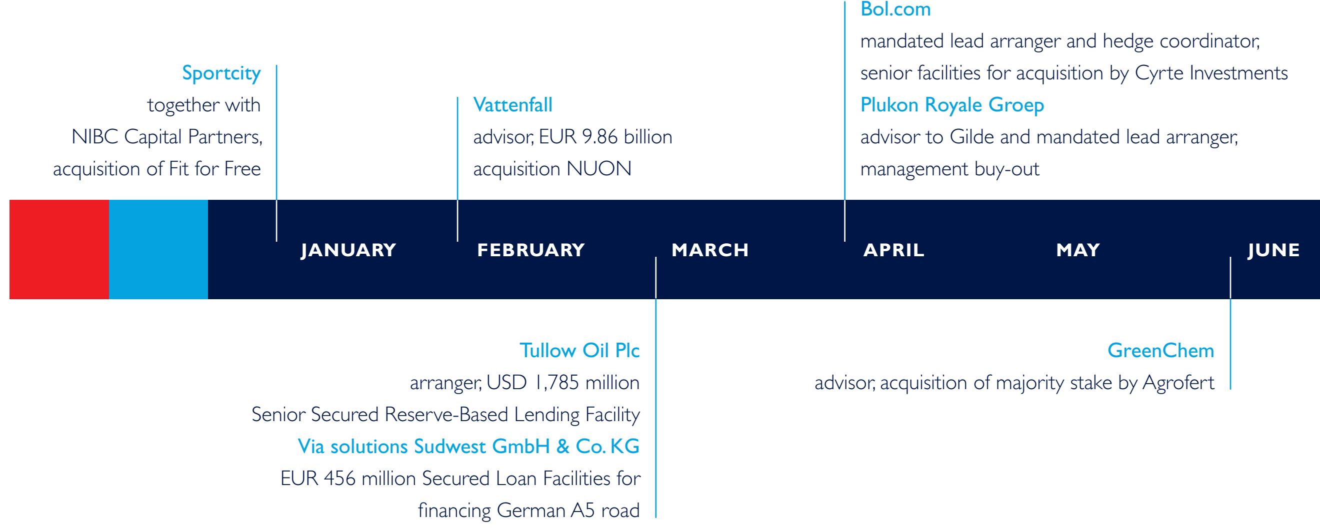
Our history

Ever since our foundation 65 years ago, our strengths have been in our credit skills, especially in long-term asset finance; our strong client franchise; our investment management capabilities; and our high-quality people and their entrepreneurial spirit.

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 being an enterprising bank offering advisory services, financing and co-investing.

In 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. The brand name was subsequently changed to NIBC.

Selected deals 2009



Key figures

IN EUR MILLIONS	2009	2008
Operating income	321	337
Operating expenses	154	181
Net profit attributable to parent shareholder	44	92
Tier-I ratio	16.2%	16.6%
BIS ratio	18.4%	18.9%
Shareholder's equity	1,696	1,638
Balance sheet total (in EUR billions)	29,189	28,937
Risk weighted assets (in EUR billions)	11.8	11.5
Efficiency ratio	48%	54%
Return on net asset value (after tax)	3%	6%
Number of FTEs	644	625

Our strategy

In recent years, we have sharpened our strategy to concentrate on long-term relationships of trust with our clients, providing them with clear and sustainable solutions in a complex world. NIBC has been successfully transformed into a more traditional bank with a strong client focus.

The services we deliver build on our core competencies, and are organised around our two strategic pillars, Merchant Banking and Specialised Finance. This streamlined structure enables us to focus on our clients and concentrate on what we are good at.

Our people have always been our most important asset. We are proud to select and work with the best people, who exhibit the same entrepreneurial spirit as our clients. We focus on building close partnerships with our clients and other stakeholders so we can harness all our talent and knowledge to achieve our goals.

Our strategic priorities for the coming years are threefold: client focus; sustainable profitability; and a strong solvency and liquidity position.

JULY

Kogas
mandated lead arranger, USD 481.6 million term loan facilities for the refinancing of three LNG carriers on long-term COA to Korea Gas corporation

AUGUST

FrieslandCampina
lead arranger, EUR 1 billion revolving credit facility

SEPTEMBER

Vroon
mandated lead arranger, USD 120 million senior secured pre- and post-delivery facility

BAM
mandated lead arranger, EUR 130 million secured loan facility for financing Federal Parliament Brandenburg

OCTOBER

Super de Boer
advisor, acquisition by Jumbo

Porsche
(sole) mandated lead arranger, structured funding transaction

NOVEMBER

Queiroz Galvao
mandated lead arranger, senior secured loan facility of USD 220 million for semi-submersible drilling Rig 'Alaskan Star'

SBM Offshore
sole bookrunner, coordinator and mandated lead arranger, USD 200 million term loan FPSO Capixaba

DECEMBER

Colonne
arranger and structurer, acquisition finance telecom masts

Consortium of private investors
advisor, EUR 376 million acquisition of Dutch office portfolio from ING Real Estate

Jumbo
mandated lead arranger, EUR 700 million senior facilities for acquisition of Super de Boer

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Letter from the CEO

For NIBC, 2009 was all about sharpening the focus on our clients. In a year that saw the crisis subside somewhat, we saw business activity begin a cautious revival. Client business picked up pace as the year progressed: corporate credit drawn in the second half of 2009 was three times higher than in the first half.

Sustainable business can only be achieved by building long-term relationships with clients. Enhancing our client focus was NIBC's top priority in 2009. It found expression in initiatives such as refining our mission, ambition and positioning, creating a coordinated multi-product approach in order to service our clients better, and boosting our Managing Board with high-calibre new members.

To help us further improve our client service, we carried out an internal and external perception study last summer and launched an intensive six-week internal review in the autumn. We maintained the momentum when that project ended: many of its recommendations have already been implemented across the bank.

The second half 2009 profit of EUR 29 million, was up 93% compared with the profit in the first half of the year. All in all, we realised four profitable quarters in 2009. On a yearly basis profit decreased from EUR 92 million to EUR 44 million, whereby the profit of 2008 was more than fully realised in the (pre-Lehman) first half of 2008.

We put our liquidity to work for our clients in a diverse range of major transactions across our sectors, disciplines and geographies. For some deals, such as loans to shipping company Vroon Group and to retailer Jumbo for its acquisition of Super de Boer, we used the Dutch government's 'Garantie Ondernemingsfinanciering' facility, aimed at stimulating lending to Dutch companies.

"We like to be seen as the bank that is transparent and accessible. A bank that can provide clear and sustainable solutions to our clients."

A bank has little to offer clients without liquidity, of course. To enable us to support our clients swiftly and effectively in the tough business environment, we focused strongly on ensuring ample liquidity. By raising liquidity we reduced our short-term profitability; but it was a price worth paying for long-term stability.

At the same time, we further diversified our funding base, maintained our high capitalisation and continued to emphasise operational efficiency and firm cost control.

We devoted significant effort last year to preparing to ensure compliance with the new Dutch Banking Code, a voluntary code of conduct

NIBC's Managing Board: Kees van Dijkhuizen, Rob ten Heggeler, Jeroen Drost, Jan Sijbrand, Jeroen van Hessen

to strengthen corporate governance that took effect on 1 January 2010. Revising our remuneration policy was part of this. We now have a sustainable remuneration policy that firmly supports our client-oriented strategy.

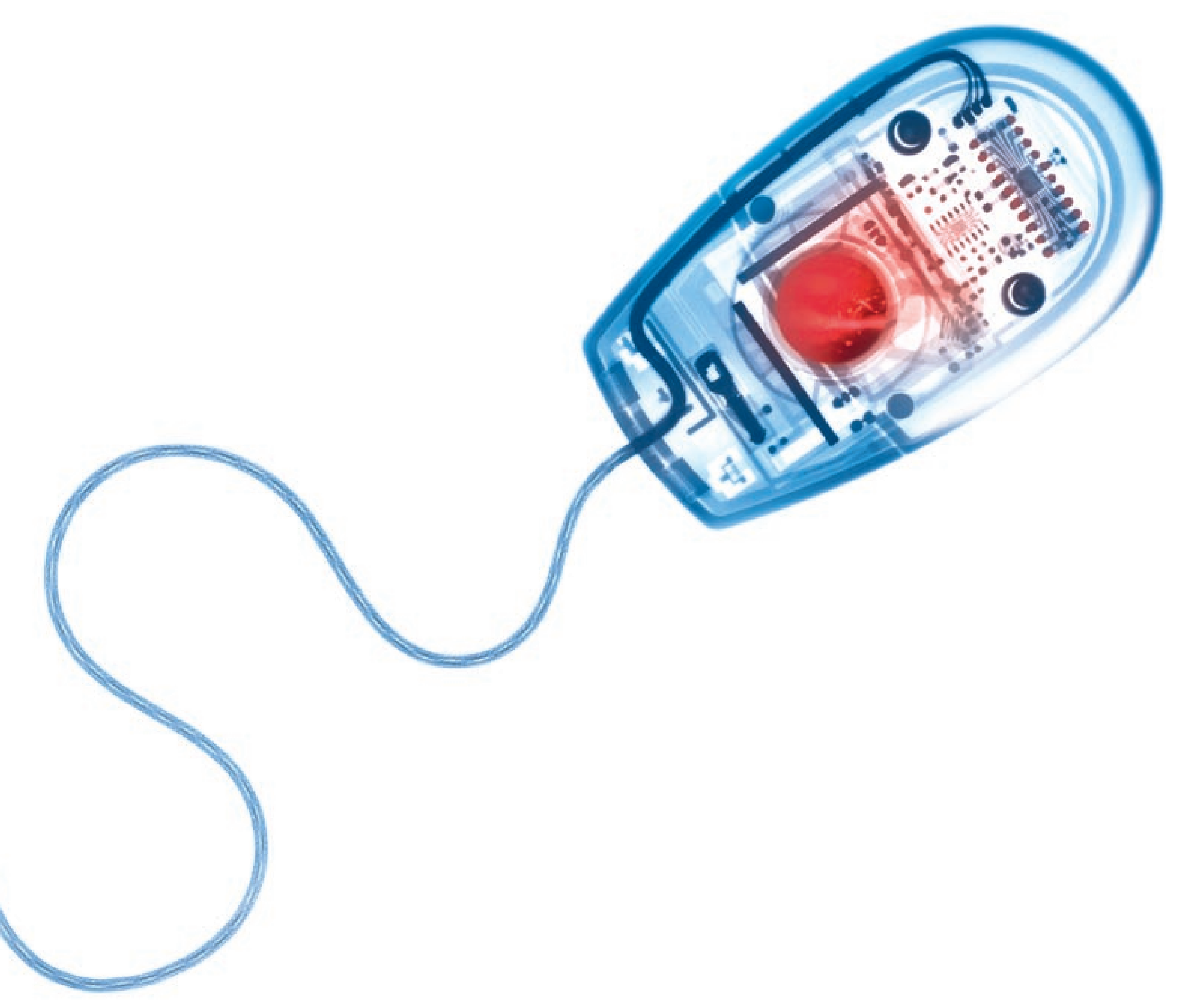
As always, nothing would have been possible without our motivated and talented employees. I extend my heartfelt thanks to them for their hard work in 2009. And I am delighted to have been able to welcome Rob ten Heggeler and Jeroen van Hessen, two highly experienced client-focused bankers, to our Managing Board last year.

NIBC celebrates its 65th anniversary this year – a fitting moment to reflect on how we have built on our strengths since our origins in 1945. We have successfully reshaped NIBC in recent years as a more traditional bank, sharpening our strategy to enhance client focus and winding up non client-related portfolios. NIBC is devoting ever increasing attention to corporate social responsibility. We enter 2010 with the basis, focus and momentum to be as successful as we can in an environment that remains unpredictable.

Now, more than ever, we are clearly focused on our core strengths and our mission: to be the bank of choice for decisive financial moments. Just as in the last 65 years, NIBC will be there for its clients in 2010 and beyond.

On behalf of the Managing Board,

The Hague, 8 March 2010
Jeroen Drost
Chief Executive Officer,
Chairman of the Managing Board



the enterprising bank

PORSCHE

With the financial crisis thwarting Porsche's attempts to acquire Volkswagen, many of its banks baulked at providing fresh finance. Not so NIBC: we stepped up with a structured loan that was tailor-made to the carmaker's needs, and adapted it as those requirements changed.

NIBC put itself in the client's shoes from the first meeting with Porsche. We took a can-do attitude to propose a novel solution as soon as we heard the client's complex financial challenge. That soon won us an advisory mandate, followed by an innovative asset-backed deal: a loan backed by a large number of lease contracts for Porsche Boxters, 911s, Cayennes and Panameras.

"For us, NIBC is a trustworthy business partner which always strives for solutions that are workable for both parties," says Konrad Riedl, CFO of Porsche Financial Services.

Crucially, we thought as entrepreneurs, looking ahead to see the opportunities or challenges of the proposed approach. During the process, Porsche came back to us three times with slightly changed wishes. Each time, we revised the deal structure to meet the client's evolved needs.

The successful transaction closed in October 2009. NIBC already has a pipeline of more work for Porsche, and is well placed to cooperate with the iconic sports car manufacturer's new owner – Volkswagen.

Client
Porsche Financial Services

Description
Leasing affiliate of sports car manufacturer Porsche

Sector	Automotive
Deal description	Loan backed by car lease contracts
Type of deal	Structured financing
Total deal size	Not disclosed
NIBC's role	Sole arranger
Deal closed in	October 2009

Vision, Mission and Strategy

Client focus is our guiding principle. We began sharpening that focus when we launched our two-pillar strategy in the summer of 2008, and have since steadily increased client-focused activities, concentrating on our core strengths.

Last year, we honed our mission and ambition to ensure they fully reflect our client-centred strategy. Our vision, mission and ambition statements are our source of direction and the foundation on which to build our future.

Vision, mission and ambition

Our vision

We believe clients want a long-term relationship of trust with their bank. In a complex world, they look for a bank that is transparent and accessible; a bank that can provide them with clear and sustainable solutions.

That is our perspective on the world in which we operate. It is the starting point for our mission and ambition.

Our mission

The bank of choice for decisive financial moments.

That is our mission – what we want to achieve in our marketplace.

Our ambition

The enterprising bank. Crystal-clear answers to complex financial challenges. Spot-on solutions for defining moments. The top team for the task – every single time. Agile and always available.

Those characteristics embody what we at NIBC want to be known for. Each element of our ambition encapsulates what sets us apart.

The five elements of our ambition

The enterprising bank

The spirit of enterprise inspires everything we do. As our clients tirelessly seek and grab opportunities, they want a trustworthy partner that speaks their language and sticks with them every step of the way. The spirit of enterprise inspires our can-do culture too: we think as entrepreneurs and always go the extra mile to help our clients reach their ambitious goals.

Crystal-clear answers to complex financial challenges

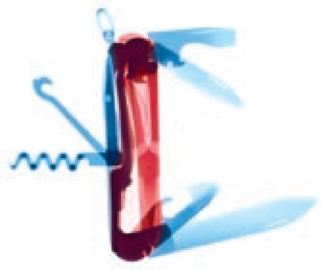
Enterprising companies often face complex financial issues. NIBC offers clearly structured, inventive solutions to help them develop and grow. We advise, finance and co-invest with our clients.

Spot-on solutions for defining moments

We build long-term relationships with our clients. We immerse ourselves in their market, their strategy, their ambitions and their dilemmas. We spring into action at moments critical to their development: times when only tailor-made solutions will do.

The top team for the task – every single time

We assemble cross-discipline teams for each of our clients. We work with each other as an integrated operation and with our clients as true partners. NIBC nurtures talented employees, giving them responsibility and room to grow. That makes us an attractive employer for ambitious high-flyers.



Agile and always available

We are open and accessible, always putting the client's needs first. Our lines of communication are short; we act fast and efficiently. We use our market knowledge to help clients chart their financial course. Our expert advice gives them a head start.

Our strategy

Back to the basis

Ever since our foundation in 1945, our strengths have been in our credit skills, especially in long-term asset finance; our strong client franchise; our investment management capabilities; and our high-quality people and their entrepreneurial spirit.

In recent years, we have sharpened our strategy to concentrate on long-term relationships of trust with our clients, providing them with clear and sustainable solutions in a complex world. NIBC has been successfully transformed into a more traditional bank with a strong client focus.

The services we deliver build on our core competencies, and are organised around our two strategic pillars, Merchant Banking and Specialised Finance. This streamlined structure enables us to focus on our clients and concentrate on what we are good at. Within our core competencies, we offer our clients a full range of services. This can vary from M&A advice to financing and investment management within the asset classes in which we are expert.

Our people are and always have been our most important asset. We are proud to select and work with the best people, who exhibit the same entrepreneurial spirit as our clients. Our people are the very basis of our success, giving our clients optimal advice and support. We focus on building close partnerships with our clients and other stakeholders so we can work in the best way possible, harnessing all our talent and knowledge to achieve our goals.

Strategic priorities

We have set out our strategic priorities for the coming years in order to fulfil our ambitions. These priorities are threefold: client focus; sustainable profitability; and strong solvency and liquidity.

1 Client focus

Our clients are our starting point, driving everything we do. We are a trustworthy banking partner and can act swiftly and resolutely at decisive moments for our clients.

We focus on our chosen sectors in order to best help our clients navigate complex issues and achieve their strategic ambitions. Our relatively modest size enables sector and product specialists to work closely together to develop tailor-made financial solutions that meet evolving client demands. In these turbulent times, we remain focused on the long-term.

NIBC's aim is always to provide clear, bespoke answers to financial challenges. Our focus and industry leadership in selected sectors allow us to excel for our clients. We are the bank of choice for decisive financial moments.

2 Sustainable profitability

We will create growth and returns for our shareholders while sufficiently controlling risks. We aim to grow our Corporate Loan portfolio and thus further build our stable base of interest income. We aim for a sufficient return with a moderate risk profile. Our performance cannot only be measured on the basis of economic and financial performance, but must also be gauged by our social and environmental contribution.

We will continue to optimise our risk profile by keeping a close watch on our Loan portfolio. A large part of our Loan portfolio comprises asset-based financing. We have reduced non client-related activities that we no longer regard as core.

We will maintain strict cost management. We have increased our organisation's efficiency, in the context of our sharpened strategy and enhanced focus, and to keep pace with the changed market circumstances. Costs decreased by 15% in 2009.

3 Strong solvency and liquidity

In order to serve our clients well, we need a solid funding position.

Financial institutions worldwide have seen their access to capital markets deteriorate rapidly since the credit crisis began. Diversification of funding has been an important part of our strategy since the beginning of 2008.

We took decisive steps to diversify our funding and ensure stable, transparent and tightly-controlled liquidity. A clear example of a new form of funding is the online retail savings programme NIBC Direct, where we had successfully raised EUR 3.7 billion by 31 December 2009.

Raising liquidity reduced our profitability in the short run, yet we felt this was a price worth paying for long-term stability.

Achieving and maintaining a rating appropriate to our position in the banking world is part of our long-term sustainable funding policy.

The credit crisis and economic downturn led to an increase in capital requirements for banks. Although NIBC's capital position was already above regulatory requirements, our shareholders contributed EUR 400 million in share capital in March 2008. We are strongly capitalised, with a Tier-1 ratio of 16.2% as per year-end 2009, well above the industry standard.

With our strong capitalisation and sound liquidity position, we can continue to deliver market-leading services and truly support our clients in the testing economic environment.

Report of the Managing Board

Last year defied many people's pessimistic predictions as the global financial crisis waned somewhat after intensifying in 2008. Macroeconomic indicators turned more positive in 2009 and business activity began a tentative revival.

With strong capitalisation and increased liquidity, *NIBC Bank N.V.* (**NIBC**) was well and truly open for business. By moving early to de-risk our portfolio back in 2007 and to raise extra capital from our shareholders in 2008, we had carved out an excellent capital position, which we maintained in 2009 (Tier-1 ratio of 16.2% at 31 December 2009).

Four profitable quarters enabled us to achieve a full-year net profit of EUR 44 million compared to EUR 92 million in 2008, whereby the profit of 2008 was more than fully realised in the (pre-Lehman) first half of 2008. Our sharpened client strategy paid off with a series of high-quality transactions.

We further diversified our funding, ensuring a robust base for years to come. We successfully introduced the online retail savings programme NIBC Direct in Germany in February 2009. NIBC Direct, launched in the Netherlands in 2008, now represents some 20% of total funding. In addition, we raised EUR 5 billion of funding in 2009 under the Dutch State's Credit Guarantee Scheme.

We applaud the steps the Dutch government took to help companies tackle the crisis, such as the *'Garantie Ondernemingsfinanciering'* (**GO facility**) we used to guarantee a loan to shipping company Vroon Group and financing for Jumbo's acquisition of fellow supermarket operator Super de Boer.

We put our capitalisation and liquidity to work where it mattered: doing transactions for our clients across our sectors, countries and disciplines. Though the weak economy reduced demand for credit, we saw business activity increase throughout the year. Our new corporate loan origination was three times higher in the second half of 2009 than in the first half, while we maintained a prudent approach to credit risk. However, the weak market conditions and phase of the economic cycle caused us to take EUR 59 million of impairments on our corporate loan book for the year.

Our liquidity buffer and higher funding costs dented our net interest income during 2009, though interest income began picking up again in the second half of the year and should increase further in 2010.

We maintained our focus on efficiency and managing operating expenses during 2009, with continued cost reductions and lower variable compensation. We are now growing the business again, and increased staff numbers from 625 to 644 last year. We were pleased to welcome Rob ten Heggeler and Jeroen van Hessen, two highly experienced bankers, to our Managing Board during 2009.

In the financial world as a whole, the crisis has triggered much activity on the corporate governance front. NIBC participated last year in the drafting of the Dutch Banking Code,

a voluntary code of conduct to strengthen corporate governance that was agreed by the Dutch Banking Association. While NIBC wholly supports the principles of the Dutch Corporate Governance Code as well as the Dutch Banking Code, and has made sure they are incorporated where relevant in our corporate governance policies, we have also ensured they are aligned with the practices prevailing in private equity-owned environments.

As we enter 2010, the fragile and unpredictable business environment continues to be a risk to NIBC. Though cost cuts have helped clients return to profitability, the recovery is unlikely to trace a straight upward line. Yet demand for credit is returning; and with our ample liquidity we will respond to that by supporting our clients with crystal-clear solutions.

Targets and performance in 2009

- **Growing the corporate loan book:** we increased new corporate loan origination, which accelerated in the second half of the year. New corporate loan production was three times higher in the second half of 2009 than in the first half;

- **Funding diversification and sound liquidity position:** we expanded NIBC Direct into Germany and grew it within the Netherlands and Germany to a level of EUR 3.7 billion by 31 December 2009. We raised an additional EUR 5 billion of funding under the Dutch State's Credit Guarantee Scheme;

- **Strong capitalisation:** we successfully maintained a strong Tier-1 ratio far above 10%, ending the year with our Tier-1 ratio at 16.2%. This, along with our core Tier-1 ratio of 13.6% and BIS ratio of 18.4%, is testimony to our healthy capital position;

- **Cost control:** we maintained our focus on operational efficiency and lowered costs further. Expenses fell by 15% from EUR 181 million in 2008 to EUR 154 million in 2009, though we are growing our business again and began hiring staff at the beginning of the year;

- **Credit risk control:** we maintained tight credit risk control, keeping a close watch over our credit portfolios. The economic dip caused substantial impairments, although the level of impairments on corporate loans fell significantly to EUR 18 million in the second half of 2009 from EUR 41 million in the first half;

- **Enhanced client focus:** we sharpened our client focus by embedding our two-pillar strategy and through initiatives such as an internal and external perception study. We conducted an intensive review to see how we can become even more client-focused in our products and services, and moved fast to implement its recommendations. To increase our focus on clients and market penetration, a Merchant Banking Advisory Board and non-executive vice-chairmen roles were initiated in early 2010, following the German Beirat initiative in 2009; and

- **Expansion in Germany:** we grew in Germany both in terms of client transactions and through the launch of NIBC Direct. We retain our aim of building Germany into a second home market. Ed Langendam, a banker with extensive experience in the German market, was appointed Country Manager Germany as successor to Jeroen van Hessen, who joined NIBC's Managing 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.

This streamlined structure enables us to concentrate on what we are good at.

Client teams deliver a wide range of customised products and integrated solutions to clients in all our Merchant Banking and Specialised Finance sectors, such as:

- Advisory services: M&A-related transactions, including mergers, acquisitions, disposals and buyouts; strategic advice for recapitalisation or financial restructurings; advice on access and distribution of debt and equity capital markets & products;
- Debt finance, leveraged finance, project and asset finance;
- Derivatives;
- Structured transactions via various risk transfer techniques;
- Growth capital via mezzanine and equity investments; and
- Investment funds that are open to third parties: funds have been developed in our areas of expertise, which are infrastructure, commercial real estate, private equity and mezzanine.

Merchant Banking

Through the Merchant Banking business, NIBC advises, finances, and co-invests with clients in the Benelux and Germany. We enable corporate clients, financial institutions, entrepreneurial investors and family offices to grow their business. Our sector experts share ideas and market knowledge on specific sectors for the benefit of our clients. We focus on the following sectors in the Benelux and Germany:

- Food, Agri & Retail;
- Technology, Media & Services; and
- Manufacturing, Automotive & Industrials.

Specialised Finance

Specialised Finance combines NIBC's expertise in specific asset classes with its balance sheet and capital markets capabilities to provide crystal-clear solutions to its clients. It focuses on asset and project financing in the following sectors:

- Shipping;
- Oil & Gas Services;
- Infrastructure & Renewables; and
- Commercial Real Estate.

Our retail markets activities consist of residential mortgage origination in the Netherlands and Germany through a number of distribution partners and our online retail savings programme, NIBC Direct.

Treasury, Risk Management and Corporate Center

Treasury works with both the Merchant Banking and Specialised Finance teams to find the optimal way of funding the bank's assets and managing 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 measures and manages financial risk on a bank-wide basis and is at the heart of our operations.

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

Advisory Board, Beirat and non-executive vice-chairmen

To increase our focus on clients and market penetration, NIBC introduced the following new initiatives in 2009 and early 2010:

- **Merchant Banking Advisory Board:** this forum is composed of senior professionals with a strong track record and reputation and a large network. The members have experience and knowledge of the fields in which Merchant Banking is specialised;
- **Beirat:** in the German market, we have a similar body to the Merchant Banking Advisory Board; and
- **Non-executive vice-chairmen:** this position was created to help build in-depth relationships with our chosen clients. The vice-chairmen have years of experience, within banking and/or within industry and have strong networks and product knowledge, giving them access and influence at the highest levels of a client's organisation. They will help NIBC to enhance its strategic and board-level discussions with clients, and to identify and assess client opportunities.

International offices

Our 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. 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 N.V.* (**NIBC Holding**). At the end of 2009, NIBC had 644 *full-time equivalents* (**FTEs**) and NIBC Holding 660 FTEs, of whom 119 worked at its international offices.

Brussels

NIBC has been active in Belgium, part of our home market, since 1998. NIBC Belgium has built long-term relationships with its clients by focusing on their financing, equity and M&A needs. Its clients comprise Belgian corporate clients as well as local and international investors.

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 clients and on leveraged finance, commercial 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, infrastructure & renewable energy equity fund management, leveraged loan financing and credit management for our leveraged loan *Collateralized Loan Obligation* (**CLO**).

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.

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.

Risk Management focused on three priorities in 2009. They were liquidity risk; asset quality and prudent new lending; and fundamental credit analysis.

Liquidity risk became the highest priority in terms of risk management. We successfully strove to increase our liquidity and assure our funding for the next years. The emphasis on liquidity risk highlights the re-sequencing of risk priorities triggered by the financial crisis.

We worked hard to ensure the quality of our assets, conducting a prudent assessment of risks before granting new lending and structuring loans in such a way that value can be preserved to the maximum extent. For NIBC as for our peers, impairments have been an inevitable by-product of the economic downturn, but credit losses can be contained by working closely with clients who have landed in distress and, together with them, working to limit any adverse effects.

We took a fundamental credit analysis approach to our structured credit portfolios. We brought NIBC's risk management to a higher level by creating a dedicated financial markets credit risk department, tasked with covering the middle ground between market risk and credit risk. This department analyses our structured credit lending exposure, among other activities to control the credit risk emanating from our presence in financial markets.

Business performance Merchant Banking

Activities and focus

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

Merchant Banking provides the following services:

- Coverage bankers maintain long-term relationships. 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 and strategic advice;
- M&A provides advisory services in close cooperation with the coverage bankers. It executes M&A-related transactions, including mergers, acquisitions, disposals and buyouts;
- Corporate Lending and Leveraged Finance have particular strengths in corporate acquisitions, growth financing and restructurings and arranging financing for financial sponsors and others in support of management buyouts, leveraged recapitalisations and public-to-private transactions; and
- Investment Management creates and manages funds that are open to third-party investors. Funds have been developed in our areas of expertise – infrastructure, commercial real estate and private equity and mezzanine (in companies). Investment Management also manages and services the bank's direct investments and investments in third-party funds, as well as NIBC's CLO platform.

Behind the 2009 numbers

Merchant Banking activity revived during the course of the year. The losses in the first half of 2009 were partly offset by a strong second half, with continuing positive indicators going forward.

Fee income was weak at the beginning of the year in response to reduced client activity, but began to increase later in 2009. Gains less losses from financial assets, relating to NIBC's Equity Investments portfolio, were affected by the financial markets turmoil, which led to negative fair value adjustments during 2009. In the fourth quarter, gains less losses from financial assets were positive, but they remain challenging and difficult to predict.

Operating income grew as the year progressed. Merchant Banking ended the year with operating income of EUR 66 million, more than double the level of 2008. In line with the economic cycle, impairments were taken of EUR 25 million on the Corporate Loan portfolio and EUR 46 million on other interest-bearing assets.

Transaction highlights

NIBC arranged important client transactions in its home markets last year. Examples include:

- Advising De Persgroep on the sale of NRC Media;
- Acting as financial advisor to Vattenfall in the EUR 8.5 billion acquisition of Nuon;
- Our role as advisor to GreenChem for the disposal of a majority share in the company;
- Plukon Royale Groep was acquired by Gilde Buy Out Partners. NIBC acted as M&A advisor and Mandated Lead Arranger to Gilde and provided leveraged financing to fund the acquisition;
- Sportcity and NIBC Capital Partners completed the acquisition of Fit for Free Beheer;
- NIBC European Infrastructure Partners acquired a minority share in a 46MW Spanish solar portfolio from Gruppo Aldesa;
- Our M&A department advised Super de Boer in its acquisition by Jumbo; NIBC Corporate Lending acted as Mandated Lead Arranger and closed EUR 700 million senior facilities for Jumbo Groep in order to finance the acquisition;
- Our Corporate Lending department acted as Sole Mandated Lead Arranger in a structured funding transaction for Porsche Financial Services; and
- NIBC Leveraged Finance was Mandated Lead Arranger and Hedge Coordinator and arranged the financing of the buyout of bol.com.

Outlook

Our transaction pipeline is healthy as we enter 2010. We continue to enhance our client relationships and consolidate our position in the market, making us cautiously optimistic for the year to come. The speed and smoothness of the economic recovery are hard to predict, however, and credit demand could be depressed if the downturn proves protracted.

Business performance Specialised Finance

Activities and focus

Specialised Finance provides asset and project financing in a select number of sectors: infrastructure & renewables, shipping, commercial real estate and oil & gas services. It also includes NIBC's retail activities in the residential mortgage market and in online savings via NIBC Direct.

Specialised Finance is active in the following areas:

- Asset and project financing for corporate clients and investors in the oil & gas services industry worldwide;

- Infrastructure & renewables financing in North West Europe. NIBC has a strong track record in financing schools, roads and hospitals and in wind, biomass and waste-to-energy projects;
- Ship financing for shipping companies and investors worldwide;
- Commercial real estate financing in the Netherlands and Germany. Project and asset financing is primarily focused on offices, retail and residential;
- Highly sophisticated structured finance transactions for clients;
- Distributing assets, loans and investments through an integrated bank-wide distribution team; and
- Retail banking in the Netherlands and Germany with residential mortgages offered through a number of distribution partners and online savings products through NIBC Direct.

Behind the 2009 numbers

Specialised Finance regained momentum in 2009, recovering slowly in a persistently fragile environment. It ended 2009 with operating income of EUR 255 million versus EUR 305 million in the previous year, an enlarged client portfolio, a string of high-profile transactions to its name, and a well-filled deal pipeline.

Net interest income improved in the second half after reaching a low in the second quarter. The decline in net interest income in 2009 was the result of an increased liquidity buffer.

Net trading income is by nature more volatile. A significant portion of NIBC's balance sheet is accounted for at fair value through profit or loss. This means that as a result of credit spread movements, trading income is affected by mark-to-market movements on both assets and liabilities.

Operating expenses fell by 11% in 2009 compared to the previous year. EUR 34 million of impairments were taken on the Corporate Loan portfolio.

Transaction highlights

NIBC arranged important client transactions in its target segments last year. Examples include:

- NIBC Shipping acted as Mandated Lead Arranger in a USD 120 million transaction for Dutch client Vroon Group for the financing of six newbuild vessels. NIBC's share in the transaction is guaranteed by the GO facility issued by the Ministry of Economic Affairs;
- Acting as Mandated Lead Arranger in the refinancing facility for three Kogas LNG carriers;
- NIBC Oil & Gas Services and Loan Syndications coordinated and closed a USD 200 million facility for SBM Offshore;
- Closing USD 150 million transaction for the Odfjell Drilling group, NIBC acted as Mandated Lead Arranger;
- Infrastructure & Renewables solely closed a transaction for Colonne, a joint venture company owned by TenneT/Novec and RBCIF. The transaction comprised the acquisition of 139 transmission masts from KPN;
- Providing senior debt facilities for building the new parliament in the German city of Potsdam, NIBC acted as Mandated Lead Arranger in this EUR 106 million deal;
- NIBC Commercial Real Estate coordinated the restructuring of a EUR 360 million debt package and extended the swap for one of the funds of IEF Capital; and
- Acting as advisor to a consortium of private investors for the EUR 376 million acquisition of the Rhea Portfolio from ING REOFN.

Outlook

With its sound mix of geographical and sector exposure, Specialised Finance is well placed to help its clients further in 2010. We have the people, strategy, focus and liquidity to fulfil this goal. Yet we are mindful that the economic conditions remain uncertain.

Targets 2010 and outlook

The global economy is tiptoeing back to health, but remains vulnerable. It is unclear how much of the economic recovery we saw in 2009 is due to the policy stimulus measures implemented by governments and central banks. As these measures are withdrawn, the fragile recovery could be undermined. Potential increases in unemployment could hit consumption and with it the performance of companies in 2010.

It looks likely that 2010, like 2009, will be a transitional year on the way to what some have termed the 'new normal' – a more sustainable economic environment of lower asset prices, slower growth, more expensive credit and tighter liquidity.

With our strong capital buffers and sound liquidity position, we at NIBC are fit for the future and eager to participate in carefully-chosen transactions and arrange crystal-clear solutions for our clients.

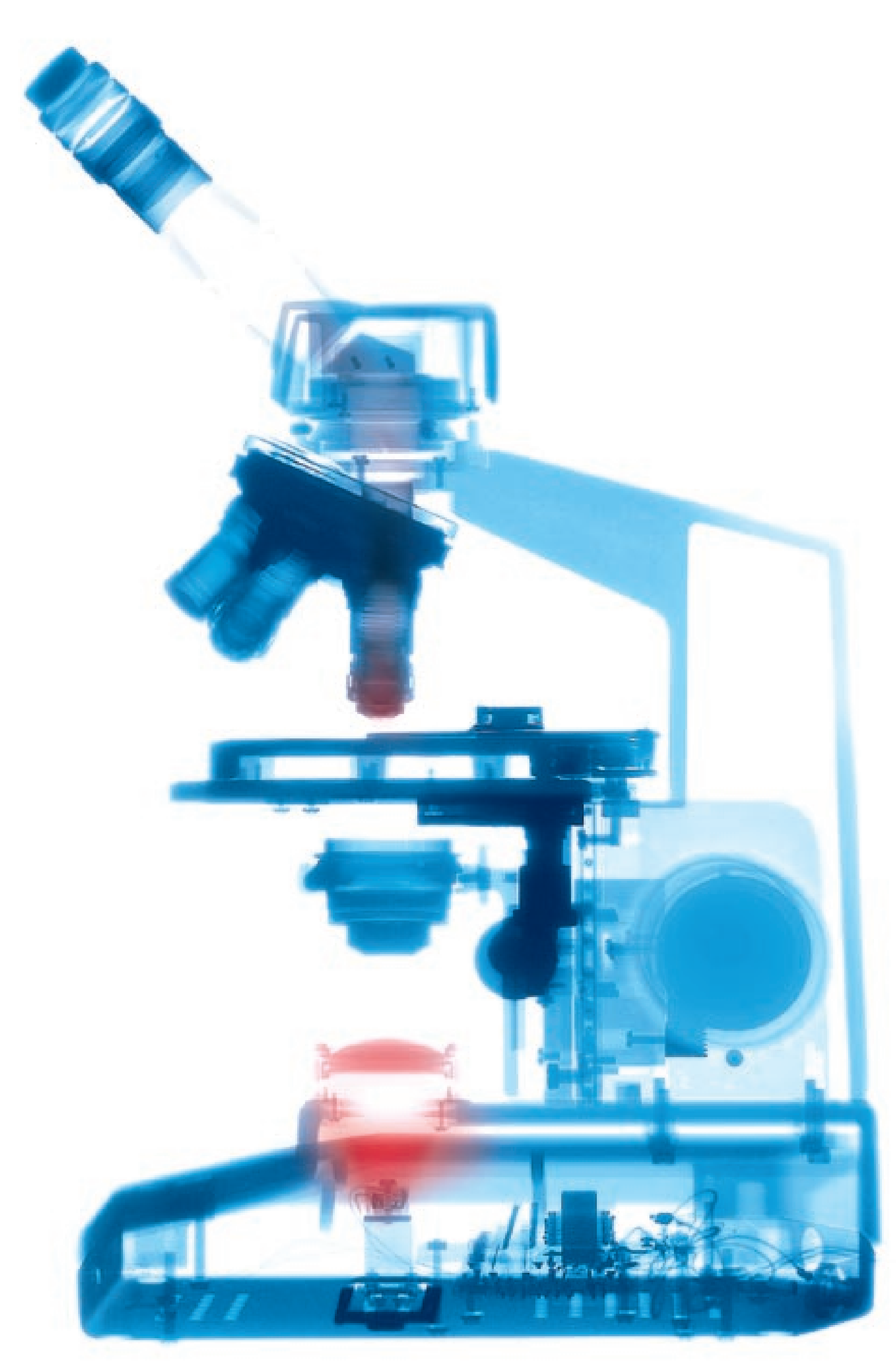
Targets

- To increase the number of client transactions and grow our corporate loan book;
- To maintain our policy of funding diversification and strong liquidity position;
- To keep our excellent Tier-1 ratio;
- To maintain tight credit risk control and optimise the recovery from any asset that becomes distressed;
- To improve the composition of our operating income by increasing stable components such as interest income and reducing volatile elements such as trading income;
- To improve employee engagement, which we will measure in 2010;
- After moving early to cut costs by more than 25% in the past two years, to selectively grow the business in 2010 without sacrificing cost prudence; and
- To expand further in Germany with the longer-term aim of building it into a second home market.

The Hague, 8 March 2010
Managing Board

Jeroen Drost, *Chairman, Chief Executive Officer*
Kees van Dijkhuizen, *Vice-Chairman, Chief Financial Officer*
Rob ten Heggeler, *Member*
Jeroen van Hessen, *Member*
Jan Sijbrand, *Member, Chief Risk Officer*

crystal-clear answers to complex financial challenges



Client		Sector	Shipping
Vroon Group		Deal description	Financing for the construction of six newbuild vessels
Description		Type of deal	Pre- and post-delivery term loan facility
International shipping company active in a number of specialised and commodity-type shipping segments, with a diverse fleet of over 140 vessels.		Total deal size	EUR 45 million and USD 60 million
		NIBC's role	Mandated Lead Arranger
		Deal closed in	August 2009

VROON GROUP

Despite the worldwide slowdown, demand for financing is huge in the shipping industry. When dynamic and ambitious international shipping company Vroon BV was seeking a credit facility for six newbuild vessels last spring, NIBC – a specialist in ship finance and long-standing relationship bank to Vroon – was the natural partner to turn to.

The international transport market has been hard hit by the crisis, so financing shipping transactions is not without risk. It was unsure whether Vroon would secure sufficient transport contracts for its newbuild vessels in a timely manner.

To address this complex challenge, we combined our familiarity with the shipping market with our innate resourcefulness. We structured the transaction around a guarantee introduced by the Dutch government in 2009 to stimulate lending. This GO facility guarantees a lender 50% of the potential loss on loans to entrepreneurial, growth-oriented Dutch companies.

And realising that Vroon might struggle to close transport contracts for newbuild vessels due to the economic storm, we sought alternative ways for the well-diversified shipping company to finance the loan, using the steady cash flows from its other activities.

"We were impressed by the professionalism and flexibility of the NIBC team, who arranged this financing within a short time. They enabled us to realise our ambitious growth plans," says Coco Vroon, the ship owner's managing director.

NIBC acted as Mandated Lead Arranger and financed the euro-denominated tranche of this EUR 45 million and USD 60 million transaction.

Report of the Supervisory Board

Business activity began to revive during the year as the global financial crisis ebbed. In that context, NIBC achieved four consecutive profitable quarters to end 2009 with a full-year net profit of EUR 44 million.

NIBC maintained its excellent capital position, concluding the year with a Tier-1 ratio of 16.2%. The bank's funding was further diversified in 2009, with the successful launch in Germany of online retail savings programme NIBC Direct and the raising of EUR 5 billion of funding under the Dutch State's Credit Guarantee Scheme.

NIBC retained its focus on efficiency and managing operating expenses during 2009, with continued cost reductions and lower variable compensation. It is gratifying to note that business activities grew in the second half of 2009. NIBC also recruited new talented employees.

With a strong capital position, diversified funding and a healthy geographical and sector mix of activities, NIBC is well positioned for the future. Much credit for this must go to the Managing Board, whose leadership and abilities were repeatedly demonstrated throughout the year.

The Managing Board was strengthened last year by an additional member, Rob ten Heggeler, who joined NIBC in May. Vice-Chairman Jan van Nieuwenhuizen stepped down in August 2009 and was replaced by Jeroen van Hessen as member of the Managing Board in September.

The Supervisory Board greatly values the work done by the Managing Board and all staff and wishes to thank them for their valuable efforts during 2009.

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 March 2010. The Supervisory Board advises and proposes that shareholders adopt the 2009 Financial Statements at the Annual General Meeting of Shareholders on 18 May 2010. In 2009 the Supervisory Board agreed with the advice of the Managing Board not to pay 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 2009.

Composition of the Supervisory Board

Name	Year of Birth	Position	Membership since [1]	End of Term [2]
Mr. J.H.M. Lindenbergh	1943	Chairman	2005	2013
Mr. W.M. van den Goorbergh	1948	Vice-Chairman	2005	2009
Mr. C.H. van Dalen	1952	Member	2005	2013
Mr. N.W. Hoek	1956	Member	2005	2013
Mr. A. de Jong	1954	Member	2005	2010
Mrs. S.A. Rocker	1954	Member	2009	2013
Mr. D. Rümker	1937	Member	2005	2010
Mr. A.H.A. Veenhof	1945	Member	2006	2010

1. The indicated dates refer to members' initial appointment and do not refer to the official approval by the Dutch Central Bank or members' reappointment for a second term.
2. The indicated dates are as per the Supervisory Board's retirement schedule and do not refer to expiry of the term of appointment.

As at 31 December 2009, the Supervisory Board was composed of eight members (see previous table). Messrs. Van Dalen, Van den Goorbergh and Veenhof were appointed upon the recommendation of the Employees' Council.
As per 19 February 2009, Mr. Flowers resigned as member of the Supervisory Board. Mrs. Rocker, Managing Director at J.C. Flowers & Co. LLC, was appointed to the Supervisory Board in his place. Mr. Van den Goorbergh was subsequently appointed as Vice-Chairman, replacing Mr. Flowers. Messrs. Lindenbergh, Hoek and Van Dalen were reappointed for a second term as members of the Supervisory Board at the General Meeting of Shareholders on 29 April 2009.
Mr. Sinha resigned from the Supervisory Board as per 17 December 2009, at which time Mr. Morgan was nominated to be appointed at the next General Meeting of Shareholders.
Mr. Van den Goorbergh will be considered for reappointment at this General Meeting of Shareholders.

Composition of the Managing Board

As at 31 December 2009, the Managing Board was composed of five members, who are also members of the Managing Board of NIBC Holding (see following table). Rob ten Heggeler became a member of the Managing Board and head of Merchant Banking as per 17 August 2009.
Jan van Nieuwenhuizen offered his resignation to the Supervisory Board to continue his career elsewhere in August 2009. The Supervisory Board accepted his resignation and thanked him for his dedication and contribution. On 10 September 2009, Jeroen van Hessen succeeded Jan van Nieuwenhuizen as member of the Managing Board and head of Specialised Finance & Treasury. Kees van Dijkhuizen was subsequently appointed as Vice-Chairman of the Managing Board.

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. C. van Dijkhuizen	1955	Vice-Chairman and Chief Financial Officer	2005	2010
Mr. R.H.L. ten Heggeler	1963	Member	2009	2013
Mr. J.A. van Hessen	1962	Member	2009	2013
Mr. J. Sijbrand	1954	Chief Risk Officer	2008	2012

1. The indicated dates refer to the members' appointment and do not refer to the official approval by the Dutch Central Bank.
2. These are the dates until which the appointment as statutory director runs. They do not refer to the expiry of employment contracts.

Meetings of the Supervisory Board

The year 2009 was one of consolidation. Consequently, the Supervisory Board met on eight occasions compared to 13 times in the turbulent previous year. All members of the Supervisory Board participated frequently. Meetings were held to discuss the corporate strategy, liquidity position, rating, market developments and the implementation of new corporate governance rules in the Netherlands. 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 Board* (**IASB**) developments, and compliance with legislation and regulations.

The financial statements and the findings of the external auditor were discussed in the auditor's presence. Most of the discussions and decisions of the Supervisory Board were prepared in the subcommittees referred to below, in which at least two members of the Supervisory Board are always present. Members of the Managing Board were consulted in all but one 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 without 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; and the functioning of the Managing Board collectively and in terms of its individual members. The Supervisory Board also met with the external auditor to discuss the financial statements.

Meetings of the committees of the Supervisory Board

The Supervisory Board is supported by four committees consisting of members of the Supervisory Board. These are: the Risk Policy Committee, with a subcommittee for the purposes of related party transactions; the Audit and Compliance Committee; the Remuneration and Nominating Committee; and the Strategic Committee.

Risk Policy Committee

Members | Mr. Van den Goorbergh (Chairman), Mr. Flowers (19 February 2009 meeting only), Mrs. Rocker (as of March 2009), Mr. Lindenbergh and Mr Rümker
Meetings | The Risk Policy Committee met four times in 2009.

The Risk Policy Committee assists the Supervisory Board in monitoring NIBC's risk policy and profile in relation to its general lending and investment policy. The committee also advises the Supervisory Board on market, credit, investment and operational risks and with regard to Basel II. The main topics discussed in 2009 were liquidity, stress tests and the risk profile, including NIBC's risk appetite. Syndication reports, reports on the different parts of the Specialised Finance portfolios, country risk reports, impairment reports and portfolio overviews were also discussed.

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

Related Party Transactions Subcommittee

Members | Mr. Van den Goorbergh (Chairman) and Mr. Lindenbergh, both of whom meet the independence criteria outlined in the Dutch Corporate Governance Code
Meetings | The Related Party Transactions Subcommittee met once in 2009.

The Related Party Transactions Subcommittee helps the Supervisory Board to assess material agreements of any kind with a person or group of people who hold, directly or indirectly, 10% of NIBC's 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 material transactions to the Related Party Transactions Subcommittee.

In the case of transactions in which there are conflicts of interest with the Managing Board and/ or the Supervisory Board, best practice provisions III.6.1 to III.6.3, III.6.4 and II.3.2 to II.3.4 will be observed and complied with. In 2009, no related party transactions that require Supervisory Board approval were closed.

Audit and Compliance Committee

Members | Mr. Van den Goorbergh (Chairman), Mr. Van Dalen, Mr. Lindenbergh and Mr. Sinha (until 17 December 2009)
Meetings | The Audit and Compliance Committee met five times in 2009.

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. It also advises on corporate governance and corporate social responsibility matters.

The main topics discussed during 2009 were the impact of the market circumstances on NIBC; funding and liquidity planning; the budget and the quarterly, semi-annual and annual financial reports and related press releases; and developments regarding the internal reporting process and related control environment.

The Audit and Compliance Committee discussed the reports of external auditor Pricewaterhouse-Coopers Accountants N.V. and its audit plan for 2009. The Audit and Compliance Committee also discussed the internal audit plan, including

progress and main findings and conclusions of the Internal Audit department.

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

The internal auditors were represented at all meetings. The external auditors, by mutual agreement, were represented at all but one meeting of the Audit and Compliance Committee in 2009. The Audit and Compliance Committee had one meeting with the Supervisory Board without the members of the Managing Board present.

Remuneration and Nominating Committee

Members | Mr. Flowers (Chairman until 19 February 2009), Mr. Lindenbergh (acting Chairman from 19 February 2009), Mr. Hoek and Mrs. Rocker (from 19 February 2009 as observer and as of 17 November 2009 as full member)

Meetings | The Remuneration and Nominating Committee met five times in 2009.

The *Remuneration and Nominating Committee* (**RNC**) 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 reappointments to the Supervisory Board, its committees and the Managing Board, evaluates the performance of the other Supervisory Board committees, and assesses the performance of the members of the Managing Board and the Supervisory Board. In addition, it monitors the remuneration policy, which entails discussing the total available pool for variable compensation and defining the collective and individual performance targets that form the basis for the variable compensation of individual members of the Managing Board. In 2009, the RNC discussed the 2009 remuneration policy for the Managing Board, the Supervisory Board and other staff; individual compensation arrangements for the members of the Managing Board; the overall available funding for variable compensation arrangements; and the performance of the Managing Board. Moreover, the RNC discussed the need to expand the Managing Board and consequently nominated Mr. Ten Heggeler as the new member responsible for Merchant Banking. It discussed the resignation of Mr. Van Nieuwenhuizen and the subsequent nomination of Mr. Van Hessen as the new member responsible for Specialised Finance & Treasury. The nomination of Mr. Van Dijkhuizen as NIBC's new Vice-Chairman was also discussed. The nominations were made after a careful process that included drawing up the profiles of the vacant positions and identifying, interviewing and presenting the candidates to the full Supervisory Board. The RNC made recommendations to the Supervisory Board in all these areas.

Strategic Committee

Members | Mr. Van den Goorbergh (Chairman), Mr. Van Dalen, Mr. Flowers (until 19 February 2009), Mr. Lindenbergh, Mrs. Rocker (from 19 February 2009), Mr. Rümker and Mr. Sinha (until 17 December 2009)

Meetings | The Strategic Committee did not meet in 2009.

The Strategic Committee discusses the strategic options that present themselves to NIBC.

Remuneration report

In 2009, the RNC undertook a comprehensive review of NIBC's remuneration policy. As a result, a new policy was adopted towards the end of 2009 and the process, principles and substance of this new policy are described below. The policy has resulted in a significantly more moderate and sustainable approach to compensation. The RNC wishes to operate responsibly and prudently in all matters of remuneration.

By all accounts, 2009 was again a very challenging year. The RNC and the Supervisory Board believe the Managing Board, under the leadership of Mr. Drost, has taken decisive action in such critical areas as funding diversification, liquidity management, risk management and business development. This helped to triple the production of new corporate loans in the second half of 2009 compared to the first half. All in all, the RNC and the Supervisory Board are very pleased with the Managing Board's achievements, under continued difficult market circumstances.

In light of the special circumstances in the financial markets and for the second year running, the Managing Board requested not to be considered for any short-term variable compensation related to 2009 performance even though, based on an objective assessment of the Managing Board's performance, variable compensation would have been warranted. The RNC very much welcomed this responsible initiative of the Managing Board. Consequently, the RNC recommended to the Supervisory Board that no short-term variable compensation be awarded for the performance year 2009 for any of the Managing Board members. The Supervisory Board accepted the recommendations made by the RNC and decided accordingly.

Review, relevant guidelines and compliance

NIBC needed to thoroughly review its remuneration policies and practices, both for the Managing Board, the Supervisory Board and other staff last year. This review was, indeed, undertaken and took the best part of the year given the complexity of the subject, the public and political sentiment and the various regulations that were published during the course of the year. These regulations included (i) the 'Gentlemen's Agreement' between the Dutch Ministry of Finance and the Dutch Banking Association, (ii) the Rules of the Dutch State's Credit Guarantee Scheme, (iii) the Report of the Maas Commission, (iv) the Dutch Corporate Governance Code, (v) the Dutch Banking Code, and (vi) the *Principles for Controlled Remuneration Policies as issued by the Dutch Central Bank and the Dutch Authority for the Financial Markets* (**the DNB/AFM Principles**). The RNC and the Supervisory Board have taken all these regulations into account in their review of NIBC's remuneration policies.

Moderation of compensation

From the outset, it was agreed that the new remuneration policy had to be sustainable, balanced, aligned with and supportive of NIBC's chosen strategy and risk appetite. It was also agreed that the governance surrounding the remuneration processes needed to be strengthened and brought into line with the various new regulations. In the course of 2008 and 2009, NIBC sharpened its business strategy, increased the focus on its core client franchise and significantly reduced its risk profile by exiting certain products and markets.

Following a robust process that included extensive research, scenario analysis and multiple constructive dialogues within the RNC and Supervisory Board and between the RNC and the Managing Board, the fully revised remuneration policy for 2009 and onwards was agreed in the Supervisory Board meeting of 17 December 2009.

Reduced variable compensation

As a result of the review, variable remuneration for the Managing Board was substantially reduced and is now much more moderate than before as a result of the introduction of caps on variable

compensation. For example, maximum short-term incentive compensation for prior year performance has been reduced from 200% to 75% (50% for on-target performance) of base salary for the Chairman and the members of the Managing Board responsible for commercial divisions, from 180% to 55% (35% for on-target performance) of base salary for the *Chief Risk Officer* (**CRO**) and from 60% to 55% (35% for on-target performance) for the *Chief Financial Officer* (**CFO**). Moreover, the pay mix has changed by increasing the percentage of deferred compensation while a new, forward looking, long-term incentive has been introduced.

The principles

Remuneration principles

The new remuneration policy identifies the key principles that underpin the remuneration practices applying to all NIBC employees, including the Managing Board. These key principles require that remuneration is:

1. Aligned with business strategy and risk appetite;
2. Appropriately balanced between short-term and long-term;
3. Differentiated and discretionary;
4. Externally competitive and internally fair; and
5. Managed in an integrated total compensation way.

The policy further aims to achieve optimal alignment between the Managing Board on the one hand and senior management and other staff on the other hand.

Peer group composition

The Supervisory Board decided to establish a peer group consisting of all AEX and AMX (Euronext) listed companies. This peer group can easily be sustained over a longer period of time and is relevant both in terms of the relative size and complexity of NIBC's business and the markets from which NIBC attracts or to which it stands to lose executive and other talent. More importantly, the composition of this peer group is objective and totally outside of NIBC's control.

Market positioning

Through the cycle, total compensation for the Chairman and the members of the Managing Board is targeted just below the median of their peers in the aforementioned peer group.

Managing Board remuneration

Base salaries

Base salaries for the Chairman and the members of the Managing Board remain unchanged at EUR 700,000 and EUR 400,000 gross per annum respectively.

Short-term incentive compensation

A maximum of 75% (for CEO and members of the Managing Board responsible for commercial divisions) and 55% (for CRO and CFO) is available for the annual *short-term incentive* (**STI**). The STI consists equally of a cash bonus and a deferred cash bonus and is subject to the achievement of short-term (annual) performance targets. These targets contain an appropriate and balanced mix of financial and non-financial targets for the Chairman and the members of the Managing Board responsible for the commercial divisions such as (i) net profit to shareholders, (ii) efficiency ratio, (iii) revenue growth, and (iv) personal development. However, the targets for the CRO and the CFO are solely non-financial, such as (i) rating, (ii) funding and (iii) personal development. All performance targets are aligned with the approved 2010 budget and any pay-out is wholly discretionary.

Cash bonus

The cash bonus can never amount to more than 37.5% of base salary (25% for on-target performance) for the Chairman and the members of the Managing Board responsible for the

commercial divisions and 27.5% (17.5% for on-target performance) for the CRO and CFO. The cash bonus is payable as soon as practical after the annual results of the bank are announced, but no later than immediately following the Annual General Meeting of Shareholders and subject to the individual not having resigned or his employment having been terminated 'for cause' prior to payment.

Deferred cash bonus

The deferred cash bonus part of the STI can also never amount to more than 37.5% of base salary (25% for on-target performance) for the Chairman and the members of the Managing Board responsible for the commercial divisions and 27.5% (17,5% for on-target performance) for the CRO and CFO. It is subject to three-year pro-rated vesting.

Long-term incentive compensation

The new regulations require executive compensation to consist of larger deferrals and more long-term components. In response to this, the policy introduces, with effect from 2009, a new *long-term incentive* (**LTI**). This LTI aims to stimulate long-term thinking and behaviour and rewards the Chairman and the members of the Managing Board for achieving bank-wide long-term performance conditions. The LTI is forward-looking and will be granted annually, irrespective of prior year business or individual performance. Its main aim is to provide an incentive to the Managing Board to achieve a balanced mix of pre-agreed long-term financial and non-financial performance conditions (e.g. employee engagement). The LTI will be subject to three-year cliff vesting and will be delivered in the form of *Conditional Restricted Depositary Receipts* (**CRDRs**) but, at the discretion of the Supervisory Board, may be determined in another form. The LTI will have a value equal to 25% of their respective base salary at grant and is also subject to an additional lock-up of two years following vesting.

Pension

In line with all other employees, the Chairman and members of the Managing Board are members of the NIBC pension plan (version 2007) consisting of (i) a defined benefit pension arrangement up to a pensionable salary of EUR 58,075 (for 2009) which is annually adjusted for general wage increases in line with the Collective Labour Agreement for Banks in the Netherlands, plus (ii) an additional contribution under a defined contribution arrangement up to a maximum pensionable salary equal to their respective base salaries.

The pensionable age for the Chairman and the members of the Managing Board is 65 at present. There are no contractual early retirement provisions. A standard flat rate contribution equal to 17.1% (from 2009) of pensionable salary for each member is paid by NIBC into the pension fund. The Chairman and other members of the Managing Board are required to make a personal contribution of 4% for 2009 (3.3% for 2010) of their pensionable salary towards their pension.

Certain transition measures apply to those members of the Managing Board who were members of the NIBC pension plan prior to 1 January 2007.

Other key benefits

The Chairman and the members of the Managing Board are entitled to a company (lease) car up to a certain limit or, if they choose, the equivalent value of the (lease) car limit as a cash allowance. The Chairman is entitled to the use of a permanent chauffeur from the chauffeurs pool, while the other members of the Managing Board are entitled to the use of a chauffeur from the pool for business purposes only, unless specifically otherwise agreed by the Supervisory Board. In line with other employees, the Chairman and the members of the Managing Board are entitled to a contribution towards their medical insurance, disability insurance, accident insurance and permanent travel insurance, a monthly expense

allowance net of tax, a subsidy on mortgage interest paid on a maximum mortgage equal to four times their base salary and, finally, up to 30 holiday days per year.

Employment contracts

The Chairman and members of the Managing Board all have indefinite employment contracts, which are fully compliant with the Dutch Corporate Governance Code. Their appointment to the Managing Board is for a maximum term of four years. The term can be renewed. Any severance payment is limited to 12 months base salary.

Specific compensation issues for new managing board members

Mr. Ten Heggeler and Mr. Van Hessen, both appointed to the Managing Board in 2009, received employment contracts for an indefinite period of time but their appointment was restricted to four years, renewable. Their employment conditions were aligned with those of their colleagues on the Managing Board and in line with this remuneration policy. In addition to his annual regular compensation, Mr. Ten Heggeler received compensation of EUR 230,000 gross from NIBC. This enabled him to meet his contractual obligation to repay his previous employer the amount of relocation expenses that he was originally offered by them. He also received a payment of EUR 70,000 gross as partial compensation for deferred compensation from his previous employer lost as a result of his joining NIBC. Mr. Van Hessen, based in Germany until the end of 2009, continued to receive the normal expatriate benefits to which he was entitled until the end of 2009.

One-off co-investment

The Managing Board, Supervisory Board and shareholders agreed at the beginning of 2009 to rescind the long-term sign-on and retention awards made to the Managing Board in the first half of 2008. This included the personal investments in NIBC shares made by them. This rescission came on top of the Managing Board foregoing any entitlement to variable compensation based on 2008 performance. This joint decision was considered highly prudent and responsible.

However, the Supervisory Board indicated at the time that it would take this gesture into consideration as part of a wider review of the remuneration policy. It promised, in fact, to consider a modified, more moderate alternative arrangement. In its review of the remuneration policy, the Supervisory Board considered the various compensation regulations and NIBC's special (private equity) ownership situation. The new remuneration policy had to be aligned with specific NIBC shareholder interests as well as the wider interests of other stakeholders.

Private equity-owned companies in general have historically required executives to make personal investments with their own money, in return for which they are entitled to some form of matching equity, be it shares or options. This is done in the belief that investors are best served when the executives' interests are fully aligned with those of the shareholder. Consequently, these arrangements are totally back-ended in that any payout is deferred and contingent upon a liquidity event occurring in which the investors can sell their shareholdings or obtain partial or full liquidity. Until such time, these co-investments and the matching equity are typically totally at risk and subject to vesting. It is worth noting that these co-investment arrangements comply with the spirit of the new compensation regulations issued in the course of 2009 and that they avoid reward for failure.

The Supervisory Board was determined to ensure that any new one-off co-investment worth considering as a modified alternative to the prior rescinded arrangements in early 2009, complied with these characteristics.

Subsequently, and in close cooperation with the shareholder, the Supervisory Board decided to introduce a co-investment possibility. In light of the Dutch Banking Code, we will explain this co-investment possibility below. The Chairman and the members of the Managing Board were requested to invest up to one year's base salary net in NIBC *Common Depositary Receipts* (**CDRs**). Taking into consideration prior personal investments made by some of the Managing Board members, the following (additional) net personal investments were made at the end of 2009: Mr. Drost (EUR 0.7 mln), Mr. Van Dijkhuizen (EUR 0.3 mln), Mr. Sijbrand (EUR 0.2 mln), Mr. Ten Heggeler (EUR 0.4 mln) and Mr. Van Hessen (EUR 0.1 mln). These personal investments were used to acquire CDRs at a price of EUR 9.25 per CDR, the value determined by the Supervisory Board and agreed with the Dutch Tax Authorities. In exchange for the personal investment made, the Supervisory Board, following consultation with the shareholder, decided to offer the members of the Managing Board a number of matching shares on a 1:1 basis. These matching shares are CRDRs with a net after tax value equal to the aggregate value of the CDRs acquired by them. These matching shares will be subject to four-year pro-rated vesting and a lock-up that expires on 1 January of the year following the fifth anniversary of the initial grant (i.e. 1 January 2014). However, these matching shares will be subject to immediate vesting and subsequent legal transfer upon a liquidity event and also subject to the condition subsequent to a liquidity event occurring, in which case they will become fully unconditional and can be legally transferred. The holders of the matching shares shall receive compensation, equivalent to the value of dividends paid (but not actually received by them) on NIBC shares during the vesting period. Subject to a liquidity event occurring in which the shareholders can sell their shares in NIBC and the Managing Board member still being employed, they are entitled to earn a number of additional performance shares in the form of CRDRs. These performance shares will be awarded only if the shareholders realise a pre-defined minimum return (starting from the date of grant) at the time they sell their shares. The number of performance shares increases from zero if the sales price settles above this minimum level and is proportionate to a number of matching shares that represents one year's net base salary at the time of grant. In theory, the value of this one-off variable remuneration arrangement is uncapped, although the Supervisory Board has the discretion to adjust the ultimate value if, in its opinion, this would have unfair or unintended effects.

Other staff remuneration

Funding

Each year, based on a proposal made by the Managing Board, the Supervisory Board shall decide on the total amount of money available for variable compensation and the specific forms in which variable compensation may be awarded. The compensation ratio of NIBC has always been significantly lower than that of our main competitors and we were among the first to reduce our variable compensation pool back in 2007 by some 30%, at a time when most other banks were still maintaining or even slightly increasing the size of their pool. In 2008, we reduced our variable compensation pool by another 45%. Our 2009 compensation ratio decreased from 31% in 2008 to 27% in 2009 of operating income and the overall variable compensation pool for 2009 is still significantly below pre-crisis levels.

Variable compensation

All employees are eligible to receive STI compensation, but whether or not they actually receive it is wholly discretionary and depends on the overall performance of the bank and their respective business unit as well as on their own personal performance. Each employee will have a pre-agreed set of financial and non-financial performance targets. The performance assessment

takes into account the realisation of pre-agreed targets as well as the way the employee has behaved according to the NIBC 7, the Business Principles of NIBC. The 100% cap introduced by the Dutch Banking Code for the Chairman and members of the Managing Board will serve as a guideline for other employees too, although a limited number of exceptions can be made annually, subject to specific prior approval by the RNC and the Supervisory Board. Any variable compensation in excess of 100% of base salary will be wholly deferred for three years with pro-rated vesting. STI compensation will be a combination of cash and deferred cash. The Managing Board shall determine the precise split between cash and deferred cash, if a threshold applies for the deferred bonus and, if so, how high that threshold is. The deferred cash bonus is subject to the same conditions as those that apply to the Managing Board.

In addition to STI compensation, senior management may qualify for LTI compensation in the same way and subject to the same conditions as those that apply to the Managing Board.

Special situations

Only in exceptional cases will the Managing Board offer sign-on or guaranteed minimum bonuses to new employees and retention bonuses to existing employees. In the unforeseen circumstance that these amount to more than 100% of the base salary of the individual employee concerned, prior approval will be obtained from the RNC and Supervisory Board. Any severance payment made in the case of termination of employment by NIBC without cause, is subject to the new business court formula ('kantonrechterformule') and, in the case of reorganisation, the bank's Social Protocol. Special compensation plans for specific groups of employees such as carried interest arrangements are subject to prior approval by the Managing Board, which will annually inform the RNC and Supervisory Board about these arrangements.

Supervisory Board remuneration

Given the current climate, the Supervisory Board felt it inappropriate and unnecessary to consider any increase of its fees. The tax-free expense allowance of EUR 5,000 annually to which members were entitled was no longer deemed appropriate in light of prevailing tax rules. Consequently, this allowance was eliminated and the amount added to the gross fee. As of 1 January 2010, the Chairman and the members of the Supervisory Board are entitled to an annual gross basic fee which amounts to EUR 60,000 for the Chairman, EUR 50,000 for the Vice-Chairman and EUR 40,000 for a member. In addition to the annual basic fee, the Chairman and members of the Supervisory Board are entitled to further fees for membership of one or more committees amounting to EUR 15,000 for the Audit & Compliance Committee, EUR 11,500 for the Risk Policy Committee and EUR 10,000 for the Remuneration & Nominating Committee. The Chairman and the members of the Supervisory Board are further entitled to reimbursement of genuine business expenses made in the fulfilment of their duties.

Remuneration governance

In line with the various recommendations and guidelines issued by regulators, the governance surrounding the annual remuneration process has been strengthened and key roles have been agreed for the Human Resource function, the Risk Management function, the Compliance function, the Audit function and the Finance function. At least once a year, the Chairman of the Risk Policy Committee will attend the meeting of the RNC where remuneration decisions as mentioned above are prepared so as to assess whether or not the suggested compensation has led to or results from unnecessary risk-taking. The first steps towards this improved process have already been taken in the determination of 2009 variable compensation, but it will be further refined in the course of 2010. One of the first steps involves the Supervisory Board discussing employees with

the highest proposed variable compensation for 2009 as well as any proposal to award variable compensation in excess of 100%, if any. A scenario analysis has been conducted to assess the possible outcomes of the variable remuneration components on an individual and collective basis.

Any unvested amounts of deferred cash, STI, LTI or one-off variable remuneration are subject to clawback by the Supervisory Board in the event they have been based on inaccurate financial or other data or fraud or when the employee in question is dismissed 'for cause'. Moreover, in exceptional circumstances, the Supervisory Board has the discretion to adjust any or all variable remuneration if, in its opinion, this remuneration would have unfair or unintended effects. In assessing performance against pre-agreed performance criteria, financial performance shall be adjusted to allow for estimated risks and capital costs. Finally, the Supervisory Board shall annually discuss the employees with the highest variable compensation as well as give approval to any variable compensation in excess of 100% of base salary.

To avoid unnecessary duplication and in order to comply with the principles of the Dutch Corporate Governance Code, we refer to note 53 of the annual accounts for all relevant tables. These can be considered an integral part of this Remuneration Report.

Conclusion

The RNC and the Supervisory Board believe the new remuneration policy to be prudent and sustainable. Relevant regulations have been taken into consideration. The Supervisory Board believes in prudent management of remuneration but recognises that NIBC operates in a competitive marketplace where it needs to be able to attract, motivate and retain sufficient talent. Over time we will learn more about what happens in the marketplace and gain further experience in dealing with these issues.

The Hague, 8 March 2010
Supervisory Board

Mr. J. H. M. Lindenbergh, *Chairman*
Mr. W.M. van den Goorbergh, *Vice-Chairman*
Mr. C.H. van Dalen
Mr. N.W. Hoek
Mr. A. de Jong
Mrs. S.A. Rocker
Mr. D. Rümker
Mr. A.H.A. Veenhof

Members of the Supervisory Board
as per 31 December 2009

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

Chairman of the supervisory boards of Fortis Bank Nederland N.V., Bank voor de Bouwnijverheid N.V. and Agendia B.V; member of the supervisory boards of DHV Holding B.V., Gamma Holding N.V., Ortec International B.V., Zeeman Groep B.V. and Doctors Pension Fund Services B.V.; member of the Board of Trustees University of Amsterdam; chairman of Bestuur Centraal Fonds Volkshuisvesting; member of the boards of Stichting Bescherming TNT, Stichting Vopak, Telegraaf Media groep and Stichting Preferente Aandelen Wolters Kluwer.

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 Banking 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 Mediq 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.

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'; member of the advisory boards of Stichting AIESEC Nederland and NEVIR (Dutch association for investor relations).

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

Ms. S.A. Rocker
Managing Director at JC Flowers & Co LLC

Background	Banking and finance
Nationality	American

Joined JC Flowers LLC after many years acting for financial institutions as lawyer for various law firms in California and New York, specialised in private equity investment, M&A and corporate law; member of the supervisory boards of Crump Group, Inc., Private Estate Life SA and Reconnaissance Investors LLC. Member of the Bar in California and New York.

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. A.H.A. Veenhof
Former CEO of Koninklijke Wessanen N.V.

Background	Consumer products and technology
Nationality	Dutch

Member of the board of InnovatieNetwerk Grensverleggend in Agro en Groen (Innovation Network Reinventing Agribusiness and Rural Areas); chairman of the supervisory board of the University of Maastricht.

spot-on solutions for defining moments

VATTENFALL

For Swedish utility company Vattenfall, the Netherlands was the missing link in its strategic and geographical footprint. In order to create a leading position in the Dutch market, it sought a major takeover. That demanded a bank that could offer not just financial expertise but also excellent understanding of the Dutch utility sector and political arena. Vattenfall chose NIBC.

Our work as a 'local navigator', providing important industrial and political insights, helped Vattenfall seal a transformational deal to acquire Dutch utility company Nuon. With an enterprise value of EUR 8.5 billion, it was the largest takeover in Swedish history.

"I knew NIBC was very well networked in both the Dutch utility market and Dutch politics. They could inform us about the drivers and limitations of the Dutch market," says Mikael Kramer, Head of M&A at Vattenfall. "Shareholders of Nuon are Dutch provinces and municipalities, and national legislators were monitoring the deal very closely, so the takeover was a very political process. We were happy to tap into NIBC's understanding of Nuon's key stakeholders and Dutch politics."

NIBC was assertive in challenging Vattenfall's plans at times, convincing the Swedes to take or refrain from certain steps because of sensitivities in the political arena or utility market. Vattenfall highly valued this well-informed advice, based on our deep understanding of Dutch political intricacies.

"Cooperation with NIBC was very smooth and efficient," says Kramer. "The bank had a deep understanding of Vattenfall's goal and strategy and was able to convince us of what the right approach would be. There was a good fit at the personal level as well."

Client
Vattenfall

Description
Leading energy company that generates electricity, produces heat and supplies energy to several million customers in the Nordic countries and northern Europe.

Sector	Energy
Deal description	Purchase of 100% of Nuon Energy NV
Type of deal	Acquisition
Total deal size	Equity value for 100% – EUR 9.86 billion
NIBC's role	M&A Advisor
Deal closed in	July 2009

Financial Results

Highlights

- Sharper focus on clients and efficiency deliver full-year 2009 net profit of EUR 44 million;
- In the second half of 2009 net profit attributable to parent shareholders was twice that of the first half, which was already a sharp improvement of the loss of EUR 17 million in second-half 2008;
- On a yearly basis profit decreased from EUR 92 million to EUR 44 million, whereby profit of 2008 was more than fully realised in the first half of 2008 (EUR 109 million);
- The composition of operating income improved in the second half of 2009 with increasing net interest income and decreasing net trading income;
- Following a 14% decline in operating expenses in 2008 operating expenses decreased by a further 15% in 2009 due to tight cost management and lower flexible rewards;
- The level of impairments of corporate loans in the second half of 2009 was significantly lower than in the first half; and
- The capital position remained strong with a Tier-1 ratio of 16.2%.

Income statement

IN EUR MILLIONS	Full year 2009	Full year 2008	H2 2009	H1 2009	H2 2008
Net interest income	72	213	44	28	115
Net fee and commission income	32	43	12	19	16
Dividend income	30	50	8	22	21
Net trading income	207	84	72	136	26
Gains less losses from financial assets	(26)	(62)	10	(36)	(90)
Share in result of associates	5	8	2	3	1
Other operating income	1	2	-	1	-
OPERATING INCOME	**321**	**337**	**147**	**173**	**91**
Personnel expenses	(81)	(108)	(44)	(38)	(45)
Other operating expenses	(65)	(66)	(34)	(30)	(36)
Depreciation and amortisation	(8)	(8)	(4)	(4)	(4)
OPERATING EXPENSES	**(154)**	**(181)**	**(82)**	**(72)**	**(85)**
Impairment of corporate loans	(59)	(42)	(18)	(41)	(18)
Impairment of other interest bearing assets	(65)	(20)	(15)	(51)	(20)
TOTAL EXPENSES	**(278)**	**(242)**	**(115)**	**(163)**	**(123)**
RESULT BEFORE TAX	**42**	**95**	**33**	**10**	**(32)**
Tax	1	(1)	(3)	4	16
RESULT AFTER TAX	**43**	**93**	**30**	**14**	**(17)**
Result attributable to minority interest	1	(1)	(1)	2	-
NET RESULT ATTRIBUTABLE TO PARENT SHAREHOLDERS	**44**	**92**	**29**	**15**	**(17)**

Small differences are possible in the table due to rounding.

The income statement differs from that presented in the consolidated financial statements due to the treatment of non-financial companies controlled by NIBC. This only affects the presentation of the income statement and not the bottom-line profit figures. See note 1 to the consolidated financial statements for more information and a full reconciliation between the two presentations of the income statement.

Operating income

One of NIBC's key priorities in 2009 was to ensure strong liquidity, enabling the bank to move swiftly to support its clients in the tough business environment. This led to decreased net interest income, especially in the first half of 2009. Since mid-2009, net interest income has been increasing again. Interest income picked up from EUR 4 million in the second quarter of 2009 and EUR 15 million in the third quarter of 2009 to EUR 29 million in the fourth quarter of 2009. Origination of loans is improving, with higher spreads, while costs of funds are diminishing.

Net fee and commission income held up well in 2009, totalling EUR 32 million. Net fee income from M&A increased by 11%.

Dividend income fell, reflecting both lower dividends from equity investments and a decrease in the Enhanced Investments portfolio in 2009, following the unwinding and repayment of a large part of this portfolio.

Net trading income increased from EUR 84 million to EUR 207 million in 2009. In both 2008 and 2009, the figures were strongly affected by the instability in the financial markets, resulting in less liquidity in certain asset classes and substantial credit spread widening.

Gains less losses from financial assets improved in the second half of 2009 compared to the first half, as markets started to recover.

Operating expenses

As a result of prudent cost management, operating expenses further decreased by 15% from EUR 181 million to EUR 154 million, following a reduction of 14% in 2008.

Personnel expenses decreased by 25% in 2009. The decrease is a result of lower flexible rewards and lower expenses for temporary staff. The average number of FTEs decreased by 3% in 2009.

Other operating expenses declined in 2009 despite a provision of EUR 6 million related to our share in the loss by Dutch banks caused by the bankruptcy of DSB Bank.

Depreciation and amortisation remained stable in 2009 at a level of EUR 8 million.

Impairment of corporate loans

In 2009, impairments of corporate loans were EUR 59 million compared to EUR 42 million in 2008. This is a consequence of the continued difficult market circumstances. The level of impairments of corporate loans in the second half of 2009 was significantly lower than in the first half, but we continue to remain prudent regarding the impact of potential future impairments as a result of the volatile economic environment. The impairment in 2009 amounts to 0.7% of corporate loan exposure (2008: 0.5%).

Impairment of other interest bearing assets

Impairment of other interest bearing assets consists of impairments on debt investments and mezzanine financing, not designated as trading or fair value through profit or loss. In 2009, impairments were EUR 65 million compared to EUR 20 million in 2008. The majority of the impairment in 2009 was recorded in the first half.

Tax

Tax expense was close to zero in both 2008 and 2009, which is mainly explained by income and expense components not subject to tax (such as income from equity investments falling within the participation exemption) and releases of tax provisions related to the final tax assessment of previous years.

Assets

NIBC's total assets at end-2009 amounted to EUR 29.2 billion (2008: EUR 28.9 billion).

Cash and balances with central banks and due from other banks (NIBC's short-term liquid assets) increased from EUR 2.9 billion at year-end 2008 to EUR 4.4 billion at year-end 2009, representing a strong and improved liquidity position.

Loans – mainly being corporate loans (whether measured at amortised cost or fair value through profit or loss) – increased by 4% from EUR 8.1 billion at year-end 2008 to EUR 8.4 billion at year-end 2009, mainly due to increased origination of loans in 2009. The Residential Mortgage portfolios (both own book and securitised) decreased in 2009 from EUR 11.5 billion to EUR 10.6 billion. Credit losses on the Residential Mortgage portfolio remained very low and totalled just 0.05% of the outstanding portfolio in 2009.

The Debt Investments and Enhanced Investment portfolios decreased in 2009 from EUR 2.6 billion to EUR 2.2 billion, a result of the unwinding and repayment of a large part of the Enhanced Investments portfolio, partially compensated by an increase of the Debt Investments portfolios.

The latter development stems from the temporary investment of excess cash in low-risk short-term debt investments.

NIBC maintained a strong liquidity position and continued to diversify its funding sources in 2009. Funding from NIBC Direct was attracted in both the Netherlands and Germany and increased from EUR 1.0 billion at year-end 2008 to EUR 3.7 billion at year-end 2009.

Equity

Total shareholder's equity increased from EUR 1,638 million at the end of 2008 to EUR 1,696 million at the end of 2009. The EUR 58 million increase mainly stems from the net profit attributable to parent shareholders of EUR 44 million. No dividends were paid to the parent shareholder in either 2008 or 2009.

The Tier-1 ratio remained at a strong level of 16.2% in 2009 (2008: 16.6%). This is well above the minimum Tier-1 requirement of 4% and illustrates the strength of the bank's capital structure. The BIS ratio also remained at a strong level of 18.4% (2008: 18.9%).

Corporate Governance and Compliance

NIBC focused on further strengthening its corporate governance in 2009. The corporate governance controls were revised to reflect the Dutch Corporate Governance Code as updated per 1 January 2009 (please visit www.commissiecorporategovernance.nl for the latest version) and the Dutch Banking Code which came into force on 1 January 2010.
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 supervises management performance and advises the Managing Board.

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

This collaboration is further substantiated 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. These charters were amended in 2009 so as to implement the procedural and operational requirements of the Banking Code and the updated Dutch Corporate Governance Code. 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 subcommittee 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 in 2009, please refer to the Report of the Supervisory Board.

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

Each of NIBC's five divisions (Merchant Banking, Specialised Finance, Treasury, Risk Management and Corporate Center) is headed by a Managing Board member. 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 embedded in the organisation and line managers are responsible for making decisions within their respective sphere.
In addition, the organisation is supported by a number of functional committees that operate across the divisions. 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. Furthermore, the Managing Board 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.

For more information on our risk management structure and systems please refer to the separate section on Risk Management.

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.

Dutch Banking Code

On 9 September 2009, the Netherlands Banking Association published a Banking Code in response to the publication of a report by the Advisory Commission on the Future of Banks. That report, entitled ‘Restoring Trust’, called for banks to take the initiative to improve their functioning and thereby regain the public trust that had been damaged by the financial crisis. The Banking Code initially takes the form of self-regulation, although the Dutch Ministry of Finance has indicated that it intends to enshrine in legislation the principles laid down in the Banking Code. In the same manner as the Dutch Corporate Governance Code, discussed below, the Banking Code imposes a comply-or-explain duty on banks. The Banking Code entered into force on 1 January 2010.

At its meeting on 17 December 2009, the Supervisory Board approved revised charters of the Supervisory Board, its committees and the Managing Board. Where relevant, the provisions of the charters were revised to ensure that they fully comply with the Banking Code.

The Banking Code sets requirements regarding the composition and required expertise of both the Supervisory Board and the Managing Board. In addition, it imposes requirements on the Managing Board that include signing an ethical conduct declaration and ensuring that the entire organisation abides by that declaration’s principles. Furthermore, the Banking Code requires that the bank set up a programme of lifelong learning for members of the Supervisory Board and the Managing Board, with the Managing Board reporting annually on how it has implemented this programme. With regard to risk management, the Banking Code states that the Supervisory Board and the Managing Board are to ensure that the risk profile of the bank is in line with the risk appetite defined by the Supervisory Board, inter alia through the New Product Approval Process. Internal Audit has also been

given a clearer mandate to assess the bank's system of governance, risk management and internal controls. Finally, the Banking Code imposes the duty to define a restrained and long-term remuneration policy for the entire bank and for members of the Managing Board in particular. The Supervisory Board has been given the duty to approve the principles of the remuneration policy for all bank employees and to discuss the highest variable incomes.

NIBC is currently in the process of further implementing the procedural and operational measures that have been included in the various charters. NIBC has revised remuneration policy for staff and has completed the revision of its remuneration policy for the members of the Managing Board. In addition, the members of the Managing Board have signed the moral and ethical conduct declaration as stipulated in the Dutch Banking Code. The members of the Supervisory Board discussed their performance in March 2010, with the support of external advisors. A programme of lifelong learning is being drawn up and dates for a number of training sessions are being set.

Best practice

NIBC supports and applies the principles of the updated *Dutch Corporate Governance Code* (**Code**) and will continue to apply the Code. As per 31 December 2009, NIBC only partly deviates from best practices and principles as laid out in the Code in the following areas:

- Best practice provisions II.2.4 and II.2.5, which relate to depositary receipts and options granted to members of the Managing Board. In deviation from best practice provisions II.2.4, the existing option plan described in note 53 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.2.5, 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 2009, NIBC had a Supervisory Board consisting of eight members, of which one (Mrs. Rocker) does not meet the independence criteria specified in best practice provision III.2.2 of the Code. Although three other members of the Supervisory Board have relationships with investors in the shareholders' consortium (Mr. Hoek, Mr. De Jong and Mr. Rümker), these three members, as well as the Chairman of the Supervisory Board (Mr. Lindenbergh) and three members nominated by the Employees' Council (Mr. Van den Goorbergh, Mr. Van Dalen and Mr. Veenhof) meet the independence criteria mentioned in the Code. The supervisory board rules adopted by the Supervisory Board provide that certain important decisions 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. Van den Goorbergh, Mr. Van Dalen and Mr. 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 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 Lindenbergh;
- Principle III.5 and related best practice provisions III.5.10 through III.5.14, 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 wish 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. NIBC partially deviates from this provision in the sense that it will not disclose performance criteria which reflect or relate to 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 or she 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 at all levels within NIBC. 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 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 about 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 main developments of 2009 were:

- A complete update of the NIBC compliance framework. This entailed updating all compliance manuals and procedures within all jurisdictions of NIBC; and
- The implementation of a training project within NIBC in cooperation with the European Institute for Business Ethics of Nyenrode Business University. The focus was on integrity as a professional responsibility. It used a format of 'dilemma workshops' which were based on reflection training.

Our People and Our Values

Our people are key in our efforts to achieve success. We seek to align our staff to our growth ambitions. Human Resources is at the heart of our work to seek and recruit talented employees, assign them where most appropriate and provide ongoing training where needed. Organisationally, we strive for a set-up that enables the bank to operate most efficiently and effectively.

Human Resources was active last year in core areas such as performance management and reward, talent development and succession management, and recruitment and selection. As far as NIBC's overall organisation was concerned, our shift to a two-pillar business model triggered significant changes to our structure in 2008, so only minor organisational adjustments were required in 2009.

Main areas of focus in 2009

Performance management and reward

When more clarity developed on external regulatory requirements around compensation, we began to revamp our remuneration policy for the entire organisation, in order to establish more precise guidelines. NIBC already complied with many of the recommendations made by regulators last year, such as linking variable compensation to business performance and deferring sizeable parts of bonuses. Although we were already capturing much of the spirit and the letter of the regulations, our policies were subsequently brought in line with more specific rules on such matters as guaranteed bonuses and exit payments.

NIBC's process of performance management functioned well in 2009. The quality of performance reviews in terms of completion rates, punctuality and content improved. We began work to improve the quality of target-setting, so as to better align individual targets with the bank's overall goals. This drive will continue in 2010.

Talent development

The 'Insights' team development programme introduced in 2008 gathered steam last year. More than 220 NIBC employees have now participated in the programme, which helps managers develop and apply leadership skills and build effective teams. The Insights methodology enhances teamwork, a key NIBC goal, by helping participants to understand diverse styles and behaviours and to adjust their own behaviour to optimise cooperation with colleagues and clients.

We re-ran the Hay Leadership Style and Organisational Climate Survey, previously conducted in 2006 and 2007. Around 60 leaders and some 360 direct reports completed the survey last year. Outcomes indicated the NIBC organisational climate has proved remarkably resilient despite the challenging business conditions of recent years. We will now look to improve further in areas such as broadening the leadership style repertoire of individual leaders and enhancing cooperation across the organisation.

NIBC's internal and external perception study highlighted a need for a more structured approach to learning and development across NIBC. We now plan to define a leadership profile for NIBC; create a leadership event for managing directors that focuses on relevant leadership skills and

behaviours; and design a continuous professional development curriculum for each business unit. The latter, which is in line with the Dutch Banking Code requirement for ongoing professional development of companies' Managing Board and Supervisory Board members, will be a key focus area in 2010.

Recruitment and selection

The number of employees increased slightly last year after a sharp decrease in 2008. We ended 2009 with 644 employees versus 625 at end-2008, thanks to selective hiring of professionals.

Thirteen young analysts completed the NIBC Analyst Program in 2009. This scheme, run in cooperation with the Amsterdam Institute of Finance, focuses on banking and personal skills. The quality of the programme is widely recognised in the market, allowing us to attract high-calibre candidates. Eighteen analysts were recruited for the 2010 programme.

Our business principles

Our business principles, which we call the NIBC 7, enshrine the way we work. We intend to reinforce the NIBC 7 in 2010, recognising them more explicitly in tools such as the staff manual, employee contracts and at introduction days. They were firmly re-established at the time when the bank's new vision, mission and ambition statement were published. The business principles are:

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 practice 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* (**Council**) represents all NIBC employees based in the Netherlands and ensures that management objectives are aligned with those of employees.

The Employees' Council enjoyed a relatively quiet year in 2009. Many of the changes it had approved the previous year were implemented - most significantly, NIBC's client-focused two pillar strategy. The Council fully supports the strategy, which it believes gives the bank a clear focus and reduces its complexity.

The Council also endorses NIBC's internal and external perception study, which took place in the autumn of 2009, and the projects that have resulted from this to embed the strategy further, enhance client focus and drive the business forward in 2010.

Despite continued uncertainty in the wider economy, the situation at NIBC was more stable in 2009 than in the previous year. The adoption of the sharpened strategy and the intensified focus on clients has resulted in a more motivated workforce. This gave the Council time to work on broader issues not specifically related to NIBC, such as the Dutch Banking Code, drawn up by the Dutch Banking Association to recommend ways to restore confidence in the Dutch banking sector.

Some of the Council's main activities during 2009 were as follows:

- Playing a continued role in advising on changes to the governing bodies of NIBC. The Council advised positively on the appointment of two new members to the Managing Board – Rob ten Heggeler, Head of Merchant Banking, and Jeroen van Hessen, Head of Specialised Finance & Treasury. The Council was also involved in the appointment/reappointment of members of the Supervisory Board;
- Advising positively on organisational changes within Specialised Finance and Merchant Banking;
- Working with the Managing Board and the Human Resources department on the periodical update of the staff manual. This key document lays out NIBC's procedures, regulations and remuneration policies and is applicable to all staff;
- Taking on a new role in relation to NIBC's pension fund governance. The bank's employee pension fund asked the Council to represent staff interests on any proposed changes to the fund and other pension issues. Although this falls outside its general scope of activity, the Council agreed to take this on as pensions are an important part of the benefit package for all NIBC staff, and particularly in light of the expected extension of the retirement age to 67 announced by the Dutch government in October 2009. The Council is committed to expanding its knowledge of the subject to ensure it can advise in a proper and well-informed way. These discussions will continue in 2010;
- Entering discussions with Human Resources to make the preventive health check currently on offer to employees more extensive, in the view that a healthy workforce makes good long-term business sense; and
- Evaluating the Banking Code during the summer. While NIBC already complies with many of the Code's recommendations, the Council has nonetheless formed an opinion on how the bank can fine-tune its policies and has sent this input to the Managing Board for consideration.

The Employees' Council meets formally six times a year with members of the Managing Board and informally every four weeks with the Managing Board and Human Resources. In this way, it can truly represent staff and be their voice. The Council discusses NIBC's financial results with the CFO just after they are published, so it is kept abreast of financial developments. Twice a year, it also meets with members of the Supervisory Board for an open and constructive discussion.

The Council is always open to questions and suggestions from staff. To be truly representative of all staff, it seeks to spread its membership across all units and departments in the bank. It has 10 members at present.

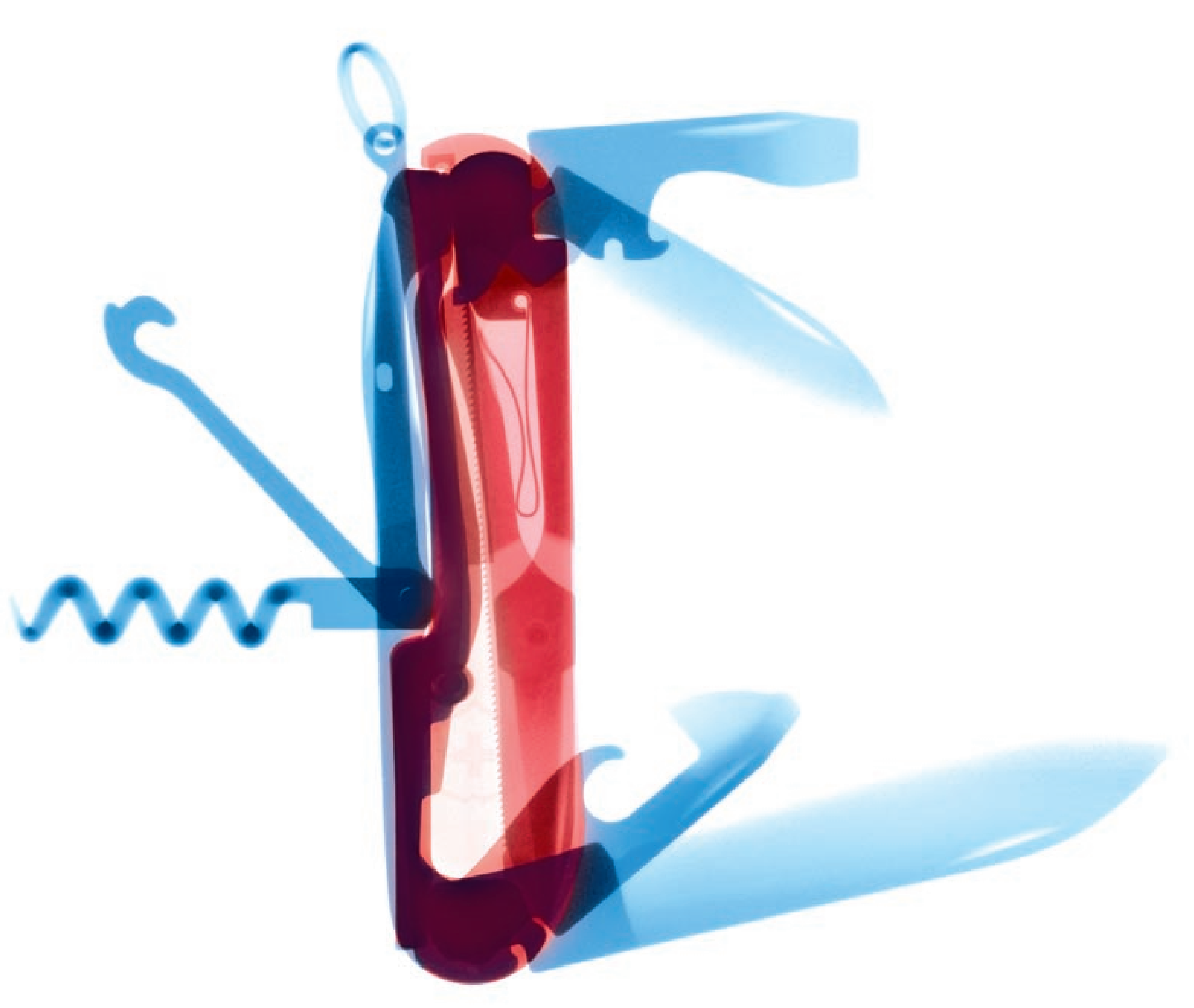
The Council's Vice-Chairman, Hans Nagtegaal, stepped down in 2009 after five years and Martijn Weinreich was unanimously elected to succeed him. The Council would like to thank Hans for his invaluable experience and contribution.

The Employees' Council would also like to take this opportunity to thank the Managing and Supervisory Boards for their constructive cooperation and all NIBC employees who provided useful input last year.

Jack van Reisen
Chairman
Employees' Council

Martijn Weinreich
Vice-Chairman
Employees' Council

the top team for the task – every single time



Client	
BAM PPP Deutschland GmbH	
Description	
The entity within Royal BAM Group responsible for the development and management of investments in German PPP projects.	

Sector	Infrastructure/PPP
Deal description	Design, construction, financing and operation of the new parliament of Brandenburg for 30 years
Type of deal	Secured loan facilities
Total deal size	EUR 130 million
NIBC's role	MLA and structuring bank
Deal closed in	September 2009

ROYAL BAM GROUP

A *public-private partnership* (***PPP***) can only succeed through long, close cooperation between all the parties. When we won the deal to provide debt facilities for the construction of a new parliament in Potsdam, it was the culmination of a three-year Europe-wide public bid procedure by a hand-picked cross-discipline team, working as a true partner with the client.

The prestigious project involves rebuilding the winter residence of the Kings of Prussia into a 15,000-m^2 parliament for the federal German state of Brandenburg. Aided by a selected team of lawyers and engineers, our Frankfurt-based Infrastructure and Renewables team pitched together with BAM PPP Deutschland GmbH and the German construction arm of key client Royal BAM Group, which will build and operate the parliament. We acted as Mandated Lead Arranger and joint book runner in a club deal with fellow banks BayernLB and KfW-IPEX.

"This once-in-a-lifetime chance to rebuild a historic palace could not have been achieved without excellent teamwork. NIBC were supportive and made a significant contribution in a challenging environment to the success of the project by the expertise and experience of the people involved," says Ralf Nagengast, Managing Director of BAM PPP Deutschland GmbH.

The palace-to-parliament venture was the most prominent German PPP accommodation project of 2009 and includes the design, construction, financing, maintenance and operation of the new building. The parliament will be developed on the foundations of the old palace, which was heavily damaged in 1945 and demolished by former East German authorities in the 1960s.

Corporate Social Responsibility

Companies that take their social and environmental responsibilities seriously are the companies of the future. That is our vision. It applies to how NIBC does business, and to the clients with whom we do business.

By taking the social and environmental consequences of our actions into account, we will perform better as a company – in terms of business, social citizenship and environmental impact.

Our CSR strategy

To NIBC, *Corporate Social Responsibility* (**CSR**) means we act in a responsible, sensitive and sustainable manner. We realise our actions have an impact on the world around us. Our ambition to be a trustworthy, transparent and sustainable bank includes taking action to minimise our impact on the environment and to contribute to building a sustainable society for future generations.

CSR means we take our responsibilities towards stakeholders seriously. Those stakeholders include clients, employees, shareholders and society as a whole. NIBC's values and business principles support this behaviour: responsibility, trust, integrity and professionalism are important drivers of all our actions.

Our *Chief Executive Officer* (**CEO**) is directly responsible for CSR within NIBC. He is chairman of the CSR Steering Committee, which discusses and decides on CSR strategy, planning and budget.

We have identified three cornerstones where we believe we can make an impact. These are related to our client business (client interaction), related to society (social citizenship) and related to the environment (environmental sustainability).

Achievements in 2009 and goals for 2010

In 2009, NIBC continued working on existing programmes and launched several new initiatives. Our activities are related to each of the three cornerstones of our CSR strategy mentioned earlier.

Client interaction

We want to interact with clients in a responsible and sustainable way. Providing our clients with financial support and assistance is integral to our business as a bank. Yet we also have an impact on society through that interaction and we have a set of measures in place to ensure our services are provided in a responsible manner.

In our business activities and interaction with clients, we are guided by our Code of Conduct, Sustainability Framework and Customer Due Diligence Procedure (Know Your Customer). In 2009, we sharpened our Sustainability Framework, which is scheduled to take effect in mid-2010.

Sustainability framework

The sustainability standards that NIBC expects its clients to meet are set out in our general Sustainability Policy as well as in policies for specific asset classes (oil & gas, shipping, infrastructure and water & waste, renewable energy and commercial real estate) and in a policy for indirect investments. The Client Sustainability Procedure describes the processes and tools used to evaluate clients as well as who is responsible for these processes at NIBC.

The general Sustainability Policy and the sector-specific policies outline the risks we identify in each sector, the market practices that apply to the sector and our approach to those specific sectors. These criteria underpin what we believe to be the responsible offering of financial services. We expect our clients to meet the appropriate industry environmental and social market standards and market practices.

NIBC supports international conventions, protocols, codes of conduct and industry market standards and market practices including:

- UN Global Compact;
- OECD Guidelines of Multinational Enterprises;
- UNEP Finance Initiative: statement by financial institutions on the environment and sustainable development;
- ILO Tripartite Declarations of Principles concerning Multinational Enterprises and Social Policy; and
- The Equator Principles and the IFC Performance Standards of all Project Finance Financings.

Where clients do not meet these market standards and market practices, NIBC will work with them to improve over time.

For 2010, we will further embed the general Sustainability Policy and the sector-specific policies within the organisation by developing a tool for the CSR assessment of all transactions. In addition, we aim to be able to report on our CSR assessment of transactions in 2010.

Social citizenship

We want to contribute to society and enable and encourage employees to do the same by lending time and expertise to projects in our community. In addition to bank-wide projects, we support employees' initiatives by matching their time and money spent on charitable projects in local communities.

In 2009, NIBC started a new project aimed at training youths to manage their finances responsibly. NIBC staff initiated the programme, spurred by local media reports about individuals' debt problems caused by the financial crisis. We contacted the The Hague city council and offered to address the problem by making NIBC's time and expertise available to the local community. NIBC volunteers will this year facilitate group discussions and workshops and will give classes to teach children to manage their finances. The project was designed in 2009 and will be rolled out at two schools in The Hague in the first half of 2010, with potential further rollout in the years thereafter.

In 2009, we continued our matching programme, which means that NIBC will 'under certain conditions' match 50% of time or financial contributions that an employee makes towards a charitable cause.

Every year the analysts on the NIBC Analyst Program select a CSR project to support. In 2009, they decided to offer their time and expertise to the Climate Fund of the City of The Hague, an initiative aimed at making The Hague carbon-neutral by 2050.

For 2010, we will maintain our matching principle and aim to support at least one more bank-wide project.

Environmental sustainability

For NIBC, environmental sustainability means such things as making meaningful reductions in CO_2 emissions and ensuring our suppliers meet our sustainability standards. We are investigating the possibility of becoming a carbon-neutral organisation by reducing CO_2 emissions and compensating any remaining CO_2 emissions.

We introduced 'Green IT' at NIBC last year by replacing our data centre servers with a new generation of energy-efficient IT systems.

We also expect our suppliers to meet our sustainability standards. Last year, we included sustainability criteria in all new contracts with suppliers.

It is our goal in 2010 to increase the number of suppliers that comply with our standards. We hope to take concrete steps to improve the energy label of our buildings in The Hague, and reducing CO_2 emissions will remain high on our list of priorities.

In Control Report and Responsibility Statement

The responsibilities of the Managing Board are anchored, among other regulations, in the principles of the Financial Supervision Act[1]. 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 actively monitors its risk profile in response to changes in the marketplace and the economic environment.

Risk management and control framework

NIBC regards financial risk management as a core element of its business model. The bank has developed a risk management and control 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 the bank'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, see the separate Risk Management sections. The risk management and control 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 annual In Control Statement to the Managing Board, which is based on an ongoing in control process culminating with an annual risk and control self-assessment of their respective activities.

To achieve a risk level that is aligned with NIBC's risk profile and appetite, the bank 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 annually by operational risk management as part of the in control process.

Specific events and action points 2009

The following events required the specific attention of the Managing Board in 2009:

- The risks associated with the credit liquidity crisis continued to influence the decision taking of management at NIBC. Building on the successes of the previous year, the bank continued its programme of funding diversification by increasing online retail savings and by issuing bonds under the Dutch State's Credit Guarantee Scheme for terms of

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

three and five years. All these actions were carried out under prudent asset and liability management to further reduce potential fluctuations in NIBC's liquidity requirements and to ensure adequate liquidity for the medium term;
- The anticipated increase in risks associated with a worsening macroeconomic climate materialised within the bank's customer base. By enhancing NIBC's system of internal controls and its risk management process, management was able to mitigate the impact of these risks. A number of deteriorating credits were restructured, additional collateral was obtained and pricing and terms were improved;
- The planned improvement actions to support commercial activities as well as actions to simplify and improve operational efficiency were realised. These improvements focused on the match between the requirements of the commercial business and operations on the one hand and capacity of the system and the efficiency of processing on the other. An additional benefit of these activities was an improvement in the quality of management information used to take commercial decisions. Further steps were taken to improve the maturity level of IT using the best practices framework for information technology (COBiT). IT has attained a COBiT maturity level of three (on a scale between one to five) based on a review of the general controls and application controls. At the same time, the maturity level of both operations and finance has been improved as a result of increased efficiency and performance of underlying systems. As a consequence of these operational improvements, NIBC is better placed to execute its business strategy; and
- The online retail savings programme, NIBC Direct, remained a focus of management attention in 2009. This focus is primarily based on the important role of online retail saving in the bank's liquidity diversification programme. While operations and processing have matured and the level of professionalism in the team further increased, risk control and monitoring will continue to be a management point of attention.

During 2009, 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 changes to these.

Planned improvements and attention areas 2010

In 2010, the management of risks associated with the weakness of the macroeconomic climate will continue to be a priority at NIBC. Against this backdrop, the bank will continue to maintain a high capital position. NIBC will continue to explore measures to further diversify sources of liquidity and further improve those already in place. These activities will be carried out under the prudent direction of asset and liability management to further reduce the potential fluctuations in the bank's liquidity requirements. The weakness in the macroeconomic environment is expected to continue to affect NIBC's customer base in the near future. As in 2009, the risks associated with these customers will require ongoing attention in 2010. However, NIBC's risk management process and system of internal controls are expected to have a mitigating impact.

Planning for 2010 calls for increased commercial activity building on the successes of 2009. Maintaining sustainable profits will bring with it the need to seek a proper balance between commercial drive and the ability of the organisation's systems and operations to effectively and efficiently meet these demands. The bank has an ongoing calendar of initiatives to further refine the quality of management

information and augment an already robust risk assessment and approval process. Combined with these initiatives is a continued drive toward improved efficiency and system performance all leading to advances in the COBiT maturity level of IT and a deepening of the information security processes realised in 2009. All these improvements aim to ensure the smooth and efficient execution of NIBC's business strategy within the bank's risk and control framework.

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 2009, and where required, corrective measures were taken. However, the measures to manage NIBC through a period of increased commercial activity in a weak macroeconomic climate as well as maintaining an adequate medium-term liquidity position will remain areas of attention in 2010.

The internal risk management and control systems based on a risk identification process combined with an established set of detective, preventative and repressive control measures provide reasonable assurance that the financial reporting does not contain errors of material importance and that the internal 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 best practice II.1.4 and best practice II.1.5 of the Dutch Corporate Governance Code, taking into account the most recent best practice provisions in the proposed revised code.

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 consolidated financial statements 2009 give a true and fair view of the assets, liabilities, financial position and profit and 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 developments during the financial year of NIBC and its consolidated group companies; and
- The Annual Report 2009 describes the principal risks which NIBC faces.

The Hague, 8 March 2010
Managing Board

Jeroen Drost, *Chairman, Chief Executive Officer*
Kees van Dijkhuizen, *Vice-Chairman, Chief Financial Officer*
Rob ten Heggeler, *Member*
Jeroen van Hessen, *Member*
Jan Sijbrand, *Member, Chief Risk Officer*

agile and always available

SUPER DE BOER / JUMBO

The acquisition of Dutch supermarket group Super de Boer by its rival Jumbo was a landmark transaction – and not just for the sector. NIBC proved its agility by playing a two-pronged role: acting as M&A adviser to Super de Boer and closing a EUR 700 million senior debt facility for Jumbo to finance the takeover.

For our M&A team, the deal was the culmination of two and a half years advising Super de Boer on its strategic options. When Jumbo emerged as a potential partner, we used our deep market knowledge and M&A capabilities to orchestrate an efficient process. That optimised the transaction terms for all Super de Boer's stakeholders and got the acquisition completed in a very short and intensive period.

"NIBC moved swiftly and decisively when it mattered. They were there with strategic and tactical advice all the way – whenever we needed them," says Jan Brouwer, CEO of Super de Boer.

Our track record in the food retail sector is also evident in our relationship with Jumbo, to whom we have been a house bank since 2002. This firmly-established connection brought us the opportunity to help finance Jumbo's acquisition of Super de Boer – the largest transaction for NIBC Corporate Lending last year. Our short communication lines enabled us to complete the paperwork fast and efficiently and to assure Jumbo of credit.

"NIBC has a solid track record of quality and swiftness serving our needs, yet they even exceeded our expectations in terms of their commitment, speed and the flexibility of their internal process," says Ton van Veen, CFO of Jumbo.

Client	Super de Boer	Jumbo Groep
Description	Listed Dutch food retailer	Family-owned Dutch food retailer
Sector	Food retail	Food retail
Deal description	Disposal of all assets and liabilities to Jumbo Groep	Acquisition of all assets and liabilities of Super de Boer
Type of deal	Asset and liability transaction	Acquisition and working capital facilities
Total deal size	EUR 553 million (equity value)	EUR 700 million (debt facilities)
NIBC's role	Advisor to Super de Boer	Mandated Lead Arranger and Hedge Provider
Deal closed in	December 2009	December 2009

Risk Management

The financial crisis has transformed since it began in 2007. Ignited by the US sub-prime market, it swept through the structured credits sector before being inflamed by the high leverage in the global economy. The shift to de-leveraging then took a heavy toll on the real economy.

NIBC moved early to de-risk its balance sheet, significantly reducing its exposure to market risk since 2007. We scaled back our already conservative appetite for credit risk in anticipation of a severe economic recession. Timely steps such as these meant our risk profile was in healthy shape last year.

The financial crisis has triggered a re-sequencing of risk priorities. Before the crisis, the emphasis was on credit, market and operational risk. Though controlling NIBC's liquidity has always been a major focus of Risk Management, liquidity risk became the department's top priority in 2009.

To ensure long-term liquidity, NIBC launched online retail savings programme NIBC Direct in Germany in 2009 and continued to expand NIBC Direct in the Netherlands. Retail savings now represent some 20% of our total funding. In addition to retail savings, NIBC also raised EUR 5 billion of funding under the Dutch State's Credit Guarantee Scheme.

Our second priority last year was ensuring the quality of our assets. NIBC rigorously conducted a prudent assessment of risks before granting new lending. All the same, impairments have been an inevitable by-product of the economic downturn, for NIBC as for our peers.

Our third priority was taking a fundamental credit analysis approach to our Securitisations portfolio. NIBC took its risk management to a higher level by creating a dedicated financial markets credit risk department, which covers the middle ground between market risk and credit risk.

The *Dutch Central Bank* (**DNB**) confirmed its approval of our use of the *Advanced Internal Ratings Based* (**AIRB**) approach for calculating solvency requirements in 2009, the most sophisticated approach. DNB originally granted approval in 2008.

More generally, last year saw continuing development in risk management tools, methods and regulations in response to the crisis. A raft of new rules and regulations is now a constant factor for financial institutions.

Notes 54, 55, 56 and 57 to the consolidated financial statements contain more detailed information on Risk Management.

Portfolio overview

Table 1 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, Investment Management loan 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 for the CDS premium payments.

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 of Basel II capital calculations, except for derivatives, which show the positive replacement values only, without netting and without any potential future exposure add-on. Note 54 to the consolidated financial statements presents a more detailed comparison between risk figures and balance sheet amounts.

Definitions of NIBC's main risk types are given in the respective sections that follow.

Table 1 Overview of risk exposures

		31 December	
IN EUR MILLIONS	Main risk types	2009	2008
Corporate loans	Credit risk	8,572	8,090
Residential mortgages	Credit risk	10,601	11,451
Investment Management loans	Credit risk	245	257
Equity investments	Investment risk	345	336
Debt investments	Issuer risk/Market risk	2,295	2,392
Cash management	Credit risk	3,411	1,616
Derivatives [1]	Credit risk/Market risk	2,825	3,110

1. Positive replacement values; include positions in Trading and Mismatch portfolios.

Risk governance structure

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

The *Risk Management Committee* (**RMC**) determines the 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 and sector limits, approves acceptance policies and guidelines and approves the risk policies and manuals. Three members of the 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 NIBC's balance sheet and market risk profile. The ALCO monitors traded market risks, exposure to interest rates and currency risks, the capital structure and 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 the 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, monitors exposure and decides on impairments. Three members of the 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, Investment Management loans and subordinated debt exposures as well as impairments and revaluations for these assets. Two members of the 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 clients. All five members of the Managing Board are members of the ECC.

Finally, matters concerning operational risk are periodically discussed in the Managing Board. The Operational Risk Manager functionally reports to the CRO and 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 risk management committees, at least two members are members of the Managing Board.

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

CRM is responsible for the credit risk management of the Corporate Loan portfolio. 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 Investment Management loans, 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 Investment Management loan or equity position is part of NIBC's direct portfolio or part of one of the NIBC Funds).

ALM manages balance-sheet and liquidity risk and supports NIBC's asset and liability management policies, as established by the ALCO. Additionally, ALM is responsible for the market risk management of the Residential Mortgage portfolio, contacts with rating agencies, model validation and parts of quantitative risk modelling.

The MR department is responsible for monitoring the market risk of the Treasury activities, both inside and outside the trading book. MR also manages the bank-wide currency position and co-ordinates the ongoing compliance with the Basel II regulation, including new legislation.

FMCR is responsible for managing issuer and counterparty credit risk resulting from NIBC's Treasury activities and financial market product execution, such as *Over The Counter* (**OTC**) derivatives with financial institutions and corporate entities. FMCR develops and implements policies and procedures regarding credit risk related to financial markets products, and advises on counterparty credit limits and issuer limits for financial institutions and corporate entities.

RP is a sub-department of FMCR and monitors risk on 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 NIBC's credit portfolio. RP is also responsible for the reporting of credit portfolio information to the various users within NIBC. The RP department is pivotal in NIBC's Basel II process and also performs parts of quantitative risk modelling.

Credit risk management

NIBC defines credit risk as the current or potential threat to the company's earnings and capital as a result of a counterparty's failure to make required debt or financial payments on a timely basis or to comply with other conditions of an obligation or agreement, including the possibility of restrictions on or impediments to the transfer of payments from abroad.

Credit risk at NIBC exists in different shapes and forms. Almost every activity at NIBC is related to credit risk: credit risk is present in the Corporate Loan portfolio, the Residential Mortgage portfolio, the Debt Investments portfolio, cash management and derivatives. Credit risk is also present in NIBC's portfolio of Investment Management loans. This portfolio is discussed in note 54 to the consolidated financial statements.

Specifically for the Debt Investments portfolio, NIBC defines the credit risk as issuer risk, which is the credit risk on the issuer of the debt security (e.g. public bond).

Corporate loans

The Corporate Loan portfolio is one of the core portfolios of NIBC and has a size of EUR 8,572 million at 31 December 2009.

NIBC employs an internally developed methodology for quantifying the credit quality of its Corporate Loan portfolio. In line with Basel II regulations, the methodology consists of two elements: a *counterparty credit rating* (**CCR**) that reflects the *probability of default* (**PD**) of the borrower, and an anticipated loss element that expresses the potential loss in the event of default (*loss given default*, **LGD**), which takes into account the presence of collateral. All counterparties are reviewed at least once a year.

In terms of CCR, the credit quality is concentrated in the BB and B categories. With respect to collateral, almost all loans have some form of collateralisation. Loans can be collateralised by mortgages on real estate and ships, by receivables, lease receivables, liens on machinery and equipment, or by third-party guarantees and other similar agreements.

A third element which is also assessed internally is the *exposure at default* (**EAD**). It is defined as the amount that is expected to be outstanding at the moment that a counterparty defaults. Counterparties typically tend to utilise their credit lines more intensively when approaching default, which implies that the amount outstanding at default is expected to be higher than the current outstanding amount.

The assessment of these parameters is supported by NIBC's internal *Rating Monitoring System* (**RMS**), which has been in use since 2000.

The PDs, LGDs and EADs that are calculated through NIBC's internal models are used for the calculation of *expected Loss* (**EL**) and Pillar-1 *regulatory capital* (**RC**). Internal ratings enable an objective comparison of the credit risk of different types of assets, making them an essential tool for the commercial and risk management departments to determine whether a transaction fits NIBC's strategy and portfolio, as well as to determine an appropriate pricing. The *risk-adjusted return on capital* (**RAROC**), *economic capital* (**EC**) and stress testing are additional areas which make use of the above-mentioned parameters, although the values and methodologies for both EC and stress testing differ from those employed in Pillar 1. The section Economic Capital in this Risk Management section provides more information on this subject. PDs, LGDs and EADs are also used in the Basel II solvency report to the regulator.

NIBC enforces strict separation of responsibilities with respect to its internal rating methodologies and rating process, model development, model validation and internal audit.

The AIRB approach for the corporate and retail exposure classes has been adopted by NIBC and approved by NIBC's regulatory authority, the DNB, since 1 January 2008. The DNB confirmed in 2009 its approval of NIBC's use of the AIRB approach for calculating solvency requirements.

The PD and LGD methodologies make use of expert judgement on a number of rating indicators. Corporate loan products are considered to fall within four financing types (corporate lending, asset finance, acquisition finance and project finance), and for each of these financing types the relevant credit drivers and parameters are captured in the models.

Counterparty credit ratings and probability of default

The counterparty credit rating reflects the counterparty's capacity to meet its financial obligations in full and in time. Counterparty credit ratings do not incorporate any recovery issues, as these are captured through the LGD internal estimates.

NIBC uses a through-the-cycle counterparty credit rating scale, which consists of 10 grades (1-10). Most of these grades are further divided in notches, by the addition of a plus or minus sign to show the relative standing within the rating grade. NIBC uses a total of 22 notches, each of which is mapped to the rating scale of the main international rating agencies. Each notch carries a PD, which quantifies the likelihood that the counterparty will go into default in the next one year. Furthermore, counterparty credit ratings are assigned a rating outlook. This assesses the potential direction of the counterparty credit rating over the medium term. In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions.

The general methodology for determining a counterparty's credit rating 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.

The performance of the counterparty credit rating methodology is back-tested annually in order to ensure that consistency is kept throughout the portfolio and to measure the discriminatory power of the counterparty credit ratings. Furthermore, NIBC regularly benchmarks its counterparty credit ratings with external parties. The last benchmark took place in 2009.

Loss given default

Whereas counterparty credit ratings are assigned on a counterparty level, LGD ratings are facility-specific. The LGD ratings reflect the loss that can be expected in a downward scenario on a facility, if a counterparty defaults. NIBC's internal LGD scale consists of 7 grades (A-F) and 10 notches, each of which represents a different degree of recovery prospects and loss expectations.

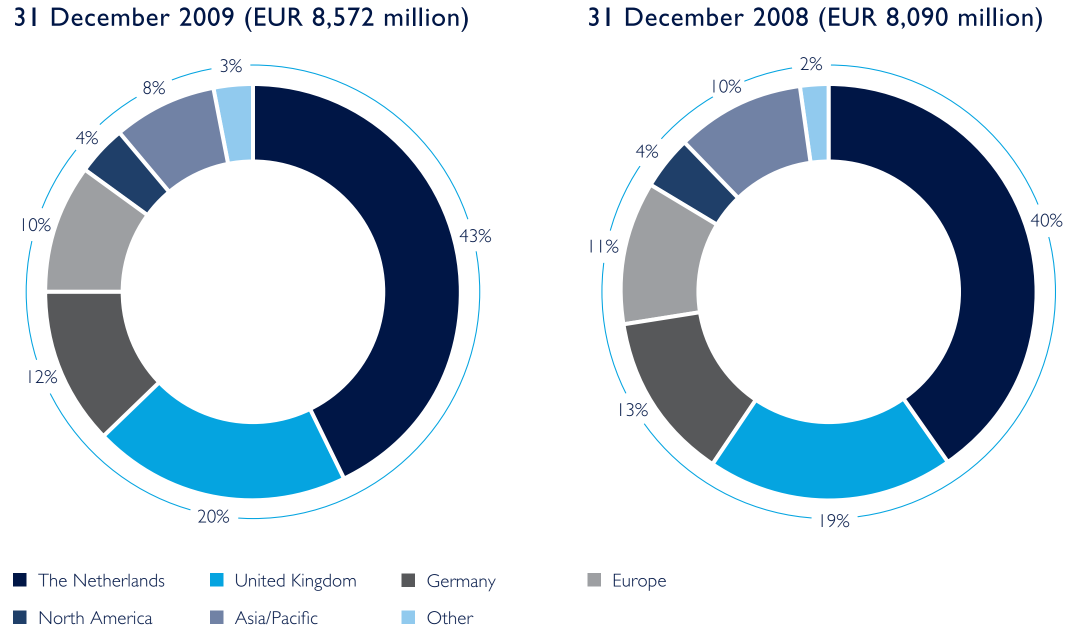
NIBC's LGD philosophy is similar to the approach for counterparty credit ratings. The LGD methodology is also based on a combination of qualitative and quantitative rating indicators that include, among others, the assessment of the available collateral and/or guarantees, the seniority of the loan, the applicable jurisdiction, and the quality of the counterparty's assets. Once the various LGD drivers have been assessed, the final LGD rating is based upon expert judgement.

As is the case for counterparty credit ratings, the maintenance of NIBC's LGD models involves benchmarking and back-testing. Furthermore, NIBC is a founding member of the *Pan-European Credit Data Consortium* (**PECDC**), the largest international loan loss data pooling entity. This enables NIBC to exchange anonymous loss data with other large international banks for the purposes of enhancing LGD modelling capabilities, sharing of best practices, LGD calibration and benchmarking.

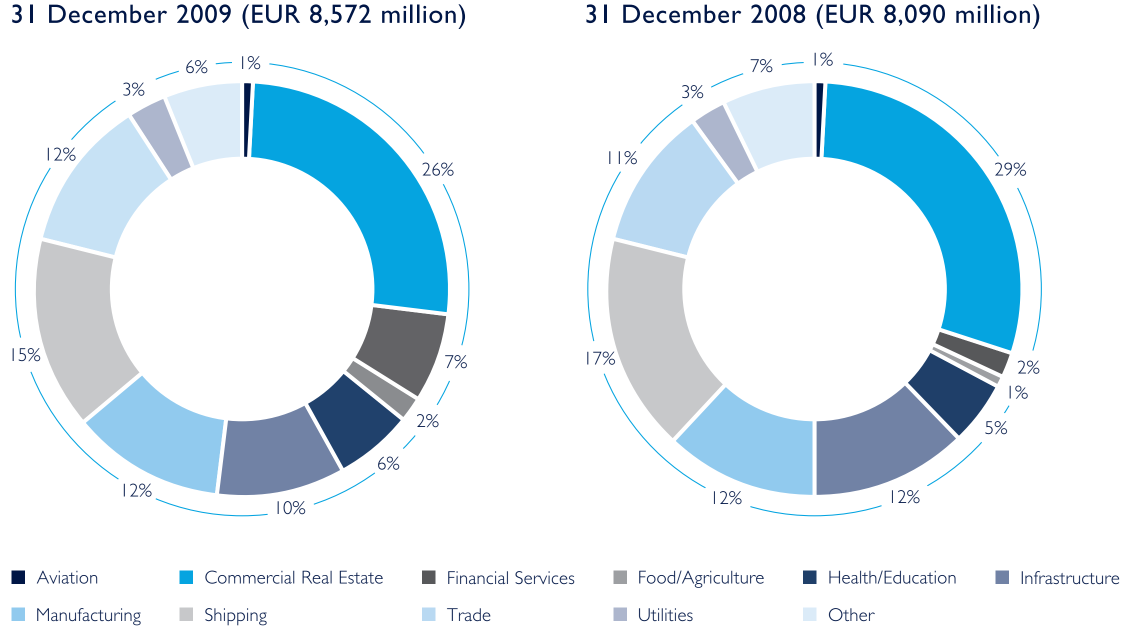
Distribution of corporate loans

Graphs 2-5 show the Corporate Loan portfolio split in regions and industry sectors at 31 December 2009 and 31 December 2008. The commercial real estate figures include an amount of EUR 616 million in securitised loans. This concerns the Mesdag Delta securitisation; NIBC has retained notes amounting to EUR 145 million, whereas EUR 471 million has been sold. Furthermore, the industry sector Financial Services includes a collateralised loan of EUR 396 million (the collateral is a pool of prime Dutch residential mortgages) to an investment-grade financial institution. The term Exposure includes both on- and off-balance sheet amounts and applies to all graphs in this section.

Graphs 2 and 3 Corporate loan exposure per region



Graphs 4 and 5 Corporate loan exposure per industry sector



The impact of the credit crisis on the Corporate Loan portfolio was stronger in 2009 compared to previous years but it still remained at acceptable levels. There was an increase in the level of provisioning but they did not reach extreme levels, in part due to the high level of collateralisation. However, the impact of the crisis differed between the various loan segments. Most new provisions were taken in leveraged finance, but other parts of the portfolio carry either no or negligible impairments and write-offs, as in the case of the Shipping portfolio.

Table 6 shows the average losses in basis points since 2003. 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 2009) in the case the default was unresolved at year-end. Consequently, average losses are not necessarily constant, given that provision amounts change over time. The losses are related to the non-defaulted portfolio at the start of the year, containing on- and off-balance sheet amounts.

Table 6 Overview of average losses, Corporate Loan portfolio

IN BASIS POINTS	2009	2008	2007	2006	2005	2004	2003
Average loss	66	34	0	31	33	21	27

Segmentation of corporate loans

Corporate loans at NIBC are originated and managed in six separate segments. These segments are Commercial Real Estate, Infrastructure & Renewable Energy, Shipping, Corporate Lending, Leveraged Finance and Oil & Gas Services. The sections that follow provide details for each of these segments.

Note that this segmentation overview excludes a collateralised loan of EUR 396 million (the collateral is a pool of prime Dutch residential mortgages) to an investment-grade financial institution. This loan is managed by NIBC's Treasury department and does not fall within the six segments described in this section.

Note 54 to the consolidated financial statements contains additional information on the Corporate Loan portfolio.

Commercial real estate

The Commercial Real Estate Loan portfolio on NIBC's own book has a size of EUR 2,289 million at 31 December 2009 of which 98% is drawn.

These figures include an amount of EUR 616 million in securitised loans. This concerns the Mesdag Delta securitisation. NIBC has retained notes for an amount of EUR 145 million whereas EUR 471 million has been sold. The total Commercial Real Estate Loan portfolio consists of 198 mortgage loans to 43 counterparties. It is diversified across various commercial real estate classes and countries. Multi-family property financing accounts for 38% of the portfolio, which reduces significantly the concentration risk in the underlying collateral pool. Office and retail property financing account for 30%. Hotel financing and construction financing constitute 7% and 4% respectively. The remainder (21%) of the portfolio consists of financing of miscellaneous properties, including mixed use and industrial properties.

In terms of geographical distribution, 68% of the Commercial Real Estate Loan portfolio is located in the Netherlands, 27% in Germany and 4% in other EU countries.

The weighted average counterparty credit rating in this segment, excluding defaulted assets, is 6 on NIBC's internal rating scale. In line with the market conditions, the majority of loans in the portfolio were downgraded one notch compared to 2008. The unfavourable market conditions in the commercial real estate segment, however, did not result in high levels of impairments. At 31 December 2009, the impairment amount on the Commercial Real Estate Loan portfolio was only EUR 1 million, representing a mere 1% of all impairments on corporate loans.

The yields in 2009 increased as expected; a further slight increase is foreseen. The downward pressure on the market value of the assets continues, although a slower pace was observed in the last quarter of 2009. In general, the generated cash flow (rental income and excess income from disposals) within the portfolio remains sufficient to service all debt obligations.

In 2010, EUR 182 million (8%) of the Commercial Real Estate Loan portfolio is due for refinancing. In 2011, this is EUR 112 million (5%). The largest part of the remainder (69%) matures in 2014 or later.

Infrastructure & renewable energy

The Infrastructure & Renewable Energy Loan portfolio had a size of EUR 1,601 million at 31 December 2009. In terms of geographical distribution 75% of the Infrastructure portfolio is located in the United Kingdom, 7% in the Netherlands, 6% in Germany and the remainder in the rest of Europe. The portfolio spans various industry sectors, of which infrastructure (35%), health/education (21%), utilities (13%) and trade (9%) are the most important.

The weighted average counterparty credit rating in this portfolio, excluding defaulted assets, is 5 on NIBC's internal rating scale. At 31 December 2009, the impairment amount on the Infrastructure & Renewable Energy portfolio was EUR 3 million, or 3% of all impairments on corporate loans. These impairment levels are similar to those in 2008.

The market outlook for 2010 is positive, supported by the increased government spending in order to support the economic recovery.

The market for infrastructure in 2009 remained relatively stable from a risk point of view. A significant distinction can be made between the construction (approximately 20% of the portfolio) and the operational phase (approximately 80% of the portfolio). The risk profile of the construction phase is strongly related to the risk profile of the construction company involved. At the same time, the construction phase is characterised by substantial security packages, including performance bonds and letters of credit. The existence of such security packages results in a below-average risk profile, despite the current increased risk profile of individual construction companies. Throughout the portfolio, only the established European construction companies are involved in the infrastructure projects.

For the main part of the portfolio which is in operational phase, 90% of the projects carry only availability risk (i.e. the risk that the project will not be completed and available in time) and no market risks. As the availability risk is passed through to the operating and maintenance contractor, the remaining risk is that of the off-taker. For true *Private Finance Initiative* (**PFI**) transactions, 100% of the off-takers are government-related entities.

The Renewable Energy Loan portfolio is only a fraction of the Infrastructure portfolio, amounting to EUR 186 million (or 12% of the Infrastructure & Renewable Energy portfolio) at 31 December 2009. 52% of this portfolio is located in the Netherlands, 16% in Germany, 13% in the United States and the remainder in other EU countries. The European governments strongly focus on environmentally friendly and sustainable energy; the market outlook for 2010 is positive.

Shipping

In anticipation of a downturn, shipping deal flow during the peak of the cycle was limited as of the second half of 2007. The Shipping Loan portfolio exposure, which covers around 15% of NIBC's total loan book, declined by 10% to EUR 1,255 million (of which 88% drawn) compared to year-end 2008. Due to the deteriorated market circumstances, the weighted average loan-to-value ratio weakened from approximately 57% at year-end 2008 to approximately 67% (excluding container box facilities) at year-end 2009. Within the portfolio, the top 10 exposures (obligor-based) represent EUR 372 million, or 30% of the portfolio.

The portfolio is diversified across different geographical areas and various shipping sub-sectors. Significant geographical areas are Asia/Pacific (40%), Europe (14%), North America (14%), the Netherlands (9%) and the United Kingdom (9%). Exposure is spread over four main shipping sub-sectors, namely tankers (48%), bulk vessels (17%) container boxes (13%) and container vessels (12%). The remainder of the portfolio (10%) includes, among others, financing of car carriers, and oil and gas support assets, such as accommodation barges.

2009 has been a difficult year for the global shipping industry, which was characterised by limited ship finance available from many traditional 'shipping banks', low utilisation of ships resulting from the worldwide economic recession causing dwindling cash flows, and looming overcapacity. The industry's challenges, especially the excess tonnage issue, will continue in 2010, which is expected to become a very demanding year as well, despite some recent weak signs of improvement.

Impairments on NIBC's Shipping Loan portfolio are negligible; there were only two impairments at 31 December 2009, amounting to EUR 0.4 million, taken in previous years. Although there have not been any new impairments in the portfolio during 2009, NIBC was faced with market-value and earnings-related breaches and restructurings. Increases in reviews with negative counterparty rating outlook, downward rating actions (resulting in a weighted average counterparty credit rating, excluding defaulted assets, of 6+ on NIBC's internal rating scale) and credit-watch placements have also been recorded. Despite all negative developments, however, it is reassuring to see that this portfolio holds up well for now. Potential negative effects are, to a large extent, mitigated by a focus on modern tonnage (average age of security vessels is between 7-8 years) and fairly conservative underwriting standards combined with financing based upon longer-term time charters.

In addition to the Shipping Loan portfolio, the Shipping department of NIBC manages a legacy portfolio in the aviation industry sector. This portfolio amounted to EUR 75 million at 31 December 2009, or 1% of the total Corporate Loan portfolio. This portfolio is located in North America (37%), the Netherlands (33%), Asia/Pacific (19%), the United Kingdom (8%) and Europe (4%). The aviation portfolio carried an impairment amount of EUR 17 million at 31 December 2009, representing 15% of all impairments on the Corporate Loan portfolio.

Corporate lending

In 2009, Corporate Lending continued its focus on medium-sized to large-sized companies in the Benelux and Germany. Market activity increased over the year, and this resulted in an increase of the portfolio size from EUR 917 million at 31 December 2008 to EUR 1,230 million at 31 December 2009. The total exposure of the portfolio is spread over seven different industry sectors, with trade (30%), infrastructure (25%), manufacturing (13%) and financial services (9%) being the most important.

In terms of geographical distribution, 82% of the portfolio is located in the Netherlands, 7% in Germany and 11% in the rest of Europe.

The assets transferred to the DA department in 2009 were mainly originated in 2007 and in the beginning of 2008 and comprise highly levered assets that are sensitive to a sharp deteriorating market demand. Over the last year, impairment amounts increased by EUR 14 million to EUR 33 million.

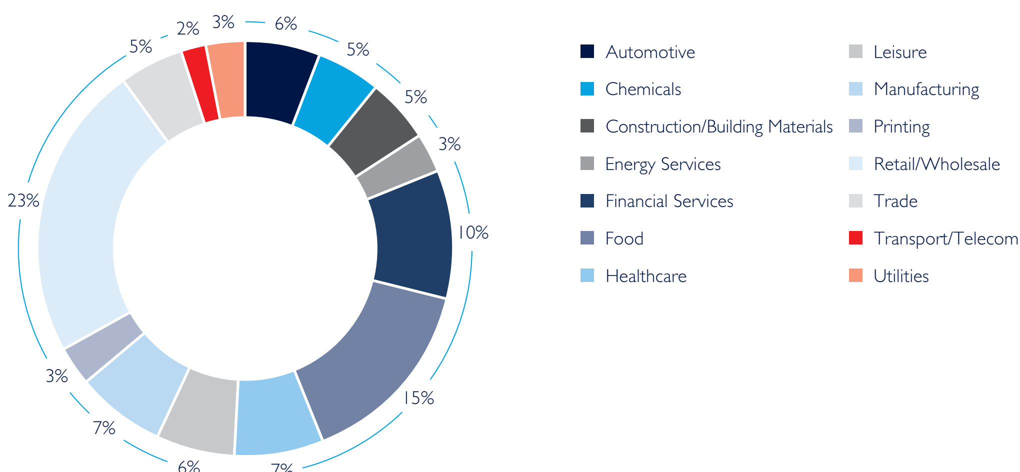
At 31 December 2009, impairments within the Corporate Lending Loan portfolio comprised 30% of all impairments on corporate loans.

The main portfolio risks are concentration risk and the current economic conditions. A mitigating factor for concentration risk is that the large exposures are mainly related to reputable corporate clients rated above average. On the whole, concentration risk decreased compared to 2008. In 2009, the overall credit quality of the portfolio has stabilised at a counterparty credit rating of 5- (excluding defaulted assets) on NIBC's internal rating scale.

Leveraged finance

The size of the Leveraged Finance Loan portfolio managed by NIBC increased from EUR 986 million at year-end 2008 to EUR 1,141 million at 31 December 2009. The portfolio is spread over 69 different assets in 14 different industry sectors, as shown in graph 7. Exposure is located in the Netherlands (43%), the United Kingdom (23%), Germany (19%) and other EU countries (14%). The Leveraged Finance portfolio is monitored on a monthly basis.

Graph 7 Leveraged finance exposure per industry sector, 31 December 2009 (EUR 1,141 million)



In 2009, the focus continued on mid-market transactions in the Benelux and Germany. During the year the number of transactions in the market increased. Because of the absence of a syndication market, most transactions were closed without underwriting risk on the debt (i.e. on a club-deal basis) with relatively low final takes.

The transactions that were closed were all conservatively structured in terms of leverage, interest coverage, collateral and covenants and supported by well-known private-equity sponsors, who made substantial equity contributions. The pricing stabilised on the level of 2008.

Most of the new impairments within the Corporate Loan portfolio in 2009 were taken on leveraged finance assets. Over the last year impairment amounts increased to EUR 54 million, which represent 48% of all impairments on corporate loans at 31 December 2009. Provisioning in the Leveraged Finance Loan portfolio has stabilised, as well as the rate of downward rating migrations. The weighted average counterparty credit rating in this segment, excluding defaulted assets, is 6 on NIBC's internal rating scale.

Oil & gas services

Over 2009 the size of the Oil & Gas Services Loan portfolio reached the amount of EUR 584 million. Total exposure is spread over six main industry sectors, of which drilling (46%), support activities (19%) and oil and gas extraction (9%) are the most important ones. In terms of geographical focus, the majority of clients are located in North-Western Europe and the United States, whereas the assets are located all around the world in key oil and gas areas.

The overall risk profile remained stable over 2009 although the risk components have changed. A key risk component is construction risk, which decreased over the year as the number of drilling vessels under construction decreased and two delayed projects were delivered. At 31 December 2009, about one third of portfolio exposure relates to assets under construction. About half of the portfolio consists of project financing and half of corporate financing. Project financing is primarily sensitive to availability or operating risk. All project financing activities are secured, as well as the majority of the corporate financing. Unsecured exposure is mitigated by comfortable order books, negative pledges and market position.

At 31 December 2009, the portfolio carried zero impairment amounts. The overall credit quality of the portfolio is reflected by a counterparty credit rating of 5- (excluding defaulted assets) on NIBC's internal rating scale and is in line with the weighted average rating of 2008.

Residential mortgages

The Residential Mortgage portfolio at 31 December 2009 amounted to EUR 10,601 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 10,006 million is funded for EUR 4,783 million by external securitisations.

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

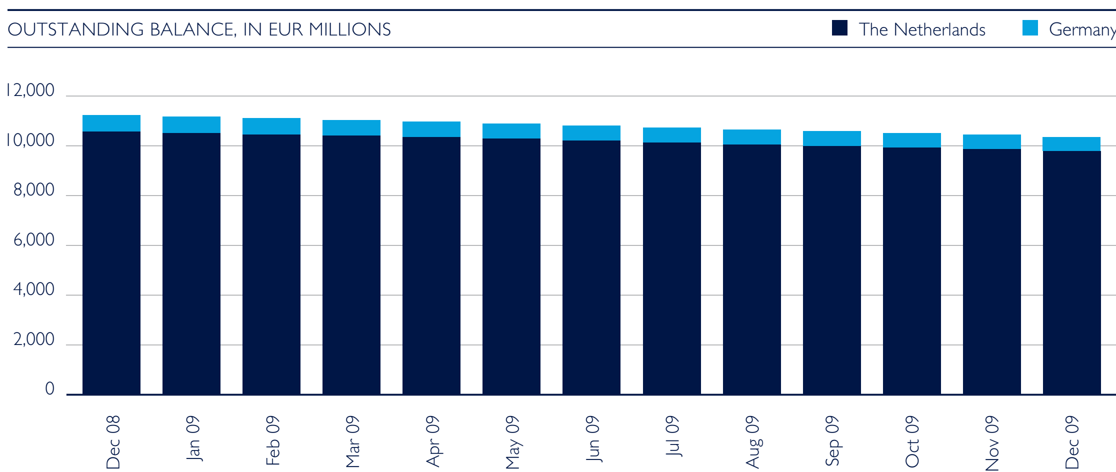
As of 1 January 2008, NIBC's rating methodology for residential mortgages has received approval from the DNB to use the AIRB for calculating solvency requirements and reporting to DNB. The calculation of PD, LGD and EAD is performed by an in-house developed Basel II AIRB model, which has been in use since 2006. The PD estimates are dependent on a variety of factors, of which the key factors are debt-

to-income and loan-to-value ratios. Minor factors which play a role in the PD estimates are several other mortgage loan characteristics, borrower characteristics and payment performance information. The PD scale is based on a continuous scale ranging from 0% - 100%.

The LGD estimates are based on a downturn scenario comparable to the downturn in the Dutch mortgage market in the 1980s. In this case, the indexed collateral value is stressed in order to simulate the proceeds of a (forced) sale of the collateral. The stress is dependent on the location and the absolute value of the collateral. Together with cost and time-to-foreclosure assumptions, an LGD is derived. The LGD estimate also takes into account whether a mortgage loan has a *Dutch government guarantee* (**NHG guarantee**), for which the LGD estimate will be lower in comparison to a mortgage loan without the NHG guarantee. The LGD estimate is also based on a continuous scale.

The validation of these estimates is performed on historical data and is carried out on a yearly basis. For the PD and LGD, the estimates are back-tested against realised defaults and realised losses. In this way it is ensured that the model still functions correctly in a changing economic environment.

Graph 8 Residential mortgages, outstanding balance development



Graph 8 shows the development of the outstanding balance of the Residential Mortgage portfolio between year-end 2008 and year-end 2009. The portfolio size has slightly diminished in this period.

Mortgage acceptance follows certain acceptance criteria when screening residential mortgage applications, further specified in note 54 to the consolidated financial statements. NIBC handles the arrears management of 70% of its Dutch Residential Mortgage 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 was finalised in 2009.

An increase in defaults and losses was shown in 2009, due to current market circumstances. 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. Table 9 shows an overview of the actual losses in the Dutch portfolio since 2005. Losses are expressed as basis points of outstanding balance.

Table 9 Overview of actual losses, Dutch Residential Mortgage portfolio

IN BASIS POINTS	2009	2008	2007	2006	2005
Actual loss	5	2	2	2	3

Debt investments

The Debt Investments portfolio contains issuer risk, which 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 financial institutions and sovereign entities;
- Securitisations; and
- Enhanced investments and credit fixed income funds.

Debt from financial institutions and sovereign entities

As part of NIBC's cash management strategy, the credit risk on debt issued by financial institutions has increased from EUR 765 million at 31 December 2008 to EUR 1,509 million at 31 December 2009. The net exposure on sovereign entities was zero. Note 54 to the consolidated financial statements provides more information on debt from financial institutions and sovereign entities.

Securitisations

NIBC has been an active participant in the securitisation market as both an originator and an investor. Towards the year-end of 2007 the perspective on the securitisation market shifted, and both in 2008 and 2009 de-risking has been a key objective for the portfolio. Though de-risking activities have been quite successful, NIBC still holds exposure to the securitisation market. Tables 10 and 11 present an overview of the total exposure at 31 December 2009 and 31 December 2008, making a distinction between NIBC's activities as an investor and as an originator, as well as whether a securitisation is consolidated on NIBC's balance sheet. Where a securitisation programme is consolidated, the exposure to the underlying commercial real estate loans or residential mortgages is included in the total exposures presented in Note 54 on Credit Risk, in the corporate loans and residential mortgages sections respectively.

Table 10 Exposure to securitised products, 31 December 2009

BOOK VALUE, IN EUR MILLIONS	As investor	As originator in non-consolidated securitisation programmes	Total net exposure to securitisations	As originator in consolidated securitisation programmes	Total gross exposure to securitisations
EU - ABS	19	-	19	-	19
EU - CDO	163	37	200	-	200
EU - CMBS	157	24	181	145	325
EU - RMBS	305	-	305	65	370
TOTAL EUROPEAN SECURITISATIONS	**644**	**61**	**705**	**210**	**915**
NL - RMBS AAA	31	-	31	-	31
TOTAL SECURITISED TREASURY LIQUIDITY INVESTMENTS	**31**	**-**	**31**	**-**	**31**
US - Collateralised [1]	2	-	2	-	2
TOTAL US SECURITISATIONS	**2**	**-**	**2**	**-**	**2**
TOTAL SECURITISATION EXPOSURE	**677**	**61**	**738**	**210**	**948**

1. Concerns EU CDO exposure with predominantly US collateral.

Table 11 Exposure to securitised products, 31 December 2008

BOOK VALUE, IN EUR MILLIONS	As investor	As originator in non-consolidated securitisation programmes	Total net exposure to securitisations	As originator in consolidated securitisation programmes	Total gross exposure to securitisations
EU - ABS	13	-	13	-	13
EU - CDO	191	48	239	-	239
EU - CMBS	170	26	196	127	323
EU - RMBS	448	-	448	61	508
TOTAL EUROPEAN SECURITISATIONS	**822**	**74**	**896**	**188**	**1,083**
NL - RMBS AAA	-	-	-	-	-
TOTAL SECURITISED TREASURY LIQUIDITY INVESTMENTS	**-**	**-**	**-**	**-**	**-**
US - Collateralised [1]	2	-	2	-	2
TOTAL US SECURITISATIONS	**2**	**-**	**2**	**-**	**2**
TOTAL SECURITISATION EXPOSURE	**825**	**74**	**898**	**188**	**1,085**

1. Concerns EU CDO exposure with predominantly US collateral.

NIBC as investor

The majority (92% at 31 December 2009) of NIBC's net exposure to securitised products stems from its activities as an investor in securitised assets. In 2007, NIBC ceased its investment activities in securitised products and significantly reduced its exposure. Next to individual asset sales, the complete North American *Residential Mortgage-Backed Securities* (**RMBS**) portfolio was closed and the remaining North American assets (*Commercial Mortgage-Backed Securities* (**CMBS**) and *Commercial Real Estate-Collateralised Debt Obligations* (**CRE-CDO**)) were transferred from NIBC Bank to NIBC Holding. With these actions NIBC Bank's exposure to the North American securitisation market decreased to a single

position (a European *Collateralised Debt Obligation* (**CDO**) with primarily North American underlying collateral) equalling EUR 2 million at 31 December 2009.

For the Western European portfolio in NIBC Bank, de-risking opportunities (asset sales and asset-switch trades) are still actively pursued. However, these opportunities are scarce as there are still large differences between the buyers' and sellers' market. On a total level, the Western European portfolio decreased to EUR 644 million at 31 December 2009 from EUR 822 million at 31 December 2008. This exposure reduction of EUR 178 million is the net result of asset sales, (p)repayments, impairments and revaluation of assets on fair value through profit or loss.

In the last quarter of 2009 NIBC decided to invest part of its excess liquidity in the securitisation market, profiting from the currently attractive spreads. These investments are restricted to AAA-rated assets collateralised by Dutch residential mortgages with a maturity of 2-4 years. They equal EUR 31 million and are part of the Securitised Treasury Liquidity Investments portfolio.

Tables 12 and 13 show NIBC's exposure to securitised products as investor, per collateral type and rating. Besides the described changes in exposure, some significant changes have taken place in the rating composition of the securitisation exposure as well. In 2009, all rating agencies adjusted their methodologies for the different asset classes. Consequently, a vast majority of all securitised products suffered from downgrades. For NIBC, these changes resulted in an increase of securitised products below investment grade (excluding equity) from EUR 29 million at 31 December 2008 to EUR 92 million at 31 December 2009. It is emphasised that the changed composition is not the result of trading activities.

Table 12 Exposure to securitised products (investor), 31 December 2009

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Equity	Total
EU - ABS	10	6	1	1	1	-	-	19
EU - CDO	-	33	50	37	6	37	0	163
EU - CMBS	53	20	35	26	9	13	-	157
EU - RMBS	135	55	48	40	14	12	-	305
TOTAL EUROPEAN SECURITISATIONS	**198**	**114**	**135**	**104**	**30**	**62**	**0**	**644**
NL - RMBS AAA	31	-	-	-	-	-	-	31
TOTAL SECURITISED TREASURY LIQUIDITY INVESTMENTS	**31**	**-**	**-**	**-**	**-**	**-**	**-**	**31**
US - Collateralised [1]	0	1	-	0	-	0	0	2
TOTAL US SECURITISATIONS	**0**	**1**	**-**	**0**	**-**	**0**	**0**	**2**
TOTAL SECURITISATION EXPOSURE (INVESTOR)	**229**	**115**	**135**	**104**	**30**	**62**	**0**	**677**

1. Concerns EU CDO exposure with predominantly US collateral.

Table 13 Exposure to secritised products (investor), 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	77	56	32	13	10	-	4	191
EU - CMBS	82	40	32	8	7	-	-	170
EU - RMBS	258	49	58	73	10	0	-	448
TOTAL EUROPEAN STRUCTURED CREDITS (LEGACY)	**421**	**151**	**124**	**94**	**28**	**0**	**4**	**822**
NL - RMBS AAA	-	-	-	-	-	-	-	-
TOTAL TREASURY LIQUIDITY INVESTMENTS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
US - Collateralised [1]	2	-	-	-	0	0	0	2
TOTAL US STRUCTURED CREDITS (LEGACY)	**2**	**-**	**-**	**-**	**0**	**0**	**0**	**2**
TOTAL SECURITISATION EXPOSURE (INVESTOR)	**423**	**151**	**124**	**94**	**28**	**1**	**4**	**825**

1. Concerns EU CDO exposure with predominantly US collateral.

NIBC as originator

NIBC has been active in the securitisation market as an originator for over ten years. The types of collateral for these securitisations include residential mortgages, commercial mortgages, leveraged loans and structured credits. NIBC's programmes are known under the names Dutch MBS and Sound (residential mortgages), North Westerly (collateralised loan obligations), Mesdag (commercial mortgages) and Belle Haven and Orion (US collateralised debt obligations). Retained exposure within these securitisations (both consolidated and non-consolidated) at 31 December 2009 amounted to EUR 271 million, compared to EUR 262 million at 31 December 2008.

Tables 14, 15, 16 and 17 show an overview of NIBC's securitisation exposure (originator) at 31 December 2009 and 31 December 2008. A distinction is made between exposures to securitisations that are not consolidated on NIBC's balance sheet (tables 14 and 15) and securitisations that are consolidated (tables 16 and 17).

Table 14 Non-consolidated securitisation exposure (originator), 31 December 2009

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Equity	Total
EU - ABS	-	-	-	-	-	-	-	-
EU - CDO	-	-	29	3	2	1	1	37
EU - CMBS	20	-	2	2	-	-	-	24
EU - RMBS	-	-	-	-	-	-	-	-
TOTAL EUROPEAN SECURITISATIONS	**20**	**-**	**32**	**5**	**2**	**1**	**1**	**61**
NL - RMBS AAA	-	-	-	-	-	-	-	-
TOTAL SECURITISED TREASURY LIQUIDITY INVESTMENTS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
US - Collateralised [1]	-	-	-	-	-	-	-	-
TOTAL US SECURITISATIONS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL SECURITISATION EXPOSURE (ORIGINATOR)	**20**	**0**	**32**	**5**	**2**	**1**	**1**	**61**

1. Concerns EU CDO exposure with predominantly US collateral.

Table 15 Non-consolidated securitisation exposure (originator), 31 December 2008

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Equity	Total
EU - ABS	-	-	-	-	-	-	-	-
EU - CDO	30	2	2	1	2	-	11	48
EU - CMBS	22	2	-	1	-	-	-	26
EU - RMBS	-	-	-	-	-	-	-	-
TOTAL EUROPEAN SECURITISATIONS	**53**	**4**	**2**	**2**	**2**	**-**	**11**	**74**
NL - RMBS AAA	-	-	-	-	-	-	-	-
TOTAL SECURITISED TREASURY LIQUIDITY INVESTMENTS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
US - Collateralised [1]	-	-	-	-	-	-	-	-
TOTAL US SECURITISATIONS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL SECURITISATION EXPOSURE (ORIGINATOR)	**53**	**4**	**2**	**2**	**2**	**-**	**11**	**74**

1. Concerns EU CDO exposure with predominantly US collateral.

Table 16 Consolidated securitisation exposure (originator), 31 December 2009

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Equity	Total
EU - ABS	-	-	-	-	-	-	-	-
EU - CDO	-	-	-	-	-	-	-	-
EU - CMBS	72	-	-	-	-	73	-	145
EU - RMBS	3	-	16	10	21	-	16	65
TOTAL EUROPEAN SECURITISATIONS	**75**	**-**	**16**	**10**	**21**	**73**	**16**	**210**
NL - RMBS AAA	-	-	-	-	-	-	-	-
TOTAL SECURITISED TREASURY LIQUIDITY INVESTMENTS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
US - Collateralised [1]	-	-	-	-	-	-	-	-
TOTAL US SECURITISATIONS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL SECURITISATION EXPOSURE (ORIGINATOR)	**75**	**-**	**16**	**10**	**21**	**73**	**16**	**210**

1. Concerns EU CDO exposure with predominantly US collateral.

Table 17 Consolidated securitisation exposure (originator), 31 December 2008

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Equity	Total
EU - ABS	-	-	-	-	-	-	-	-
EU - CDO	-	-	-	-	-	-	-	-
EU - CMBS	74	-	-	53	-	-	-	127
EU - RMBS	-	-	15	9	21	-	16	61
TOTAL EUROPEAN SECURITISATIONS	**74**	**-**	**15**	**61**	**21**	**-**	**16**	**188**
NL - RMBS AAA	-	-	-	-	-	-	-	-
TOTAL SECURITISED TREASURY LIQUIDITY INVESTMENTS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
US - Collateralised [1]	-	-	-	-	-	-	-	-
TOTAL US SECURITISATIONS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL SECURITISATION EXPOSURE (ORIGINATOR)	**74**	**-**	**15**	**61**	**21**	**-**	**16**	**188**

1. Concerns EU CDO exposure with predominantly US collateral.

NIBC's consolidated securitisation exposure relating to its own securitisation programmes at 31 December 2009 equals EUR 210 million, compared to a total exposure to securitisations as an originator of EUR 271 million. As mentioned previously, the underlying collateral in NIBC's consolidated securitisation exposure is included in the total exposures presented the corporate loans and residential mortgages sections. From the EUR 210 million, EUR 65 million relates to the Dutch MBS, Sound and Provide Orange transactions (included in item securitised residential mortgages on the balance sheet), and EUR 145 million relates to the Mesdag Delta transaction (included in item securitised loans on the balance sheet).

Note 54 to the consolidated financial statements provides more information on NIBC's Securitisations portfolio, including a geographical distribution and impairments.

Enhanced investments and credit fixed income funds

Through the Enhanced Investments portfolio, NIBC invests in highly-rated debt. These debt investments are mostly issued by financial institutions that have at minimum a single-A rating. All investments in this portfolio have to be approved by the RMC on a case-by-case basis. During 2009, the portfolio was reduced significantly from EUR 694 million at 31 December 2008 to EUR 36 million at 31 December 2009.

The Credit Fixed Income Funds portfolio contains investments in fixed income funds managed by hedge funds and asset managers. During 2009, the portfolio was further reduced. Its total book value decreased from EUR 35 million at 31 December 2008 to EUR 12 million at 31 December 2009. This decrease is in line with the decision of NIBC to reduce the exposure to these funds as much as possible.

A breakdown of these portfolios can be found in note 54 to the consolidated financial statements.

Credit risk related to cash management activities

NIBC runs credit risk as a result of cash management activities. An example is the 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.

In 2009, NIBC's risk management framework for cash management continued its 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 sovereign entities 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 the FMCR department. Ratings of financial counterparties are verified on a daily basis, and limits are possibly adjusted in case of a perceived decline in creditworthiness.

Credit risk on derivatives

Credit risk on derivatives is the risk of having to replace the counterparty in derivative contracts. NIBC manages this risk based upon the marked-to-market value plus an add-on. The add-on reflects a potential future change in marked-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 54 to the consolidated financial statements provides more information on the risk monitoring of credit risk on derivatives.

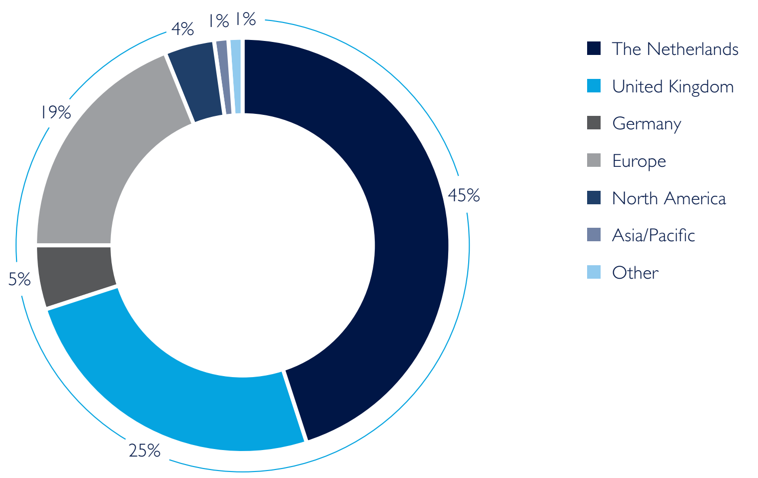
The counterparties can be split into financial institutions and corporate entities. With respect to financial institutions, NIBC only enters into OTC derivatives with investment-grade counterparties. NIBC has bilateral collateral contracts in place with all of the main financial institutions it does business with. 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 marked-to-market value of the underlying contracts, usually on a daily basis. The increased volatility in several key market drivers (interest and foreign-exchange rates) continued in 2009, resulting in significant exposures between collateral exchange moments.

Changes in interest rates also affect the marked-to-market valuation of corporate derivative transactions, increasing the positive marked-to-market values and therefore also NIBC's credit risk exposure on corporate entities. No CSAs are in place for these contracts, however this derivative exposure usually benefits from the security also supporting the related loan.

Graph 18 shows the geographical breakdown of corporate derivatives at 31 December 2009.

Graph 18 Corporate derivative exposure per region, 31 December 2009 (EUR 493 million)



Market risk management

This section describes the market risks that are inherent in the Treasury books for which economic capital is calculated based on a market risk treatment. NIBC defines market risk as the current and prospective threat to its earnings and capital as a result of movements in market prices. Market risk, therefore, includes price risk, interest rate risk and foreign exchange risk, both within and outside the Trading book. For fixed-income products, market risk also includes credit spread risk, which is the risk due to movements of underlying credit curve. The predominant market risk drivers for NIBC are interest rate risk and credit spread risk. Currency risk at NIBC is minimal, since all activities in foreign currencies are either funded in the same currency or hedged via cross-currency swaps.

Interest rate and credit spread risk parameters

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:

- 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 marked-to-market losses with a confidence level of 99% will not exceed, based upon 4 years of historical data for weekly changes in interest rates, credit spreads and both simultaneously. For the Trading portfolio additional VaR scenarios based upon daily historical market data and a 10-day holding period are used, both for limit-setting as well as for the calculation of the capital requirement; and
- As future market price developments may differ from those that are contained by the 4-year history, 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 events.

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, e.g. consisting of limits per currency (interest and credit BPV), per group of securities in a specific industry segment, or per group of securities with similar maturities.

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 in the section Economic Capital, within this Risk Management section.

Interest rate risk

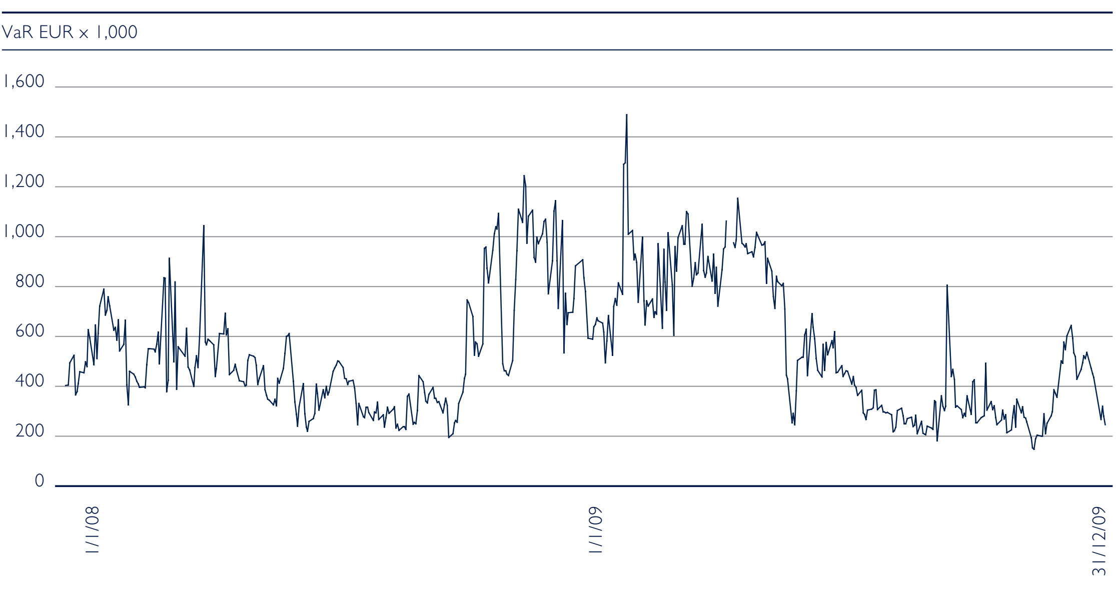
Interest rate risk within NIBC is predominantly present in the Trading portfolio and in the Mismatch portfolio. At the beginning of 2009, portfolios that had a regulatory market risk treatment consist of the interest rate trading portfolios and are henceforth referred to as the Trading portfolio.

Interest rate risk in the Trading portfolio

Trading positions change daily. However, graph 19 shows that the average level of risk during 2008 was maintained in 2009.

During 2009, this portfolio consisted solely of interest rate-driven exposures. Activities comprise short-term (up to two 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.

Graph 19 Trading portfolio VaR



Interest rate risk in the Mismatch portfolio

NIBC concentrates its strategic interest rate risk position in the Mismatch books. Next to the USD Mismatch portfolio, which was reported in 2008, a EUR Mismatch portfolio was set up in 2009. These portfolios exclusively contain swap positions, with which a view on future interest rate developments is taken.

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 (henceforth collectively referred to as Banking book):

- 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. Detailed information about the interest rate risk in the Banking book can be found in note 55 to the consolidated financial statements.

Credit spread risk

Within Treasury, credit spread risk is mainly concentrated in the Debt Investments portfolio and comprises investments in financial institutions and sovereign entities, securitised products and enhanced investments. NIBC's total credit spread sensitivity at 31 December 2009 has not changed much compared to 31 December 2008. However, the allocation of credit spread risk over the different portfolios has shifted more from the Securitisation portfolio to the portfolios containing investments in financial institutions and state-guaranteed bonds.

Tables 20 and 21 present an overview of the development in credit spread sensitivity over 2009 and 2008.

Table 20 Credit spread BPV, Debt Investments portfolio, 31 December 2009

	Credit spread BPV			
IN EUR THOUSANDS	End-of-Year	Average	Min[1]	Max[2]
Financial institutions & sovereign entities	(225)	(182)	(114)	(231)
Corporate credits	0	0	0	0
Securitisations	(143)	(147)	(104)	(185)
Enhanced investments	(47)	(68)	(38)	(101)
TOTAL	**(414)**	**(397)**	**(358)**	**(433)**

1. Min: value closest to zero.
2. Max: value farthest from zero.

Table 21 Credit spread BPV, Debt Investments portfolio, 31 December 2008

	Credit spread BPV			
IN EUR THOUSANDS	End-of-Year	Average	Min 1	Max 2
Financial institutions & sovereign entities	(116)	(90)	(52)	(181)
Corporate credits	0	(7)	2	(32)
Securitisations	(177)	(279)	(177)	(398)
Enhanced investments	(108)	(155)	(97)	(234)
TOTAL	**(401)**	**(614)**	**(401)**	**(934)**

1. Min: value closest to zero.
2. Max: value farthest from zero.

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 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. The most relevant exposures in foreign currencies for NIBC are USD, GBP and JPY. 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. NIBC's Finance department determines on a monthly basis NIBC's currency positions and reports to NIBC's 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.

Investment risk management

NIBC's investment risk relates to positions in private equity, infrastructure equity and real estate equity investments that are recorded and managed in Investment Management, which is a department of Merchant Banking. These private equity investments can be divided into direct and indirect investments. Indirect investments are investments made through *funds set up and managed by NIBC* (**NIBC Funds**) that are controlled by NIBC and thus consolidated into the consolidated financial statements of NIBC. Direct investments are all other investments and consist of private and listed common equity investments, preference shares, warrants and interests in funds managed by NIBC or by third parties where NIBC does not exercise control.

Investment risk for the private equity investments of NIBC is the risk that the value of the investment will deteriorate. NIBC includes investment risk in its market risk framework.

The investment process of Investment Management is based on the following principles:
- Investment risk exposures are authorised independently of the business originators;
- Systematic risk analysis of the investment is undertaken, with a view to identifying, measuring, and evaluating all risks; and
- The principles of Know Your Customer, Customer Due Diligence and Corporate Social Responsibility are embedded as an integral part of the overall investment 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 exposures are approved by the IC. As far as indirect investment transactions are concerned, these are approved by the investment committees of the NIBC Funds, subject to the investment guidelines stipulated in the fund agreements between the manager of the NIBC Fund and the investors.

The private equity investments of Investment Management are generally characterised by low liquidity. Because the size of the investment portfolio is limited, concentration risk is assessed per individual new asset. Market and geographical exposure profiles are also taken into account.

Investment process

Every investment proposition is assessed by an investment team, consisting of at least one senior investment manager. 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 team meeting and, if the decision to continue is made, due diligence and market analysis are undertaken. Ultimately, the investment proposal for direct investments is submitted

to the IC for a final decision on the investment, whereas the investment proposal for indirect investments is decided upon in the investment committee of the NIBC Fund.

Investment control process

All investment exposures are reviewed on a quarterly basis. The investment manager drafts a review document and prepares a valuation of the investment in accordance with the International Private Equity and Venture Capital Valuation Guidelines, to the extent that these are consistent with IAS 39. The International Private Equity and Venture Capital Valuation Guidelines set out recommendations, intended to represent current best practice on the valuation of private equity and venture capital. The review documents of the indirect investments are challenged by the manager of the NIBC Fund, who determines the valuation, or impairment, as the case may be. Finally, all valuations and impairments are approved by the IC.

Exit process

In each quarterly review, the exit strategy of every investment is updated, where applicable. If an exit is considered by the investment team, the investment manager drafts a divestment proposal outlining, among others, the timing of the exit, the reason for the exit, and the associated divestment proceeds. Divestment proposals for direct investments are submitted for approval to the IC. Divestment proposals for indirect investments are submitted for approval to the investment committee of the NIBC Fund.

Composition of investment exposure

On a total level, the size of the Equity Investment portfolio slightly increased at 31 December 2009 (EUR 345 million) in comparison to year-end 2008 (EUR 336 million). Tables 22 and 23 present the breakdown of the portfolio in industry sectors and regions. Note that the amounts shown in these tables represent on-balance amounts. Off-balance commitments of NIBC amounted to EUR 102 million at 31 December 2009 (31 December 2008: EUR 163 million).

Table 22 Breakdown of equity investments per industry sector

IN EUR MILLIONS	2009	2008
Commercial real estate	24	26
Financial services	43	41
Health/Education	4	7
Infrastructure	54	43
Manufacturing	14	14
Shipping	21	26
Trade	138	101
Other	46	78
TOTAL AT 31 DECEMBER	**345**	**336**

Table 23 Breakdown of private equity exposure per region

IN EUR MILLIONS	2009	2008
The Netherlands	280	260
United Kingdom	1	17
Germany	0	7
Europe	31	19
North America	31	33
Other	0	-
TOTAL AT 31 DECEMBER	**345**	**336**

Note 56 to the consolidated financial statements contains a breakdown of NIBC's Investment Management Loan portfolio.

Liquidity risk management

NIBC defines liquidity risk as the inability of the company to fund its assets and meet its obligations as they become due, at acceptable cost.

One of the cornerstones of NIBC's liquidity risk management framework is to maintain a comfortable liquidity position. The current credit and liquidity crisis made liquidity risk management even more important. NIBC was able to maintain a sound liquidity position in the difficult times of 2008 and 2009 due to the prudent and conservative liquidity and funding policy in the past, as well as by diversifying funding sources. The expansion of the online retail savings programme NIBC Direct, as well as medium-term note issues using the Dutch State's Credit Guarantee Scheme, were the major funding initiatives undertaken in 2009. In addition, NIBC was able to maintain the collateralised funding capacity that creates additional liquidity buffers.

Stress scenario

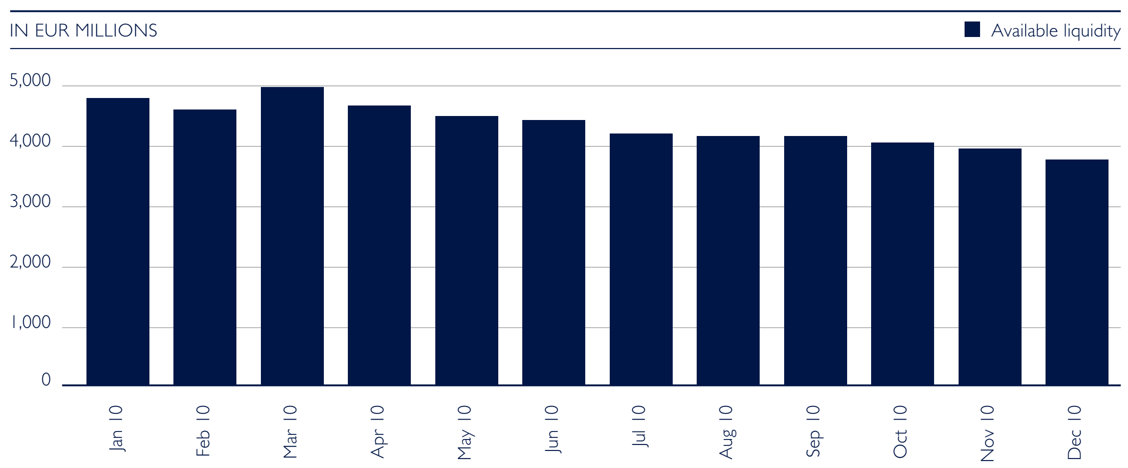
Based on projections prepared by the business units and reviewed by Risk Management, and the current asset and liability maturity profiles, a liquidity stress test is prepared and presented once every two weeks to the ALCO, in order to create continuous monitoring of the liquidity position. Note 56 to the consolidated financial statements provides more details on the assumptions behind the stress test.

Graphs 24 and 25 show the strong liquidity buffer in the stress scenario at year-end 2009 and year-end 2008. Although this analysis focuses on the next 12 months, the liquidity buffer in the liquidity stress test remains positive for longer periods.

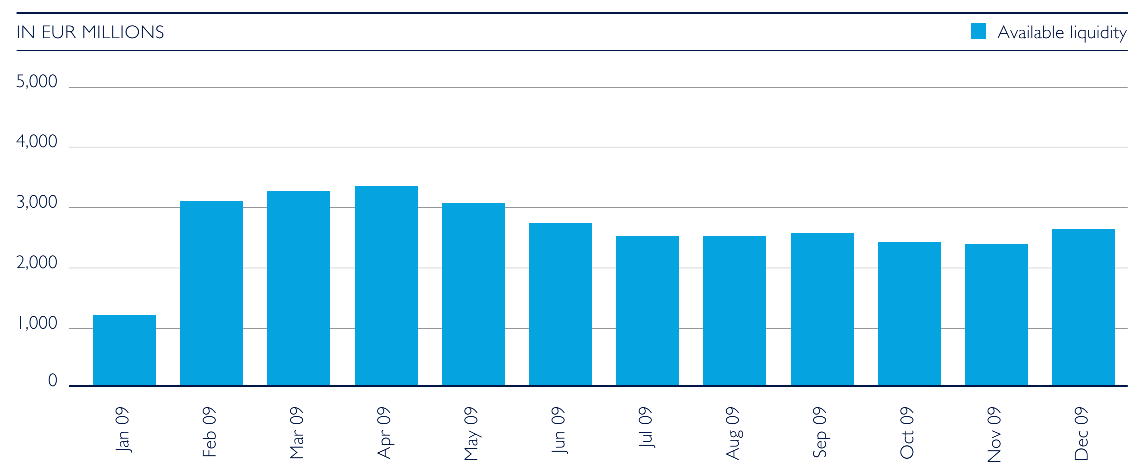
The available liquidity, as presented in graphs 24 and 25, is comprised of:

- A projected pool of cash plus collateralised funding capacity, minus a buffer for intraday payments and potential CSA collateral cash outflows, 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 and a conservative estimate of retail funding proceeds in 2010.

Graph 24 Stress scenario, short-term analysis, 31 December 2009



Graph 25 Stress scenario, short-term analysis, 31 December 2008



A comparison of the forecast 12-month liquidity stress test at 31 December 2008 with the forecast test at 31 December 2009 shows that the outcome of the stress test after 12 months is positive in both years. Furthermore, the liquidity measures taken in 2009, as explained below, resulted in a better liquidity position at the end of 2009 than it had been forecast at the end of 2008.

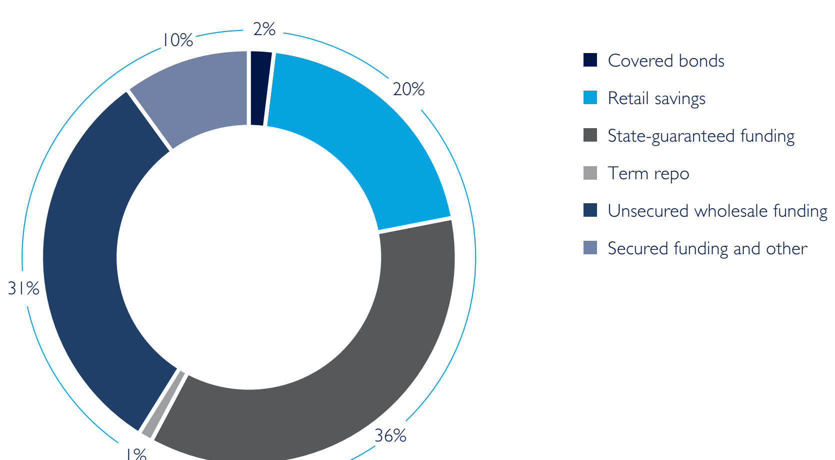
At the end of 2009, a large buffer of cash and collateralised funding capacity is available to cover the expiring funding in 2010. Due to the additional government-guaranteed issues in 2009 and higher than expected new retail savings proceeds, the realised liquidity buffer at the end of 2009 turned out to be higher than expected at the beginning of 2009. In 2010 the liquidity buffer of NIBC is expected to remain at a comfortably high level.

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 issuance of wholesale unsecured funding. The outcome of this 36-month liquidity analysis shows again a positive buffer throughout the period.

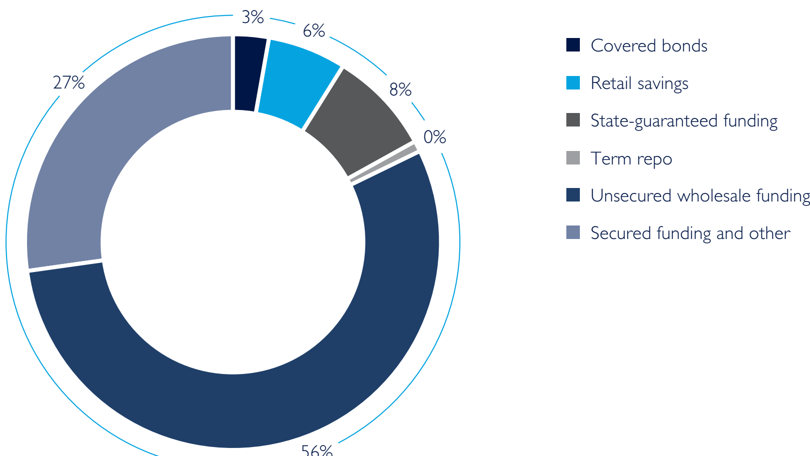
Funding

NIBC further diversified its funding base by the initiatives mentioned earlier. An overview of the Funding portfolio at 31 December 2009 and 31 December 2008 is shown in graphs 26 and 27. Note that the numbers of total funding for both years exclude funding from external securitisations.

Graph 26 Breakdown of total Funding portfolio, 31 December 2009 (EUR 18,150 million)



Graph 27 Breakdown of total Funding portfolio, 31 December 2008 (EUR 16,115 million)



Operational risk management

NIBC's definition of operational risk is 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 NIBC's reputation, operational earnings and/or have an adverse effect on capital value. In addition, reputation and strategic business risk are included as sub-categories of operational risk. For the organisation, both of these risk categories are driven by operational risk components.

The *Operational Risk Manager* (**ORM**) reports functionally to the CRO and is aligned with the activities of the Internal Audit department. The mission of the ORM is to actively promote a 'no-surprises' operating environment, which provides for the transparent and consistent management of operational risk across all activities of NIBC. The mission is undertaken in order to stimulate operational excellence, pro-actively manage operational risk, and meet legal and regulatory requirements.

The responsibility of monitoring and managing operational risk lies with the ORM and the business unit managers, 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 NIBC 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 NIBC's Managing Board and Supervisory Board and senior management are actively involved in risk management, and that NIBC's risk management system is independent, conceptually sound and implemented with integrity. Finally, NIBC needs 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.

Operational risk is managed at both group and divisional level. The Managing Board provides consistency and oversight of significant operational issues, and oversees the adoption of best practice across NIBC. At the divisional 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 ORM, 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 provide 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.

NIBC has sought to incorporate operational risk management into all its business processes. Operational risk is monitored on a daily basis as part of the 'in control' process and formal self assessments are performed annually. The self assessment forms the basis for the In Control and Responsibility Statement 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 employees and that it forms an integral part of the internal control system. The reporting system is focused on control of the identified risks related to the operational execution of the different business activities.

Risk Weighted Assets

The requirements of the Basel II framework are set out in the *Capital Requirements Directive* (**CRD**). The CRD is legally enforced by Dutch law by the Financial Supervision Act (Wet Financieel Toezicht). The CRD is based on the Basel II framework, which contains three pillars:

- Pillar 1 defines the regulatory minimum capital requirements by providing rules and regulations for measurement of credit risk, market risk and operational risk. These capital requirements need to be covered by regulatory own funds. NIBC received approval from the Dutch Central Bank to use as of 1 January 2008, the AIRB approach for calculating solvency requirements regarding credit risk for its most important exposure classes, namely corporate and retail, and the *Internal Model Approach* (**IMA**) regarding market risk in the Trading book. Solvency requirements for the remaining portfolios and for operational risk are calculated using the Standardised approach.
- Pillar 2 covers the Supervisory Review Process. This consists of the *Internal Capital Adequacy Assessment Process* (**ICAAP**), the bank's own assessment of its capital adequacy in relation to all its risks and the *Supervisory Review and Evaluation Process* (**SREP**), the response of the Supervisor on the institution's ICAAP. The economic capital framework, which is explained in the section that follows, falls under Pillar 2.
- Pillar 3 focuses on disclosure requirements, covering all relevant pieces of information for a market participant to assess the risk profile and capital adequacy of the credit institution. The risk disclosures are connected to Pillar 1 of the Basel II framework, as information is provided regarding the underlying exposures, risk weighted assets and regulatory capital.

Capital calculations for all risk types under Pillar 1 are based on *risk weighted assets* (**RWA**). RWA is a risk-adjusted measurement of a bank's exposures, weighted according to the risk they contain. Some assets, such as corporate loans, are assigned a higher risk weight than others, such as cash or government bonds. The calculation method of RWA is stipulated in the CRD.

In general terms, for portfolios on the AIRB approach, the main drivers for RWA calculation are the PD, the LGD and the EAD. More information on these parameters, which NIBC calculates internally, can be found in the sections on Corporate Loans and Residential Mortgages. RWA for portfolios on the Standardised approach are generally calculated by multiplying the exposure of the asset by a risk weight prescribed in the CRD (Annex VI, part 1).

The RWA calculation for market risk encompasses the interest rate risk from the Trading book and the currency risk of NIBC. The RWA of the Trading book is calculated under the IMA approach using VaR figures, and the RWA for the currency risk depends on the year-end position, following the standardised approach.

For operational risk, the main driver of RWA calculation is the gross income of each individual business line, as this serves as a proxy for the scale of business operations and as such, the likely scale of operational risk exposure within each of these business lines.

Table 28 presents a breakdown of RWA among the exposure classes and risk types included in Pillar 1. Specifically for credit risk, the table also provides a breakdown of NIBC's portfolios among the Pillar 1 exposure classes.

Table 28 RWA per Pillar 1 exposure class and risk type,

IN EUR MILLIONS	2009	2008	Portfolios in Annual Report
Sovereign	0	1	Debt investments in sovereign entities and cash at central banks
Institutions	798	770	Debt investments in financial institutions, enhanced investments and cash and derivative transactions with financial institutions
Corporate	6,363	5,659	Corporate Loan portfolio, including guarantees and corporate derivatives, and Investment Management Loan portfolio
Retail	871	924	Dutch and German Residential Mortgage portfolio, excluding securitised portfolios
Equities	1,846	2,184	Equity investments, credit fixed income funds and off-balance exposures
Securitisations	773	617	Securitisations portfolio and retained notes of own securitisations
Other	92	96	Non-credit related exposures
TOTAL CREDIT RISK	**10,744**	**10,251**	
Total market risk	98	145	Trading book
Total operational risk	957	704	
Floor calculation	-	364	
TOTAL NIBC	**11,799**	**11,464**	

The RWA consumption of NIBC between 2009 and 2008 increased by 3% and this is due to a variety of factors. Within credit risk, whereas RWA for the sovereign exposure stood at zero, those for institutions increased by 4%. The increase is related to the increase in the size of NIBC's Debt Investments portfolio.

The RWA for the corporate exposure class increased by 12%, mainly as a result of downward rating migrations in the Corporate Loan portfolio, as well as an increase in the size of this portfolio.

RWA for the retail exposure class slightly decreased by 6%, due to the limited decrease in the size of both the Dutch and the German Residential Mortgage portfolios.

The decrease of 15% in the RWA of the equity exposure class is due to the ending of certain transactions.

The RWA consumption for the securitisations exposure class increased by 25%. Even though the size of the Securitisations portfolio decreased, the increase in RWA results from the rating composition of the Securitisations portfolio. In 2009 all rating agencies adjusted their methodologies for the different securitisations asset classes. Consequently, a vast majority of all securitised products suffered from downgrades.

RWA for market risk in 2009 decreased by 32% compared to 2008. The reason for this is the lower risk profile of the Trading book at the end of 2009 and therefore it does not indicate a structural decline in RWA.

Economic capital

EC is the amount of capital that NIBC allocates as a buffer against potential losses from business activities, based upon its 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 EC of each business to its profit results in the calculation of its RAROC. EC and RAROC are key tools used in support of the capital allocation process according to which shareholders' equity is allocated as efficiently as possible based on expectations of both risk and return. The usage of EC is reported once every two weeks to the ALCO. The ALCO resets the maximum allocation level of EC to and within each business, taking into account business expectations and the desired risk profile. EC 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 0.01% that losses in a period of one year will be larger than the allocated EC.

EC methodology

NIBC uses the business model of each activity as the basis for determining the EC approach. If the business model of an activity is trading, distribution, or investment for a limited period of time, a market risk approach is used based upon VaR and scaled to a one-year horizon to calculate the EC 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 EC for business risk, reputation risk and model risk on a group-wide level.

The EC 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 EC 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 EC are therefore monitored accordingly.

The main differences between the EC and regulatory capital framework exist for the Residential Mortgage portfolio, the European Securitisations portfolio as investor and NIBC's interest rate mismatch position. EC 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 securitisations) or not included at all within Basel II Pillar 1 (mismatch position). As the EC methodology may differ significantly among financial institutions, it is more appropriate to compare the regulatory capital figures in note 57 to the consolidated financial statements for the purpose of industry comparison of market risk and credit risk exposures.

EC Usage

EC is allocated to all business activities in the form of limits set by the ALCO. The amount of EC usage of each business in then calculated, based on the risk of its activities.

- For the Corporate Loan portfolio, which uses a major part of EC, EC usage is calculated using a credit risk approach based upon the Basel II regulatory capital formula and an add-on for concentration risk;
- For the Debt Investments and Trading portfolios, Residential Mortgage portfolio and the interest rate mismatch position, a market risk approach is used to determine EC usage. EC usage for these portfolios is calculated using VaR, calculated with four years of historical data and scaled to a one-year horizon;
- For the Investment Management Loan portfolio, EC usage is calculated by applying a credit risk approach based upon the Basel II regulatory capital formula; and
- For the Equity Investment portfolio, fixed percentages are used.

Table 29 shows the EC usage per business activity. In its Market Risk EC calculation, NIBC takes diversification effects into account between credit spread and interest rate risk. Diversification occurs through the fact that not all risks will occur at the same time. Therefore, the sum of EC for these market risks on a stand-alone basis will be higher than the amount of EC if these risks are combined. This reduction of EC is defined as diversification. The EC framework does not take into account diversification effects between the different risk categories (credit, market and operational risk).

Table 29 Economic capital per business activity

IN EUR MILLIONS	31 December 2009	31 December 2008	Difference (in %)
Corporate Loan portfolio	493	428	15
Residential Mortgage portfolio	262	280	(6)
Debt Investments and Trading portfolio	340	241	41
Investment Management Loans and Equity Investments portfolio	185	201	(8)
Interest Rate Mismatch portfolio	252	122	107
Operational risk	71	95	(26)
Reputation risk	100	100	0
Business risk	100	100	0
Model risk	20	20	0
ECONOMIC CAPITAL USAGE	1,823	1,585	15
Diversification effect	(306)	(295)	4
TOTAL ECONOMIC CAPITAL USAGE NET OF DIVERSIFICATION EFFECT AT 31 DECEMBER	1,518	1,290	18

The changes in the usage of EC at year-end 2009 are due to a variety of factors. The increase of 15% noted for the Corporate Loan portfolio was the result of downward rating migrations in the portfolio, as well as an increase in the size of the portfolio.

The usage of the Residential Mortgage portfolio declined by 6%, due to a limited decrease in the size of this portfolio.

Furthermore, the EC usage of the Debt Investments and Trading portfolios increased by 41%, because of a higher valuation of assets resulting from credit spread tightening, and the establishment of a short-term liquidity portfolio that relates to the cash surplus of NIBC.

A decrease of 8% was noted for the portfolios of Investment Management loans and equity investments, due to revaluations and impairments.

Lastly, the EC usage of the interest rate mismatch position increased by 107%, because of the re-establishment of strategic mismatch positions by NIBC.

Capital adequacy

The capital adequacy of NIBC is managed at 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 II Capital 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 2009, NIBC complied with the capital requirements imposed by the DNB, 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 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 decreased from 16.6% at 31 December 2008 to 16.2% at 31 December 2009, and the BIS ratio decreased from 18.9% at 31 December 2008 to 18.4% at 31 December 2009.

Table 30 shows the summary of capital ratios and RWA for NIBC.

Table 30 NIBC capital ratios

	31 December 2009	31 December 2008
	Basel II	Basel II
IN EUR MILLIONS	Actual	Actual
CAPITAL RATIOS		
Core Tier-I ratio	13.6%	13.5%
Tier-I ratio	16.2%	16.6%
BIS ratio	18.4%	18.9%
RISK WEIGHTED ASSETS		
Credit risk	10,744	10,251
Market risk	98	145
Operational risk	957	704
TOTAL RWA PRE-FLOOR	11,799	11,100
Add on: Basel I Floor	-	364
TOTAL RWA	11,799	11,464

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Consolidated income statement

for the year ended 31 December

IN EUR MILLIONS	NOTE	2009	2008
Interest and similar income		698	1,474
Interest expense and similar charges		634	1,267
NET INTEREST INCOME	2	**64**	**207**
Fee and commission income		33	45
Fee and commission expense		1	2
NET FEE AND COMMISSION INCOME	3	**32**	**43**
Dividend income	4	30	50
Net trading income	5	205	81
Gains less losses from financial assets	6	(19)	(57)
Share in result of associates	28	5	7
Other operating income	7	35	40
		256	**121**
OPERATING INCOME		**352**	**371**
Personnel expenses	8	99	125
Other operating expenses	9	71	73
Depreciation and amortisation	10	17	17
OPERATING EXPENSES		**187**	**215**
Impairments of corporate loans		59	42
Impairments of other interest bearing assets		65	20
IMPAIRMENTS	11	**124**	**62**
TOTAL EXPENSES		**311**	**277**
PROFIT BEFORE TAX		**41**	**94**
Tax	12	(2)	1
PROFIT AFTER TAX		**43**	**93**
Result attributable to minority interests	13	(1)	1
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDER		**44**	**92**

Consolidated statement of comprehensive income

for the year ended 31 December

	2009			2008		
IN EUR MILLIONS	Before tax	Tax (charge credit)	After tax	Before tax	Tax (charge credit)	After tax
PROFIT FOR THE YEAR	**41**	**(2)**	**43**	**94**	**1**	**93**
OTHER COMPREHENSIVE INCOME						
Net result on cash flow hedging instruments	(47)	(12)	(35)	54	14	40
Revaluation loans and receivables	49	12	37	(18)	(4)	(14)
Revaluation equity investments	(11)	(2)	(9)	(36)	-	(36)
Revaluation debt investments	17	3	14	(15)	(3)	(12)
Revaluation property, plant and equipment	-	-	-	-	-	-
OTHER COMPREHENSIVE INCOME	**8**	**1**	**7**	**(15)**	**7**	**(22)**
TOTAL COMPREHENSIVE INCOME	**49**	**(1)**	**50**	**79**	**8**	**71**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO						
Parent shareholder	50	(1)	51	78	8	70
Minority interests	(1)	-	(1)	1	-	1
	49	**(1)**	**50**	**79**	**8**	**71**

Consolidated balance sheet

at 31 December

IN EUR MILLIONS	NOTE	2009	2008
Assets			
FINANCIAL ASSETS AT AMORTISED COST			
Cash and balances with central banks	14	1,353	1,113
Due from other banks	15	3,094	1,770
Loans and receivables			
Loans	16	6,633	6,303
Debt investments	17	581	738
Securitised loans	18	616	630
FINANCIAL ASSETS AT AVAILABLE FOR SALE			
Equity investments	19	94	108
Debt investments	20	714	35
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)			
Loans	21	1,103	1,136
Residential mortgages own book	22	5,817	6,201
Securitised residential mortgages	23	4,783	5,250
Debt investments	24	804	732
Enhanced investments	25	53	1,079
Equity investments (including investments in associates)	26	215	188
Derivative financial assets held for trading	27	2,816	3,137
Derivative financial assets used for hedging	27	242	215
OTHER			
Investments in associates (equity method)	28	35	40
Intangible assets	29	40	44
Property, plant and equipment	30	101	102
Investment property	31	28	30
Current tax	32	14	6
Other assets	34	53	80
TOTAL ASSETS		**29,189**	**28,937**

IN EUR MILLIONS	NOTE	2009	2008
Liabilities			
FINANCIAL LIABILITIES AT AMORTISED COST			
Due to other banks	35	2,601	5,537
Deposits from customers	36	4,332	2,293
Own debt securities in issue	37	8,836	5,974
Debt securities in issue related to securitised mortgages	38	5,231	5,835
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)			
Own debt securities in issue	39	85	168
Debt securities in issue structured	40	2,453	3,110
Derivative financial liabilities held for trading	27	3,133	3,439
Derivative financial liabilities used for hedging	27	80	42
OTHER			
Other liabilities	41	214	158
Deferred tax	33	22	39
Employee benefits	42	5	8
SUBORDINATED LIABILITIES			
Amortised cost	43	132	229
Fair value through profit or loss	44	369	467
TOTAL LIABILITIES		**27,493**	**27,299**
SHAREHOLDER'S EQUITY			
Share capital	45	80	80
Other reserves	45	281	274
Retained earnings		1,273	1,175
Net profit attributable to parent shareholder		44	92
TOTAL PARENT SHAREHOLDER'S EQUITY		**1,678**	**1,621**
Minority interests		18	17
TOTAL SHAREHOLDER'S EQUITY		**1,696**	**1,638**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**29,189**	**28,937**

Consolidated statement of changes in shareholder's equity

IN EUR MILLIONS	Attributable to parent shareholder						
	Share capital	Other reserves [1]	Retained earnings	Net profit	Total	Minority interests	Total share-holder's equity
BALANCE AT 1 JANUARY 2008	**80**	**296**	**1,073**	**98**	**1,547**	**11**	**1,558**
Transfer net profit 2007 to retained earnings	-	-	98	(98)	-	-	-
Total comprehensive income for the year ended 31 December 2008	-	(22)	-	92	70	1	71
Capital contribution of third parties in a subsidiary controlled by NIBC	-	-	-	-	-	5	5
Capital contribution share-based payments	-	-	4	-	4	-	4
BALANCE AT 31 DECEMBER 2008	**80**	**274**	**1,175**	**92**	**1,621**	**17**	**1,638**

IN EUR MILLIONS	Attributable to parent shareholder						
	Share capital	Other reserves [1]	Retained earnings	Net profit	Total	Minority interests	Total share-holder's equity
BALANCE AT 1 JANUARY 2009	**80**	**274**	**1,175**	**92**	**1,621**	**17**	**1,638**
Transfer net profit 2008 to retained earnings	-	-	92	(92)	-	-	-
Total comprehensive income for the year ended 31 December 2009	-	7	-	44	51	(1)	50
Capital contribution of third parties in a subsidiary controlled by NIBC	-	-	-	-	-	2	2
Capital contribution share-based payments	-	-	6	-	6	-	6
BALANCE AT 31 DECEMBER 2009	**80**	**281**	**1,273**	**44**	**1,678**	**18**	**1,696**

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

Consolidated statement of cash flows

for the year ended 31 December

IN EUR MILLIONS	NOTE	2009	2008
OPERATING ACTIVITIES			
Net profit for the year		44	92
ADJUSTMENTS FOR NON-CASH ITEMS			
Depreciation, amortisation and impairment losses	10/11	141	79
Changes in employee benefits	42	(3)	(3)
Gains less losses from financial assets	6	19	57
Share in result of associates	28	(5)	(7)
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Derivative financial instruments	27	(9)	468
Operating assets		894	1,829
Operating liabilities		(1,462)	171
Dividends received from associates	28	2	6
CASH FLOWS FROM OPERATING ACTIVITIES		**(379)**	**2,692**
INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment	30/31	2	1
Acquisition of property, plant and equipment	30/31	(13)	(37)
Disposal of subsidiaries, associates and joint ventures	28	3	6
Acquisition of subsidiaries		-	(97)
CASH FLOWS FROM INVESTING ACTIVITIES		**(8)**	**(127)**
FINANCING ACTIVITIES			
Net increase/(decrease) in own debt securities in issue	37/39	2,779	(3,108)
Net increase/(decrease) in subordinated liabilities	43/44	(195)	(37)
Net increase/(decrease) in debt securities in issue structured	40	(657)	(1,042)
CASH FLOWS FROM FINANCING ACTIVITIES		**1,927**	**(4,187)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,540**	**(1,622)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,847**	**3,469**
Net increase/(decrease) in cash and cash equivalents		1,540	(1,622)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**3,387**	**1,847**
CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Taxes paid		-	(101)
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Cash and balances with central banks	14	1,353	1,113
Due from other banks (maturity three months or less)	15	2,034	734
		3,387	**1,847**

Accounting Policies

General information

NIBC Bank N.V. (**NIBC**), together with its subsidiaries (NIBC or the group) is a Dutch bank that offers integrated solutions to corporate clients in the Benelux and Germany through a combination of advising, financing and co-investing. NIBC 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, shipping, oil & gas services, infrastructure and renewables and commercial real estate. NIBC's clients are corporations, financial institutions, institutional investors, financial sponsors, family offices and entrepreneurial investors. 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.* (**NIBC Holding**).

These consolidated financial statements were approved for issue by the Managing Board of NIBC on 8 March 2010.

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.

Statement of compliance

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

Basis of preparation

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 consolidated financial statements are presented in EUR and all values are rounded to the nearest EUR million, except when otherwise indicated.

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 NIBC's accounting policies. The areas involving a higher degree of judgement or complexity, or areas

where assumptions and estimates are significant to the consolidated financial statements are disclosed in the section Critical accounting estimates and judgements.

Standards, amendments and interpretations effective in 2009

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009:

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces *International Accounting Standards* (**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;
- IAS 39 and IFRS 7 (Amendments), 'Reclassification of Financial Assets - Effective Date and Transition': The amendments of IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' relating to any reclassification of a financial asset made on or after 1 November 2008 shall take effect only from the date when the reclassification is made. The application of these amendments does not have a material impact on NIBC's financial position;
- IFRS 7, (Amendment), 'Financial Instruments: Disclosures' (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change only results in additional disclosures, there is no impact on NIBC's financial position;
- 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 has applied IAS 23 (Amended) from 1 January 2009, but it has no material impact on NIBC's financial position;
- *International Financial Reporting Interpretations Committee* (**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'. 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 the statement of comprehensive income). Both the income statement and the statement of comprehensive income will be presented as performance statements in the financial statements 2009. The application of this amendment does not have a material impact on the financial statements 2009;
- IFRS 2 (Amendment), 'Share-based payment: Vesting conditions and cancellations'. 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. NIBC has applied IFRS 2 (Amendment) from 1 January 2009;

- IAS 32 and IAS 1 (Amendments) 'Puttable Financial Instruments and Obligations Arising on Liquidation' requires some financial instruments that meet the definition of a financial liability to be classified as equity. NIBC has applied these amendments from 1 January 2009. The amendment of IAS 32 and IAS 1 does not have a material impact on NIBC's financial position;
- IFRIC 12, 'Service concession arrangements'. IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The application of this interpretation does not have a material impact on the financial statements 2009;
- IFRIC 16, 'Hedges of a Net Investment in A Foreign Operation'. IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. The application of this interpretation does not have a material impact on the financial statements 2009;
- IFRIC 15, 'Agreements for the Construction of Real Estate'. IFRIC 15 applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The application of this interpretation does not have a material impact on the financial statements 2009; and
- IFRIC 9 and IAS 39, 'Embedded derivatives' (Amendments). The amendments to IFRIC 9 and IAS 39 requires entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The amendments to IFRIC 9 require an assessment to be made both when the entity first became party to the contract and when a change in the terms of the contract significantly modifies expected cash flows. The application of the amendments of IFRIC 9 and IAS 39 does not have a material impact on the financial statements 2009.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2010 or later periods, but NIBC 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 re-measured to fair value and a gain or loss is recognised in profit or loss. NIBC 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 re-measured 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. NIBC will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010;

- IFRS 1 and IAS 27 (Amendments) 'Cost of an investment in a subsidiary, jointly controlled entity or associate' (effective from 1 July 2009). Management is currently reviewing the requirements of the amendments of IFRS 1 and IAS 27 to determine whether it will have a material impact on NIBC's financial position in 2010;
- Improvements to IFRSs (effective from 1 July 2009). Management is currently reviewing the improvements to IFRSs to determine whether it will have a material impact on NIBC's financial position in 2010;
- IAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement' (effective from 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. Management is currently reviewing the requirements of the amendments of IAS 39 to determine whether it will have a material impact on NIBC's financial position in 2010;
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective from 1 July 2009). IFRIC 17 addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit or loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation. The application of this interpretation does not have a material impact on NIBC's financial position;
- IFRIC 18, 'Transfers of assets from customers' (effective from 1 July 2009). IFRIC 18 clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must use that item to provide the customer with ongoing access to supply of goods and/or services. The application of this interpretation will not have a material impact on NIBC's financial position; and
- IFRS 1 (Revised), 'First-Time Adoption of IFRS' (effective from 1 January 2010). The revised standard is applicable for entities applying IFRS for the first time for annual periods beginning on or after 1 July 2009. This revised standard will not have an impact on NIBC's financial position.

Company income statement

Under Article 402 of Title 9, Book 2 of the Netherlands Civil Code, it is sufficient for a company's statutory income statement to present only the income of group companies and other income and expenses after income 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 2008 and 2009.

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 (including special-purpose entities that the bank consolidates) 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 to minority interests result in gains and losses for NIBC that are recorded in the income statement. Purchases from 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 position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

Derecognition 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 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 derecognition 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; or
- 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; or
- 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, except for the reclassified financial assets in 2008, 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 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.

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 of repurchasing them in the near term.

The amendment distinguishes between those financial assets which would be eligible for classification as loans and receivables 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 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 may be transferred from held for trading or available for sale to loans and receivables 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 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, 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 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 and receivables, 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; and
- 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 *Collateralised Debt Obligation* (**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 and receivables 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 is to align with market practice;
- Debt investments (assets): 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 is 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 is 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 is 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)		
EQUITY INVESTMENTS (INCLUDING 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 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 gain 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 and 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 re-measured, 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;

  - Enhanced investments;
  - Equity investments (including investments in associates and joint ventures held by our 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 on 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 as 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 2009 include:

- Equity investments;
- 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.

Fair value estimation

Effective 1 January 2009, NIBC adopted the amendment to IFRS 7 for financial instruments that are measured at fair value in the balance sheet. This requires disclosure of each class of financial assets and liabilities within a three-level hierarchy, referring to the respective basis of fair value measurement as follows:

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

Determination of fair value of 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 quoted market prices or dealer price quotations without adjustment for transaction costs for those financial instruments that are currently traded in an active market. The fair value measurement is based upon the bid price for financial assets and the ask price for financial liabilities. These financial instruments are reported as level 1 in the fair value hierarchy.

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

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

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

The level within the fair value hierarchy, at which an instrument measured at fair value is categorised, is determined on the basis of the lowest level input that is significant to the measurement of fair value in its entirety. NIBC has a documented policy with respect to their approach to determining the significance of unobservable inputs on its fair value measurements of instruments and that policy is applied consistently.

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in note 46.

Loans and receivables at amortised cost

Loans and receivables at amortised cost are non-derivative financial assets with fixed or determinable payments that are (upon recognition) 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 at fair value through profit or loss; (c) those that NIBC upon initial recognition designates at 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 2009 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 were reclassified in 2008.

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 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 corporate and retail customers, own debt securities in issue under the European Medium Term Note programme, Covered Bonds and State Guaranteed Funding programme and debt securities in issue related to securitised mortgages. The main classes of financial liabilities designated 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. NIBC's perpetual bonds are not redeemable by the holders but bear an entitlement to distributions that is not at the discretion of NIBC. 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 the 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.

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

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

The fair values of the bank's financial instruments that are not carried at fair value in the balance sheet are disclosed under the respective notes of the related balance sheet item.

Recognition of day one profit or loss

The best evidence of fair value at initial recognition is the transaction price (that is, 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 (that is, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

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

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

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

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 re-measured, at fair value. The fair value of exchange-traded derivatives is obtained from quoted market prices. Fair values of

over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

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

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, NIBC applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate, to the risks being hedged.

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

NIBC discontinues hedge accounting prospectively when:

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

Fair value hedge

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement 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 as 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 debt investments at available for sale and 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 clean fair value movement (since inception) of the hedged item, due to changes in both benchmark interest rates and foreign exchange rates, to the total clean fair value movement of the hedging instrument (the cumulative dollar offset method).

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

Cash flow hedge

Cash flow 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 at 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 at 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 there 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 other deposits as appropriate.

Securities purchased under agreements to resell (**Reverse repos**) are recorded as loans and advances 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

General

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 and 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 provision 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 impairments of corporate loans and 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* (**CGUs**)). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each

reporting date. Impairment losses and the reversal of such losses, for non-financial assets other than goodwill, are recognised directly in the income statement.

Renegotiated loans

Where possible, the bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management reviews renegotiated loans on an ongoing basis to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

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

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 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 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.

Impairment tangible assets

At each reporting date, NIBC assesses whether there is any indication that an asset may be impaired or whenever events or changes in circumstances indicate that the carrying 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 shareholder's 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 asset's 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 derecognised when they have been disposed of.

Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into financial leases and operational leases.

A group company is the lessee

Operational lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Financial lease

Leases of assets where the group has substantially all 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 investment properties acquired under finance leases are measured subsequently at their fair value.

The leases entered into by the group are primarily operational leases. The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease. When an operational 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.

A group company is the lessor

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

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three month's 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 provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group is not 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 provision 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 non-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 for restructuring costs and legal claims are recognised when:

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

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

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

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

Contingent liabilities, if applicable, 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 benefits

Pension benefits

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 define 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 the income statement 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. NIBC 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.

Share-based compensation

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

Equity-settled transactions

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (shares or options) of the group. The fair value of the employee services received in exchange for the grant of the shares or options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares or options granted:

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

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either NIBC or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Cash-settled transactions

For the cash-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of share-based compensation is recognised as a liability. The liability is re-measured at each 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 shareholder 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 shareholder's equity, in which case it is recognised in shareholder's 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 re-measurement 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.

Shareholder's equity

Share capital

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

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.

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 shareholder.

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 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 NIBC 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 NIBC's right to receive payment is established.

Net trading income

Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities measured at fair value through profit or loss as well as realised gains and losses on financial assets and financial liabilities excluding those presented under gains less losses from financial assets. Net trading income includes related foreign exchange gains and losses.

Gains less losses from financial assets

Realised gains or losses from debt investments and equity investments as 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 cash flow statement are re-presented as if the operation had been discontinued from the start of the comparative period.

Cash flow statement

The 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.

Estimates and judgements are principally made in the following areas:

- Estimated impairment of goodwill arising on consolidated non-financial companies;
- Fair value of certain financial instruments;
- Impairment of corporate loans;
- Impairment of debt investments classified as amortised cost;
- Impairment of debt investments classified as available for sale;
- 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

NIBC tests whether its goodwill is impaired on an annual basis in accordance with its accounting policy.

The recoverable amount of a group of 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 (2010 - 2019). 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 are as follows:

	2009	2008
Perpetual growth rate	0.0% - 2.5%	2.0% - 2.5%
Pre-tax discount rate	11.7% - 12.6%	11.7% - 12.7%
Tax rate	25.5% - 29.0%	25.5% - 29.0%

Management determines 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.

NIBC 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% - 13.6% instead of 11.7% - 12.6%) NIBC 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 before tax 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 2009, NIBC 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 financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data, where available, in respect of similar financial instruments or using models. Where market-observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those who prepared them. All models are reviewed prior to use and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as applicable credit spreads (both own credit spread and counterparty credit spreads), volatilities and correlations may require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments. For the identification of assumptions used in the determination of fair value of financial instruments and for additional sensitivity information for level 3 financial instruments, reference is made to note 46.

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 that these are consistent with IAS 39.

On 31 December 2009, the fair value of this portfolio was estimated to be EUR 309 million (2008: EUR 296 million). This portfolio is reported as equity investments (including investments in associates) at fair value through profit or loss (2009: EUR 215 million; 2008: EUR 188 million) and as equity investments at available for sale (2009 EUR 94 million; 2008: EUR 108 million).

For the determination of the fair value of equity investments and sensitivity to key assumptions in the valuation, reference is made to note 46.

Impairment of corporate loans

NIBC assesses whether there is an indication of impairment of corporate loans classified as loans and receivables at amortised cost on an individual basis on at least a quarterly basis. 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 and the market value of collateral. 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 2009, for each of NIBC's impaired corporate loans, the net present value of the estimated cash flows had been 5% lower or higher than estimated, NIBC would have recognised an additional impairment loss or gain of EUR 7.1 million (2008: EUR 6.5 million).

Impairment of debt investments classified as amortised cost

NIBC assesses whether there is an indication of impairment on debt investments classified as amortised cost on an individual basis on at least a quarterly basis. NIBC considers a range of factors that have a bearing on the expected future cash flows that it expects to receive from the debt investment including rating downgrades and delinquencies and/or defaults in the underlying asset pools. Adjustments are also made to reflect such elements as deteriorating liquidity and increased refinancing risk.

If, as at 31 December 2009, for each of NIBC's impaired debt investments, the net present value of the estimated cash flows had been 5% lower or higher than estimated, NIBC would have recognised an additional impairment loss or gain of EUR 0.1 million (2008: nil).

Impairment of debt investments classified as available for sale

NIBC assesses whether there is an indication of impairment on debt investments classified as available for sale on an individual basis on at least a quarterly basis. This requires similar judgement as applied to debt investments at amortised cost.

The level of the impairment loss that NIBC recognises in the consolidated income statement is equivalent to the cumulative loss that had been recognised directly in the revaluation reserve of other comprehensive income. If, as at 31 December 2009, for each of NIBC's impaired debt investments, the fair value had been 5% lower or higher, NIBC would have recognised an additional impairment loss or gain of EUR 0.1 million (2008: nil).

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 fair value below original cost. 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 are held by NIBC, 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 the revaluation reserve of other comprehensive income. If NIBC had deemed all of the declines in fair value of equity investments below cost as 'significant' or 'prolonged', the effect would have been a EUR 8.5 million (2008: EUR 2.2 million) reduction in the profit before tax from continuing operations (gains less losses from financial assets) in 2009.

Securitisations and special purpose entities

NIBC establishes *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.

The evaluation mentioned above 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 6.4 billion (2008: EUR 7.0 billion) and the net effect on the income statement in both 2009 and 2008 would be insignificant.

Derecognition of assets and recognition of continuous involvement

NIBC executed transactions under its *Commercial Mortgage-Backed Securities* (**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 program. 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 were subsequently transferred to these SPEs amounts to EUR 1,288 million. The notional amount at 31 December 2009 was EUR 1,200 million (2008: EUR 1,222 million). The loans that continued to be recognised to the extent of NIBC's continuing involvement amounted to EUR 684 million at 31 December 2009 (2008: EUR 695 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 614 million (2008: EUR 623 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 65 million (2008: EUR 65 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 5 million

(2008: EUR 7 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 42.

Were the discount rate used to differ by 10% from management's estimates, the carrying amount of pension obligations would be an estimated EUR 15.4 million (2008: EUR 12.9 million) lower or EUR 17.8 million (2008: EUR 14.2 million) higher. The service cost would be EUR 0.7 million (2008: EUR 0.4 million) lower or EUR 0.8 million (2008: EUR 0.4 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

1 Segment report

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.

Identification of segments

IFRS 8 requires operating segments to be identified on the basis of internal management 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.

NIBC is comprised of the following operating segments:

- Merchant Banking; and
- Specialised Finance.

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

Through the Merchant Banking business, NIBC advises, finances, and co-invests with its corporate clients in the Benelux and Germany. Coverage bankers maintain long-term relationships and provide strategic advice to NIBC's clients. Together with product specialists operating in multidisciplinary teams, client teams deliver a wide range of customised products and solutions, including M&A-related transactions (mergers, acquisitions, disposals and buyouts), capital & restructuring advisory, financing, derivative products, mezzanine and equity investments. 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.

Specialised Finance provides asset and project financing in a select number of clearly-defined asset classes: corporate lending, leveraged finance, shipping, oil & gas services, infrastructure & renewables and commercial real estate. It structures, arranges, underwrites and distributes sophisticated international lending transactions for its clients and combines NIBC's expertise in specific asset classes with its balance sheet and capital markets access. Specialised Finance includes also the retail market and treasury activities. 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.

The following table presents the results of the operating segments, including a reconciliation to the consolidated results under IFRS for the years ended 31 December 2009 and 2008.

	Operating segments [1]				Total (internal management report)		Consolidation effects [2]		Total (consolidated financial statements)	
	Merchant Banking		Specialised Finance							
IN EUR MILLIONS	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net interest income	55	48	16	165	72	213	(8)	(6)	64	207
Net fee and commission income	26	33	5	10	32	43	-	-	32	43
Dividend income	4	10	26	40	30	50	-	-	30	50
Net trading income	-	(3)	207	87	207	84	(1)	(2)	205	81
Gains less losses from financial assets	(22)	(60)	(5)	(2)	(26)	(62)	7	4	(19)	(57)
Share in result of associates	2	3	3	4	5	8	-	(1)	5	7
Other operating income	1	1	1	1	1	2	34	39	35	40
OPERATING INCOME	**66**	**32**	**255**	**305**	**321**	**337**	**32**	**34**	**352**	**371**
OPERATING EXPENSES	**58**	**73**	**96**	**108**	**154**	**181**	**33**	**34**	**187**	**215**
Impairments of corporate loans	25	22	34	20	59	42	-	-	59	42
Impairments of other interest bearing assets	46	20	19	-	65	20	-	1	65	20
TOTAL EXPENSES	**129**	**115**	**149**	**128**	**278**	**242**	**33**	**35**	**311**	**277**
PROFIT BEFORE TAX	**(63)**	**(83)**	**106**	**178**	**42**	**95**	**(1)**	**-**	**41**	**94**
Tax	(17)	(28)	16	29	(1)	1	(1)	-	(2)	1
PROFIT AFTER TAX	**(47)**	**(55)**	**90**	**148**	**43**	**93**	**-**	**-**	**43**	**93**
AVERAGE ALLOCATED ECONOMIC CAPITAL	365	365	1,035	985	1,400	1,350	-	-	1,400	1,350
AVERAGE UNALLOCATED CAPITAL	-	-	76	198	76	198	-	-	76	198
SEGMENT ASSETS	2,788	2,674	26,272	26,122	29,060	28,796	129	141	29,189	28,937
SEGMENT LIABILITIES	2,626	2,523	24,747	24,651	27,373	27,174	120	125	27,493	27,299
CAPITAL EXPENDITURE	-	1	-	1	-	2	-	-	-	2
SHARE IN RESULT OF ASSOCIATES BASED ON THE EQUITY METHOD	2	3	3	4	5	7	-	-	5	7
INVESTMENTS IN ASSOCIATES BASED ON THE EQUITY METHOD	8	20	27	20	35	40	-	-	35	40

1. Small differences are possible in the table due to rounding.
2. Concerning controlled non-financial companies included in the consolidation.

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 result of these entities is included in the line-item gains less losses from financial assets. Subsequently, under 'consolidation effects' this is eliminated and replaced by the figures of these entities used in these consolidated financial statements.

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 *Full-time equivalents* (**FTEs**) in each segment. Total operating expenses relating to support and overhead amounted to EUR 63 million in 2009 (2008: EUR 74 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 105 million in 2009 (2008: EUR 70 million), total operating expenses to EUR 5 million (2008: EUR 7 million) and impairments to EUR 50 million (2008: EUR 44 million);
- 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 28 million in 2009 (2008: EUR 23 million); and
- During 2009, an average of EUR 365 million of economic capital was allocated to Merchant Banking (2008: EUR 365 million), the remainder was allocated to Specialised Finance. The average before tax return on average economic capital for Merchant Banking was 3% in 2009 (2008: 4%).

Besides the allocations mentioned above, there are no further inter-segment revenues and expenses in 2009 and 2008.

NIBC generated 99% of its revenues in the Netherlands (2008: 102%) and 1% abroad (2008: -2%). Total operating income of our international branches was negative in 2008.

2 Net interest income

IN EUR MILLIONS	2009	2008
INTEREST AND SIMILAR INCOME		
Interest income from assets designated at fair value through profit or loss	331	792
Interest income from other assets	367	682
	698	**1,474**
INTEREST EXPENSE AND SIMILAR CHARGES		
Interest expense from liabilities designated at fair value through profit or loss	61	204
Interest expense from other liabilities	573	1,063
	634	**1,267**
	64	**207**

For the year ended 31 December 2009, net interest income includes accrued interest on impaired financial assets of EUR 1 million (2008: EUR 4 million).

For the year ended 31 December 2009, net interest expense related to deposits from customers amounts to EUR 214 million (2008: EUR 151 million).

Interest income from debt and other fixed income instruments designated at held for trading or designated at fair value through profit or loss is recognised in interest and similar income at the effective interest rate.

Interest income from financial assets reclassified in 2008 following the IAS 39 amendments, both after reclassification and before reclassification (assuming the reclassifications in 2008 had not been made) is displayed in the following table. The difference between the figure before and the figure after reclassification reflects the amortisation of discounts and premiums on financial assets reclassified from held for trading or available for sale.

	For the period ended 31 December			
	2009		2008	
IN EUR MILLIONS	After reclassification	Before reclassification	After reclassification	Before reclassification
Interest income	139	131	331	323

3 Net fee and commission income

IN EUR MILLIONS	2009	2008
FEE AND COMMISSION INCOME		
Agency and underwriting fees	4	14
Investment management fees	11	15
Other	18	16
	33	**45**
FEE AND COMMISSION EXPENSE		
Other non-interest related	1	2
	1	**2**
	32	**43**

4 Dividend income

IN EUR MILLIONS	2009	2008
Equity investments (available for sale)	4	8
Equity investments (investments in associates and other equity investments at fair value through profit or loss)	-	2
Enhanced investments (fair value through profit or loss)	26	40
	30	**50**

5 Net trading income

IN EUR MILLIONS	2009	2008
Assets and liabilities designated at fair value through profit or loss (including related derivatives)	77	36
Assets and liabilities held for trading	23	(93)
Other net trading income	105	138
	205	**81**

Net trading income includes a foreign exchange gain of EUR 6 million (2008: loss of EUR 9 million).

Net trading income on financial assets reclassified in 2008 following the IAS 39 amendments, both after reclassification and before reclassification (assuming the reclassification in 2008 had not been made) is displayed in the following table:

	For the period ended 31 December			
	2009		2008	
IN EUR MILLIONS	After reclassification	Before reclassification	After reclassification	Before reclassification
Net trading income	(1)	(53)	(45)	(201)

6 Gains less losses from financial assets

IN EUR MILLIONS	2009	2008
Equity investments		
GAINS LESS LOSSES FROM EQUITY INVESTMENTS (AVAILABLE FOR SALE)		
Net gain/(losses) on disposal	1	9
Net revaluation gain/(losses) transferred from equity on disposal	1	26
Impairment losses equity investments	(9)	(65)
INVESTMENTS IN ASSOCIATES (EQUITY METHOD)		
Impairment losses investments in associates	(5)	-
Gains less losses from associates (fair value through profit or loss)	(7)	(24)
	(19)	**(54)**
Debt investments		
Gains less losses from debt investments (available for sale)	-	(3)
	-	**(3)**
	(19)	**(57)**

Impairment losses relating to debt investments (available for sale) are presented under impairments of corporate loans and other interest bearing assets (see note 11).

7 Other operating income

IN EUR MILLIONS	2009	2008
Real estate rental income	1	1
Net revenue of non-financial companies included in the consolidation	34	38
Other	-	1
	35	**40**

IN EUR MILLIONS	2009	2008
NET REVENUE OF NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION CAN BE CATEGORISED AS FOLLOWS:		
Net sales	49	50
Cost of sales	(15)	(12)
	34	**38**

8 Personnel expenses

IN EUR MILLIONS	2009	2008
Salaries	56	66
Variable compensation	10	26
PENSION AND OTHER POST-RETIREMENT CHARGES:		
Defined benefit plan	6	7
Defined contribution plan	3	3
Other post-retirement charges/(releases)	(2)	(1)
Other social security charges	6	5
Other staff expenses	2	2
Staff cost of non-financial companies included in the consolidation	18	17
	99	**125**

The decrease in salaries and the lower pension and other post-retirement charges in 2009 are mainly explained by lower average FTEs in 2009 (638) compared to 2008 (665).

The decrease in variable compensation mainly relates to lower short-term cash bonuses, 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) increased from 625 at 31 December 2008 to 644 at 31 December 2009. The number of FTEs employed outside of the Netherlands decreased from 106 at 31 December 2008 to 103 at 31 December 2009.

At 31 December 2009, 497 FTEs (2008: 516 FTEs) are employed at the non-financial companies included in the consolidation. There are 461 of these FTEs working outside of the Netherlands (2008: 483 FTEs).

Information on the pension charge is included in employee benefits (see note 42).

Information on NIBC's share-based payment plans as well as on the remuneration of the individual members of the Statutory Board and Supervisory Board can be found in note 53.

9 Other operating expenses

IN EUR MILLIONS	2009	2008
Fees of the external auditor	3	3
Other operating expenses of non-financial companies included in the consolidation	5	7
Other operating expenses	63	63
	71	**73**

IN EUR MILLIONS	2009	2008
FEES OF THE EXTERNAL AUDITOR CAN BE CATEGORISED AS FOLLOWS:		
Audit financial statements	3	3
Other audit related activities	-	-
Other non-audit related activities	-	-
Fiscal services	-	-
	3	**3**

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.

Operating expenses include a one-off expense of EUR 6 million for the expected net claim under the Dutch Deposit Guarantee Scheme in relation to the bankruptcy of DSB Bank N.V.

10 Depreciation and amortisation

IN EUR MILLIONS	2009	2008
Property, plant and equipment	7	6
Property, plant and equipment non-financial companies included in the consolidation	5	8
Intangible assets	5	3
	17	**17**

IN EUR MILLIONS	2009	2008
AMORTISATION OF INTANGIBLE ASSETS CAN BE CATEGORISED AS FOLLOWS:		
Customer relationships	2	1
Order backlog	2	2
Other intangible fixed assets	1	-
	5	**3**

The intangible assets are related to non-financial companies included in the consolidation.

11 Impairments of corporate loans and other interest bearing assets

IN EUR MILLIONS	2009	2008
IMPAIRMENTS		
Loans classified as amortised cost	101	48
Loans classified as available for sale	-	34
Debt investments classified as amortised cost	13	-
Debt investments classified as available for sale	18	7
	132	**89**
REVERSALS OF IMPAIRMENTS		
Loans classified as amortised cost	(10)	(14)
Loans classified as available for sale	-	(11)
Debt investments classified as amortised cost	-	-
Debt investments classified as available for sale	-	-
	(10)	**(25)**
Other	2	(2)
	124	**62**

Further details on accrued interest income on impaired financial assets can be found in note 2.

Impairments of corporate loans and other interest bearing assets reclassified in 2008 (following the amendments to IAS 39) both after reclassification and before reclassification (assuming the reclassification in 2008 had not been made) is displayed in the following table:

	For the period ended 31 December			
	2009		2008	
IN EUR MILLIONS	After reclassification	Before reclassification	After reclassification	Before reclassification
Impairments of corporate loans and other interest bearing assets	(90)	(59)	(35)	(27)

In the table above negative amounts represent losses.

12 Tax

IN EUR MILLIONS	2009	2008
Current tax	20	1
Deferred tax	(22)	-
	(2)	**1**

Futher information on deferred tax is presented in note 33. The tax on NIBC's profit before tax differs from the theoretical amount that would arise using the basic tax rate.

IN EUR MILLIONS	2009	2008
TAX DIFFERENCES CAN BE ANALYSED AS FOLLOWS:		
PROFIT BEFORE TAX	**41**	**94**
Tax calculated at the nominal Dutch corporate tax rate of 25.5% (2008: 25.5%)	11	24
Effect of different tax rates in other countries	(2)	-
Impact of income not subject to tax	(4)	(23)
Impact of expenses not deductible for tax purposes	1	2
Result final tax assessment previous years:		
The Netherlands	(5)	-
United Kingdom	(3)	-
Belgium	-	(2)
Germany	1	-
Singapore	(1)	-
	(2)	**1**
Effective tax rate	(4.9%)	1.1%

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

The current tax expense/(income) related to non-financial companies included in the consolidation amounts to EUR 1 million (2008: nil).

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 interests

IN EUR MILLIONS	2009	2008
Result attributable to minority interests	(1)	1
	(1)	**1**

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	2009	2008
Cash and balances with central banks	1,353	1,113
	1,353	**1,113**

The amounts included in cash and balances with central banks are available on demand.

Balances held 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	2009	2008
Current accounts	743	625
Deposits with other banks	2,351	1,145
	3,094	**1,770**

IN EUR MILLIONS	2009	2008
DUE FROM OTHER BANKS CAN BE CATEGORISED AS FOLLOWS:		
Receivable on demand	743	613
Cash collateral placements posted under CSA agreements	1,051	933
Not receivable on demand	1,300	224
	3,094	**1,770**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF DUE FROM OTHER BANKS NOT RECEIVABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
In three months or less	1,291	109
In more than three months but not more than one year	-	12
In more than one year but not more than five years	4	103
Longer than five years	5	-
	1,300	**224**

There are no subordinated loans outstanding due from other banks in 2009 and 2008.

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.

No impairments were recorded in 2009 and 2008 on the amounts due from other banks at amortised cost.

An amount of EUR 1,051 million (2008: EUR 933 million) relates to cash collateral given to third parties and is not freely available to NIBC.

NIBC transacted several reverse repurchase transactions with third parties. The related disclosures are included in repurchase and resale agreements (see note 47).

16 Loans (amortised cost)

IN EUR MILLIONS	2009	2008
Loans to corporate entities	6,597	6,265
Public sector	36	38
	6,633	**6,303**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF LOANS IS ANALYSED AS FOLLOWS:		
In three months or less	755	335
In more than three months but not more than one year	324	175
In more than one year but not more than five years	2,865	2,530
Longer than five years	2,689	3,263
	6,633	**6,303**

IN EUR MILLIONS	2009	2008
IMPAIRMENT LOSSES ON LOANS:		
BALANCE AT 1 JANUARY	**25**	-
Additional allowances	101	48
Write-offs	(52)	(7)
Amounts released	(10)	(14)
Unwinding of discount adjustment	(1)	(1)
Differences due to foreign currency translation	1	(1)
BALANCE AT 31 DECEMBER	**64**	**25**

On 1 July 2008 following the IAS 39 amendments, an amount of EUR 79 million of the impairments related to the available for sale loans were reclassified 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.

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 2009, then the carrying amount would decrease at the balance sheet date by EUR 380 million (31 December 2008: EUR 432 million). This decrease would reflect 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 7,824 million (2008: EUR 7,313 million).

The total amount of subordinated loans in this item amounts to EUR 114 million in 2009 (2008: EUR 111 million).

As per 31 December 2009, EUR 36 million (2008: EUR 38 million) is guaranteed by the Dutch State.

The following table presents the fair value and carrying value of financial assets reclassified as of 1 July 2008 to loans at amortised cost.

IN EUR MILLIONS	Fair value on date of reclassification	Carrying value as per 31 December 2009	Fair value as per 31 December 2009
Loan portfolio reclassified from available for sale category	3,294	3,275	3,009

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%

The following table contains estimates of undiscounted cash flows NIBC expects to recover from the assets reclassified 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	542	772	2,755	-	**4,069**

As of the date of reclassification (1 July 2008), NIBC has recognised total fair value loss in equity of EUR 41 million on assets reclassified as of 1 July 2008.

17 Debt investments (amortised cost)

IN EUR MILLIONS	2009	2008
Debt investments	581	738
	581	**738**

All debt investments are listed and non-government.

IN EUR MILLIONS	2009	2008
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	28	223
Longer than five years	553	475
	581	**738**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**738**	**-**
Additions	7	-
IAS 39 - reclassifications	-	838
Disposals (sale and redemption)	(151)	(92)
Impairments	(13)	-
Exchange differences and amortisation	-	(8)
BALANCE AT 31 DECEMBER	**581**	**738**

IN EUR MILLIONS	2009	2008
IMPAIRMENT LOSSES ON DEBT INVESTMENTS:		
BALANCE AT 1 JANUARY	**-**	**-**
Additional allowances	13	-
BALANCE AT 31 DECEMBER	**13**	**-**

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 2009, the carrying amount would decrease at the balance sheet date by EUR 30 million (2008: EUR 167 million). This decrease would reflect both changes due to interest rates and credit spreads. NIBC hedges its interest rate risk from these assets.

The following table presents the fair value and carrying value of financial assets reclassified as of 1 July 2008 to debt investments at amortised cost.

IN EUR MILLIONS	Fair value on date of reclassification	Carrying value as per 31 December 2009	Fair value as per 31 December 2009
DEBT INVESTMENTS RECLASSIFIED FROM:			
Held for trading category	523	466	313
Loan portfolio reclassified from available for sale category	123	115	99

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% - 17%
Available for sale category	5% - 11%

The following table contains estimates of undiscounted cash flows NIBC expects to recover from the assets reclassified 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	27	38	244	479	**788**
Available for sale category	5	7	43	123	**178**

18 Securitised loans (amortised cost)

IN EUR MILLIONS	2009	2008
Loans to corporate entities	616	630
	616	**630**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF THE SECURITISED LOANS IS ANALYSED AS FOLLOWS:		
In three months or less	2	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	614	623
	616	**630**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN SECURITISED LOANS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**630**	**638**
Additions	-	6
Disposals (sale and redemption)	(14)	(14)
BALANCE AT 31 DECEMBER	**616**	**630**

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 2009, then the balance sheet amount would decrease at the balance sheet date by EUR 102 million (2008: EUR 136 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 616 million (2008: EUR 630 million).

No impairments were recorded in 2009 and 2008 on securitised loans at amortised cost.

19 Equity investments (available for sale)

IN EUR MILLIONS	2009	2008
Equity investments	94	108
	94	**108**

IN EUR MILLIONS	2009	2008
Listed	9	15
Unlisted	85	93
	94	**108**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN EQUITY INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**108**	**144**
Additions	7	72
Disposals (sale and capital repayments)	(2)	(14)
Changes in fair value		
Impairments	(9)	(64)
Other	(12)	(35)
Differences due to foreign currency translation	2	5
BALANCE AT 31 DECEMBER	**94**	**108**

IN EUR MILLIONS	2009	2008
IMPAIRMENT LOSSES ON EQUITY INVESTMENTS:		
BALANCE AT 1 JANUARY	**79**	**15**
Additional allowances	9	65
Write-offs	-	(1)
BALANCE AT 31 DECEMBER	**88**	**79**

20 Debt investments (available for sale)

IN EUR MILLIONS	2009	2008
Debt investments	714	35
	714	**35**

IN EUR MILLIONS	2009	2008
Government	-	-
Government guaranteed	263	-
Other	451	35
	714	**35**

IN EUR MILLIONS	2009	2008
Listed	663	27
Unlisted	51	8
	714	**35**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS IS ANALYSED AS FOLLOWS:		
In three months or less	28	-
In more than three months but not more than one year	170	-
In more than one year but not more than five years	461	7
Longer than five years	55	28
	714	**35**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**35**	**311**
Additions	699	54
IAS 39 - reclassifications	-	(113)
Disposals (sale and redemption)	(17)	(178)
Changes in fair value		
Impairments	(18)	(7)
Other	15	(32)
BALANCE AT 31 DECEMBER	**714**	**35**

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.

IN EUR MILLIONS	2009	2008
IMPAIRMENT LOSSES ON DEBT INVESTMENTS:		
BALANCE AT 1 JANUARY	**7**	**-**
Additional allowances	18	7
BALANCE AT 31 DECEMBER	**25**	**7**

The following table presents the fair value and carrying value of financial assets reclassified as of 1 July 2008 to debt investments at available for sale:

IN EUR MILLIONS	Fair value on date of reclassification	Carrying value as per 31 December 2009	Fair value as per 31 December 2009
Debt investments reclassified from held for trading category	28	1	1

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%

The following table contains estimates of undiscounted cash flows NIBC expects to recover from the assets reclassified 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	-	-	-	1	1

21 Loans (designated at fair value through profit or loss)

IN EUR MILLIONS	2009	2008
Loans to corporate entities	1,103	1,136
	1,103	**1,136**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF LOANS IS ANALYSED AS FOLLOWS:		
In three months or less	3	9
In more than three months but not more than one year	-	-
In more than one year but not more than five years	618	202
Longer than five years	482	925
	1,103	**1,136**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN LOANS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	1,136	1,374
Additions	4	-
Disposals	(43)	(190)
Changes in fair value	(13)	(48)
Exchange differences	19	-
BALANCE AT 31 DECEMBER	**1,103**	**1,136**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated 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 2009 included in the balance sheet amount (designated at fair value through profit or loss) as at 31 December 2009 relating to the movement in credit spreads amounts to EUR 13 million credit (2008: EUR 49 million credit), being a reduction in the balance sheet carrying amount.

The maximum credit risk exposure including undrawn credit facilities amounts to EUR 802 million (2008: EUR 834 million).

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

IN EUR MILLIONS	2009	2008
Residential mortgages own book	5,817	6,201
	5,817	**6,201**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF RESIDENTIAL MORTGAGES OWN BOOK IS ANALYSED AS FOLLOWS:		
In three months or less	16	15
In more than three months but not more than one year	27	18
In more than one year but not more than five years	80	107
Longer than five years	5,694	6,061
	5,817	**6,201**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN RESIDENTIAL MORTGAGES OWN BOOK MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	6,201	5,285
Additions (including repurchases from consolidated SPEs)	156	1.547
Disposals (sale and redemption, including replenishment of consolidated SPEs)	(537)	(902)
Changes in fair value	(3)	271
BALANCE AT 31 DECEMBER	5,817	6,201

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated 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 5,836 million (2008: EUR 6,283 million).

At 31 December 2009, EUR 711 million (2008: EUR 797 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.

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

IN EUR MILLIONS	2009	2008
Securitised residential mortgages	4,783	5,250
	4,783	**5,250**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF SECURITISED RESIDENTIAL MORTGAGES IS ANALYSED AS FOLLOWS:		
In three months or less	1	1
In more than three months but not more than one year	1	1
In more than one year but not more than five years	12	10
Longer than five years	4,769	5,238
	4,783	**5,250**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN SECURITISED RESIDENTIAL MORTGAGES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	5,250	6,356
Additions	-	50
Disposals (sale and redemption including sales to own book)	(497)	(1,389)
Changes in fair value	30	233
BALANCE AT 31 DECEMBER	**4,783**	**5,250**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated elsewhere in the balance sheet.

At 31 December 2009, securitised residential mortgages in the amount of EUR 4,783 million (2008: EUR 5,250 million) were pledged as collateral for NIBC's own liabilities (see note 49).

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 4,783 million (2008: EUR 5,250 million).

The portion of fair value changes in 2009 included in the balance sheet amount relating to the movement in credit spreads on residential mortgages own book (see note 22) and securitised residential mortgages (see note 23) amounts to EUR 134 million credit at 31 December 2009 (2008: EUR 58 million credit), being a reduction in the balance sheet carrying amount.

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 2009 amounts to a liability of EUR 29 million (2008: EUR 28 million).

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 60 million (2008: EUR 65 million) of notes issued by the SPEs, overcollateralisation provided to the SPEs amounted to EUR 35 million (2008: EUR 34 million) and reserve accounts amounted to EUR 8 million (2008: EUR 9 million).

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

IN EUR MILLIONS	2009	2008
Held for trading (non-government)	78	98
Designated at fair value through profit or loss	726	634
	804	**732**

All debt investments are non-government.

IN EUR MILLIONS	2009	2008
DEBT INVESTMENTS HELD FOR TRADING CAN BE CATEGORISED AS FOLLOWS:		
Listed	72	98
Unlisted	6	-
	78	**98**

IN EUR MILLIONS	2009	2008
DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS CAN BE CATEGORISED AS FOLLOWS:		
Listed	717	606
Unlisted	9	28
	726	**634**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS IS ANALYSED AS FOLLOWS:		
In three months or less	82	-
In more than three months but not more than one year	235	12
In more than one year but not more than five years	390	583
Longer than five years	19	39
	726	**634**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**634**	**955**
Additions	333	249
Disposals (sale and redemption)	(244)	(532)
Changes in fair value	4	(30)
Exchange differences	(1)	(8)
BALANCE AT 31 DECEMBER	**726**	**634**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated elsewhere in the balance sheet.

The portion of fair value changes in 2009 included in the balance sheet amount (designated at fair value through profit or loss) relating to the movement in credit spreads amounts to EUR 2 million credit (2008: EUR 2 million credit), being a reduction in the balance sheet carrying amount.

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.

25 Enhanced investments
(designated at fair value through profit or loss)

IN EUR MILLIONS	2009	2008
Enhanced investments	53	1,079
	53	**1,079**

All enhanced investments are unlisted instruments.

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF ENHANCED INVESTMENTS IS ANALYSED AS FOLLOWS:		
In three months or less	3	67
In more than three months but not more than one year	48	555
In more than one year but not more than five years	2	457
Longer than five years	-	-
	53	**1,079**

IN EUR MILLIONS	2009	2008
THE MOVEMENT OF ENHANCED INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	1,079	1,212
Additions	13	491
Disposals	(1,016)	(640)
Changes in fair value	(24)	13
Exchange differences	1	3
BALANCE AT 31 DECEMBER	**53**	**1,079**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated elsewhere in the balance sheet.

Dividends received from enhanced investments are recognised in dividend income. Fair value movements (excluding interest) are recognised in net trading income.

The portion of fair value changes in 2009 included in the balance sheet amount relating to the movement in credit spreads amounts to EUR 3 million debit, being an increase in the balance sheet carrying amount (2008: EUR 2 million debit).

The strong decrease of the balance at 31 December 2009 compared to that of 31 December 2008 relates to the unwinding and repayment of a large part of this portfolio.

26 Equity investments (investments in associates) (designated at fair value through profit or loss)

IN EUR MILLIONS	2009	2008
Investments in associates	211	188
Other equity investments	4	-
	215	**188**

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.

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN INVESTMENTS IN ASSOCIATES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	188	147
Additions	37	83
Disposals	(4)	(18)
Changes in fair value	(7)	(24)
Exchange differences	(3)	-
BALANCE AT 31 DECEMBER	**211**	**188**

All of these investments in associates are unlisted instruments and are held by the venture capital organisation within the operating segment Merchant Banking.

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN OTHER EQUITY INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	-	-
Additions	3	-
Changes in fair value	1	-
BALANCE AT 31 DECEMBER	**4**	**-**

All of these other equity investments are unlisted instruments and are held by the venture capital organisation within the operating segment Merchant Banking.

27 Derivative financial instruments

IN EUR MILLIONS	2009	2008
DERIVATIVE FINANCIAL ASSETS		
Derivative financial assets held for trading (trading portfolios)	2,423	2,508
Derivative financial assets held for trading (other portfolios)	393	629
Derivative financial assets used for hedging	242	215
	3,058	**3,352**

IN EUR MILLIONS	2009	2008
DERIVATIVE FINANCIAL LIABILITIES		
Derivative financial liabilities held for trading (trading portfolios)	2,712	2,914
Derivative financial liabilities held for trading (other portfolios)	421	525
Derivative financial liabilities used for hedging	80	42
	3,213	**3,481**

Derivative financial instruments – held for trading (trading portfolios) at 31 December 2009

	Notional amount with remaining life of					
IN EUR MILLIONS	Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
Interest rate swaps	12,038	7,883	57,872	77,793	1,870	2,314
Interest rate options (purchase)	-	130	955	1,085	21	-
Interest rate options (sale)	4	125	922	1,051	-	14
SUBTOTAL	**12,042**	**8,138**	**59,749**	**79,929**	**1,891**	**2,328**
CURRENCY DERIVATIVES						
OTC-PRODUCTS:						
Currency/cross-currency swaps	-	294	3,175	3,469	511	356
SUBTOTAL	**-**	**294**	**3,175**	**3,469**	**511**	**356**
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
OTC-PRODUCTS:						
Other swaps	-	1,000	169	1,169	4	17
Other options (purchase)	24	54	74	152	17	-
Other options (sale)	24	54	74	152	-	11
SUBTOTAL	**48**	**1,108**	**317**	**1,473**	**21**	**28**
TOTAL DERIVATIVES HELD FOR TRADING (TRADING PORTFOLIOS)	**12,090**	**9,540**	**63,241**	**84,871**	**2,423**	**2,712**

Derivative financial instruments – held for trading (trading portfolios) at 31 December 2008

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
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						
OTC-PRODUCTS:						
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)						
OTC-PRODUCTS:						
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 (other portfolios) at 31 December 2009

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
Interest rate swaps	331	687	7,327	8,345	318	372
SUBTOTAL	**331**	**687**	**7,327**	**8,345**	**318**	**372**
CURRENCY DERIVATIVES						
OTC-PRODUCTS:						
Forward rate agreements	74	42	29	145	5	5
Interest currency rate swaps	2,571	284	1,846	4,701	68	42
Other currency contracts	33	39	30	102	-	1
SUBTOTAL	**2,678**	**365**	**1,905**	**4,948**	**73**	**48**
OTC-PRODUCTS:						
Credit default swaps (guarantees given)	-	23	99	122	2	1
Credit default swaps (guarantees received)	3	-	-	3	-	-
Other OTC products	-	-	77	77	-	-
SUBTOTAL	**3**	**23**	**176**	**202**	**2**	**1**
TOTAL DERIVATIVES HELD FOR TRADING (OTHER PORTFOLIOS)	**3,012**	**1,075**	**9,408**	**13,495**	**393**	**421**

Derivative financial instruments - held for trading (other portfolios) at 31 December 2008

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
Interest rate swaps	133	265	3,754	4,152	335	474
SUBTOTAL	**133**	**265**	**3,754**	**4,152**	**335**	**474**
CURRENCY DERIVATIVES						
OTC-PRODUCTS:						
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**
OTC-PRODUCTS:						
Credit default swaps (guarantees given)	18	22	89	129	1	2
Credit default swaps (guarantees received)	-	-	27	27	-	1
Other OTC products	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 - used for hedging at 31 December 2009

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE HEDGES OF INTEREST RATE RISK						
OTC-PRODUCTS:						
Interest rate swaps	25	117	6,663	6,805	146	78
Interest currency rate swaps	7	24	115	146	16	1
SUBTOTAL	32	141	6,778	6,951	162	79
DERIVATIVES ACCOUNTED FOR AS CASH FLOW HEDGES OF INTEREST RATE RISK						
OTC-PRODUCTS:						
Interest rate swaps	-	-	1,651	1,651	80	1
SUBTOTAL	-	-	1,651	1,651	80	1
TOTAL DERIVATIVES USED FOR HEDGING	32	141	8,429	8,602	242	80

Derivative financial instruments - used for hedging at 31 December 2008

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE HEDGES OF INTEREST RATE RISK						
OTC-PRODUCTS:						
Interest rate swaps	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						
OTC-PRODUCTS:						
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

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		2009	2008
Fair value pay - fixed swaps (hedging assets)	assets	-	12
Fair value pay - fixed swaps (hedging assets)	liabilities	(38)	(29)
		(38)	**(17)**

IN EUR MILLIONS		2009	2008
Fair value pay - floating swaps (hedging liabilities)	assets	162	97
Fair value pay - floating swaps (hedging liabilities)	liabilities	(41)	(13)
		121	**84**

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		2009	2008
Fair value receive - fixed swaps	assets	79	107
Fair value receive - fixed swaps	liabilities	(1)	-
		78	**107**

IN EUR MILLIONS		2009	2008
Fair value receive - floating swaps	assets	1	-
Fair value receive - floating swaps	liabilities	-	-
		1	**-**

Sum of fair value and cash flow hedges of interest rate risk

IN EUR MILLIONS		2009	2008
Fair value pay swaps	assets	162	108
Fair value receive swaps	assets	80	107
		242	**215**

IN EUR MILLIONS		2009	2008
Fair value pay swaps	liabilities	(79)	(42)
Fair value receive swaps	liabilities	(1)	-
		(80)	**(42)**

The average remaining maturity (in which the related cash flows are expected to enter into the determination of profit or loss) is three years (2008: four years).

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 *Asset & Liability Committee* (**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 2009 was EUR 35 million debit (2008: EUR 45 million debit). The losses on the hedging instruments were EUR 6 million (2008: gain of EUR 39 million). The gains on the hedged item attributable to the hedged risk were EUR 5 million (2008: loss of EUR 42 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

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 2009 was EUR 71 million debit (2008: EUR 38 million debit). The losses on the hedging instruments were EUR 6 million (2008: gain of EUR 38 million). The gains on the hedged item attributable to the hedged risk were EUR 14 million (2008: loss of EUR 39 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

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 2009 was EUR 14 million credit (2008: EUR 17 million credit). The gains on the hedging instruments were EUR 2 million (2008: loss of EUR 7 million). The losses on the hedged item attributable to the hedged risk were EUR 3 million (2008: gain of EUR 6 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Cash flow hedges

NIBC has classified a large part of its loans as available for sale. Therefore the fair value movement of floating rate loans are being accounted for in equity using the effective interest method. Interest rate swaps are used to hedge the floating cash flows of its floating loans. These swaps are classified as 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 loans by defining a macro cash flow hedge relationship with the floating loans.

NIBC has classified a large part of its corporate loans as loans and receivable at amortised cost, which were 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 one, three and six months floating rates). The highly probable cash flows being hedged relate both to the highly probable cash flows on outstanding corporate loans and to the future reinvestment of these cash flows. NIBC does not hedge the variability of future cash flows of corporate loans arising from changes in credit spreads.

Interest rate swaps with a net fair value of EUR 79 million debit (2008: EUR 107 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 ten years. In 2009, the ineffectiveness recognised in the income statement that arose from cash flow hedges was a loss of EUR 2 million (2008: EUR gain of 7 million).

There were no transactions in respect of which cash flow hedge accounting had to be ceased in 2009 or 2008 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 2009 is EUR 37 million debit (2008: EUR 67 million credit). The amount that was removed from equity and included in the income statement in 2009 was a EUR 10 million gain (2008: EUR gain of 13 million).

Micro fair value hedge Liquidity portfolio debt investments

According to NIBC's hedging policy, NIBC should not be exposed to fair value interest rate risk from its fixed rate debt investments held in the Liquidity portfolios above certain limits prescribed by ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate debt investments. To mitigate any accounting mismatches, NIBC has defined a micro fair value hedge for fixed rate debt investments and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2009 was EUR 7 million credit (2008: nil). The losses on the hedging instruments were EUR 1 million (2008: nil). The gains on the hedged item attributable to the hedged risk were EUR 1 million (2008: nil).

Macro fair value hedge government guarantee fees

According to NIBC's hedging policy, NIBC should not to be exposed to fair value interest rate risk from the fixed rate government guarantee fees related to the plain vanilla funding issued under the Dutch State's Credit Guarantee Scheme above certain limits prescribed by ALCO. The guarantee fees are considered as a firm commitment and consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate government guarantee fees. To mitigate any accounting mismatches, NIBC has defined a macro fair value hedge for fixed rate government guarantee fees 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 2009 was EUR 1 million credit (2008: nil). The losses on the hedging instruments were EUR 1 million (2008: nil). The gains on the hedged item attributable to the hedged risk were EUR 1 million (2008: nil).

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 184 million (2008: USD 236 million) as included in other liabilities was designated as a hedging instrument, and gave rise to currency losses for the year 2009 of EUR 4 million (2008: EUR 6 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. Besides an amount of USD 60 million of dividend no amounts were withdrawn from equity during the year (2008: nil), as there were no disposals of foreign operations that were included in the net investment hedge.

28 Investments in associates (equity method)

IN EUR MILLIONS	2009	2008
Investments in associates	35	40
	35	**40**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN INVESTMENTS IN ASSOCIATES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	40	44
Purchases and additional payments	-	1
Disposals	(3)	(6)
Share in result of associates	5	7
Dividend received	(2)	(6)
Impairments	(5)	-
BALANCE AT 31 DECEMBER	**35**	**40**

At the end of 2009 and 2008, all investments in associates were unlisted.

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.

There is no unrecognised share of losses of an associate, either for the period or cumulatively.

See note 52 for further details on the investments in associates.

IN EUR MILLIONS	2009	2008
IMPAIRMENT LOSSES ON INVESTMENTS IN ASSOCIATES:		
BALANCE AT 1 JANUARY	-	-
Additional allowances	5	-
BALANCE AT 31 DECEMBER	**5**	**-**

29 Intangible assets

IN EUR MILLIONS	2009	2008
Intangible assets	40	44
	40	**44**

IN EUR MILLIONS	2009	2008
INTANGIBLE ASSETS RELATED TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION MAY BE SUMMARISED AS FOLLOWS:		
Cost	49	48
Accumulated amortisation	(9)	(4)
	40	**44**

IN EUR MILLIONS	Goodwill	Trademarks and licences	Customer relationships	Order backlog	Other intangibles	Total
THE MOVEMENT IN INTANGIBLE ASSETS MAY BE SUMMARISED AS FOLLOWS:						
BALANCE AT 1 JANUARY 2008	-	-	-	-	-	-
Acquisition of subsidiaries	20	4	19	4	1	48
Amortisation	-	(1)	(1)	(2)	-	(4)
BALANCE AT 31 DECEMBER 2008	20	3	18	2	1	44

IN EUR MILLIONS	Goodwill	Trademarks and licences	Customer relationships	Order backlog	Other intangibles	Total
THE MOVEMENT IN INTANGIBLE ASSETS MAY BE SUMMARISED AS FOLLOWS:						
BALANCE AT 1 JANUARY 2009	20	3	18	2	1	44
Additions	-	-	-	-	1	1
Acquisition of subsidiaries	-	-	-	-	-	-
Amortisation	-	(1)	(2)	(2)	-	(5)
BALANCE AT 31 DECEMBER 2009	20	2	16	-	2	40

The accumulated amortisation as at 31 December 2009 is EUR 9 million (2008: EUR 4 million). Amortisation of EUR 5 million is included in the depreciation and amortisation line of the income statement.

The remaining amortisation period for the categories trademarks and licences is three years and for customer relationships this is 11 years. There is no remaining amortisation period for order backlog.

Intangible assets pledged as security for liabilities are nil for both 2009 and 2008.

Goodwill acquired in business combinations is reviewed in the fourth quarter of the respective financial year 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.

IN EUR MILLIONS	2009	2008
GOODWILL HAS BEEN ALLOCATED TO THE GROUP OF CASH GENERATING UNITS AS FOLLOWS:		
Non-financial companies included in the consolidation	20	20
	20	**20**

No impairments were recorded in 2009 and 2008 on intangible assets.

30 Property, plant and equipment

IN EUR MILLIONS	2009	2008
Land and buildings	58	61
Other fixed assets	6	5
	64	**66**
Land and buildings from non-financial companies	7	6
Other fixed assets from non-financial companies	30	30
	37	**36**
	101	**102**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**102**	**72**
Additions	11	7
Acquired in business combinations	-	37
Depreciation	(12)	(14)
BALANCE AT 31 DECEMBER	**101**	**102**

In 2009, EUR 7 million in the depreciation line relates to non-financial companies included in the consolidation (2008: EUR 8 million).

IN EUR MILLIONS	2009	2008
THE ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT CAN BE CATEGORISED AS FOLLOWS:		
Land and buildings	36	32
Other fixed assets	15	17
	51	**49**
Land and buildings from non-financial companies	-	-
Other fixed assets from non-financial companies	11	8
	11	**8**
	62	**57**

Buildings in use by NIBC are insured for EUR 92 million (2008: EUR 81 million). Other fixed assets are insured for EUR 91 million (2008: EUR 90 million). Other fixed assets of the non-financial companies included in the consolidation are insured for EUR 56 million (2008: EUR 55 million).

In 2009, EUR 64 million of land and buildings and other fixed assets from the non-financial companies included in the consolidation are pledged as security for liabilities (2008: EUR 36 million).

In 2009, capital expenditure contracted for related to non-financial companies included in the consolidation amounts to EUR 0 million (2008: EUR 5 million). No amount is recognised in the carrying amount of property, plant and equipment in the course of construction at 31 December 2009 (2008: EUR 3 million).

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.

31 Investment property

IN EUR MILLIONS	2009	2008
Land and buildings	28	30
	28	**30**

In 2009, investment property is insured for EUR 13 million (2008: EUR 13 million).

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN INVESTMENT PROPERTY MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**30**	**1**
Additions resulting from acquisition	2	30
Disposals	(2)	(1)
Changes in fair value	(2)	-
BALANCE AT 31 DECEMBER	**28**	**30**

Investment property is stated at fair value. The fair value at 31 December 2009 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 (2008: EUR 2 million) from work-out and restructuring activities related to residential mortgages.

The amount recognised in profit or loss is EUR 2 million (2008: EUR 1 million), concerning rental income.

32 Current tax

IN EUR MILLIONS	2009	2008
Current tax assets	14	6
	14	**6**

It is expected that the current tax balance will be settled within 12 months.

33 Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a nominal tax rate of 25.5% in 2009 (2008: 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	2009	2008
Deferred tax liabilities	22	39
	22	**39**

IN EUR MILLIONS	2009	2008
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)	9	21
Debt investments (available for sale)	3	6
Tax losses carried forward	5	–
	17	**27**
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	14	26
Property	9	9
Temporary differences on loans and receivables as a result of internal securitisations	13	28
	39	**66**
	(22)	**(39)**

Temporary differences on loans and receivables as a result of internal securitisations relate to SPEs, which are consolidated in the financial statements, but not included in the fiscal unity of NIBC.

IN EUR MILLIONS	2009	2008
THE GROSS MOVEMENT ON THE DEFERRED INCOME TAX ACCOUNT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**(39)**	**(4)**
LOANS (REPORTED AS AVAILABLE FOR SALE)		
Fair value remeasurement (charged)/credited to revaluation reserve	(12)	4
Fair value hedges through revaluation reserve	-	(1)
DEBT INVESTMENTS (REPORTED AS AVAILABLE FOR SALE)		
Fair value remeasurement (charged)/credited to revaluation reserve	(3)	4
Fair value remeasurement (charged)/credited to hedging reserve	12	(14)
Temporary differences on loans and receivables as a result of internal securitisations	15	(28)
Tax losses carried forward	5	-
BALANCE AT 31 DECEMBER	**(22)**	**(39)**

34 Other assets

IN EUR MILLIONS	2009	2008
Interest	11	20
Other accruals and receivables	25	37
Other assets related to non-financial companies included in the consolidation	17	23
	53	**80**

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	2009	2008
OTHER ASSETS RELATED TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION CAN BE CATEGORISED AS FOLLOWS:		
Inventories (less provision for obsolence)	12	18
Trade receivables (less provisions for doubtful debt)	5	4
Other	-	1
	17	**23**

35 Due to other banks (amortised cost)

IN EUR MILLIONS	2009	2008
Due to other banks	2,601	5,537
	2,601	**5,537**

IN EUR MILLIONS	2009	2008
Payable on demand	111	493
Not payable on demand	2,490	5,044
	2,601	**5,537**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF DUE TO OTHER BANKS NOT PAYABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
Three months or less	232	2,135
Longer than three months but not longer than one year	1,246	1,289
Longer than one year but not longer than five years	880	1,277
Longer than five years	132	343
	2,490	**5,044**

Interest is recognised in interest expense and similar charges on an effective interest basis.

NIBC transacted several repurchase transactions with third parties. The related disclosures are included in repurchase and resale agreements (see note 47).

36 Deposits from customers (amortised cost)

IN EUR MILLIONS	2009	2008
Deposits from customers	4,332	2,293
	4,332	**2,293**

IN EUR MILLIONS	2009	2008
DEPOSITS FROM CUSTOMERS CAN BE CATEGORISED AS FOLLOWS:		
On demand	2,314	745
Term deposits	2,018	1,548
	4,332	**2,293**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF DEPOSITS FROM CUSTOMERS IS ANALYSED AS FOLLOWS:		
Three months or less	2,700	807
Longer than three months but not longer than one year	770	186
Longer than one year but not longer than five years	633	719
Longer than five years	229	581
	4,332	**2,293**

Interest is recognised in interest expense and similar charges on an effective interest basis.

37 Own debt securities in issue (amortised cost)

IN EUR MILLIONS	2009	2008
Bonds and notes issued	8,805	5,926
Fair value hedge adjustment	31	48
	8,836	**5,974**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF OWN DEBT SECURITIES IN ISSUE IS ANALYSED AS FOLLOWS:		
Three months or less	443	776
Longer than three months but not longer than one year	470	1,161
Longer than one year but not longer than five years	7,723	3,838
Longer than five years	200	199
	8,836	**5,974**

For an amount of EUR 6,497 million of the issued notes, the Dutch State 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 Dutch State's Credit Guarantee Scheme 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 2009, gains of EUR 64 million were realised on the repurchase of own debt securities in issue at amortised cost (2008: gain of EUR 129 million).

38 Debt securities in issue related to securitised mortgages (amortised cost)

IN EUR MILLIONS	2009	2008
Bonds and notes issued	5,231	5,835
Fair value hedge adjustment	-	-
	5,231	**5,835**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IN ISSUE RELATED TO SECURITISED MORTGAGES IS ANALYSED AS FOLLOWS:		
Three months or less	11	60
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	5,220	5,684
	5,231	**5,835**

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

IN EUR MILLIONS	2009	2008
Bonds and notes issued	85	168
	85	**168**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF OWN DEBT SECURITIES IN ISSUE IS ANALYSED AS FOLLOWS:		
Three months or less	28	-
Longer than three months but not longer than one year	14	81
Longer than one year but not longer than five years	18	55
Longer than five years	25	32
	85	**168**

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 90 million on 31 December 2009 (2008: EUR 171 million).

The portion of fair value changes during 2009 attributable to the movement in credit spreads amounts to EUR 2 million debit, being a reduction in the carrying value (2008: EUR 9 million debit).

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

IN EUR MILLIONS	2009	2008
Bonds and notes issued	2,453	3,110
	2,453	**3,110**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IN ISSUE STRUCTURED IS ANALYSED AS FOLLOWS:		
Three months or less	72	143
Longer than three months but not longer than one year	268	261
Longer than one year but not longer than five years	479	847
Longer than five years	1,634	1,859
	2,453	**3,110**

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 2,619 million on 31 December 2009 (2008: EUR 3,200 million).

The portion of fair value changes during 2009 attributable to the movement in credit spreads amounts to EUR 64 million debit, being a reduction in the carrying value (2008: EUR 94 million debit). In 2009, credit spread gains of EUR 44 million (2008: EUR 59 million) were realised on the repurchase of liabilities with respect to this balance sheet item.

41 Other liabilities

IN EUR MILLIONS	2009	2008
Accruals	72	63
Payables	142	95
	214	**158**

In 2009, EUR 7 million of the other liabilities is related to (trade) payables of the non-financial companies included in the consolidation (2008: EUR 11 million).

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.

42 Employee benefits

IN EUR MILLIONS	2009	2008
Pension benefit obligations	2	4
Other post retirement obligations	-	-
Other	3	4
	5	**8**

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 2009. 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	2009	2008
PENSION BENEFIT OBLIGATIONS CAN BE CATEGORISED AS FOLLOWS:		
Present value of funded obligations	176	159
Fair value of plan assets	169	156
DEFICIT FOR FUNDED PLANS	**7**	**3**
Unrecognised actuarial (gains)/losses	(5)	1
	2	**4**

IN EUR MILLIONS	2009	2008
CHANGES IN THE PRESENT VALUE OF FUNDED BENEFIT OBLIGATIONS ARE AS FOLLOWS:		
BALANCE AT 1 JANUARY	159	164
Current service cost	4	6
Interest cost	9	8
Actuarial (gains)/losses on obligations	9	(14)
Benefits paid	(5)	(5)
BALANCE AT 31 DECEMBER	176	159

IN EUR MILLIONS	2009	2008
CHANGES IN THE FAIR VALUE OF PLAN ASSETS ARE AS FOLLOWS:		
BALANCE AT 1 JANUARY	156	157
Expected return on plan assets	9	8
Actuarial gains/(losses)	3	(12)
Employer contributions	7	8
Benefits paid	(6)	(5)
BALANCE AT 31 DECEMBER	169	156

IN EUR MILLIONS	2009	2008
PLAN ASSETS ARE COMPRISED AS FOLLOWS:		
Equities	43	33
Bonds	128	125
Cash	1	1
Subordinated loans	(3)	(3)
	169	156

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 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 11 million gain (2008: EUR 3 million loss).

IN EUR MILLIONS	2009	2008
THE AMOUNTS RECOGNISED IN PERSONNEL EXPENSES IN THE INCOME STATEMENT ARE AS FOLLOWS:		
Current service cost	5	6
Interest cost	9	8
Expected return on plan assets	(9)	(8)
	5	**6**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN THE LIABILITY RECOGNISED IN THE BALANCE SHEET IS RECONCILED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**4**	**6**
Total expense - as above	5	6
Contribution paid	(7)	(8)
BALANCE AT 31 DECEMBER	**2**	**4**

IN %	2009	2008
THE PRINCIPAL ACTUARIAL ASSUMPTIONS USED WERE AS FOLLOWS:		
Discount rate	5.25%	5.75%
Expected return on plan assets	5.25%	5.75%
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 set back by three years for males and one 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	2009	2008	2007	2006	2005
Present value of obligation at end of year	176	159	163	167	165
Fair value of plan assets at end of year	169	156	157	148	147
DEFICIT/(SURPLUS)	**7**	**3**	**6**	**19**	**18**
Unrecognised actuarial loss/(gain)	(5)	1	(1)	(15)	(16)
Present value of unfunded obligation	-	-	1	2	4
Unrecognised past service cost	-	-	-	-	-
Unrecognised transition amount	-	-	-	-	-
Adjustment for limit on net asset	-	-	-	-	-
LIABILITY RECOGNISED IN BALANCE SHEET AT END OF YEAR	**2**	**4**	**6**	**6**	**6**

Other

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN THE LIABILITY RECOGNISED IN THE BALANCE SHEET MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	4	5
Releases	(1)	(1)
BALANCE AT 31 DECEMBER	**3**	**4**

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 3 million is payable within 12 months (2008: EUR 4 million).

In 2009 and 2008, no amount is related to employee benefit obligations of the non-financial companies included in the consolidation.

43 Subordinated liabilities - amortised cost

IN EUR MILLIONS	2009	2008
Subordinated loans qualifying as Tier-1 capital	89	130
Other subordinated loans	43	99
	132	**229**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS ANALYSED AS FOLLOWS:		
One year or less	-	56
Longer than one year but not longer than five years	30	30
Longer than five years but not longer than ten years	1	1
Longer than ten years	101	142
	132	**229**

All of the above loans are subordinated to the other liabilities of NIBC. EUR 89 million (2008: EUR 130 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 ten years with the prior approval of the *Dutch Central Bank* (**DNB**). Interest expense of EUR 8 million was recognised on these subordinated liabilities during the year 2009 (2008: EUR 14 million). In 2009, credit spread gains of EUR 37 million were realised on the repurchase of liabilities with respect to this balance sheet item (2008: gain of EUR 11 million).

44 Subordinated liabilities - designated at fair value through profit or loss

IN EUR MILLIONS	2009	2008
Subordinated loans qualifying as Tier-1 capital	174	225
Other subordinated loans	195	242
	369	**467**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS ANALYSED AS FOLLOWS:		
One year or less	-	51
Longer than one year but not longer than five years	23	-
Longer than five years but not longer than ten years	67	113
Longer than ten years	279	303
	369	**467**

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 482 million on 31 December 2009 (2008: EUR 558 million).

The portion of fair value changes during 2009 attributable to the movement in credit spreads amounts to EUR 36 million debit, being a reduction in the carrying value (2008: EUR 51 million debit). All of the above loans are subordinated to the other liabilities of NIBC. EUR 174 million (2008: EUR 225 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 ten years with the prior approval of the DNB. Interest expense of EUR 25 million was recognised on these subordinated liabilities during the year 2009 (2008: EUR 26 million). In 2009, credit spread gains of EUR 13 million were realised on the repurchase of liabilities with respect to this balance sheet item (2008: EUR 7 million).

Fair value of liabilities

Debt securities in issue structured, own debt securities in issue designated at fair value through profit or loss and derivative financial liabilities are valued at fair value through profit or loss. 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 8,836 million (2008: EUR 5,974 million), and the fair market value amounts to EUR 8,534 million (2008: EUR 5,796 million). The carrying value of subordinated liabilities classified at amortised cost amounts to EUR 132 million (2008: EUR 229 million), and the fair market value amounts to EUR 132 million (2008: EUR 237 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 either 2009 or 2008 on its liabilities.

45 Shareholder's equity

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

Share capital

IN EUR MILLIONS	2009	2008
SHARE CAPITAL CAN BE CATEGORISED AS FOLLOWS:		
Paid-up capital	80	80
	80	**80**

	2009	2008
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	2009	2008
OTHER RESERVES ARE COMPRISED OF:		
Share premium	238	238
Hedging reserve - cash flow hedges	40	75
Revaluation reserve - loans (available for sale)	(28)	(64)
Revaluation reserve - equity investments (available for sale)	7	15
Revaluation reserve - debt investments (available for sale)	(4)	(18)
Revaluation reserve - property, plant and equipment	28	28
	281	**274**

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserve	Total
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 RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	-	40	(62)	(22)
BALANCE AT 31 DECEMBER 2008	238	75	(39)	274

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserve	Total
BALANCE AT 1 JANUARY 2009	238	75	(39)	274
Net result on cash flow hedging instruments	-	(35)	-	(35)
Revaluation (net of tax)	-	-	42	42
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	-	(35)	42	7
BALANCE AT 31 DECEMBER 2009	238	40	3	281

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 shareholder's equity (revaluation reserves of the loans and receivables, debt investments and financial assets) can be explained as follows:

Revaluation reserve - loans (available for sale)

In the period before reclassification (that is, per 1 July 2008), NIBC recognised in the revaluation reserve in equity a total fair value loss of EUR 41 million on reclassified assets reclassified out of the available for sale category into the loans and receivables category.

Revaluation reserve - debt investments (available for sale)

In the period before reclassification (that is, per 1 July 2008), NIBC recognised in the revaluation reserve in equity a total fair value loss of EUR 6 million on financial assets reclassified out of the available for sale category into the loans and receivables category.

Revaluation reserve financial assets reclassified into available for sale category

A transfer to impairment expense of EUR 10 million was recognised in the revaluation reserve in shareholder's equity in 2009 on financial assets reclassified out of trading into the available for sale category (year ended 31 December 2008: a fair value loss of EUR 7 million).

NIBC choose 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 amendment to lAS 39 and IFRS 7. In NIBC's judgement, the deterioration in the world's financial markets was an example of a rare circumstance applicable on the date of reclassification. 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, a net of tax loss of EUR 23 million (2008: loss of EUR 117 million) would have been recognised in the income statement or loss and an incremental net of tax gain of EUR 36 million (2008: loss of EUR 220 million) would have been recognised in the revaluation reserve in equity in 2009 due to incremental fair value losses and reversal of impairments.

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 20.

Revaluation reserve - property, plant and equipment

This reserve comprises changes in fair value of land and buildings (net of 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).

46 Fair value of financial instruments

Effective 1 January 2009, NIBC adopted the amendment to IFRS 7 for financial instruments that are measured at fair value in the balance sheet. This requires disclosure of each class of financial assets and liabilities within a three-level hierarchy, referring the respective basis of fair value measurement as follows:

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

For an explanation of the fair value measurement hierarchy, reference is made to the accounting policies section on fair value estimation.

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

IN EUR MILLIONS	Level 1	Level 2	Level 3	2009
FINANCIAL ASSETS AVAILABLE FOR SALE				
Equity investments	10	-	84	94
Debt investments	-	713	1	714
	10	713	85	808
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Loans	-	1,103	-	1,103
Residential mortgages own book	-	5,817	-	5,817
Securitised residential mortgages	-	4,783	-	4,783
Debt investments	-	804	-	804
Enhanced investments	-	53	-	53
Equity investments (including investments in associates)	-	-	215	215
Derivative financial assets held for trading	-	2,816	-	2,816
Derivative financial assets used for hedging	-	242	-	242
	-	15,618	215	15,833
	10	16,331	300	16,641

IN EUR MILLIONS	Level 1	Level 2	Level 3	2009
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Own debt securities in issue	-	85	-	85
Debt securities in issue structured	-	2,453	-	2,453
Derivative financial liabilities held for trading	-	3,133	-	3,133
Derivative financial liabilities used for hedging	-	80	-	80
Subordinated liabilities	-	369	-	369
	-	6,120	-	6,120

Financial instruments are recorded at fair value

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

Financial assets available for sale

Equity investments (listed) - level 1

The fair value of listed equity investments is based on quoted prices (unadjusted) in active markets.

Equity investments (unlisted) - level 3

The fair value of investments in equity funds is determined based on net asset value reported by the managers of these funds. These net asset values are analysed for reasonableness and adjusted to approximately the fair value at reporting date, where appropriate, for factors such as, amongst others, subsequent capital contributions and fund distributions, exchange rates and subsequent changes in the fair value of underlying investee companies, where these are known to NIBC.

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

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

Debt investments - level 2

For the determination of fair value at 31 December 2009, NIBC incorporated market-observable prices (including broker quotes), interest rates and credit spreads derived from market-verifiable data. NIBC has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Debt investments - level 3

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

Financial assets fair value through profit or loss

Loans - level 2

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

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

Residential mortgages (own book and securitised) - level 2

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

On the basis of the available data on *Residential Mortgage-Backed Securities* (**RMBS**) spreads and offered mortgage rates, NIBC concluded that in 2009 the use of offered mortgage rates provides the best estimate of the spread applicable at the balance sheet date. 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 and 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 mortgage offer rate to the market interest rates taking into account the upfront mortgage offering costs embedded in the mortgage offered rate.

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

Debt investments - level 2

For the determination of fair value at 31 December 2009, NIBC incorporated market-observable prices (including broker quotes), interest rates and credit spreads derived from market-verifiable data. NIBC has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Enhanced investments - level 2

The Enhanced Investment portfolio consists of investments in tax-efficient funds and credit-fixed income funds.

The fund investments are valued based on observed transaction values for structures that are set up for third parties. The positions in credit-fixed income funds are valued using the valuation statements of the

administrators. These valuations form the basis for arm's-length market transactions in these funds and therefore serve as a reliable basis for valuation.

Equity investments (including investments in associates) - level 3

For the valuation method, reference is made to the section on equity investments (unlisted) at available for sale.

Derivatives financial assets and liabilities (held for trading and used for hedging) - level 2

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

There were no transfers between the levels during 2009.

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

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

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

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

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

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

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

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

IN EUR MILLIONS	At 1 January 2009	Total gains/ (losses) recorded in the income statement	Total gains/ (losses) recorded in equity	Purchases	Sales	Settle-ments	Transfers from level 1 and level 2	At 31 December 2009
AVAILABLE FOR SALE FINANCIAL ASSETS								
Equity investments	99	(7)	(13)	7	(2)	-	-	84
Debt investments	9	(18)	10	-	-	-	-	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)								
Equity investments (including investments in associates)	188	(9)	-	40	(4)	-	-	215
TOTAL LEVEL 3 FINANCIAL ASSETS	**296**	**(34)**	**(3)**	**47**	**(6)**	**-**	**-**	**300**

Gains less losses on level 3 financial instruments included in the profit or loss for the period comprise:

IN EUR MILLIONS	Realised gains	Unrealised (losses)	Total 2009
Total gains/(losses) included in the income statement	6	(40)	**(34)**

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

	For the period ended 31 December 2009	
IN EUR MILLIONS	Carrying amount	Effect of reasonably possible alternative assumptions
FINANCIAL ASSETS		
AVAILABLE FOR SALE FINANCIAL ASSETS		
Equity investments (unlisted)	84	2
Debt investments	1	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)		
Equity investments (including investments in associates)	215	24

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

- For direct equity investments, NIBC adjusted the capitalisation multiples by increasing and decreasing the capitalisation multiples by 10 per cent, which is considered by NIBC to be within a range of reasonably possible alternatives based on capitalisation multiples of companies with similar industry and risk profiles; and
- For the debt investments, NIBC adjusted the weighted average calculated model price by 100 basis points.

47 Repurchase and resale agreements

NIBC transacted several reverse repurchase transactions with third parties, in which notes amounting to a notional of EUR 1,205 million (with a fair value at 31 December 2009 of EUR 1,245 million) were transferred to NIBC from third parties at 31 December 2009 in exchange for EUR 1,228 million in deposits at 31 December 2009 for periods ranging from one day up to five days.

During 2009, NIBC transacted several reverse repo transactions with third parties, in a total notional amount of EUR 57 billion.

NIBC transacted several repurchase transactions with third parties, in which notes amounting to a notional of EUR 568 million (with a fair value at 31 December 2009 of EUR 558 million) were transferred from NIBC to third parties at 31 December 2009 in exchange for EUR 505 million in deposits at 31 December 2009 for periods ranging from one year up to three years.

During 2009, NIBC transacted several repo transactions with third parties, in a total notional amount of EUR 205 million.

NIBC conducts these transactions under terms agreed in Global Master Repurchase Agreements.

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 19 million at 31 December 2009 (2008: EUR 82 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	2009	2008
CONTRACT AMOUNT		
Committed facilities with respect to corporate loan financing	1,088	1,009
Capital commitments	103	194
Guarantees granted	200	214
Irrevocable letters of credit	67	76
	1,458	**1,493**

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 54.

Legal proceedings

There were a number of legal proceedings outstanding against NIBC at 31 December 2009. No provision has been made, as legal advice indicates that it is unlikely that any significant loss will arise.

49 Assets pledged as security

IN EUR MILLIONS	2009	2008
ASSETS HAVE BEEN PLEDGED AS SECURITY IN RESPECT OF THE FOLLOWING LIABILITIES AND CONTINGENT LIABILITIES:		
LIABILITIES		
Due to other banks	1,438	4,114
Debt securities in issue related to securitised loans and mortgages	5,231	5,835
Derivative financial liabilities	1,051	1,000
	7,720	**10,949**

IN EUR MILLIONS	2009	2008
DETAILS OF THE CARRYING AMOUNTS OF ASSETS PLEDGED AS COLLATERAL ARE AS FOLLOWS:		
ASSETS PLEDGED		
Assets utilised as collateral	2,001	4,559
Securitised loans and mortgages	5,399	5,880
Cash	1,051	1,000
	8,451	**11,439**

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 7.0 billion (2008: EUR 5.9 billion).

As of 31 December 2009, the excess cash liquidity of NIBC was EUR 2.6 billion (2008: EUR 1.1 billion), consisting of EUR 1.4 billion (2008: EUR 1.0 billion) cash placed with the DNB and EUR 1.2 billion (2008: EUR 0.1 billion) placed overnight with other banks.

50 Assets under management

NIBC provides collateral management services, whereby it holds and manages assets or invests funds received in various financial instruments on behalf of 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 2009, total assets held by NIBC on behalf of customers were EUR 2,668 million (2008: EUR 2,520 million).

51 Related party transactions

Transactions related to employees

All transactions with employees are reported in the tables in note 53 Remuneration of Statutory Board members, Supervisory Board members, share-based payments and deferred cash.

Transactions related to associates

At 31 December 2009, NIBC had EUR 222 million of loans advanced to its associates (2008: EUR 245 million). Besides interest income on these loans, NIBC earned EUR 5 million (2008: EUR 7 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. Total commitments to the fund amount to EUR 347 million, of which EUR 247 million is committed by four third-party investors and EUR 100 million by NIBC. The fund invests in infrastructure projects in Western Europe. NIBC realised no losses from its investment in the fund in 2009 (2008: loss of EUR 15 million) and earned fees of EUR 4 million (2008: EUR 5 million). In NIBC's financial statements, this fund is classified as an associate at fair value through profit or loss.

At 31 December 2009, NIBC had EUR 29 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 2009 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. Of the total committed fund size of EUR 64 million, EUR 49 million is committed 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 2009 was EUR 2 million (2008: EUR 1 million), of which fee income of EUR 0.4 million (2008: EUR 0.4 million). In NIBC's financial statements, this fund is classified as an associate at fair value through profit of loss.

In 2009, NIBC paid fees relating to the servicing of its online retail savings programme NIBC Direct to Welke Beheer B.V. of EUR 3 million (2008: EUR 2 million). In July 2009, NIBC's equity stake in Welke Beheer B.V. diluted from 25% to 15%. In NIBC's financial statements, this entity is classified as an associate (equity method), as NIBC still has significant influence.

Transactions involving NIBC's shareholders

Significant related party transactions executed in 2009 and 2008 concern the following:

At 31 December 2009, NIBC had EUR 398 million of net exposures (assets minus liabilities) to its parent and to entities controlled by its parent entity (2008: EUR 418 million). The interest received and paid on this exposure was at arm's length.

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 2009, NIBC's commitment was fully drawn. In 2009, NIBC earned fees of EUR 0.6 million (2008: EUR 0.5 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 advisor to Flowers Fund II.

In June 2009, NIBC made a commitment of USD 10 million to 'Flowers Fund III', an investment fund managed by an affiliate of J.C. Flowers & Co.

In the first quarter of 2008, after NIBC Holding attracted EUR 400 million of new capital from its shareholders, a loan from NIBC Bank to *NIBC Venture Capital N.V.* (**Veca**), a public limited liability company incorporated under the laws of the Netherlands to which in 2007 the contractual rights to receive cash flows on a portfolio of US Commercial Real Estate structured credits were transferred, and indirectly a 100% subsidiary of NIBC Holding, was prepaid. As of that moment, Veca is fully financed by NIBC Holding and NIBC Bank no longer has exposure to Veca.

Fees paid to NIBC Holding related to asset management activities are nil for both 2009 and 2008.

Loan from NIBC 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 (2008: 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%.

52 Principal subsidiaries, joint ventures and associates

	%	Country
SUBSIDIARIES OF NIBC BANK N.V.		
NIBC Bank Ltd	100	Singapore
B.V. NIBC Mortgage Backed Assets	100	The Netherlands
Parnib Holding N.V.	100	The Netherlands
NIBC Foreign Debt Fund XIII B.V.	100	The Netherlands
Counting House B.V.	100	The Netherlands
Vredezicht 's-Gravenhage 110 B.V.	100	The Netherlands
NIBC Principal Investments B.V.	100	The Netherlands
GRW Bearing GmbH	93.4	Germany
NIBusker Holding B.V.	75	The Netherlands

			IN EUR MILLIONS			
	%	Country	Assets	Liabilities	Operating income	Net result
JOINT VENTURES						
SR-Hypotheken N.V.	50	The Netherlands	322	265	3	2
ASSOCIATES (NET ASSET VALUE)						
De Nederlandse Participatie Maatschappij voor de Nederlandse Antillen N.V.	100	The Netherlands	-	-	-	-
PE express I B.V.	37.5	The Netherlands	16	-	5	2
PE express II B.V.	37.5	The Netherlands	16	-	5	2
PE express III B.V.	35	The Netherlands	21	-	5	2
PE express IV B.V.	35	The Netherlands	21	-	5	2
ASSOCIATES (DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS)	n/a	The Netherlands	1,310	817	472	21

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 under which statements of liability have been issued, has been filed at the Chamber of Commerce in The Hague.

53 Remuneration of the Statutory Board members, Supervisory Board members, share-based payments and deferred cash

Remuneration of the Statutory Board members

Towards the end of 2009, the Supervisory Board agreed a new remuneration policy for 2009 and beyond, taking into account relevant regulations, most notably (i) the Dutch Corporate Governance Code of 10 December 2008, (ii) the Dutch Banking Code of 9 September 2009 and (iii) the DNB/AFM Principles for Controlled Remuneration Policies of 6 May 2009.

Annual variable short-term incentive compensation for the Chairman and the members of the Statutory Board decreased significantly from a maximum of 200% of base salary in the past to a maximum of 75% for the Chairman and the members of the Statutory Board responsible for commercial activities, and from a maximum of 180% to 55% of base salary for the Chief Risk Officer, and from a maximum of 80% to 55% of base salary for the Chief Financial Officer. Of this short-term incentive compensation, maximum half will be paid in cash and the remaining half can be paid in deferred cash with a vesting period of 3 years. The base salaries of the Chairman and the other members of the Statutory Board remained unchanged.

In light of the special circumstances in the financial markets, the Statutory Board again requested, like last year, not to be considered for any short-term variable compensation for 2009. The *Remuneration and Nominating Committee* (**RNC**) very much appreciated this responsible initiative of the Statutory Board and has consequently recommended to the Supervisory Board that no short-term variable compensation be awarded for 2009 for the Chairman and the members of the Statutory Board. The Supervisory Board accepted the recommendations made by the RNC and decided accordingly.
The new remuneration policy also includes annual variable *long-term incentive* (**LTI**) compensation. Each member of the Statutory Board is entitled to an annual long-term incentive grant with a value of 25% of base salary at grant, in the form of *Conditional Restricted Depositary Receipts* (**CRDR**). This grant is subject to three-year cliff vesting and the realisation of certain financial and non-financial performance targets. The LTI relates to future performance only. The RNC has recommended to the Supervisory Board to grant this LTI as of 2009. The Supervisory Board accepted the recommendations made by the RNC and decided accordingly.

Regular annual remuneration

On 17 August 2009 Mr. Van Nieuwenhuizen (former Vice-Chairman) stepped down as Statutory Board member and subsequently left NIBC on 15 October 2009. Mr. Ten Heggeler joined NIBC on 17 August 2009 as Statutory Board member whilst Mr. Van Hessen was appointed as Statutory Board member on 10 September 2009. The following table shows that the total regular annual remuneration costs (including pension costs) for members and former members of the Statutory Board, appointed under the articles of association, amounted to EUR 3.6 million in 2009 (2008: EUR 4.0 million).

In the year under review, the average number of members of the Statutory Board appointed under the articles of association was 4.6 (2008: 4.0).

The breakdown of the amounts per member and former member of the Statutory Board is as follows:

IN EUR	Members					Subtotal	Former members [8]			Subtotal	Total
	Mr. Jeroen Drost	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand	Mr. Rob ten Heggeler [1]	Mr. Jeroen van Hessen [2]		Mr. Jan van Nieuwen-huizen [3]	Mr. Michael Enthoven [4]	Mr. Jurgen Stegmann [5]		
Base salary 2009	700,000	400,000	400,000	150,000	125,000	1,775,000	315,151	-	-	315,151	2,090,151
Base salary 2008 [6]	466,667	400,000	344,444	-	-	1,211,111	400,000	385,000	226,667	1,011,667	2,222,778
Short-term incentive 2009 (cash)	-	-	-	-	-	-	-	-	-	-	-
Short-term incentive 2008 (cash)	-	-	-	-	-	-	-	-	-	-	-
Short-term incentive 2009 (deferred cash)	-	-	-	-	-	-	-	-	-	-	-
Short-term incentive 2008 (deferred cash)	-	-	-	-	-	-	-	-	-	-	-
Long-term incentive 2009 (conditional shares) [7]	175,000	100,000	100,000	100,000	100,000	575,000	-	-	-	-	575,000
Long-term incentive 2008 (conditional shares)	-	-	-	-	-	-	-	-	-	-	-
TOTAL DIRECT COMPENSATION 2009	**875,000**	**500,000**	**500,000**	**250,000**	**225,000**	**2,350,000**	**315,151**	**-**	**-**	**315,151**	**2,665,151**
TOTAL DIRECT COMPENSATION 2008	**466,667**	**400,000**	**344,444**	**-**	**-**	**1,211,111**	**400,000**	**385,000**	**226,667**	**1,011,667**	**2,222,778**
Pension costs 2009	99,341	86,924	60,036	22,541	23,539	292,381	68,512	-	-	68,512	360,893
Pension costs 2008	88,581	86,509	66,160	-	-	241,250	86,509	20,093	13,110	119,712	360,962
Severance Payments 2009	-	-	-	-	-	-	-	-	-	-	-
Severance Payments 2008	-	-	-	-	-	-	-	700,000	400,000	1,100,000	1,100,000
Expense Allowance 2009	1,200	1,200	1,200	452	375	4,427	1,000	-	-	1,000	5,427
Expense Allowance 2008	800	1,200	1,028	-	-	3,028	1,200	300	200	1,700	4,728
Other emoluments 2009	43,330	40,936	35,602	313,342	97,346	530,556	71,706	-	-	71,706	602,262
Other emoluments 2008	76,218	30,816	16,754	-	-	123,788	77,347	33,584	45,084	156,015	279,803
TOTAL REMUNERATION 2009	**1,018,871**	**629,060**	**596,838**	**586,335**	**346,260**	**3,177,364**	**456,369**	**-**	**-**	**456,369**	**3,633,733**
TOTAL REMUNERATION 2008	**632,266**	**518,525**	**428,386**	**-**	**-**	**1,579,177**	**565,056**	**1,138,977**	**685,061**	**2,389,094**	**3,968,271**

1. Joined NIBC on 17 August 2009: appointed as a member of the Statutory Board on 17 August 2009.
2. Appointed as a member of the Statutory Board on 10 September 2009. The remuneration disclosed refers to the remuneration earned in his capacity as Statutory Board member.
3. Stepped down as a member of the Statutory Board as from 17 August 2009 and employment ended with effect from 15 October 2009. Base salary payment 2009 relates to the period up to the end of employment.
4. 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.
5. 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.
6. Base salary 2008 for Mr Drost and Mr Sijbrand refers to the period as from their appointment as Statutory Board member or as from 1 May 2008 respectively 22 February 2008.
7. The LTI will be granted in the form of conditional RDRs net after tax, based on a calculated fair market value agreed by the Supervisory Board.
8. Former members stepped down as members of the Statutory Board in 2008 or 2009.

One-off co-investment

In view of the debate about (executive) compensation in financial institutions and in anticipation of a new remuneration policy, the Statutory Board, Supervisory Board and shareholders jointly decided to fully rescind the one-off long term sign-on and/or retention awards granted in 2008. All transactions, including the personal investments made by the members of the Statutory Board were subsequently reversed at the original conditions.

As agreed at the date of recission, the new remuneration policy would include a modified alternative. The terms and conditions of this grant are modified in a manner that reduces the arrangement's fair value, measured as the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. Subject to the Statutory Board members committing to a personal investment in NIBC, common depositary receipts up to 100% of their base salary in December 2009, the alternative offered the opportunity for NIBC to grant matching shares in the form of conditional restricted depositary receipts with an after-tax value equal to the value of the personal investment made. These matching shares are subject to four-year vesting with 1/4 vesting each year, the first such vesting having occurred on 1 January 2010, but they will vest immediately upon a change of control of NIBC Holding, in which case they (i) will become fully unconditional and (ii) be legally transferred.

This modified alternative is in line with common practice within private-equity owned companies and is what shareholders typically expect of Statutory Board members in that industry.

In addition to the matching shares, the Statutory Board members can earn performance shares (CRDRs), subject to service conditions (continuous employment) and the realisation of predetermined performance conditions. These performance shares will only vest upon a change of control of NIBC Holding and the attainment of an annual compounded hurdle rate. The number of performance shares that vest is based on a predetermined formula, however the Supervisory Board has the discretion to adjust the number of performance shares that will vest in the case of unfair or unintended effects.

As a result of a combined personal investment of EUR 1.7 million (184 thousand common depositary receipts at EUR 9.25) by the Statutory Board members, the total fair market value of this modified alternative amounts to EUR 3.0 million for the three Statutory Board members who agreed to rescind their 2008 one-off remuneration, a reduction of 45% compared to the original value of EUR 5.4 million in 2008. Including the two new Statutory Board members, the fair market value of the one-off co-investment for all Statutory Board members amounts to EUR 4.3 million in 2009. This amount can be allocated to the respective Statutory Board members as follows: Mr. Drost (EUR 1.7 million), Mr. Van Dijkhuizen (EUR 0.8 million), Mr. Sijbrand (EUR 0.5 million), Mr. Ten Heggeler (EUR 1.0 million) and Mr. Van Hessen (EUR 0.3 million).

Remuneration of the Statutory Board [1]

IN EUR	Members						Former members[3]	
	Mr. Jeroen Drost	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand	Mr. Rob ten Heggeler	Mr. Jeroen van Hessen[2]	Subtotal	Mr. Jan van Nieuwen-huizen[4]	Total
Total remuneration 2009 (see remuneration table above)	1,018,871	629,060	596,838	586,336	346,260	3,177,365	456,369	3,633,734
Deferred compensation 2009 (see remuneration table above)	(175,000)	(100,000)	(100,000)	(100,000)	(100,000)	(575,000)	-	(575,000)
Vesting of prior years short-term deferred compensation	-	112,478	-	-	110,168	222,646	(1,478,056)	(1,255,410)
Vesting of 2009 long-term deferred compensation	58,333	33,333	33,333	33,333	33,333	191,665	-	191,665
Vesting of 2009 one-off co-investment related deferred compensation	814,811	357,099	248,592	465,606	140,086	2,026,194	-	2,026,194
TOTAL REMUNERATION	**1,717,015**	**1,031,970**	**778,763**	**985,275**	**529,847**	**5,042,870**	**(1,021,687)**	**4,021,183**

1. In addition to the above, personnel expenses in the income statement also include expenses relating to the vesting of the Statutory Board's sign-on and retention awards, which were rescinded after 31 December 2008. The additional amount for 2009 is nil (2008: EUR 1.8 million). In accordance with NIBC's accounting policies for share-based compensation, this amount has been credited to other reserves.
2. The vesting expenses of compensation granted in previous years reflect the pro rata expenses in his capacity as Statutory Board member.
3. Former members stepped down as members of the Statutory Board in 2009.
4. The amount displayed for Mr. Jan van Nieuwenhuizen in the line item 'Vesting of prior years short-term deferred compensation' fully relates to the forfeiture of non-vested short-term deferred compensation granted in previous years.

Remuneration of the Statutory Board [1]

IN EUR	Members				Former members[2]				
	Mr. Jeroen Drost	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand	Subtotal	Mr. Jan van Nieuwen-huizen	Mr. Michael Enthoven	Mr. Jurgen Stegmann	Subtotal	Total
Total remuneration 2008 (see remuneration table above)	632,266	518,525	428,386	1,579,177	565,056	1,138,977	685,061	2,389,094	3,968,271
Deferred compensation 2008 (see remuneration table above)	-	-	-	-	-	-	-	-	-
Vesting of short-term deferred compensation granted in previous years	-	238,448	-	238,448	944,683	-	-	944,683	1,183,131
TOTAL REMUNERATION	**632,266**	**756,973**	**428,386**	**1,817,625**	**1,509,739**	**1,138,977**	**685,061**	**3,333,777**	**5,151,402**

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 Statutory Board's sign-on and retention awards, which were rescinded after 31 December 2008. In accordance with NIBC's accounting policies for share-based compensation, this amount has been credited to other reserves.
2. Former members stepped down as members of the Statutory Board in 2008 or 2009.

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 2009				
Mr. J.H.M. Lindenbergh [1]	55,000	42,250	5,000	**102,250**
Mr. J.C. Flowers [1 / 2]	7,500	5,500	833	**13,833**
Mr. C.H. van Dalen	35,000	15,000	5,000	**55,000**
Mr. W.M. van den Goorbergh [1]	35,000	32,250	5,000	**72,250**
Mr. N.W. Hoek	35,000	10,000	5,000	**50,000**
Mr. A. de Jong	35,000	-	5,000	**40,000**
Mrs. S.A. Rocker [1 / 2]	29,167	8,333	4,167	**41,667**
Mr. D. Rümker [1]	35,000	11,500	5,000	**51,500**
Mr. R.S. Sinha [1 / 3]	17,500	13,250	2,500	**33,250**
Mr. A.H.A. Veenhof	35,000	-	5,000	**40,000**
TOTAL	**319,167**	**138,083**	**42,500**	**499,750**
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 [1]	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**

1. In line with Dutch tax regulations, an increase of 19% VAT is payable on the total remuneration payable to the relevant Supervisory Board member.
2. Mr. J.C. Flowers stepped down as a member of the Supervisory Board on 19 February 2009 and Mrs. S.A. Rocker was nominated on the same date as his replacement, which nomination was subsequently adopted in the Annual General Meeting of Shareholders on 29 April 2009.
3. Mr. R.S. Sinha stepped down as a member of the Supervisory Board on 17 December 2009 and Mr D. Morgan was nominated on the same date as his replacement, which nomination will be subject to adoption in the Annual General Meeting of Shareholders on 18 May 2010 subject to approval of the DNB.

Components of variable compensation - NIBC Choice

NIBC Choice is NIBC's share-based and deferred compensation plan and governs all variable compensation components in the form of equity, equity-related and deferred cash compensation. In addition to this, variable compensation can consist 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.

Depositary receipts

The *depositary receipts* (**DRs**), consisting of *common depositary receipts* (**CDRs**) and *restricted depositary receipts* (**RDRs**), are issued by *Stichting Administratiekantoor NIBC Holding* (**the Foundation**) in accordance with its relevant conditions of administration (administratievoorwaarden).
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 pre-emption rights similar to 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-emption 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 in 2005 was EUR 18.25. RDRs cannot be transferred, and are subject to specific vesting rules. Up to 1 January 2008, they were subject to five-year vesting with 1/5th vesting on the 1st of January of each year. In 2008, the vesting schedule was changed to three-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 forfeiture of the RDR in the case of termination of employment, or in the case of certain corporate events, such as restructurings.

In 2009, no new RDRs were granted by NIBC Holding. Instead a new arrangement was set up under which the 2008 short-term deferred compensation was delivered in the form of a deferred cash bonus, subject to three-year vesting, the first such vesting to occur on 1 January 2010.

In 2009, Statutory Board members made a combined personal investment of EUR 1.7 million (184 thousand NIBC CDRs at a price of EUR 9.25). In relation to that co-investment the Statutory Board members were granted 184 thousand matching shares (CRDRs) on a net after-tax basis representing a 1:1 match. Furthermore, the Statutory Board members are entitled to earn additional performance shares (CRDRs). The number of performance shares contained in this one-off variable compensation is in principle uncapped, but the Supervisory Board has the discretion to adjust the ultimate number in the case of unfair or unintended effects. For determining the number of performance shares, a specific formula will be applied by the Supervisory Board upon a change of control. Therefore the conditions attached to the performance shares are recognised as vesting conditions. For reporting purposes the number of performance shares for all Statutory Board members combined which will eventually vest is currently estimated at 38 thousand.

The matching shares were awarded to the Statutory Board with an underlying fair value of EUR 9.25, which was determined by the Supervisory Board, based on an agreed price-to-book ratio observed in the market at grant date based on net asset value. The number of performance shares will be calculated upon a change of control or any other liquidity event as a percentage of the number of matching shares that represents one year's net base salary at the time of grant, using a pre-agreed formula.

The terms and conditions applicable to these CRDRs are in line with those applicable to the 2008 RDRs, except for the calculation of the grant price, the vesting period and certain performance conditions. The CRDRs (matching shares) which were awarded to the Statutory Board members in 2009 in relation to their co-investment in NIBC are subject to four-year vesting with 1/4th vesting each year, for the first time on 1 January 2010 and will become fully unconditional and vest immediately upon change of control of NIBC Holding. The conditional performance shares will vest immediately upon a change of control or any other liquidity event.

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 seven-year exercise period with a possibility for a three-year extension in the case a liquidity event has not yet taken place before the end of the seven-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 Holding'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 one-off retention package, 1,492,900 options with a four-year exercise period were granted to selected senior executives and other staff subject to the rules of the existing Option Plan. The exercise price of these options was 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.

In 2009 no new options were granted to employees.

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 year-end 2009, 2,484,235 (2008: 2,014,369) CDRs were issued to employees. Of the position as at year-end 2009, 16,114 which is 0.6% of CDRs are considered cash-settled (2008: 31,735 and 1.4%); the remaining 99.4% is considered equity-settled. In the 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).

	Mr. Jeroen Drost	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand	Mr. Rob ten Heggeler	Mr. Jeroen van Hessen	Subtotal Board Members	Staff [2]	Total
POSITION AT 1 JANUARY 2008 (INVESTMENT FROM OWN FUNDS)	**-**	**10,000**	**-**	**-**	**-**	**10,000**	**1,688,474**	**1,698,474**
POSITION AT 1 JANUARY 2008 (GRANTED)	**-**	**520**	**-**	**-**	**-**	**520**	**265,718**	**266,238**
Investments from own funds	-	-	-	-	-	-	74,268	74,268
Weighted average grant price per CDR	-	-	-	-	-	-	9.06	9.06
Vesting of RDRs	-	1,129	-	-	-	1,129	628,548	629,677
CDRs repaid	-	-	-	-	-	-	(654,288)	(654,288)
POSITION AT 31 DECEMBER 2008 (INVESTMENT FROM OWN FUNDS)	**-**	**10,000**	**-**	**-**	**-**	**10,000**	**1,108,454**	**1,118,454**
POSITION AT 31 DECEMBER 2008 (GRANTED)	**-**	**1,649**	**-**	**-**	**-**	**1,649**	**894,266**	**895,915**
Fair market value per CDR at 31 December 2008 [1]		9.06				9.06	9.06	9.06
POSITION AT 1 JANUARY 2009 (INVESTMENT FROM OWN FUNDS)	**-**	**10,000**	**-**	**-**	**30,699**	**40,699**	**1,077,755**	**1,118,454**
POSITION AT 1 JANUARY 2009 (GRANTED)	**-**	**1,649**	**-**	**-**	**29,378**	**31,027**	**864,888**	**895,915**
Investments from own funds	75,676	32,433	21,622	43,244	10,811	183,786	-	183,786
Weighted average grant price per CDR	9.25	9.25	9.25	9.25	9.25	9.25	-	9.25
Vesting of RDRs	-	3,602	-	-	9,630	13,232	273,354	286,586
CDRs repaid	-	-	-	-	-	-	(506)	(506)
POSITION AT 31 DECEMBER 2009 (INVESTMENT FROM OWN FUNDS)	**75,676**	**42,433**	**21,622**	**43,244**	**41,510**	**224,485**	**1,077,249**	**1,301,734**
POSITION AT 31 DECEMBER 2009 (GRANTED)	**-**	**5,251**	**-**	**-**	**39,008**	**44,259**	**1,138,242**	**1,182,501**
Fair market value per CDR at 31 December 2009 [1]	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25

1. The fair market value per CDR is calculated based on price-to-book ratios observed in the market at grant date based on net asset value.
2. Former members of the Statutory Board are included in these figures. Former members stepped down as members of the Statutory Board in 2008 or 2009.

Restricted Depositary Receipts

As at year-end 2009, 587,455 (2008: 940,778) RDRs were issued to employees, with a weighted average remaining vesting period of 0.64 years (2008: 1.13). A requirement for vesting at the vesting date is that the holder is still employed by NIBC or one of its group companies. Of the position as at year-end 2009, no RDRs were considered as cash-settled (2008: nil).

	Mr. Jeroen Drost	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand	Mr. Rob ten Heggeler	Mr. Jeroen van Hessen	Subtotal Board Members	Staff [2]	Total
POSITION AT 1 JANUARY 2008	**-**	**5,125**	**-**	**-**	**-**	**5,125**	**1,042,600**	**1,047,725**
Granted in 2008 as part of 2007 annual remuneration	-	7,418	-	-	-	7,418	431,595	439,013
Weighted average grant price per RDR	-	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	-	(1,129)	-	-	-	(1,129)	(628,548)	(629,677)
POSITION AT 31 DECEMBER 2008	**-**	**11,414**	**-**	**-**	**-**	**11,414**	**929,364**	**940,778**
Fair market value per RDR at 31 December 2008 [1]	-	9.06	-	-	-	9.06	9.06	9.06
POSITION AT 1 JANUARY 2009	-	11,414	-	-	30,593	42,007	898,771	940,778
Granted in 2009 as part of 2008 annual remuneration	-	-	-	-	-	-	-	-
Weighted average grant price per RDR	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	(66,737)	(66,737)
Vested into CDRs	-	(3,602)	-	-	(9,630)	(13,232)	(273,354)	(286,586)
POSITION AT 31 DECEMBER 2009	**-**	**7,812**	**-**	**-**	**20,963**	**28,775**	**558,680**	**587,455**
Fair market value per RDR at 31 December 2009 [1]	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25

1. The fair market value per CDR is calculated based on price-to-book ratios observed in the market at grant date based on net asset value.
2. Former members of the Statutory Board are included in these figures. Former members stepped down as members of the Statutory Board in 2008 or 2009.

Conditional Restricted Depositary Receipts

At year-end 2009, 183,786 (2008: nil) CRDRs were awarded to Statutory Board members to match their personal co-investment in NIBC CDRs, with a weighted average remaining vesting period of 3.0 years (2008: nil). These CRDRs are subject to four-year vesting with 1/4th vesting each year on 1 January, for the first time on 1 January 2010 provided that the holder is still employed by NIBC prior to the vesting date. These CRDRs will become fully unconditional and vest immediately upon change of control of NIBC Holding. The number of performance shares is dependent on certain performance targets, and will be calculated upon a change of control event as a percentage of the number of matching shares that represents one year's net base salary at the time of grant. For reporting purposes, the number of performance shares for the combined Statutory Board is estimated at 37,691 CRDRs, based on NIBC's current long-term forecast. Depending on the assumptions applied, this number can vary over time. The conditional performance shares will vest immediately upon a change of control of NIBC Holding. Of the position at year-end 2009, no CRDRs were considered cash-settled (2008: nil).

	Mr. Jeroen Drost	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand	Mr. Rob ten Heggeler	Mr. Jeroen van Hessen	Total Board Members
POSITION AT 1 JANUARY 2009	**-**	**-**	**-**	**-**	**-**	**-**
One-off matching shares (CRDRs) awarded in 2009	75,676	32,433	21,622	43,244	10,811	183,786
Weighted average grant price per CRDR	9.25	9.25	9.25	9.25	9.25	9.25
One-off performance shares (CRDRs) awarded in 2009 [1]	11,471	6,555	6,555	6,555	6,555	37,691
Weighted average grant price per CRDR	9.25	9.25	9.25	9.25	9.25	9.25
Forfeited	-	-	-	-	-	-
Vested into conditional CDRs	-	-	-	-	-	-
POSITION AT 31 DECEMBER 2009	**87,147**	**38,988**	**28,177**	**49,799**	**17,366**	**221,477**
Fair market value per CRDR at 31 December 2009 [2]	9.25	9.25	9.25	9.25	9.25	9.25

1. The number of performance shares is estimated and can vary over time depending on the assumptions applied.
2. The fair market value per CDR is calculated based on price-to-book ratios observed in the market at grant date based on net asset value.

Options

At year-end 2009, 3,883,983 (2008: 4,439,793) options on CDRs of NIBC Holding were in issue, with a weighted average remaining vesting period of 0.8 years (2008: 1.2). Of this total position, 1,174,502 options are vested at 31 December 2009. 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 3.0 years (2008: 4.0). All options are equity-settled instruments.

	Mr. Jeroen Drost	Mr. Kees van Dijkhuizen	Mr. Jan Sijbrand	Mr. Rob ten Heggeler	Mr. Jeroen van Hessen	Subtotal Board Members	Staff [2]	Total
POSITION AT 1 JANUARY 2008	**-**	**60,000**	**-**	**-**	**-**	**60,000**	**3,492,569**	**3,552,569**
Options granted in 2008	-	-	-	-	-	-	1,492,900	1,492,900
Average exercise price per option	-	-	-	-	-	-	9.31	9.31
Options forfeited	-	-	-	-	-	-	(605,676)	(605,676)
POSITION AT 31 DECEMBER 2008	**-**	**60,000**	**-**	**-**	**-**	**60,000**	**4,379,793**	**4,439,793**
POSITION AT 1 JANUARY 2009	**-**	**60,000**	**-**	**-**	**207,056**	**267,056**	**4,172,737**	**4,439,793**
Options granted in 2009	-	-	-	-	-	-	-	-
Average exercise price per option	-	-	-	-	-	-	-	-
Options forfeited	-	-	-	-	-	-	(555,810)	(555,810)
POSITION AT 31 DECEMBER 2009	**-**	**60,000**	**-**	**-**	**207,056**	**267,056**	**3,616,927**	**3,883,983**
OF WHICH VESTED AT 31 DECEMBER 2009	-	30,000	-	-	78,528	108,528	1,065,974	1,174,502
Average fair value per option at grant date [1]	-	6.00	-	-	5.43	5.56	5.23	5.25
Weighted average exercise price per option at 31 December 2009	-	15.15	-	-	13.68	14.01	13.35	13.39

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 seven 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 59% of the options outstanding at the end of 2009 (2008: 63%). 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.
   No new options were granted in 2007 and 2009. For the options granted 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 four 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 5.25 at the end of 2009.
2. Former members of the Statutory Board are included in these figures. Former members stepped down as members of the Statutory Board in 2008 or 2009.

With respect to all instruments relating to NIBC Choice (CDRs, RDRs, CRDRs, options and deferred cash), an amount of EUR 8 million was expensed through personnel expenses in 2009 (2008: EUR 11 million), of which EUR 1 million (2008: nil) refers to cash-settled instruments (deferred cash) and EUR 4 million (2008: EUR 5 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 1 million (2008: nil). With respect to the equity-settled instruments (CDRs, RDRs, CRDRs and options) 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 31 million payable is included (2008: EUR 30 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 45 million (2008: EUR 42 million) in relation to the share-based payments programme granted by NIBC Holding.

54 Credit risk

NIBC defines credit risk as the current or potential threat to the company's earnings and capital as a result of a counterparty's failure to make required debt or financial payments on a timely basis or to comply with other conditions of an obligation or agreement, including the possibility of restrictions on or impediments to the transfer of payments from abroad.

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;
- Investment Management Loans;
- Residential Mortgages;
- Debt Investments;
- Cash Management; and
- Derivatives.

The Debt Investments portfolio is further subdivided into:

- Debt from financial institutions and sovereign entities;
- Securitisations; and
- Enhanced investments and credit fixed income funds.

NIBC defines the credit risk contained in the Debt Investments portfolio as issuer risk, which is the credit risk on the issuer of the debt security (e.g. public bond).

During the course of 2009, NIBC introduced two main changes in its reporting policies. The first one relates to its internal definitions for defaulted and impaired exposure in the Corporate Loan portfolio, in order to allow further differentiation between these assets. The section on corporate loan impairments that follows provides more information on this topic. The second change refers to an adjustment in the geographical segmentation used for reporting purposes. In order to allow comparability between 2009 and 2008, the 2008 figures have been adjusted to reflect the new reporting policies and therefore differ from the numbers published in the 2008 annual report.

Additional adjustments that have occurred in the 2008 figures relate to the following:

- Transfer of loans from the Corporate Loan portfolio to the Investment Management Loan portfolio (the latter being shown as 'mezzanine loans' in 2008). The exposure of these loans in 2008 amounted to EUR 8 million and therefore 2008 exposures have been adjusted accordingly; and
- The 2008 amount of EUR 765 million for debt from financial institutions and sovereign entities is different to that published in last year's annual report. Last year's annual report aggregated debt from financial institutions and sovereign entities together with the Enhanced Investments portfolio. In 2009, enhanced investments are presented in a separate section; therefore 2008 numbers have also been adjusted to reflect this. Furthermore, in 2008 certain exposures with an AAA-rated government guarantee, which were classified as sovereign, have been reclassified as financial institutions. The section on debt investments provides further information on this.

Table 54-1 shows the maximum credit risk exposures, without taking collateral or any other credit risk mitigation 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, Investment Management loan 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 for the CDS premium payments.

The maximum credit risk exposures are not directly comparable to the numbers on the balance sheet.

Corporate loans and Investment Management loans are recognised on the balance sheet under loans and securitised loans. The main difference is that the figures stated in table 54-1 also incorporate the off-balance sheet commitments. Furthermore, the figures in table 54-1 do not include loans from NIBC Bank to NIBC Holding.

Residential mortgages are recognised on the balance sheet under residential mortgages own book and securitised residential mortgages.

The maximum credit risk exposure on debt investments is larger than the total of debt investments on the balance sheet due to off-balance sheet exposures that are included in the maximum credit risk exposure.

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 credit risk on derivatives not being included in the risk figures. An additional difference is the inclusion in cash management of a tax receivable on the balance sheet.

Credit risk on derivatives should be compared to derivative financial assets held for trading and hedging on the balance sheet. The main difference comes from the exclusion of swaps from the maximum credit risk exposures due to their risk-offsetting nature.

Table 54-1 Credit risk exposure breakdown per portfolio

IN EUR MILLIONS	31 December 2009	31 December 2008
Corporate loans	8,572	8,090
Investment Management loans	245	257
Residential mortgages	10,601	11,451
DEBT INVESTMENTS PORTFOLIO		
Debt from financial institutions and sovereign entities	1,509	765
Securitisations	738	898
Enhanced investments/Credit fixed income funds	48	729
SUBTOTAL DEBT INVESTMENTS PORTFOLIO	**2,295**	**2,392**
CASH MANAGEMENT		
Cash	2,183	1,616
Repo	1,228	0
SUBTOTAL CASH MANAGEMENT	**3,411**	**1,616**
Derivatives [1]	2,825	3,110

1. Positive replacement values.

Corporate loans

Credit approval process

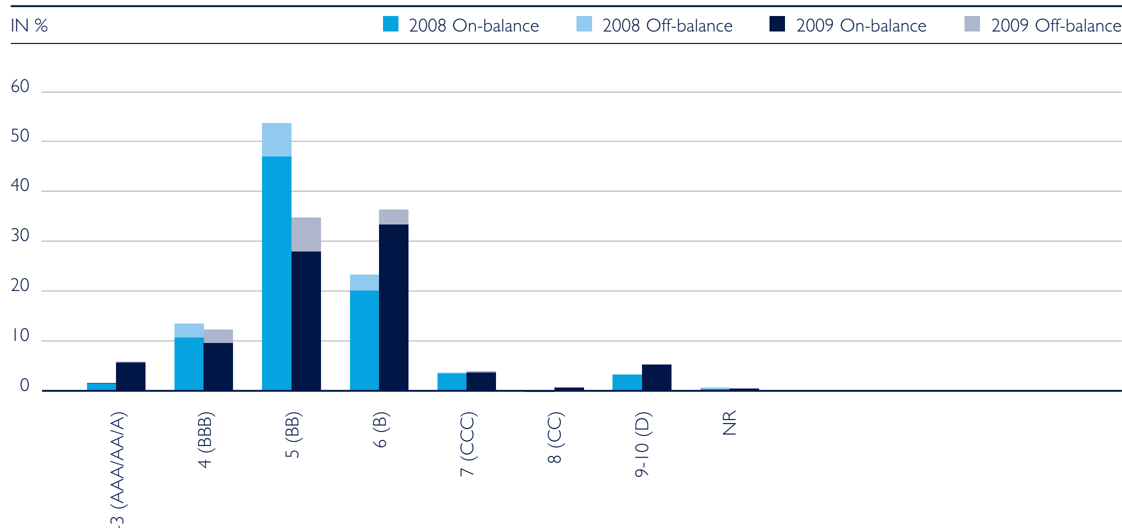
In principle, all individual credit proposals are approved in the *Transaction Committee* (**TC**). Proposals and amendments of smaller scale can be approved by the *Credit Risk Management* department (**CRM**). All approvals of individual credit proposals are granted only after CRM has made a credit 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 ratings 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.

Graph 54-2 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 rateable, which was a negligible portion (0.1% of corporate loans) at 31 December 2009.
All figures presented in this section are based on both on- and off-balance sheet items, unless otherwise stated.

Graph 54-2 On- and off-balance corporate loan exposure, 31 December 2009 and 2008



The portfolio effects of individual credit proposals are also assessed. The total *One Obligor Exposure* (**OOE**) and both sector and country concentrations are taken into account.

Tables 54-3 and 54-4 show a breakdown in percentages of the Corporate Loan portfolio among regions and industry sectors, at 31 December 2009 and 31 December 2008. The commercial real estate figures include an amount of EUR 616 million in securitised loans. This concerns the Mesdag Delta securitisation; NIBC has retained notes amounting to EUR 145 million, whereas EUR 471 million has been sold. Furthermore, the industry sector 'Financial Services' includes a collateralised loan of EUR 396 million (the collateral is a pool of prime Dutch residential mortgages) to an investment-grade financial institution. The term Exposure includes both on- and off-balance sheet amounts and applies to all graphs in this section.

Table 54-3 Corporate loan exposure per industry sector and region, 31 December 2009

IN %	The Netherlands	United Kingdom	Germany	Europe	North America	Asia/Pacific	Other	Total (%)	Total (in EUR millions)
Aviation	0	0	-	0	0	0	-	1	76
Commercial Real Estate	18	0	7	1	-	-	0	26	2,289
Financial Services	6	-	1	0	-	-	-	7	615
Food/Agriculture	1	-	0	0	-	-	-	2	178
Health/Education	0	4	1	0	-	-	-	6	488
Infrastructure	3	5	1	1	-	-	-	10	895
Manufacturing	2	2	0	3	1	2	2	12	1,013
Shipping	1	1	0	2	2	6	2	15	1,255
Trade	7	3	1	1	-	-	-	11	995
Utilities	1	0	0	0	0	0	0	3	238
Other	3	3	1	1	0	-	-	7	529
TOTAL	**43**	**20**	**13**	**10**	**4**	**8**	**3**	**100**	**8,572**
TOTAL (IN EUR MILLIONS)	**3,689**	**1,692**	**1,055**	**857**	**343**	**657**	**278**		**8,572**

Table 54-4 Corporate loan exposure per industry sector and region, 31 December 2008

IN %	The Netherlands	United Kingdom	Germany	Europe	North America	Asia/Pacific	Other	Total (%)	Total (in EUR millions)
Aviation	0	0	-	0	0	0	-	1	102
Commercial Real Estate	22	-	7	1	-	-	0	30	2,349
Financial Services	1	-	0	-	-	-	-	2	138
Food/Agriculture	0	-	0	0	-	-	-	1	44
Health/Education	0	4	1	0	-	-	-	5	443
Infrastructure	4	4	3	1	-	-	-	12	964
Manufacturing	2	2	1	4	1	1	1	12	973
Shipping	1	2	0	3	2	8	1	17	1,402
Trade	6	3	1	1	-	-	-	11	909
Utilities	2	0	-	0	0	0	-	3	217
Other	2	4	-	0	0	-	-	7	551
TOTAL	**41**	**19**	**13**	**11**	**4**	**10**	**2**	**100**	**8,090**
TOTAL (IN EUR MILLIONS)	**3,229**	**1,552**	**1,085**	**914**	**338**	**778**	**194**		**8,090**

Country risk

Country risk is potentially an important cause of increased counterparty default risk since a large number of 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, besides corporate guarantees. 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* (**OECD**). 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 and guarantees have some form of collateralisation. Loans can be collateralised by mortgages on real estate and ships, by receivables, lease receivables 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 seeks confirmation from independent third-party experts that its interests are legally enforceable. Loans in the shipping and oil & gas sectors are secured by moveable assets such as ships and drilling vessels. The Commercial Real Estate Loan 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 inventory, debtors, and third-party credit protection (e.g. guarantees).

It is impracticable for NIBC to estimate the total fair market value of collateral. NIBC, therefore, does not disclose this fair market value. Furthermore, NIBC recognises that the fair market 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 the case of a quick sale. Furthermore, different asset types can be subject to very different asset price volatilities.

Graph 54-5 shows the breakdown of collateralised and uncollateralised exposures by industry sector at 31 December 2009 and 31 December 2008. The term collateralised indicates full or partial collateralisation.

Graph 54-5 Breakdown of (un)collateralised exposures per industry sector, 31 December 2009 and 2008

EXPOSURE, IN EUR MILLIONS 2008 Collateralised 2008 Not collateralised 2009 Collateralised 2009 Not collateralised

3,500
3,000
2,500
2,000
1,500
1,000
500
0

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

Past due loan amounts

Past due loan amounts are reported to the TC on a quarterly 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 tables 54-6 and 54-7. The exposure amounts refer to both on- and off-balance sheet amounts of those facilities with an arrear, whereas the outstanding amounts refer to the on-balance sheet amounts only. The amounts in arrear are the actual amounts past due at 31 December 2009 and 31 December 2008 respectively. The term Collateralised may indicate full or partial collateralisation. The column labelled Impairment Amount includes on-balance sheet impairment amounts only (31 December 2009: EUR 110 million; 31 December 2008: EUR 79 million). The inclusion of *Incurred but not Reported* (**IBNR**) impairment amounts on the line with no payment arrears brings the total impairment amount for 2009 to EUR 113 million (2008: EUR 81 million). Tables 54-9 and 54-10 provide more information on impairment amounts.

The impairment amounts presented in tables 54-6 and 54-7 have been determined based on the assumption that these instruments have been classified to the amortised cost category in 2008. The total 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.

Table 54-6 Past due loan amounts, 31 December 2009

IN EUR MILLIONS	Exposure				Outstanding			
	Collateralised	Not collateralised	Total	% of exposure	Collateralised	Not collateralised	Total	% of on balance
AGE OF PAYMENT IN ARREAR								
1 - 5 days	158	0	158	1.8	119	0	119	1.6
6 - 30 days	118	-	118	1.4	91	-	91	1.2
31 - 60 days	8	-	8	0.1	8	-	8	0.1
61 - 90 days	15	-	15	0.2	9	-	9	0.1
SUBTOTAL LESS THAN 90 DAYS	**299**	**0**	**299**	**3.5**	**226**	**0**	**226**	**3.0**
Over 90 days	70	2	73	0.8	70	1	71	1.0
No payment arrear	7,600	600	8,200	95.7	6,737	407	7,144	96.0
TOTAL	**7,970**	**602**	**8,572**	**100**	**7,033**	**408**	**7,441**	**100**

IN EUR MILLIONS	Amount in Arrear				
	Collateralised	Not collateralised	Total	% of on balance	Impairment amount
AGE OF PAYMENT IN ARREAR					
1 - 5 days	2	0	2	0.0	8
6 - 30 days	3	-	3	0.0	-
31 - 60 days	8	-	8	0.1	1
61 - 90 days	2	-	2	0.0	7
SUBTOTAL LESS THAN 90 DAYS	**15**	**0**	**15**	**0.2**	**16**
Over 90 days	29	1	30	0.4	17
No payment arrear	-	-	-	0.0	79
TOTAL	**44**	**1**	**45**	**0.6**	**113**

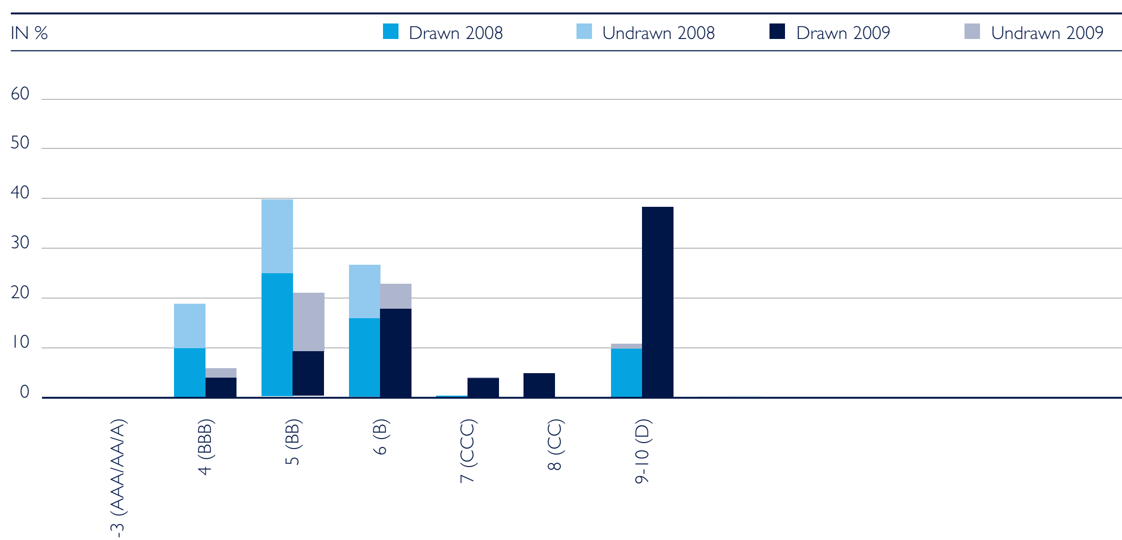
Table 54-7 Past due loan amounts, 31 December 2008

IN EUR MILLIONS	Exposure				Outstanding			
	Collateralised	Not collateralised	Total	% of exposure	Collateralised	Not collateralised	Total	% of on balance
AGE OF PAYMENT IN ARREAR								
1- 5 days	384	53	437	5.4	247	19	266	3.8
6 - 30 days	212	27	238	2.9	144	17	161	2.3
31 - 60 days	68	0	68	0.8	63	0	63	0.9
61 - 90 days	40	14	55	0.7	19	14	33	0.5
SUBTOTAL LESS THAN 90 DAYS	**704**	**94**	**798**	**9.9**	**474**	**50**	**524**	**7.5**
Over 90 days	86	6	92	1.1	40	5	45	0.6
No payment arrear	6,823	378	7,201	89.0	6,105	335	6,441	91.9
TOTAL	**7,613**	**477**	**8,090**	**100**	**6,619**	**390**	**7,009**	**100**

IN EUR MILLIONS	Amount in Arrear				
	Collateralised	Not collateralised	Total	% of on balance	Impairment amount
AGE OF PAYMENT IN ARREAR					
1- 5 days	15	0	15	0.2	5
6 - 30 days	2	0	2	0.0	7
31 - 60 days	5	0	5	0.1	4
61 - 90 days	0	14	14	0.2	-
SUBTOTAL LESS THAN 90 DAYS	**22**	**14**	**35**	**0.5**	**16**
Over 90 days	3	2	6	0.1	8
No payment arrear	-	-	-	0.0	57
TOTAL	**25**	**16**	**41**	**0.6**	**81**

Graph 54-8 shows the rating distribution of the exposure amounts (expressed as the sum of drawn and undrawn amounts) of all loans with an amount past due. The total exposure amount at 31 December 2009 is EUR 372 million (2008: EUR 889 million) and the total drawn amount at 31 December 2009 is EUR 297 million (2008: EUR 569 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.

Graph 54-8 Distribution of exposure amounts (drawn plus undrawn) with a payment arrear per rating category, 31 December 2009 and 2008



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.

In 2009, NIBC reviewed its internal definitions for defaulted and impaired exposure in order to allow further differentiation between these assets. Whereas in 2008 these definitions were aligned and were both applied at a counterparty level, as of 2009 NIBC considers a default occurring at a counterparty level, whereas an impairment is taken at the facility level. According to NIBC's new definitions, when a default occurs (in line with the Basel II definition) then the entire exposure and outstanding amount of the borrower are classified as defaulted. On the contrary, if an impairment amount is taken against a facility, only the outstanding amount of that particular facility is classified as impaired. This means that all obligors with impaired facilities are considered to be in default and carry a default rating of 9 or 10, but not all defaulted facilities are considered impaired. This revision of definitions explains why the impaired exposure at 31 December 2008 mentioned in Tables 54-9 and 54-10 differs from those reported in NIBC's annual report in 2008.

Tables 54-9 and 54-10 show an overview of impairments at 31 December 2009 and 31 December 2008, 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-balance sheet amounts of impaired facilities.

The impairment amounts presented in tables 54-9 and 54-10 have been determined based on the assumption that these instruments have been classified to the amortised cost category in 2008. The total amount differs from the impairment amount presented in the 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.

Table 54-9 Impairment per region

	31 December 2009				31 December 2008			
IN EUR MILLIONS	Exposure	Impaired exposure	Impairment amount	Write-offs	Exposure	Impaired exposure	Impairment amount	Write-offs
The Netherlands	3,689	124	54	1	3,229	47	19	8
United Kingdom	1,692	20	17	15	1,552	41	34	1
Germany	1,055	56	30	0	1,085	25	17	-
Europe	857	0	0	9	914	9	6	-
North America	343	14	9	0	338	7	3	-
Asia/Pacific	657	4	1	0	778	-	-	1
Other	278	0	0	0	194	0	0	-
IBNR Corporate loans			3				2	
TOTAL	**8,572**	**218**	**113**	**25**	**8,090**	**130**	**81**	**10**

Table 54-10 Impairment per industry sector

	31 December 2009				31 December 2008			
IN EUR MILLIONS	Exposure	Impaired exposure	Impairment amount	Write-offs	Exposure	Impaired exposure	Impairment amount	Write-offs
Aviation	76	32	18	0	102	23	9	0
Commercial Real Estate	2,289	7	1	0	2,349	7	1	1
Financial Services	615	80	29	-	138	2	0	-
Food/Agriculture	178	1	0	-	44	1	0	0
Health/Education	488	6	6	-	443	5	4	-
Infrastructure	895	14	11	0	964	16	16	8
Manufacturing	1,013	30	27	6	973	14	8	1
Shipping	1,255	3	0	1	1,402	4	1	-
Trade	995	46	18	9	909	26	21	0
Utilities	238	-	-	-	217	-	-	-
Other	529	0	0	9	551	31	18	-
IBNR Corporate loans			3				2	
TOTAL	**8,572**	**218**	**113**	**25**	**8,090**	**130**	**81**	**10**

Loans without impairments and past due amounts

At 31 December 2009, the size of the corporate loan exposure that carries neither impairments nor past due amounts equals EUR 8,037 million (2008: EUR 7,129 million). The weighted average counterparty credit rating stood at 6+ in NIBC's internal rating scale.

Graph 54-11 shows the distribution of exposure amounts without impairments and past due amounts, at 31 December 2009 and 31 December 2008. NR stands for not rateable, which at 31 December 2009 was negligible (0.5% of all loans without defaults and past due amounts). Furthermore, a very small portion of this portfolio segment (1.8% at 31 December 2009; 1.6% at 31 December 2008) carried a default rating of either 9 or 10. No impairment amounts have been taken on these exposures as NIBC does not expect any losses for various reasons, e.g. due to over-collateralisation or seniority in the capital structure.

Graph 54-11 Distribution of exposure amount without defaults and past due amounts per rating category, 31 December 2008 and 2009

EXPOSURE, IN % | 2008 Exposure | 2009 Exposure

70
60
50
40
30
20
10
0

1 (AAA) | 2 (AA) | 3 (A) | 4 (BBB) | 5 (BB) | 6 (B) | 7 (CCC) | 8 (CC) | 9/10 (D) | NR

Investment Management loans

Investment Management (**IM**) loans are originated and monitored by the Investment Management BU (part of Merchant Banking) and are separated from the Corporate Loan portfolio. IM loans are unsecured, subordinated loans that may contain equity characteristics such as attached warrants or conversion features. As such, IM loans typically carry a higher risk profile than corporate loans, which is compensated by higher expected returns. Examples of this exposure include mezzanine loans, convertible loans and shareholder loans.

The IM loan investments can be divided into indirect investments and direct investments. Indirect investments are investments made through *funds set up and managed by NIBC* (**NIBC Funds**) that are controlled by NIBC and thus consolidated into the financial statements of NIBC. Direct investments are all other investments.

The responsibility for the management of both the direct and the indirect investment exposures rests with Merchant Banking. Direct investment transactions with respect to IM loans are approved by the *Investment Committee* (**IC**) of NIBC. Indirect investment transactions are approved by the investment committees of the NIBC Funds, subject to the investment guidelines stipulated in the fund agreements between the manager of the NIBC Fund and the investors.

Investment officers monitor the quality of counterparties in the portfolio on a regular basis. On a quarterly basis, the entire IM Loan portfolio is assessed for impairment. All existing impairments are reviewed as well. Impairments of indirect investment exposures are determined by the manager of the NIBC Fund. All impairments are reviewed and approved by the IC.

In line with the special nature of the asset class, the IM loans typically carry lower internal counterparty credit ratings and often higher LGDs than corporate loans.

Tables 54-12 and 54-13 show a breakdown of IM loans per region and industry sector, respectively, at 31 December 2009 and 31 December 2008.

Table 54-12 Breakdown of IM loans per region

	31 December 2009		31 December 2008	
IN EUR MILLIONS	Exposure	%	Exposure	%
The Netherlands	147	60%	115	45%
United Kingdom	62	25%	62	24%
Germany	29	12%	44	17%
Europe	0	0%	30	12%
North America	-	-	-	-
Asia/Pacific	6	3%	6	2%
Other	-	-	-	-
TOTAL	**245**	**100%**	**257**	**100%**

Table 54-13 Breakdown of IM loans per industry sector

	31 December 2009		31 December 2008	
IN EUR MILLIONS	Exposure	%	Exposure	%
Commercial Real Estate	17	7%	7	3%
Financial Services	4	2%	6	2%
Food/Agriculture	22	9%	-	-
Health/Education	0	0%	-	-
Infrastructure	0	0%	-	-
Manufacturing	55	23%	121	47%
Trade	134	55%	61	24%
Other	11	5%	62	24%
TOTAL	**245**	**100%**	**257**	**100%**

Impairment amounts

At 31 December 2009, impairment amounts on IM loans amounted to EUR 30 million (2008: EUR 18 million, of which EUR 15 million was in the manufacturing sector and the remainder was spread over various sectors).

The net difference of EUR 12 million results from new impairments that were recognised in the sectors manufacturing (EUR 17 million), trade (EUR 15 million), other sectors (EUR 6 million) and an impairment amount of EUR 7 million that was transferred from the Corporate Loan portfolio, partly offset by an impairment amount write-off of EUR 33 million in the manufacturing sector.

The impairment amount of EUR 15 million in the trade sector refers to an asset which is not collateralised.

At 31 December 2009, a drawn amount of EUR 31 million shows a past due (for 31-60 days), non-impaired amount of EUR 2 million. EUR 1 million is collateralised and EUR 1 million is not collateralised. In 2008, an uncollateralised drawn amount of EUR 6 million showed a past due (for above 90 days) amount of EUR 3 million.

Residential mortgages

At 31 December 2009, the composition of the Residential Mortgage portfolio (EUR 10,601 million) was as shown in Table 54-14:

Table 54-14 Breakdown of Residential Mortgage portfolio

IN EUR MILLIONS	31 December 2009	31 December 2008
Dutch Own Book portfolio	5,223	5,509
Dutch Securitised portfolio	4,783	5,250
German Own Book portfolio	594	692
TOTAL	**10,601**	**11,451**

Dutch Residential Mortgage 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 servicers. 29% of the Mortgage Loan portfolio at 31 December 2009 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 the retained positions is EUR 65 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 an NHG guarantee are set in accordance with the general terms and conditions set by the WEW. The WEW finances itself by a one-off up-front charge to the borrower as a percentage of the principal amount of the mortgage loan. The NHG guarantee covers losses on the outstanding principal, accrued unpaid interest, and disposal costs, caused by foreclosure.

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 improve further results, the arrear management is largely managed in-house. This ensures a dedicated team focused on minimising losses.

The first month in arrear is managed by the servicers. When amounts in arrear are outstanding longer than one month, the arrear management is transferred to the NIBC Arrear Management department. At 31 December 2009, NIBC managed in-house more than 95% of the Dutch Residential Mortgage portfolio in arrear longer than one month. Table 54-15 shows the overview of the total Dutch Residential Mortgage portfolio in arrear at 31 December 2009 and 31 December 2008.

Table 54-15 Overview of Dutch Residential Mortgage portfolio in arrear

IN %	31 December 2009	31 December 2008
No arrear	97.7	97.5
0< ≤30 days	1.4	1.6
30< ≤60 days	0.3	0.4
60< ≤90 days	0.1	0.2
>90 days	0.4	0.3
TOTAL	**100**	**100**
TOTAL (IN EUR MILLIONS)	**10,006**	**10,759**

Risk measurement

Risk of loss is measured by assigning *Probability of Default* (**PD**) and LGD estimates for every loan. The PD expresses the probability of any borrower going into default, whereas the LGD measures the potential loss when a default has taken place. These parameters are determined by an in-house

developed Basel II AIRB model that has been in use since 2006. This model is used for solvency reporting to the DNB. The PD estimates are dependent on a variety of factors, of which the key factors are debt-to-income and loan-to-foreclosure-value ratios. Table 54-16 shows the PD distribution of the Dutch Residential Mortgage portfolio at 31 December 2009 and 31 December 2008. A PD of 100% means that a borrower is more than 90 days in arrears.

Table 54-16 Rating class allocation of Dutch residential mortgages

	Own book Dutch mortgages		Securitised Dutch mortgages	
IN %	31 December 2009	31 December 2008	31 December 2009	31 December 2008
PROBABILITY OF DEFAULT				
≤ 1%	95.8	95.5	98.2	97.7
1-2%	0.8	1.0	0.1	0.1
2-5%	1.0	1.3	0.7	1.1
5-99%	1.3	1.3	0.7	0.8
100%	0.6	0.4	0.3	0.2
Not rated	0.4	0.5	0.0	0.0
TOTAL	**100**	**100**	**100**	**100**
TOTAL (IN EUR MILLIONS)	**5,223**	**5,509**	**4,783**	**5,250**

Risk mitigation and collateral management

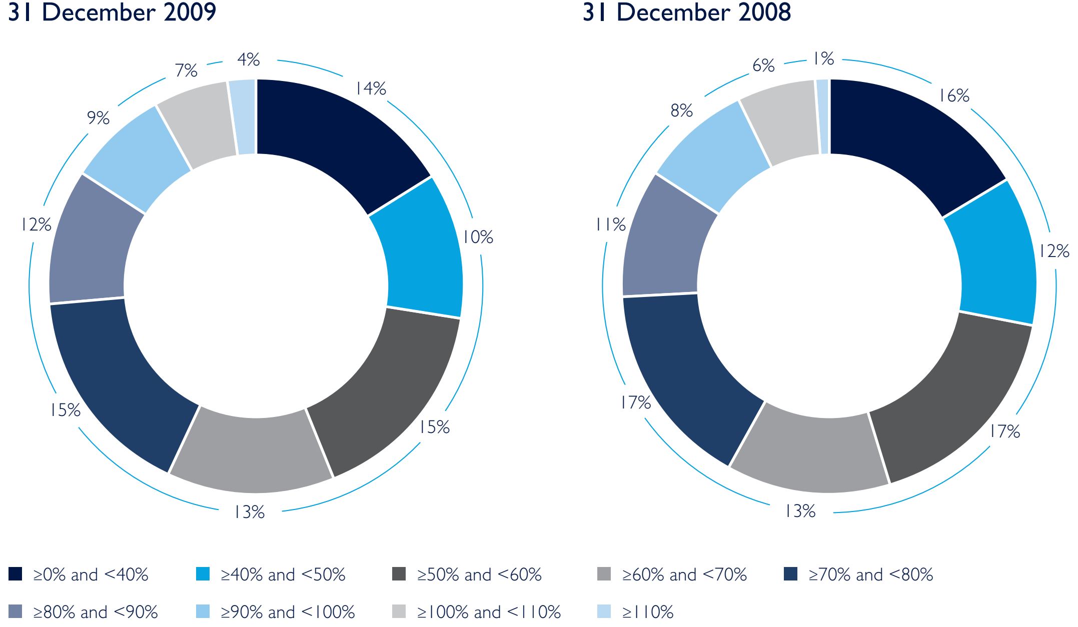
Credit losses are mitigated in a number of different ways:

- 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; and
- At 31 December 2009, EUR 711 million (2008: EUR 797 million) of credit protection by means of a CDS guarantee structure in a synthetic securitisation was in place, in connection with NIBC's residential mortgages own book.

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 Kadaster index, which is based on market observables. Graphs 54-17 and 54-18 show a breakdown of the LTiMV for the portfolio not covered by the CDS or the NHG programme at 31 December 2009 and 31 December 2008. Only 11% 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.

Graphs 54-17/18 Loan-to-indexed-market-value of portfolio not covered by CDS/NHG programme



German Residential Mortgage portfolio

The German Residential Mortgage portfolio amounted to EUR 594 million at 31 December 2009 (31 December 2008: EUR 692 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 Residential 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;
- First-ranking rights on mortgage loans;
- 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 life insurance or limits the LTV to 60%; and
- In addition to desk valuations, NIBC conducts on-site inspections of its properties.

In order to control the credit risk of the German Residential 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 being in arrear. They claim the outstanding amount with an arrear letter sent every two weeks. In the case of private insolvency or being in arrear beyond 90 days, responsibility is taken over by the special servicer.

Table 54-19 shows an overview of the German Residential Mortgage portfolio in arrear at 31 December 2009 and 31 December 2008. As it is market practice in Germany to start the foreclosure procedure after being six months in arrear (180 days), the mortgages in arrear 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, where it takes, on average, six to nine months.

Table 54-19 Overview of German Residential Mortgage portfolio in arrear

IN %	31 December 2009	31 December 2008
No arrear	96.3	95.8
0< ≤30 days	1.2	1.9
30< ≤60 days	1.1	1.1
60< ≤180 days	1.0	0.7
>180 days	0.5	0.6
TOTAL	100	100
TOTAL (IN EUR MILLIONS)	594	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, where the majority of mortgage loans contain an interest-only debt profile, the majority of mortgage loans in Germany contain an annuity debt profile, 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.

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 ALCO/TC, 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 the ALCO/TC.

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. Note 55 on market risk contains more information on these variables.

In the remainder of this section, the exposure has been divided into the following three categories:
- Debt from financial institutions and sovereign entities;
- Securitisations; and
- Enhanced investments and credit fixed income funds.

Debt from financial institutions and sovereign entities

NIBC has invested in debt issued by financial institutions and sovereign entities, partly in the form of sold CDS protection. Tables 54-20 and 54-21 present the exposures including off-balance positions, at 31 December 2009 and 31 December 2008. Off-balance positions refer to the CDS protection sold by NIBC to third parties.

In table 54-21 the amount of EUR 765 million is different to that published in last year's annual report, since last year's annual report aggregated debt from financial institutions and sovereign entities together with the Enhanced Investments portfolio. In 2009, enhanced investments are presented in a separate section; therefore 2008 numbers have been adjusted to reflect this. Furthermore, in 2008 certain exposures with an AAA-rated government guarantee totalling EUR 206 million in 2008, which were classified as sovereign, have been reclassified as financial institutions. In 2009 the exposure of financial institutions guaranteed by a AAA-rated government equals EUR 336 million and by a AA-rated government equals EUR 48 million.

Table 54-20 Debt from financial institutions and sovereign entities, 31 December 2009 (including off-balance positions)

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	≤B	NR	Total
Financial institutions	559	313	575	3	9	-	50	1,509
Sovereign entities	-	-	-	-	-	-	-	0
TOTAL	**559**	**313**	**575**	**3**	**9**	**-**	**50**	**1,509**

Table 54-21 Debt from financial institutions and sovereign entities, 31 December 2008 (including off-balance positions)

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	≤B	NR	Total
Financial institutions	552	55	86	0	7	-	52	752
Sovereign entities	-	10	-	-	3	-	-	13
TOTAL	**552**	**65**	**86**	**0**	**10**	**-**	**52**	**765**

In order for NIBC to manage its short-term liquidity, investments in short-term liquid debt issued by financial institutions have been made and this resulted in the increase compared to 2008.

Securitisations

NIBC has been an active participant in the securitisation market in the past decade, both as an investor in as well as an originator of securitisations. Activities were primarily focused on the Western European and North American securitisation markets. In 2007, NIBC's perspective on the securitisation market changed and a policy of refraining from new investments and active de-risking was implemented. As part of this policy, next to individual assets sales, the complete North American Residential Mortgage-Backed portfolio was closed and the remaining North American exposures (*Commercial Mortgage-Backed Securities* (**CMBS**) and *Commercial Real Estate-Collateralised Debt Obligations* (**CRE-CDO**)) were transferred from NIBC Bank to NIBC Holding. The only North American exposure remaining in NIBC Bank relates to a European originated *Collateralised Loan Obligation* (**CLO**) with mostly North American underlying collateral (EUR 2 million at 31 December 2009). The Western European portfolio is also subject to a de-risking policy.

NIBC's total securitisation exposure is composed of the exposure relating from its activities as an investor in and originator of securitisations. The exposure relating to NIBC's activities as an originator can be split into exposure relating to consolidated and non-consolidated securitisations. In the case a securitisation programme is consolidated on NIBC's balance sheet, the exposure to the underlying commercial real estate loans or residential mortgages is included in the total exposures presented in Note 54 on credit risk in the corporate loans or residential mortgages sections respectively. More detailed descriptions and tables relating to the different types of securitisation exposure (investor, originator consolidated and originator non-consolidated) are included in the Risk Management section.

Tables 54-22 and 54-23 present an overview of the total exposure to securitisations at 31 December 2009 and 31 December 2008. NIBC's exposure to the Western European market, resulting from its activities as an investor and originator of non-consolidated securitisation, decreased to EUR 705 million at 31 December 2009 from EUR 896 million at 31 December 2008. Next to this portfolio, a new Securitised Treasury Liquidity Investment portfolio was set up to invest NIBC's excess cash in liquid, short-term Dutch RMBS securities rated AAA. At 31 December 2009, EUR 31 million was invested in this portfolio.

Table 54-22 Exposure to securitised products, 31 December 2009

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Equity	Total
EU - ABS	10	6	1	1	1	-	-	19
EU - CDO	0	33	80	41	8	38	1	200
EU - CMBS	73	20	38	27	9	13	-	181
EU - RMBS	135	55	48	40	14	12	-	305
TOTAL EUROPEAN SECURITISATIONS	**219**	**114**	**167**	**109**	**33**	**63**	**1**	**705**
NL - RMBS AAA	31	-	-	-	-	0	-	31
TOTAL SECURITISED TREASURY LIQUIDITY INVESTMENTS	**31**	**-**	**-**	**-**	**-**	**-**	**-**	**31**
US - Collateralised 1	0	1	-	0	-	0	0	2
TOTAL US SECURITISATIONS	**0**	**1**	**-**	**0**	**-**	**0**	**0**	**2**
TOTAL SECURITISATION EXPOSURE	**250**	**115**	**167**	**109**	**33**	**64**	**1**	**738**

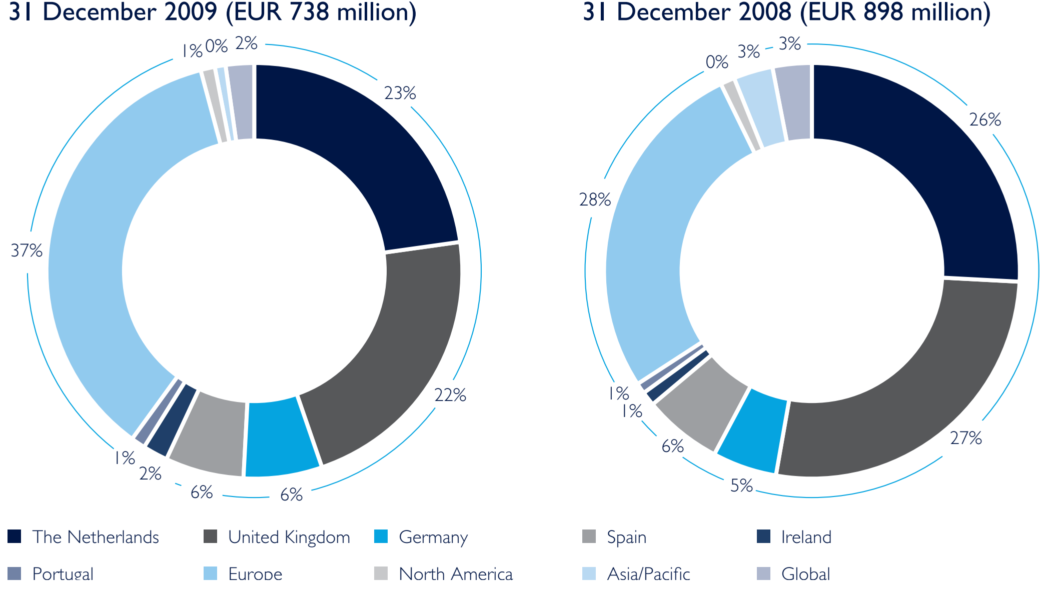
Table 54-23 Exposure to securitised products, 31 December 2008

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	58	73	10	-	-	448
TOTAL EUROPEAN SECURITISATIONS	**473**	**156**	**126**	**96**	**30**	**-**	**15**	**896**
NL - RMBS AAA	-	-	-	-	-	-	-	-
TOTAL SECURITISED TREASURY LIQUIDITY INVESTMENTS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
US - Collateralised 1	2	-	-	-	0	-	0	2
TOTAL US SECURITISATIONS	**2**	**-**	**-**	**-**	**0**	**0**	**0**	**2**
TOTAL SECURITISATION EXPOSURE	**475**	**156**	**126**	**96**	**30**	**1**	**15**	**898**

Geographic distribution of securitisations

Graphs 54-24 and 54-25 present the distribution of the Securitisations portfolio (both non-consolidated originator and investor) by geographic region, at 31 December 2009 and 31 December 2008. NIBC allocates exposure to a region based on the geographic location in which the cash flows are generated. The geographic distribution illustrates that the majority of these assets is located in Western Europe, mainly in the Netherlands, the United Kingdom and Germany. The classification Europe also relates primarily – though not exclusively – to these countries, and consists almost completely of CLO transactions. The charts further show that NIBC's exposure to several of the perceived as riskier EU countries such as Spain, Ireland and Portugal is very limited. At 31 December 2009, NIBC had zero exposure on Greece. With respect to the exposure with Spanish collateral (EUR 48 million or 6% of the Securitisations portfolio at 31 December 2009), 73% (equalling EUR 35 million) concerns AAA-rated senior exposure.

Graphs 54-24/25 Distribution of securitisations per region



Impairments on securitisations

As the majority of the Securitisations portfolio is on accounting classification amortised cost or available for sale, the respective assets are subject to a quarterly impairment analysis. These analyses were first executed 31 December 2008 and resulted in EUR 7 million impairments. At 31 December 2009, total impairments have increased to EUR 38 million. EUR 25 million of the total impairments at 31 December 2009 is related to equity positions in both NIBC's own securitisations as well as securitisations of other parties.

Enhanced investments and credit fixed income funds

Enhanced investments are investments where returns are enhanced by setting up investment structures with financial counterparties. Through the Enhanced Investments portfolio, NIBC invests in highly-rated debt. This debt is either issued or guaranteed by financial institutions that have at minimum a single-A rating. The Enhanced Investments portfolio has decreased significantly from EUR 694 million at 31 December 2008 to EUR 36 million at 31 December 2009.

The Credit Fixed Income Funds portfolio contains investments in credit fixed income funds managed by hedge funds and asset managers. During 2009, the portfolio was further reduced. Its total book value reduced from EUR 35 million at 31 December 2008 to EUR 12 million at 31 December 2009.

Tables 54-26 and 54-27 present NIBC's exposures in these two portfolios at 31 December 2009 and 31 December 2008.

Table 54-26 Enhanced Investments and Credit Fixed Income Funds portfolios, 31 December 2009

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	NR	Total
Financial institutions	27	-	9	-	-	-	12	48
TOTAL	**27**	**-**	**9**	**-**	**-**	**-**	**12**	**48**

Table 54-27 Enhanced Investments and Credit Fixed Income Funds portfolios, 31 December 2008

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	NR	Total
Financial institutions	68	529	97	-	-	-	36	729
TOTAL	**68**	**529**	**97**	**-**	**-**	**-**	**36**	**729**

Cash management

NIBC is exposed to credit risk also as a result of cash management activities. In 2009, NIBC's risk management framework for cash management continued with a more conservative attitude by taking into account the deteriorated global markets and concern about numerous financial institutions.

Risk monitoring and measurement

NIBC only places its excess cash with a selected number of sovereign entities 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 DNB, for which no limit is set. For the approved financial institutions, a monitoring process is in place within the *Financial Markets Credit Risk department* (**FMCR**).

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 shown in table 54-28, at 31 December 2009, NIBC's Treasury department had placed EUR 1,353 million with the DNB and EUR 66 million with two financial institutions. Furthermore, EUR 749 million was placed at third-party account providers, of which EUR 153 million relates to securitisation-related liquidity facilities. The Non-Treasury – Sovereign entities exposure consists entirely of tax receivables.

Table 54-28 Cash, 31 December 2009

IN EUR MILLIONS	AAA	AA	A	BBB	Total
Treasury - Financial institutions	-	1	65	-	66
Treasury - Sovereign entities/DNB	1,353	-	-	-	1,353
Non-Treasury - Financial institutions	2	377	362	8	749
Non-Treasury - Sovereign entities	14	-	-	-	14
TOTAL	**1,370**	**378**	**427**	**8**	**2,183**

At 31 December 2009, NIBC's Treasury department had also placed EUR 1,228 million with financial institutions by means of reverse repo transactions against receipt of collateral, as shown in Table 54-29. There were no repo transactions at 31 December 2008.

Table 54-29 Repo, 31 December 2009

IN EUR MILLIONS	AAA	AA	A	NR	Total
Treasury - Financial institutions	-	1,228	-	-	1,228
TOTAL	**-**	**1,228**	**-**	**-**	**1,228**

Credit risk on derivatives

Credit risk on derivatives measures the loss in the case of a default of the counterparty in derivative transactions. NIBC's credit risk on derivatives can be split into exposures on financial institutions and corporate entities. NIBC's policy is to minimise this risk. Therefore, NIBC only enters into *Over The Counter* (**OTC**) contracts with financial institutions that are investment grade, or with corporate entities to which the exposure is secured by some form of collateral.

Risk monitoring and measurement

Credit risk on derivatives is based on the marked-to-market value and add-on of the derivative. The add-on reflects a potential future change in marked-to-market value during the remaining lifetime of the derivative contract. For financial institutions, separate limits for credit risk are in place, based on the external rating 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 whereby the derivative often benefits from the security/collateral supporting the loan.

Exposures

Tables 54-30 and 54-31 show NIBC's exposures from credit risk on derivatives allocated across the rating class of the underlying counterparty, at 31 December 2009 and 31 December 2008. The exposure shown is the sum of the positive marked-to-market value of derivative contracts excluding the effect of netting and collateral exchange, with the exception of certain swaps which have been excluded at 31 December 2009 due to their risk off-setting nature.

Table 54-30 Derivative exposure excluding netting and collateral, 31 December 2009

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	36	1,722	568	3	-	-	-	-	-	2	**2,332**
Corporate entities	-	1	5	88	136	237	10	1	15	1	**493**
TOTAL	**36**	**1,723**	**573**	**90**	**136**	**237**	**10**	**1**	**15**	**4**	**2,825**

Table 54-31 Derivative exposure excluding netting and collateral, 31 December 2008

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	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 institutions to mitigate credit risk on OTC derivatives by means of CSAs. Positive marked-to-market values can be netted with negative marked-to-market values and the remaining exposure is mitigated through bilateral collateral settlements. 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 daily 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 credit exposure on derivatives, as presented in table 54-32 at 31 December 2009 and in table 54-33 at December 2008.

Table 54-32 Derivative exposure including netting and collateral, 31 December 2009

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	15	238	76	2	-	-	-	-	-	1	**333**
Corporate entities	0	1	5	87	133	236	9	1	11	0	**482**
TOTAL	**15**	**239**	**81**	**90**	**133**	**236**	**9**	**1**	**11**	**1**	**815**

Table 54-33 Derivative exposure including netting and collateral, 31 December 2008

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	1	121	99	-	-	-	-	-	-	0	**221**
Corporate entities	-	4	6	125	230	89	8	-	2	36	**501**
TOTAL	**1**	**125**	**106**	**125**	**230**	**89**	**8**	**-**	**2**	**36**	**722**

55 Market risk

NIBC defines market risk as the current and prospective threat to its earnings and capital as a result of movements in market prices. Market risk, therefore, includes price risk, interest rate risk and foreign exchange risk, both within and outside the Trading book. For fixed-income products, market risk also includes credit spread risk, which is the risk due to movements of underlying credit curve. The predominant market risk drivers for NIBC are interest rate risk and credit spread risk.

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:

- 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 marked-to-market losses with a confidence level of 99% will not exceed, based upon four years of historical data for weekly changes in interest rates, credit spreads and both simultaneously. For the Trading portfolio, additional VaR scenarios based upon daily historical market data and a 10-day holding period are used, both for limit-setting as well as for the calculation of the capital requirement; and
- As future market price developments may differ from those that are contained by the four-year history, 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 events.

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 CRO on a daily basis. The income statement for the Trading portfolio is also monitored daily.

Exposures

Interest rate risk in the Trading portfolio

At the beginning of 2009, the books that have a trading-book market risk treatment from a regulatory perspective consisted effectively of interest rate risk trading. The de-risking performed in 2008 was maintained in 2009, which is demonstrated by the relatively low level of the VaR in 2009.

Table 55-1 Key risk statistics of Trading portfolio, 31 December 2009

	Interest rate	
IN EUR THOUSANDS	BPV	VaR
Max [1]	(248)	1,482
Average	(53)	540
Min [2]	111	138
YEAR-END 2009	**(30)**	**253**

1. Max: value farthest from zero.
2. Min: value closest to zero.

Table 55-2 Key risk statistics of Trading portfolio, 31 December 2008

	Interest rate	
IN EUR THOUSANDS	BPV	VaR
Max [1]	(151)	1,237
Average	1	521
Min [2]	113	186
YEAR-END 2008	**(101)**	**773**

1. Max: value farthest from zero.
2. Min: value closest to zero.

Activities comprise short-term (up to two 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.

Interest rate risk in the Mismatch portfolio

NIBC concentrates the strategic interest rate risk position of NIBC in the Mismatch portfolios. These portfolios exclusively contain swap positions with which a view on future interest rate developments is taken. Next to the USD Mismatch portfolio, which was reported at year-end 2008 and includes a small EUR position, a EUR Mismatch portfolio was set up in 2009.

Table 55-3 Key risk statistics of USD Mismatch portfolio, 31 December 2009

IN EUR THOUSANDS	Interest rate	
	BPV	VaR
Max [1]	(540)	7,306
Average	(299)	5,738
Min [2]	(229)	4,556
YEAR-END 2009	**(230)**	**5,388**

1. Max: value farthest from zero.
2. Min: value closest to zero.

Table 55-4 Key risk statistics of USD Mismatch portfolio, 31 December 2008

IN EUR THOUSANDS	Interest rate	
	BPV	VaR
Max [1]	(355)	6,123
Average	(275)	3,898
Min [2]	(93)	1,861
YEAR-END 2009	**(309)**	**5,652**

1. Max: value farthest from zero.
2. Min: value closest to zero.

Table 55-5 Key risk statistics of EUR Mismatch portfolio, 31 December 2009

IN EUR THOUSANDS	Interest rate	
	BPV	VaR
Max [1]	(562)	6,780
Average	(449)	5,322
Min [2]	(257)	2,926
YEAR-END 2009	**(497)**	**6,380**

1. Max: value farthest from zero.
2. Min: value closest to zero.

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 (henceforth collectively referred to as Banking book):

- 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 Securitisations portfolio. The interest rate risk on the Residential Mortgage portfolio is hedged within small facilitating limits.

The Residual Interest Rate Risk portfolio (also known as Corporate Treasury portfolio) contains the funding activities of NIBC and the loans to counterparties.

Tables 55-6 and 55-7 give the interest rate sensitivity for the EUR, the USD and the GBP in the Trading, Mismatch and Banking books at year-end 2009 and 2008. For the other currencies the interest rate risk is minimal. The most significant change is the interest rate risk in the euro mismatch position.

Table 55-6 Interest rate statistics, 31 December 2009

	BPV			
IN EUR THOUSANDS	Trading	Mismatch	Banking	Total
EUR	(40)	(481)	85	**(435)**
USD	10	(247)	14	**(223)**
GBP	(0)	-	49	**49**
Other	1	-	3	**3**
TOTAL	**(30)**	**(727)**	151	**(606)**

Table 55-7 Interest rate statistics, 31 December 2008

	BPV			
IN EUR THOUSANDS	Trading	Mismatch	Banking	Total
EUR	(89)	19	38	(32)
USD	(13)	(329)	67	(275)
GBP	-	-	49	49
Other	1	1	(1)	1
TOTAL	(101)	(309)	153	(257)

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 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. The most relevant exposures in foreign currencies for NIBC are USD, GBP and JPY. 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.

56 Liquidity risk

NIBC defines liquidity risk as the inability of the company to fund its assets and meet its obligations as they become due, at acceptable cost.

Maintaining a sound liquidity and funding profile is one of NIBC's most important risk management objectives. NIBC analyses its funding profile by mapping all assets and liabilities into time buckets that correspond to their maturities. Based on projections prepared by the business units and reviewed by Risk Management, and the current asset and liability maturity profiles, a liquidity stress test 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 world-wide 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;
- A conservative amount of expected retail savings' proceeds are included;
- Conservative assumptions for prepayments, callable funding and collateral cash-out flows (payments from CSAs) are made; and
- A conservative liquidity buffer is maintained for intraday payments.

The projection of NIBC's liquidity in this way is necessarily a subjective process and requires management to make assumptions about, for example, the fair value of eligible collateral, further funding from retail deposits, and potential outflow of cash collateral placed by NIBC with derivative counterparties.

In the light of these projections, 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 present the cash flows payable by NIBC in respect of non-derivative financial liabilities and assets relevant for liquidity risk by the remaining contractual maturities at 31 December. The amounts disclosed in the tables for the non-derivative financial liabilities are contractual undiscounted cash flows. Financial liabilities at fair value through profit or loss are therefore restated to nominal amounts. The estimated interest cash flows related to the liabilities are reported on a separate line item. The financial asset cash flows are based upon the fair value (discounted cash flows) for those assets that are classified at fair value through profit or loss or available for sale.

The differences between the table and the stress scenario are mainly caused by the following items, that are included in the stress scenario analysis and not in the maturity calendar of the consolidated balance sheet:

- New asset production;
- Collateralised funding capacity of internal securitisations and individual bonds;
- Additional proceeds from retail savings; and
- Conservative assumptions with respect to possible cash outflows (e.g. CSA collateral, callable funding).

Liquidity maturity calendar at 31 December 2009

IN EUR MILLIONS	Not dated	Payable on demand	Due within three months	Due between three and twelve months	Due between one and five years	Due after five years	Total
Liabilities (undiscounted cash flows)							
FINANCIAL LIABILITIES AT AMORTISED COST							
Due to other banks	-	111	232	1,246	880	132	2,601
Deposits from customers	-	2,314	386	770	633	229	4,332
Own debt securities in issue	-	-	443	470	7,723	200	8,836
Debt securities in issue related to securitised mortgages	-	-	11	-	-	5,220	5,231
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)							
Own debt securities in issue	-	-	28	14	18	25	85
Debt securities in issue structured	-	-	72	268	479	1,634	2,453
OTHER							
Other liabilities	-	-	-	214	-	-	214
Current tax	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	22	-	22
Employee benefits	-	-	-	2	3	-	5
SUBORDINATED LIABILITIES							
Amortised cost	-	-	-	-	30	102	132
Fair value through profit or loss	-	-	-	23	67	279	369
TOTAL LIABILITIES (EXCLUDING DERIVATIVES)	**-**	**2,425**	**1,172**	**3,007**	**9,855**	**7,821**	**24,280**
Estimated contractual interest cash flows	-	-	102	309	1,512	1,232	3,155
TOTAL LIABILITIES (excluding derivatives, including estimated contractual interest rate cash flows)	**-**	**2,425**	**1,274**	**3,316**	**11,367**	**9,053**	**27,435**
TOTAL ASSETS RELEVANT FOR MANAGING LIQUIDITY RISK AT FAIR VALUE (excluding derivatives and interest cash flows)	**1,642**	**2,096**	**2,181**	**858**	**4,474**	**14,880**	**26,131**

Liquidity maturity calendar at 31 December 2008

IN EUR MILLIONS	Not dated	Payable on demand	Due within three months	Due between three and twelve months	Due between one and five years	Due after five years	Total
Liabilities (undiscounted cash flows)							
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 AT 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							
Other liabilities	-	-	-	158	-	-	158
Current tax	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	39	-	39
Employee benefits	-	-	-	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 contractual interest rate cash flows)	**-**	**1,238**	**3,363**	**3,682**	**8,514**	**10,677**	**27,474**
TOTAL ASSETS RELEVANT FOR MANAGING LIQUIDITY RISK AT FAIR VALUE (excluding derivatives and interest cash flows)	**1,445**	**1,804**	**466**	**898**	**4,657**	**16,224**	**25,494**

Liquidity maturity calendar derivatives

The following tables present the derivative financial instruments that will be settled on a net basis into relevant maturity classes based on the contractual maturity date at 31 December 2009 and 2008. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Derivatives, at 31 December 2009

IN EUR MILLIONS	Less than three months	Between three months and one year	One to five years	Five years or more	Total
DERIVATIVES HELD FOR TRADING					
Interest rate derivatives (net settled)					
Inflow	421	1,604	7,140	3,189	12,354
Outflow	(444)	(1,633)	(7,117)	(2,829)	(12,023)
Credit derivatives					
Inflow	2	4	8	-	14
Outflow	(1)	(3)	(2)	-	(6)
DERIVATIVES USED FOR HEDGING					
FX forward (gross settled)					
Inflow	2,615	40	29	-	2,684
Outflow	(2,634)	(40)	(29)	-	(2,703)
Interest rate derivatives (net settled)					
Inflow	25	326	309	135	795
Outflow	(30)	(306)	(351)	(150)	(837)
TOTAL INFLOW	**3,063**	**1,974**	**7,486**	**3,324**	**15,847**
TOTAL OUTFLOW	**(3,109)**	**(1,982)**	**(7,499)**	**(2,979)**	**(15,569)**

Derivatives, at 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					
Interest rate derivatives (net settled)					
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 (gross settled)					
Inflow	2,451	84	91	-	2,626
Outflow	(2,263)	(84)	(91)	-	(2,438)
Interest rate derivatives (net settled)					
Inflow	153	89	295	202	739
Outflow	(134)	(71)	(205)	(155)	(565)
TOTAL INFLOW	**3,900**	**2,629**	**7,249**	**4,769**	**18,547**
TOTAL OUTFLOW	**(3,785)**	**(2,688)**	**(7,199)**	**(4,227)**	**(17,899)**

Liquidity maturity calendar off-balance sheet

The following table shows the contractual maturity of NIBC's contingent liabilities and commitments. Each undrawn loan or capital commitment is included in the time band containing the earliest date it can be drawn down.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Liquidity maturity calendar off-balance sheet at 31 December 2009

IN EUR MILLIONS	Less than three months	Between three months and one year	One to five years	Five years or more	Total
CONTRACT AMOUNT					
Committed facilities with respect to corporate loan financing	1,088	-	-	-	1,088
Capital commitments	103	-	-	-	103
Guarantees granted	200	-	-	-	200
Irrevocable letters of credit	67	-	-	-	67
	1,458	**-**	**-**	**-**	**1,458**

Liquidity maturity calendar off-balance sheet at 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
CONTRACT AMOUNT					
Committed facilities with respect to corporate loan financing	1,009	-	-	-	1,009
Capital commitments	194	-	-	-	194
Guarantees granted	214	-	-	-	214
Irrevocable letters of credit	76	-	-	-	76
	1,493	**-**	**-**	**-**	**1,493**

57 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 its 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 NIBC's capital allocation and usage process, assisting in allocating 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 investing 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 investing 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 group-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 Securitisations 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 securitisations) or is not part of Basel II Pillar 1 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 calculate the amount of economic capital usage of each business based on the risk of its activities.

- For the Corporate Loan portfolio, which uses 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 Investments 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; and
- For the Investment Management portfolios, NIBC calculates economic capital usage for IM loans 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 three pillars:

- Pillar 1 describes the capital adequacy requirements for three risk types: credit risk, market risk and operational risk;
- Pillar 2 describes the additional *supervisory review and evaluation process* (**SREP**) where regulators analyse the internal capital adequacy process of the individual banks; and
- In Pillar 3 the required risk reporting standards are displayed, supporting additional market discipline in the international capital markets.

Under Basel II and subject to approval from the regulator, banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from 'standardised' to 'advanced'.

For credit risk, NIBC has adopted the *Advanced Internal Ratings Based* (**AIRB**) approach as further specified in Basel II for its corporate and retail exposure classes, and is in the process of including institutions. As of 1 January 2008, NIBC has started using the AIRB approach. A small residue of exposures is measured on the standardised approach.

For market risk, NIBC has adopted an internal model VaR approach.

For measuring operational risk, NIBC has adopted the standardised approach.

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 2009 on its website in the course of 2010.

The following table displays the composition of regulatory capital as at 31 December 2009 and 31 December 2008. NIBC complies with the DNB's Basel II capital requirements.

Regulatory capital as at 31 December

IN EURO MILLIONS	2009	2008
TIER-1		
Called-up share capital	80	80
Share premium	238	238
Eligible reserves	1,273	1,175
Net profit	44	92
Minority interests	18	17
Deduction of certain securitisation exposures not included in risk-weighted assets	(18)	(13)
Deduction excess of expected losses over impairment allowances	(31)	(39)
CORE TIER-1 CAPITAL	**1,604**	**1,550**
Innovative hybrid Tier-1 capital	89	130
Non-innovative hybrid Tier-1 capital	221	229
TOTAL TIER-1 CAPITAL	**1,914**	**1,909**
TIER-2		
Reserves arising from revaluation of property and unrealised gains on available for sale equities	34	43
Qualifying subordinated liabilities		
Undated loan capital	32	-
Dated loan capital	238	268
Deduction of certain securitisation exposures not included in risk-weighted assets	(18)	(13)
Deduction excess of expected losses over impairment allowances	(31)	(39)
TOTAL TIER-2 CAPITAL	**255**	**259**
	2,169	**2,168**

58 Subsequent events

There are no subsequent events.

59 Profit appropriation

The profit appropriation is included in the section Other Information.

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Company income statement

for the year ended 31 December

IN EUR MILLIONS	NOTE	2009	2008
Results of participating interests after tax	6	(22)	-
Other results after tax		66	92
NET PROFIT FOR THE YEAR		**44**	**92**

Company statement of comprehensive income

for the year ended 31 December

IN EUR MILLIONS	2009 Before tax	2009 Tax (charge credit)	2009 After tax	2008 Before tax	2008 Tax (charge credit)	2008 After tax
PROFIT FOR THE YEAR	**55**	**(11)**	**44**	**111**	**(19)**	**92**
OTHER COMPREHENSIVE INCOME						
Net result on cash flow hedging instruments	(47)	12	(35)	54	(14)	40
Revaluation loans and receivables	49	(12)	37	(18)	4	(14)
Revaluation equity investments	(11)	2	(9)	(36)	-	(36)
Revaluation debt investments	17	(3)	14	(15)	3	(12)
Revaluation property, plant and equipment	-	-	-	-	-	-
OTHER COMPREHENSIVE INCOME	**8**	**(1)**	**7**	**(15)**	**(7)**	**(22)**
TOTAL COMPREHENSIVE INCOME	**63**	**(12)**	**51**	**96**	**(26)**	**70**

Company balance sheet

before profit appropriation, at 31 December

IN EUR MILLIONS	NOTE	2009	2008
Assets			
Cash and balances with central banks	1	1,353	1,113
Due from other banks	2	2,949	2,035
Loans and receivables			
Guaranteed by public authorities	3	14	38
To the private sector	3	14,608	14,497
Interest bearing securities	4	2,187	2,432
Equity investments	5	19	17
Participating interests in group companies	6	850	887
Other participating interests	7	1	2
Property, plant and equipment	8	15	15
Assets held under financial lease	9	21	22
Derivative financial instruments	10	3,864	3,919
Prepayments and accrued income	11	40	48
TOTAL ASSETS		**25,921**	**25,025**

IN EUR MILLIONS	NOTE	2009	2008
Liabilities			
Due to other banks	12	1,741	4,100
Deposits from customers	13	7,001	5,711
Debt securities	14	11,321	9,008
Other liabilities	15	126	123
Derivative financial instruments	10	3,536	3,714
Provisions	16	23	59
SUBORDINATED LIABILITIES			
Amortised cost	17	126	222
Fair value through profit or loss	18	369	467
TOTAL LIABILITIES		**24,243**	**23,404**
SHAREHOLDER'S EQUITY			
Share capital	19	80	80
OTHER RESERVES			
Share premium	19	238	238
Hedging reserve	19	40	75
Revaluation reserve	19	3	(39)
Retained earnings		1,273	1,175
Net profit		44	92
TOTAL PARENT SHAREHOLDER'S EQUITY		**1,678**	**1,621**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**25,921**	**25,025**
Contingent liabilities		1,268	1,284
Irrevocable facilities		1,191	775

Company statement of changes in shareholder's equity

IN EUR MILLIONS	Attributable to parent shareholder Share capital	 Other reserves [1]	 Retained earnings	 Net profit	Total
BALANCE AT 1 JANUARY 2008	**80**	**296**	**1,073**	**98**	**1,547**
Transfer net profit 2007 to retained earnings	-	-	98	(98)	-
Total comprehensive income for the year ended 31 December 2008	-	(22)	-	92	70
Capital contribution share-based payments	-	-	4	-	4
BALANCE AT 31 DECEMBER 2008	**80**	**274**	**1,175**	**92**	**1,621**

IN EUR MILLIONS	Attributable to parent shareholder Share capital	 Other reserves [1]	 Retained earnings	 Net profit	Total
BALANCE AT 1 JANUARY 2009	**80**	**274**	**1,175**	**92**	**1,621**
Transfer net profit 2008 to retained earnings	-	-	92	(92)	-
Total comprehensive income for the year ended 31 December 2009	-	7	-	44	51
Capital contribution share-based payments	-	-	6	-	6
BALANCE AT 31 DECEMBER 2009	**80**	**281**	**1,273**	**44**	**1,678**

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

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 Article 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 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 Title 9, Book 2 of the Netherlands Civil Code, it is sufficient for the company's income statement to present only the income of group companies and other income and expenses after income 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, NIBC 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	2009	2008
Cash and balances with central banks	1,353	1,113
	1,353	**1,113**

The amounts included in cash and balances with central banks are available on demand.

Balances held 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	2009	2008
Current accounts	189	76
Deposits with other banks	2,334	1,446
Due from group companies	426	513
	2,949	**2,035**

IN EUR MILLIONS	2009	2008
DUE FROM OTHER BANKS CAN BE CATEGORISED AS FOLLOWS:		
Receivable on demand	188	176
Cash collateral placements posted under CSA agreements	1,051	933
Not receivable on demand	1,710	926
	2,949	**2,035**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF DUE FROM OTHER BANKS NOT RECEIVABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
In three months or less	1,692	548
In more than three months but not longer than one year	2	32
In more than one year but not longer than five years	11	18
Longer than five years	5	328
	1,710	**926**

There are no subordinated loans outstanding due from other banks in 2009 and 2008.

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.

No impairments were recorded in 2009 or 2008 on the amounts due from other banks.

An amount of EUR 1,051 million (2008: EUR 933 million) relates to cash collateral given to third parties and is not freely available to NIBC.

NIBC transacted several reverse repurchase transactions with third parties. The related disclosures are included in repurchase and resale agreements (see note 20).

3 Loans and receivables

IN EUR MILLIONS	2009	2008
Loans - amortised cost	5,902	5,489
Loans - fair value through profit or loss	1,697	1,841
Public sector	36	38
Group companies - amortised cost	6,987	7,167
	14,622	**14,535**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF LOANS AND RECEIVABLES IS ANALYSED AS FOLLOWS:		
In three months or less	3,958	5,284
In more than three months but not longer than one year	436	203
In more than one year but not longer than five years	4,118	2,209
Longer than five years	6,110	6,839
	14,622	**14,535**

IN EUR MILLIONS	2009	2008
IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES:		
BALANCE AT 1 JANUARY	**9**	**60**
Additional allowances	69	67
Write-offs	(22)	(11)
Amounts released	(10)	(25)
Unwinding of discount adjustment	(1)	(4)
Differences due to foreign currency translation	1	(4)
Impact IAS 39 implementation	-	(74)
BALANCE AT 31 DECEMBER	**46**	**9**

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 7,710 million in 2009 (2008: EUR 8,812 million), excluding the group companies.

The total amount of subordinated loans in this item, as at 31 December 2009, amounts to EUR 123 million (2008: EUR 106 million), of which EUR 14 million (2008: EUR 38 million) has been guaranteed by the Dutch State. No subordinated loans are included with respect to group companies.

As per 31 December 2009, EUR 36 million (2008: EUR 38 million) is guaranteed by the Dutch State.

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 184 million (2008: EUR 380 million) excluding group companies. This decrease reflects both changes due to interest rates and credit spreads.

As a policy, NIBC does not provide loans to its executives.

On 1 July 2008, following the IAS 39 amendments, an amount of EUR 74 million of the impairments related to the available for sale loans were reclassified 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 reclassifications following *International Accounting Standards Board* (**IASB**) amendments 'IAS 39 Financial Instruments: Recognition and Measurements' on the income statement and on shareholder's equity see notes to the consolidated financial statements 2009 of NIBC.

4 Interest bearing securities

IN EUR MILLIONS	2009	2008
Amortised cost	597	809
Available for sale	714	34
Fair value through profit or loss	797	1,491
Held for trading	79	98
	2,187	**2,432**

The table above displays the IFRS accounting treatment of interest bearing securities.

All interest bearing securities are non-government.

All held for trading interest bearing securities are listed.

IN EUR MILLIONS	2009	2008
INTEREST BEARING SECURITIES AT AMORTISED COST, AT AVAILABLE FOR SALE AND DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS CAN BE CATEGORISED AS FOLLOWS:		
Listed	1,260	1,271
Unlisted	848	1,063
	2,108	**2,334**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF INTEREST BEARING SECURITIES AT AMORTISED COST, AT AVAILABLE FOR SALE AND DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS IS ANALYSED AS FOLLOWS:		
In three months or less	116	51
In more than three months but not longer than one year	472	753
In more than one year but not longer than five years	1,159	897
Longer than five years	361	633
	2,108	**2,334**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN INTEREST BEARING SECURITIES AT AMORTISED COST, AT AVAILABLE FOR SALE AND DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS IS ANALYSED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**2,334**	**2,008**
Additions	1,106	871
Disposals (sale and redemption)	(1,291)	(1,372)
Impact IAS 39 amendments	-	888
Impairments and changes in fair value	(42)	(29)
Exchange differences	1	(32)
BALANCE AT 31 DECEMBER	**2,108**	**2,334**

Subordinated assets included in interest bearing securities amount to EUR 4 million (2008: EUR 19 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 2009 included in the balance sheet amount (designated at fair value through profit or loss) at 31 December 2009 relating to the movement in credit spreads amounts to EUR 1 million debit, being an increase in the carrying value of the asset (2008: EUR 21 million credit).

For the interest bearing securities at amortised cost, the maximum credit exposure amounts to EUR 597 million (2008: EUR 825 million). 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 154 million (2008: EUR 168 million). This decrease reflects both changes due to interest rates and credit spreads.

In 2009, EUR 13 million were recorded as impairments on interest bearing assets as amortised cost. No impairments were recorded in 2008.

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 shareholder's equity see notes to the consolidated financial statements 2009 of NIBC.

5 Equity investments

IN EUR MILLIONS	2009	2008
Equity investments		
Available for sale	17	17
Fair value through profit or loss	2	-
	19	**17**

IN EUR MILLIONS	2009	2008
Listed	8	8
Unlisted	11	9
	19	**17**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN EQUITY INVESTMENTS AT AVAILABLE FOR SALE MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**17**	**30**
Gains/(losses) from changes in fair value	-	(13)
BALANCE AT 31 DECEMBER	**17**	**17**

IN EUR MILLIONS	2009	2008
IMPAIRMENT LOSSES ON EQUITY INVESTMENTS AT AVAILABLE FOR SALE:		
BALANCE AT 1 JANUARY	8	8
Additional allowances	-	-
BALANCE AT 31 DECEMBER	8	8

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	-	-
Additions	1	-
Gains/(losses) from changes in fair value	1	-
BALANCE AT 31 DECEMBER	2	-

Equity investments are reported at available for sale and at fair value through profit or loss.

Impairment losses for equity investments at available for sale 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	2009	2008
Participating interests in group companies	850	887
	850	**887**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN PARTICIPATING INTERESTS IN GROUP COMPANIES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	887	980
Purchases and investments	-	-
Disposals	(3)	(5)
Revaluation	(9)	(44)
Dividend received	-	(47)
Results of group companies	(22)	-
Exchange differences	(3)	3
BALANCE AT 31 DECEMBER	**850**	**887**

The group companies are unlisted.

Participating interests in group companies are accounted for at net asset value.

NIBC Bank Ltd included in group companies is a registered credit institution in Singapore.

7 Other participating interests

IN EUR MILLIONS	2009	2008
Other participating interests	1	2
	1	**2**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN OTHER PARTICIPATING INTERESTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	2	1
Purchases and investments	-	2
Disposals	(1)	(1)
BALANCE AT 31 DECEMBER	**1**	**2**

Other participating interests are accounted for at net asset value.

On the balance sheet dates at the end of 2009 and 2008, all other participating interests were unlisted.

The other participating interests are not registered as credit institutions.

There are no significant restrictions on the ability of other participating interests to transfer funds to the investor in the form of cash dividends, or repayment of loans.

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	2009	2008
Land and buildings (in own use) / leasehold improvements	9	10
Other fixed assets	6	5
	15	**15**

IN EUR MILLIONS	2009	2008
THE MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**15**	**52**
Additions	5	2
Transferred to assets held under financial lease	-	(22)
Reallocated revaluation to group companies	-	(10)
Depreciation	(5)	(7)
BALANCE AT 31 DECEMBER	**15**	**15**

IN EUR MILLIONS	2009	2008
THE ACCUMULATED DEPRECATION IN PROPERTY, PLANT AND EQUIPMENT CAN BE CATEGORISED AS FOLLOWS:		
Land and buildings (in own use) / leasehold improvements	9	7
Other fixed assets	15	17
	24	**24**

For information about insurance of property, plant and equipment please refer to note 30 of the consolidated financial statements.

There is no property, plant and equipment pledged as security for liabilities.

There are no expenditures recognised in the carrying amount of property, plant and equipment in the course of its construction at 31 December 2009 and 31 December 2008.

There are no contractual commitments for the acquisition of property, plant and equipment at 31 December 2009 and 31 December 2008.

The fair value of land and buildings (in own use) does not materially deviate from its carrying 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	2009	2008
Assets held under financial lease	21	22
	21	**22**

IN EUR MILLIONS	2009	2008
MOVEMENT IN ASSETS HELD UNDER FINANCIAL LEASE MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**22**	**-**
Transferred from property, plant and equipment	-	22
Depreciation	(1)	-
BALANCE AT 31 DECEMBER	**21**	**22**

Assets held under financial lease are pledged as security for liabilities to group companies.

There are no expenditures recognised in the carrying amount of assets held under financial lease in the course of its construction at 31 December 2009 and 31 December 2008.

There are no contractual commitments for the acquisition of assets held under financial lease at 31 December 2009 (2008: nil).

No impairments were recorded in 2009 and 2008 on the amounts assets held under financial lease.

The fair value of land and buildings (in own use) does not materially deviate from its carrying value.

10 Derivative financial instruments

IN EUR MILLIONS	2009	2008
DERIVATIVE FINANCIAL ASSETS		
Derivative financial assets held for trading (trading portfolios)	3,109	3,066
Derivative financial assets held for trading (other portfolios)	513	637
Derivative financial assets used for hedging	242	216
	3,864	**3,919**

IN EUR MILLIONS	2009	2008
DERIVATIVE FINANCIAL LIABILITIES		
Derivative financial liabilities held for trading (trading portfolios)	2,970	3,100
Derivative financial liabilities held for trading (other portfolios)	486	572
Derivative financial liabilities used for hedging	80	42
	3,536	**3,714**

Derivative financial instruments – held for trading (trading portfolios) at 31 December 2009

	Notional amount with remaining life of					
IN EUR MILLIONS	Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
Interest rate swaps	12,513	9,288	77,557	99,358	2,471	2,530
Interest rate options (purchase)	-	130	955	1,085	21	-
Interest rate options (sale)	4	125	922	1,051	-	14
SUBTOTAL	**12,517**	**9,543**	**79,434**	**101,494**	**2,492**	**2,544**
CURRENCY DERIVATIVES						
OTC-PRODUCTS:						
Currency/cross currency swaps	-	951	1,356	2,307	596	398
SUBTOTAL	**-**	**951**	**1,356**	**2,307**	**596**	**398**
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
OTC-PRODUCTS:						
Other swaps	-	2,000	169	2,169	4	17
Other options (purchase)	24	54	74	152	17	-
Other options (sale)	24	54	74	152	-	11
SUBTOTAL	**48**	**2,108**	**317**	**2,473**	**21**	**28**
TOTAL DERIVATIVES HELD FOR TRADING (TRADING PORTFOLIOS)	**12,565**	**12,602**	**81,107**	**106,274**	**3,109**	**2,970**

Derivative financial instruments - held for trading (trading portfolios) at 31 December 2008

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
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						
OTC-PRODUCTS:						
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)						
OTC-PRODUCTS:						
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 (other portfolios) at 31 December 2009

IN EUR MILLIONS	Notional amount with remaining life of					
	Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
Interest rate swaps	341	697	14,023	15,061	438	435
SUBTOTAL	**341**	**697**	**14,023**	**15,061**	**438**	**435**
CURRENCY DERIVATIVES						
OTC-PRODUCTS:						
Forward rate agreements	74	42	29	145	5	5
Interest currency rate swaps	2,571	284	1,863	4,718	68	44
Other currency contracts	33	39	30	102	-	1
SUBTOTAL	**2,678**	**365**	**1,922**	**4,965**	**73**	**50**
OTC-PRODUCTS:						
Credit default swaps (guarantees given)	-	23	99	122	2	1
Credit default swaps (guarantees received)	3	-	-	3	-	-
Other options (sale)	-	-	77	77	-	-
SUBTOTAL	**3**	**23**	**176**	**202**	**2**	**1**
TOTAL DERIVATIVES HELD FOR TRADING (OTHER PORTFOLIOS)	**3,022**	**1,085**	**16,121**	**20,228**	**513**	**486**

Derivative financial instruments - held for trading (other portfolios) at 31 December 2008

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
Interest rate swaps	133	265	3,186	3,584	342	519
SUBTOTAL	**133**	**265**	**3,186**	**3,584**	**342**	**519**
CURRENCY DERIVATIVES						
OTC-PRODUCTS:						
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	**214**	**195**	**523**	**932**	**286**	**50**
OTC-PRODUCTS:						
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**	**34**	**194**	**251**	**9**	**3**
TOTAL DERIVATIVES HELD FOR TRADING (OTHER PORTFOLIOS)	**370**	**494**	**3,903**	**4,767**	**637**	**572**

Derivative financial instruments - used for hedging at 31 December 2009

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE HEDGES OF INTEREST RATE RISK						
OTC-PRODUCTS:						
Interest rate swaps	25	117	6,663	6,805	146	78
Interest currency rate swaps	7	24	115	146	16	1
SUBTOTAL	**32**	**141**	**6,778**	**6,951**	**162**	**79**
DERIVATIVES ACCOUNTED FOR AS CASH FLOW HEDGES OF INTEREST RATE RISK						
OTC-PRODUCTS:						
Interest rate swaps	-	-	1,651	1,651	80	1
SUBTOTAL	**-**	**-**	**1,651**	**1,651**	**80**	**1**
TOTAL DERIVATIVES USED FOR HEDGING	**32**	**141**	**8,429**	**8,602**	**242**	**80**

Derivative financial instruments - used for hedging at 31 December 2008

IN EUR MILLIONS	Notional amount with remaining life of					
	Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE HEDGES OF INTEREST RATE RISK						
OTC-PRODUCTS:						
Interest rate swaps	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						
OTC-PRODUCTS:						
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**

Fair value hedges of interest rate risk

The interest rate risk of financial assets with a fixed interest rate classified at available for sale or at amortised costs are hedged with interest rate swaps under which NIBC pays a fixed rate and receives floating rates. Fair value hedge accounting is applied to these 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 at fair value through profit or loss).

The following table discloses the fair value of the swaps designated in fair value hedging relationships.

IN EUR MILLIONS		2009	2008
Fair value pay - fixed swaps (hedging assets)	**assets**	-	12
Fair value pay - fixed swaps (hedging assets)	**liabilities**	(38)	(29)
		(38)	**(17)**

IN EUR MILLIONS		2009	2008
Fair value pay - floating swaps (hedging liabilities)	**assets**	162	97
Fair value pay - floating swaps (hedging liabilities)	**liabilities**	(41)	(13)
		121	**84**

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		2009	2008
Fair value receive - fixed swaps	assets	79	107
Fair value receive - fixed swaps	liabilities	(1)	-
		78	**107**

IN EUR MILLIONS		2009	2008
Fair value receive - floating swaps	assets	1	-
Fair value receive - floating swaps	liabilities	-	-
		1	**-**

Sum of fair value and cash flow hedges of interest rate risk

IN EUR MILLIONS		2009	2008
Fair value pay swaps	assets	162	109
Fair value receive swaps	assets	80	107
		242	**216**

IN EUR MILLIONS		2009	2008
Fair value pay swaps	liabilities	(79)	(42)
Fair value receive swaps	liabilities	(1)	-
		(80)	**(42)**

The average remaining maturity (in which the related cash flows are expected to enter into the determination of profit and loss) is three years (2008: four years).

11 Prepayments and accrued income

IN EUR MILLIONS	2009	2008
Interest	-	3
Current tax	19	12
Accrued income and prepayments	21	33
	40	**48**

12 Due to other banks

IN EUR MILLIONS	2009	2008
Due to other banks	1,741	4,100
	1,741	**4,100**

IN EUR MILLIONS	2009	2008
Payable on demand	62	12
Not payable on demand	1,679	4,088
	1,741	**4,100**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF DUE TO OTHER BANKS NOT PAYABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
In three months or less	231	2,120
In more than three months but not longer than one year	603	1,269
In more than one year but not longer than five years	818	464
Longer than five years	27	235
	1,679	**4,088**

Interest is recognised in interest expense and similar charges on an effective interest basis.

NIBC transacted several repurchase transactions with third parties. The related disclosures are included in repurchase and resale agreements (see note 20).

13 Deposits from customers

IN EUR MILLIONS	2009	2008
Deposits from customers	7,001	5,711
	7,001	**5,711**

IN EUR MILLIONS	2009	2008
DEPOSITS FROM CUSTOMERS CAN BE CATEGORISED AS FOLLOWS:		
Certificates of deposits	608	3,845
Due to customers	6,393	1,866
	7,001	**5,711**

IN EUR MILLIONS	2009	2008
DEPOSITS FROM CUSTOMERS CAN BE CATEGORISED AS FOLLOWS:		
Payable on demand	2,717	1,120
Not payable on demand	4,284	4,591
	7,001	**5,711**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF DEPOSITS FROM CUSTOMERS NOT PAYABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
In three months or less	3,024	3,071
In more than three months but not longer than one year	660	213
In more than one year but not longer than five years	523	718
Longer than five years	77	589
	4,284	**4,591**

Interest is recognised in interest expense and similar charges on an effective interest basis.

The balance sheet item includes EUR 2,581 million (2008: EUR 3,771 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	2009	2008
Bonds and notes issued - amortised costs	9,395	6,461
Bonds and notes issued - fair value through profit or loss	1,896	2,499
Fair value hedge adjustment on amortised cost bonds and notes issued	30	48
	11,321	**9,008**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IS ANALYSED AS FOLLOWS:		
In three months or less	544	918
In more than three months but not longer than one year	753	1,503
In more than one year but not longer than five years	8,219	4,708
Longer than five years	1,805	1,879
	11,321	**9,008**

For an amount of EUR 6,497 million of the issued notes, the Dutch State 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 Dutch State's Credit Guarantee Scheme 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	2009	2008
Interest	15	30
Accruals	71	46
Payables	19	25
Finance lease liabilities	21	22
	126	**123**

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	2009	2008
THE LEGAL MATURITY ANALYSIS OF THE GROSS FINANCE LEASE LIABILITIES - MINIMUM LEASE PAYMENTS - IS ANALYSED AS FOLLOWS:		
Not longer than one year	2	2
In more than one year but not longer than five years	8	8
Longer than five years	22	24
	32	**34**

IN EUR MILLIONS	2009	2008
THE PRESENT VALUE OF THE FINANCE LEASE LIABILITIES CAN BE CATEGORISED AS FOLLOWS:		
Gross financial lease liability	32	34
Future finance charge of finance leases	(11)	(12)
	21	**22**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF THE PRESENT VALUE OF FINANCE LEASE LIABILITIES IS ANALYSED AS FOLLOWS:		
Not longer than one year	2	2
In more than one year but not longer than five years	6	6
Longer than five years	13	14
	21	**22**

At the end of 2009, NIBC has leased land and buildings. The annual lease payments (related to the financial lease) are EUR 2 million.

The remaining contractual term of the finance lease contract(s) is nine years.

16 Provisions

IN EUR MILLIONS	2009	2008
Deferred tax	17	51
Employee benefits	6	8
	23	**59**

For a specification of the employee benefits please refer to note 42 of the consolidated financial statements.

Deferred tax

IN EUR MILLIONS	2009	2008
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	9	7
Debt securities	3	5
Tax losses carried forward	3	-
	15	**12**
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
Cash flow hedges	14	26
Property	5	8
Temporary differences as a result of internal securitisations	13	28
	32	**63**
	(17)	**(51)**

IN EUR MILLIONS	2009	2008
THE GROSS MOVEMENT ON THE DEFERRED INCOME TAX ACCOUNT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	(51)	(4)
LOANS (REPORTED AS AVAILABLE FOR SALE):		
Fair value remeasurement (charged)/credited to revaluation reserve	2	(11)
DEBT INVESTMENTS (REPORTED AS AVAILABLE FOR SALE):		
Fair value remeasurement (charged)/credited to revaluation reserve	(2)	3
PROPERTY (REPORTED AT FAIR VALUE):		
(Charged)/credited to the income statement	3	-
EQUITY INVESTMENTS (REPORTED AS AVAILABLE FOR SALE):		
Fair value remeasurement (charged)/credited to revaluation reserve	1	3
CASH FLOW HEDGES:		
Fair value remeasurement (charged)/credited to hedging reserve	12	(14)
Temporary differences as a result of internal securitisations	15	(28)
Tax losses carried forward	3	-
BALANCE AT 31 DECEMBER	(17)	(51)

17 Subordinated liabilities - amortised cost

IN EUR MILLIONS	2009	2008
Subordinated loans qualifying as Tier-1 capital	89	130
Other subordinated loans	37	92
	126	222

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS ANALYSED AS FOLLOWS:		
One year or less	-	56
Longer than one year but not longer than five years	24	23
Longer than five years but not longer than ten years	1	1
Longer than ten years	101	142
	126	222

All of the above loans are subordinated to the other liabilities of NIBC. The EUR 89 million (2008: EUR 130 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 ten years with the prior approval of the DNB. Interest expense of EUR 8 million was recognised on these subordinated liabilities during the year 2009 (2008: EUR 14 million).

The subordinated liabilities reflect nine transactions (2008: nine transactions), of which the largest three have a size of EUR 109 million (2008: EUR 189 million).

18 Subordinated liabilities - designated at fair value through profit or loss

IN EUR MILLIONS	2009	2008
Subordinated loans qualifying as Tier-1 capital	174	225
Other subordinated loans	195	242
	369	**467**

IN EUR MILLIONS	2009	2008
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS ANALYSED AS FOLLOWS:		
One year or less	-	51
Longer than one year but not longer than five years	23	-
Longer than five years but not longer than ten years	67	113
Longer than ten years	279	303
	369	**467**

All of the above loans are subordinated to the other liabilities of NIBC. The EUR 174 million (2008: EUR 225 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 ten years with the prior approval of the DNB. Interest expense of EUR 25 million was recognised on these subordinated liabilities during the year 2009 (2008: EUR 26 million).

The subordinated liabilities reflect 10 transactions (2008: 11 transactions), of which the largest three have a size of EUR 270 million (2008: EUR 277 million).

19 Shareholder's equity

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

Share capital

IN EUR MILLIONS	2009	2008
SHARE CAPITAL CAN BE CATEGORISED AS FOLLOWS:		
Paid-up capital	80	80
	80	**80**

	2009	2008
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. The 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	2009	2008
OTHER RESERVES ARE COMPRISED OF:		
Share premium	238	238
Hedging reserve - cash flow hedges	40	75
Revaluation reserve - loans and receivables	(28)	(64)
Revaluation reserve - equity investments	7	15
Revaluation reserve - debt securities	(4)	(18)
Revaluation reserve - property, plant and equipment	28	28
	281	**274**

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserve	Total
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 RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	**-**	**40**	**(62)**	**(22)**
BALANCE AT 31 DECEMBER 2008	**238**	**75**	**(39)**	**274**

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserve	Total
BALANCE AT 1 JANUARY 2009	**238**	**75**	**(39)**	**274**
Net result on cash flow hedging instruments	-	(35)	-	(35)
Revaluation loans and receivables (net of tax)	-	-	36	36
Revaluation equity investments (net of tax)	-	-	(8)	(8)
Revaluation debt securities (net of tax)	-	-	14	14
Revaluation property, plant and equipment (net of tax)	-	-	-	-
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	**-**	**(35)**	**42**	**7**
BALANCE AT 31 DECEMBER 2009	**238**	**40**	**3**	**281**

If NIBC had not reclassified financial assets in 2008, fair value losses recognised for the year 2009 in the income statement, and losses recognised in the revaluation reserve in shareholder's equity would have amounted to a net of tax loss of EUR 23 million (2008: loss of EUR 117 million) and a net tax gain of EUR 10 million (2008: los of EUR 220 million) 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 available for sale assets for the amount of EUR 3 million (2008: EUR 8 million). For more information see note 45 of the consolidated financial statements.

Information on NIBC's solvency ratios is included in the risk management section of this annual report.

At 31 December 2009, retained earnings and net profit attributable to the parent shareholder includes 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 at fair value through profit or loss and on liabilities designated at 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 258 million (2008: EUR 225 million), that is included in other reserves. At the balance sheet date, for associates accounted for based on net equity

method, no further legal reserve has been established for both 2009 and 2008. At the balance sheet date the legal reserve for currency translation differences are nil for both 2009 and 2008.

Including the revaluation and hedging reserves displayed in note 45 of the consolidated financial statements, total legal reserves at 31 December 2009 amount to EUR 293 million (2008: EUR 268 million).

20 Repurchase and resale agreements

NIBC transacted several reverse repurchase transactions with third parties, in which notes amounting to a notional of EUR 1,205 million (with a fair value at 31 December 2009 of EUR 1,245 million) were transferred to NIBC from third parties at 31 December 2009 in exchange for EUR 1,228 million in deposits at 31 December 2009 for periods ranging from one day up to five days.

NIBC transacted several repurchase transactions with third parties, in which notes amounting to a notional of EUR 218 million (with a fair value at 31 December 2009 of EUR 215 million) were transferred from NIBC to third parties at 31 December 2009 in exchange for EUR 205 million in deposits at 31 December 2009 for periods ranging from one year up to three years.

NIBC conducts these transactions under terms agreed in Global Master Repurchase Agreements.

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 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 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	2009	2008
CONTRACT AMOUNT:		
Undrawn facilities	1,191	775
Guarantees and letters of credit	1,267	1,284
	2,458	**2,059**

In 2009, the item includes EUR 1,000 million (2008: 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 note 54 of the consolidated financial statements.

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 is together with other group companies and participating interests a member of one fiscal entity NIBC Holding. Besides NIBC and NIBC Holding, the principal other members are B.V. NIBC Mortgage Backed Assets, Parnib Holding N.V., Vredezicht 's-Gravenhage 110 B.V. and NIBC Principal Investments Mezzanine B.V.

22 Assets pledged as security

IN EUR MILLIONS	2009	2008
ASSETS HAVE BEEN PLEDGED AS SECURITY IN RESPECT OF THE FOLLOWING LIABILITIES AND CONTINGENT LIABILITIES:		
LIABILITIES		
Due to other banks	1,438	4,114
Debt securities in issue related to securitised loans and mortgages	5,231	5,835
Derivative financial liabilities	1,051	1,000
	7,720	**10,949**

IN EUR MILLIONS	2009	2008
DETAILS OF THE CARRYING AMOUNTS OF ASSETS PLEDGED AS COLLATERAL ARE AS FOLLOWS:		
ASSETS PLEDGED		
Assets utilised as collateral	2,001	4,559
Securitised loans and mortgages	5,399	5,880
Cash	1,051	1,000
	8,451	**11,439**

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 7.0 billion in 2009 (2008: EUR 5.9 billion).

As of 31 December 2009, the excess cash liquidity of NIBC was EUR 2.6 billion (2008: EUR 1.1 billion), consisting of EUR 1.4 billion (2008: EUR 1.0 billion) cash placed with the DNB and EUR 1.2 billion (2008: EUR 0.1 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 2009, the total assets held by NIBC on behalf of customers were EUR 2,668 million (2008: EUR 2,520 million).

24 Related party transactions

For a specification of the related party transactions we refer to note 51 of the consolidated financial statements.

25 Principal subsidiaries, joint ventures and associates

For a specification of the principal subsidiaries, joint ventures and associates we refer to note 52 of the consolidated financial statements.

26 Financial risk management

Please refer to notes 54 to 57 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 653 (2008: 650).

28 Remuneration

For the remuneration of the Statutory Board and Supervisory Board we refer to note 53 of the consolidated financial statements.

At 31 December 2009 and 31 December 2008 there are no receivables outstanding with members of the Statutory Board.

29 Profit appropriation

The profit appropriation is included in other information.

The Hague, 8 March 2010

Managing Board

Jeroen Drost, *Chairman, Chief Executive Officer*
Kees van Dijkhuizen, *Vice-Chairman, Chief Financial Officer*
Rob ten Heggeler, *Member*
Jeroen van Hessen, *Member*
Jan Sijbrand, *Member, Chief Risk Officer*

Supervisory Board

Mr. J.H.M. Lindenbergh, *Chairman*
Mr. W.M. van den Goorbergh, *Vice-Chairman*
Mr. C.H. van Dalen
Mr. N.W. Hoek
Mr. A. de Jong
Mrs. S.A. Rocker
Mr. D. Rümker
Mr. A.H.A. Veenhof

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Auditor's Report

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Accountants N.V.
Thomas R. Malthusstraat 5
1066 JR Amsterdam
P.O. Box 90351
1006 BJ Amsterdam
The Netherlands
Telephone +31 (0) 20 568 66 66
Facsimile +31 (0) 20 568 68 88
www.pwc.com/nl

To the General Meeting of Shareholders of
NIBC Bank N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying 2009 financial statements of NIBC Bank N.V. ('the Company'), The Hague as set out on pages 98 to 297. 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 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2009, 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.

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

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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.

PRICEWATERHOUSECOOPERS

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 2009, 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 2009, 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 requirements

Pursuant to the legal requirement under 2:393 sub 5 part f 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.

Amsterdam, 8 March 2010

PricewaterhouseCoopers Accountants N.V.

Originally signed by J.A.M. Stael RA

(2)

Profit Appropriation

List of principal participating interests of NIBC

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%
Vredezicht 's-Gravenhage 110 B.V., The Hague	100%
NIBC Principal Investments B.V., The Hague	100%
GRW Bearing GmbH, Frankfurt	93%
NIBusker Holding B.V., Zaltbommel	75%

Profit appropriation

IN EUR MILLIONS	2009
Profit available for shareholder's distribution	44
PROFIT AVAILABLE FOR SHAREHOLDER'S DISTRIBUTION	**44**

IN EUR MILLIONS	2009
Transferred to retained earnings	44
TRANSFERRED TO RETAINED EARNINGS	**44**

In accordance with the relevant provision of the Articles of Association, see Article 45 - Profit Distribution, the Managing Board proposed not to distribute profit following the adoption of the annual accounts.

Subsequent events

There are no subsequent events.

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 (3-4%);
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 E2and E8: eleven years;
III Series E3and E9: twelve years;
IV Series E4 and El0: thirteen years;
V Series E5 and Ell: 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 PreferenceShares 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 reservefonds) 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 CALENDAR	2010
Publication HY results 2010	24 August

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

Address	PO Box 380, 2501 BH The Hague
Telephone	+31 70 342 56 25
Fax	+31 70 345 91 29
Email	info@nibc.com
Internet	www.nibc.com

Investor Relations

Address	PO Box 380, 2501 BH The Hague
Telephone	+31 70 342 98 36
Fax	+31 70 342 52 05
Email	info@nibc.com
Internet	www.nibc.com

Sources of information

You can find out more about NIBC from the sources shown below:

Annual Reports	These reports are available in English
Half- and Full Year Results	These releases are available in English
How to order reports	The above-mentioned publications can be downloaded from www.nibc.com. Printed copies of the annual reports can be ordered by email: info@nibc.com.

Information tools for investors and analysts

Website	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.
Results presentations	Senior management presents NIBC's annual and half-year results. These presentations can be downloaded from 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 54 25
Fax + 31 70 365 10 71

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 54 25
Fax + 31 70 365 10 71

Belgium

NIBC Bank N.V.
Wetenschapsstraat 41
1040 Brussels, Belgium
Telephone + 32 2 235 88 00
Fax + 32 2 235 88 09

United Kingdom

NIBC Bank N.V.
125 Old Broad Street, 11th Floor
London EC2N 1AR, United Kingdom
Telephone + 44 207 375 77 77
Fax + 44 207 588 64 83

Singapore

NIBC Bank Ltd
1 Finlayson Green # 15-01
Singapore 049246
Republic of Singapore
Telephone + 65 6 538 07 36
Fax + 65 6 538 25 10

Germany

NIBC Bank N.V.
Main Tower, Neue Mainzer Strasse 52
D-60311 Frankfurt am Main, Germany
Telephone + 49 69 5050 65 50
Fax + 49 69 5050 21 83

USA

NIBC Credit Management, Inc.[1]
1095 Avenue of the Americas,
26th floor
New York, NY 10036
USA
Fax +1 212 461 6498
Telephone +1 212 461 6400

1. Subsidiary of NIBC Holding

Key Figures

IN EUR MILLIONS	2009	2008	2007
CONSOLIDATED BALANCE SHEET			
Shareholder's equity	1,696	1,638	1,558
Group capital base	2,197	2,334	2,291
Loans to customers	8,352	8,069	8,970
Residential mortgages (own book)	5,817	6,201	5,285
Balance sheet total	29,189	28,937	31,809
CONSOLIDATED INCOME STATEMENT			
Operating income	321	337	474
Operating expenses	154	181	211
Profit after tax from continuing operations	43	93	242
Net profit attributable to parent shareholder	44	92	98
SOLVENCY INFORMATION			
Risk weighted assets (EUR billions)	11.8	11.5	15.4
Tier-1 ratio	16.2%	16.6%	12.0%
BIS ratio	18.4%	18.9%	13.8%
Leverage ratio (debt/equity)	16.2%	16.7%	19.4%
EARNINGS RATIOS			
Return on net asset value	3%	6%	17%
Efficiency ratio	48%	54%	45%
(Dividend) pay-out ratio	0%	0%	87%
OTHER INFORMATION			
Assets under management for third parties (EUR billions)	2.7	2.5	3.3
Number of FTEs end of year	644	625	703

Abbreviations

AIRB	Advanced Internal Ratings Based
ALCO	Asset & Liability Committee
ALM	Asset & Liability Management
BIS	Bank for International Settlements
BKR	Bureau Krediet Registratie (Dutch National Credit Register)
BPV	Basis Point Value
CCR	Counterparty credit rating
CDO	Collateralised Debt Obligation
CDRs	Common Depositary Receipts
CDS	Credit Default Swaps
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating units
CLO	Collateralised Loan Obligation
CMBS	Commercial Mortgage-Backed Securities
Code	Dutch Corporate Governance Code
Council	Employees' Council
CRD	Capital Requirements Directive
CRDRs	Conditional Restricted Depositary Receipts
CRE-CDO	Commercial Real Estate-Collateralised Debt Obligations
CRM	Credit Risk Management
CRO	Chief Risk Officer
CSAs	Credit Support Annexes
CSR	Corporate Social Responsibility
DA	Distressed Assets department
DNB	Dutch Central Bank
DNB/AFM Principles	Principles for Controlled Remuneration Policies as issued by the Dutch Central Bank and the Dutch Authority for the Financial Markets
DRs	Depositary Receipts
EAD	Exposure at default
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EC	Economic capital
ECC	Engagement and Compliance Committee
EL	Expected Loss
FMCR	Financial Markets Credit Risk
Foundation	Stichting Administratiekantoor NIBC Holding
FTEs	Full-time equivalents
GO facility	Garantie Ondernemingsfinanciering
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred but not Reported
IC	Investment Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFRIC	International Financial Reporting Interpretations Committee

IFRS	International Financial Reporting Standards
IM	Investment Management
IMA	Internal Model Approach
LGD	Loss given default
LTI	Long-term incentive
LTiMV	Loan-to-Indexed-Market-Value
LTV	Loan-to-market values
MR	Market Risk
NHG guarantee	Mortgage with Dutch government guarantee
NIBC	NIBC Bank N.V.
NIBC Funds	Funds set up and managed by NIBC
NIBC Holding	NIBC Holding N.V.
OECD	Organisation for Economic Co-operation and Development
OOE	One Obligor Exposure
ORM	Operational Risk Manager
OTC	Over The Counter
PD	Probability of default
PECDC	Pan-European Credit Data Consortium
PFI	Private Finance Initiative
PPP	Public-private partnership
RAROC	Risk-adjusted return on capital
RC	Regulatory capital
RDRs	Restricted Depositary Receipts
repos	Repurchase agreements
reverse repos	Securities purchased under agreements to resell
RMBS	Residential Mortgage-Backed Securities
RMC	Risk Management Committee
RMS	Rating Monitoring System
RNC	Remuneration and Nominating Committee
RP	Risk Policy department
RWA	Risk weighted assets
SPE	Special Purpose Entity
SREP	Supervisory review and evaluation process
STI	Short-term incentive
TC	Transaction Committee
VaR	Value at Risk
Veca	NIBC Venture Capital N.V.
WEW	Social Housing Guarantee Fund (Stichting Waarborgfonds Eigen Woningen)
Wft	Wet op het financiële toezicht

Annual report 2009

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NIBC Bank N.V.
Carnegieplein 4
2517 KJ The Hague
the Netherlands

www.nibc.com

Presentation of information
This annual report (Annual Report) of NIBC Bank N.V. (NIBC) is prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

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 Repor t, whether as a result of new information, future events or otherwise. Neither do NIBC nor any of its directors, officers, employees make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

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www.nibc.com

Carnegieplein 4
2517 KJ The Hague
the Netherlands
phone: +31 70 342 5425
fax: +31 70 365 1071