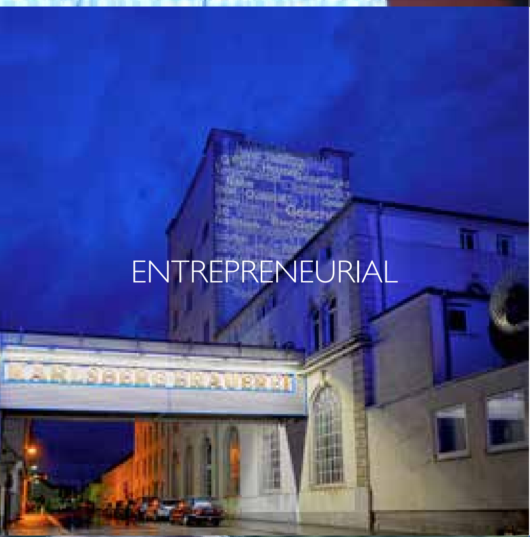

THINK **YES**

NIBC

ANNUAL REPORT 2015 | BANK

Entrepreneurial, professional and inventive

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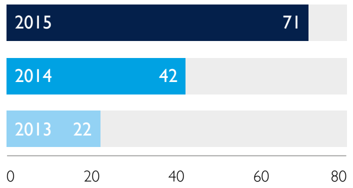
KEY FIGURES

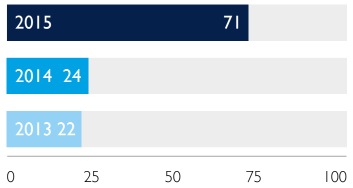
Earnings

IN EUR MILIONS

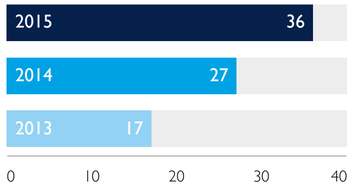
Net profit before special items



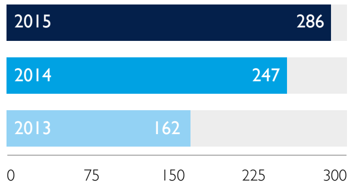
Net profit attributable to parent shareholder



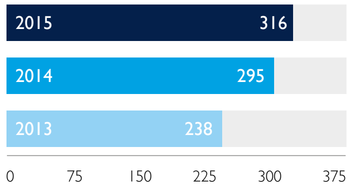
Net fee and commission income



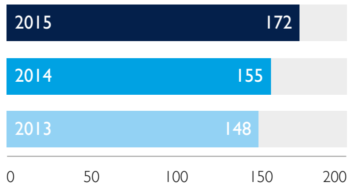
Net interest income[10]



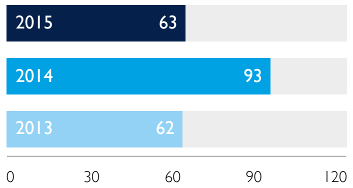
Operating income[10]



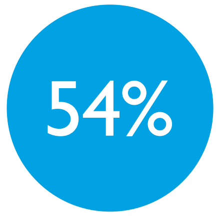
Operating expenses[10]



Impairments



COST-TO-INCOME RATIO[10]



2014 53% 2013 62%

	2015	2014	2013
Net trading income	(12)	3	56
Net interest margin[1, 10]	1.37%	1.28%	0.79%
Dividend payout ratio	0%	0%	73%
Return on equity[2]	3.9%	1.3%	1.2%

Corporate banking assets (drawn & undrawn)

	2015	2014	2013
Infrastructure & Renewables (I&R)	1,990	2,070	1,944
Shipping & Intermodal (S&I)	1,537	1,357	1,143
Commercial Real Estate (CRE)	1,293	1,321	1,312
Oil & Gas Services (O&G)	1,282	1,316	864
Industries & Manufacturing (I&M)	1,266	1,118	1,099
Technology, Media & Services (TMS)	968	744	532
Food, Agri, Retail & Health (FAR & Health)	896	864	518
Total corporate loans (drawn & undrawn)	**9,232**	**8,789**	**7,412**
Lease receivables	221	361	-
Investment loans	161	154	126
Equity investments	300	377	378
Total corporate banking assets (drawn & undrawn)	**9,914**	**9,681**	**7,916**

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

2 Net profit attributable to parent shareholders / total shareholder's equity at the beginning of the year.

Corporate banking assets (drawn & undrawn) per region

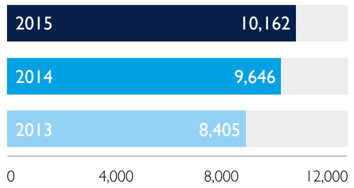
	2015	2014	2013
The Netherlands	3,304	2,983	2,547
Germany	2,229	2,293	1,698
United Kingdom	1,700	1,788	1,467
Other	2,681	2,617	2,204
Total corporate banking assets (drawn & undrawn)	**9,914**	**9,681**	**7,916**

Consumer banking assets

	2015	2014	2013
Mortgages - the Netherlands	8,463	7,891	7,331
Mortgages - Germany	117	167	233
Total consumer banking assets	**8,580**	**8,058**	**7,564**

Asset quality

Risk-weighted assets (EUR millions)



	2015	2014	2013
Cost of risk[3]	0.71%	1.18%	0.79%
Impairment ratio[4]	0.39%	0.63%	0.40%
NPL ratio[5]	3.7%	3.4%	3.8%
Top-20 exposure / Common Equity Tier-1	86%	104%	105%
Exposure corporate loans that display an arrear > 90 days	0.7%	0.8%	0.7%
Exposure residential mortgages that display an arrear > 90 days	0.7%	1.0%	1.4%
Loan to value Dutch residential mortgages[6]	84%	82%	82%

3 Impairments & credit losses mortgages in net trading income / average total RWA. 2014 includes exceptional impairments relating to additional impairments due to a prudent approach on the pre-crisis portfolio.

4 Impairments / average carrying value of loans & mortgages. 2014 includes exceptional impairments relating to additional impairments due to a prudent approach on the pre-crisis portfolio.

5 Total non-performing exposure (corporate and consumer loans) / total exposure (corporate and consumer loans). Non-performing exposure determined at customer level.

6 *Loan-to-Indexed-Market-Value* (**LTIMV**) excluding NHG guaranteed mortgages.

Solvency information[7]

	2015	2014	2013
Shareholder's equity (EUR millions)	1,886	1,831	1,789
Subordinated liabilities	400	320	298
Group capital base (EUR millions)	2,286	2,151	2,087
Balance sheet total	23,042	23,144	22,323
Tier-1 ratio	15.6%	15.5%	21.3%
BIS ratio	20.0%	19.3%	22.3%

COMMON EQUITY TIER-1 RATIO

15.6%

2014 **15.5%** 2013 **18.1%**

LEVERAGE RATIO

7.2%

2014 **7.0%** 2013 **7.6%**

Funding & liquidity[8]

	2015	2014	2013
LCR	201%	128%	150%
NSFR	113%	108%	107%
Loan-to-deposit ratio	143%	154%	165%
Asset encumbrance ratio[9]	29%	35%	34%
ESF / total funding	48%	45%	45%
Secured funding / total funding	24%	29%	30%
Corporate deposits / total funding	6%	5%	0%
S&P rating & outlook	BBB-/Stable	BBB-/Stable	BBB-/Negative
Fitch rating & outlook	BBB-/Stable	BBB-/Stable	BBB-/Stable

Other information

	2015	2014	2013
Assets under management for third parties (EUR millions)	1,703	1,732	1,995

[7] Common Equity Tier-1 ratio (previously Core Tier-1 ratio), Tier-1 ratio and BIS ratio based on Basel III as of 1 January 2014. Untill 31 December 2013 all capital ratios were based on Basel II. Leverage ratio is based on Basel III. The solvency information is based on the CRR/CRD IV regulation, calculated for NIBC Bank consolidated on a fully loaded base and including the full year net profit of the year.

[8] All funding & liquidity ratios with exception of loan-to-deposit are calculated at a NIBC Holding level, loan-to-deposit ratio is calculated on NIBC Bank level.

[9] Encumbered assets + total collateral received re-used / total assets + total collateral re-used.

[10] Previous year figures have been adjusted to reflect the changes in accounting policies as disclosed in the section 'Other changes in NIBC's accounting policies'.

Non financial key figures

NPS SCORE[11]

+40%

2014 **+27%** 2013 **+28%**

NIBC DIRECT CUSTOMER SURVEY SCORE

7.7

2014 **7.5** 2013 **7.7**

	2015	2014	2013
% of new corporate clients screened against sustainability policy framework	100%	100%	100%
Number of new clients with increased sustainability risk assessment	14	43	22
Number of project finance transactions closed in line with Equator Principles	6	9	8
Number of fees, fines and sanctions paid in accordance with laws, regulations & tax rulings[12]	1	0	0

TOTAL FTEs END OF YEAR

644

2014 **637** 2013 **596**

EMPLOYEE ENGAGEMENT

84%

2014 **85%** 2013 **85%**

MALE / FEMALE RATIO

70% 30%

2014 **71% / 29%** 2013 **71% / 29%**

	2015	2014	2013
Absenteeism	2.1%	2.1%	2.7%
Training expenses per employee	2,540	1,759	1,950
Employee turnover (employees started)	15.2%	19.7%	9.4%
Employee turnover (employees left)	15.2%	13.2%	14.6%
Male / female ratio top managment	90% / 10%	88% / 12%	88% / 12%

[11] Score based on the response of 154 clients on our NPS-survey.

[12] In 2015, non-punitive fee (EUR 50k) agreed with German tax authorities as part of settlement of regular tax audit.

AT A GLANCE

WHO WE ARE

NIBC Bank N.V. (**NIBC**) is an enterprising bank offering corporate and consumer banking services. From our headquarters in The Hague, and offices in Frankfurt, London and Brussels, we service more than 1,000 businesses and approximately 390,000 retail clients, with a portfolio of client-focused entrepreneurial financial products and services.

Established in 1945, we have forged longstanding relationships with our clients based on absolute trust, complete transparency and reliability. Our clients are mainly highly dynamic mid-sized businesses, often family owned, as well as enterprising and independent minded individuals. We strive to put their interests first and share with them a distinctively forward-thinking, can-do spirit, which we call our 'Think YES' mentality.

Business model

Mission and vision

We focus on our clients' most decisive moments in business and in life. We believe clients want a long-term relationship with their bank that is based on trust. In a complex world, they look for a bank that is transparent and accessible and that provides them with clear and sustainable solutions.

Our corporate values

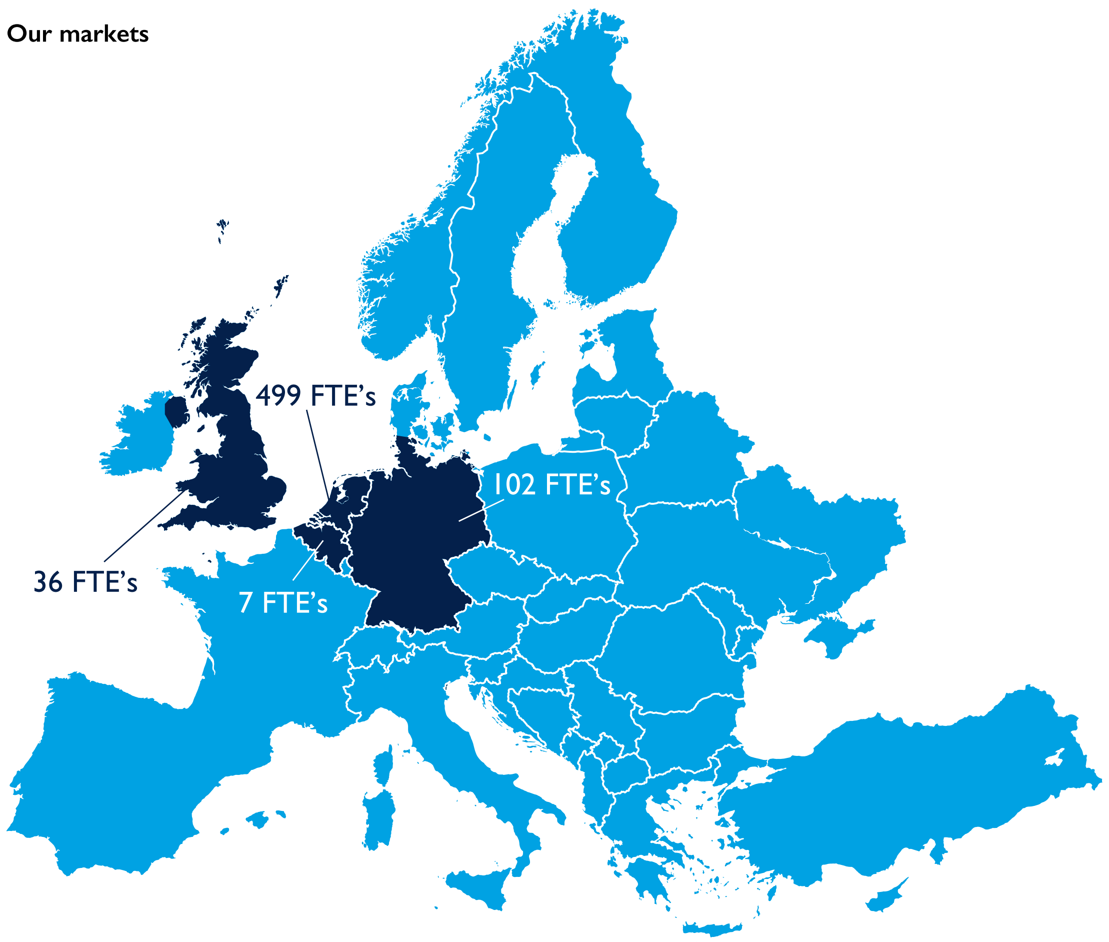
Our performance is rooted in the strength of our corporate values, which guide our everyday actions and decisions, and differentiate us in the market.

Entrepreneurial: We are a sound, enterprising bank focused on our clients' decisive moments in business and in life. Our clients require a bank that can respond quickly and flexibly to their requirements.

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

Inventive: We are a provider of highly bespoke solutions, and encourage our people to think outside of the box when crafting them.

Our markets



WHAT WE DO

Corporate Banking

We provide advice and debt, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany and the United Kingdom. These include; Food, Agri, Retail & Health; Commercial Real Estate; Industries & Manufacturing; Infrastructure & Renewables; and Technology, Media & Services. Furthermore, we are active in two global sectors in which we have longstanding expertise: Oil & Gas Services and Shipping & Intermodal.

Consumer Banking

We offer consumers who look to actively manage their financial ambitions, savings products in the Netherlands, Germany and Belgium, mortgages in the Netherlands, and brokerage services in Germany under our NIBC Direct label.

	2015	2014	2013
NPS Score corporate clients	+40%	+27%	+28%
NIBC Direct Customer Survey Score	7.7	7.5	7.7

OUR STRATEGY

Through our strategy we aim to create a sustainable franchise for the future with strong solvency, ample liquidity and profitable growth, by focusing on our greatest strengths. Our strategy is based on three pillars in which we have a distinct competitive edge:

Focus

We focus on decisive moments in our clients' lives, such as company takeovers, expansion, or buying a house. We are not distracted by day-to-day flow business. This means we work hard to anticipate trends and the impact they could have on our clients and their needs.

Entrepreneurial culture

We nurture a culture that is inventive, entrepreneurial and professional, in which employees can create mostly tailor-made products and services for our clients. We also cultivate a 'can-do' attitude, by actively stimulating our people's energy and creativity.

Flexibility

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

OUR PEOPLE

With over 640 professionals, we look to develop a culture in which our people are able to reach their personal and professional potential by working together to fulfil our strategic ambitions. We aim to be ahead of other financial institutions and in line with high-performing organisations by continually improving and safeguarding our levels of employee engagement. In 2015, all NIBC employees recited and signed the Bankers' Oath in a sector-first interactive session.

SUSTAINABILITY

We believe high sustainability standards are a prerequisite for being a successful business and always look to ensure that our products and services are transparent, trustworthy and sustainable. We stay abreast of developments in the world around us, which helps us to better understand the risks and opportunities that sustainability may bring for our clients.

At the same time, we take responsibility for our own operations, reducing our environmental footprint and enabling staff to become involved in community programmes. We are a signatory to the *Equator Principles* (**EP**), which we apply for all project financing transactions.

This Annual Report has been prepared in line with the *Global Reporting Initiative* (**GRI**) G4 guidelines. We have received external reasonable assurance with regard to specific non-financial key performance indicators.

LETTER FROM THE CEO

Dear reader,

In each of our markets, we saw the tangible benefits of our 'Think Yes' campaign, with its unrelenting focus on clients, taking our relationships to unprecedented heights. NIBC delivered a robust business performance in 2015, underlined by stable growth in the corporate loan portfolio, record levels of fee income, an expansion of our retail mortgages and savings, and a further strengthening of our solid capital position and liquidity.

Net profit reached EUR 71 million, an increase of 69% over the previous year despite the challenging market conditions that continued to affect many Dutch and German mid-sized businesses and the global businesses. Our corporate loan portfolio expanded by 5% to EUR 9.2 billion with an improved composition thanks to new origination efforts and repayments. In our retail client business, NIBC Direct saw the mortgage portfolio grow by 6% to EUR 8.6 billion and retail savings increase 12% to EUR 10 billion. The retail funding base, more than half of which is in term deposits, now represents around 49% of our total funding.

The underlying capitalisation of NIBC strengthened in the year, with our fully loaded Basel III Common Equity Tier-1 ratio at 15.6% (2014: 15.5%) and BIS ratio at 20.0% (2014: 19.3%). NIBC successfully returned to the public debt markets in 2015 with a EUR 500 million offer in the public senior unsecured market. Our third conditional pass-through covered bond was also well received by the markets. Liquidity remained strong largely due to our prudent approach to market uncertainties, with the Liquidity Coverage Ratio at 201% (2014: 128%).

In Corporate Banking, where our clear focus is on advice and financing for mid-cap businesses in the Netherlands, Germany and the United Kingdom, we reaped the benefits of proactive origination efforts, and the swell of M&A activity in our target sectors. This was particularly true in Germany, following the full integration of Gallinat-Bank AG. We extended our coverage into promising sub-sectors, and assisted clients in industries where conditions were less favourable, such as Oil & Gas Services and Shipping & Intermodal. In addition to our financial performance, the efficacy of our approach was proven by a record result in our *Net Promoter Score* (**NPS**) of +40% in the year, based on the response of 154 clients on our NPS-survey. This is a high-water mark for the industry, and confirms the value that clients attach to our account management, speed and sector knowledge.

Our Consumer Banking arm, which offers retail clients a distinct range of transparent and easy-to-manage mortgage and savings products, and brokerage services via NIBC Direct, also experienced growth across the board. In mortgages this growth was driven by the stability that has gradually returned to parts of the Dutch housing market and by our ability to tap areas with special needs, such as buy-to-let. In savings, we in-sourced our client service centre, thereby shortening our communication lines with clients and boosting our efficiency. This was appreciated by our clients who gave us a 7.7 score in our customer survey. In November, NIBC Direct was awarded 'Website of the year' by the Dutch Marketing Authority for its simplicity and straight-forward interface.

In every instance, both corporate and retail, we coordinated clear solutions to complex challenges through tailor-made products and services, supported by fast decision-making and processing, professionalism and market knowledge. It is a strategy that is enabling us to forge long-term customer relationships, while sustainably building our business and safeguarding our balance sheet.

Following the repositioning of the NIBC brand through the 'Think Yes' campaign, we have looked to redefine our corporate values to ensure they are consistent with the way we set our goals, invest in our people, and evaluate our performance. To this end we have renovated our office in The Hague and introduced flexible working, making collaboration between sectors, products and geographies easier. Furthermore, we continued our 'Banking on Trust' programme, which in the year included an inspiring company-wide event to mark the adoption of the new Bankers' Oath in the Netherlands by all our employees.

In February of 2016, member of the Managing Board and Chief Risk Officer, Petra van Hoeken announced that she will leave NIBC after more than four successful years. During this time, Petra significantly contributed to the strengthening of NIBC's resilience by improving its credit, market and operational risk framework and by supporting developments in the areas of legal & compliance and sustainability. On behalf of the entire Managing Board, I would like to express our gratitude to her for her work, and wish her every success in the future.

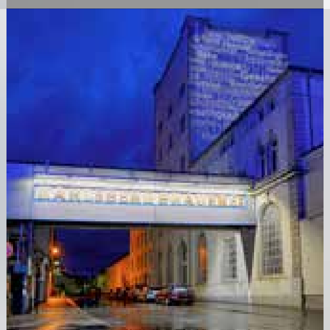
Looking ahead, we understand the nature of the challenges before us as well as the opportunities. Economic conditions are likely to remain challenging with relatively low interest rates, fluctuating oil prices and currencies, regulatory uncertainties, and geopolitical pressures. We believe this environment provides excellent opportunities to further strengthen our relationship with clients by helping to navigate the changing landscape through inventive solutions and advice. In 2016, our product suite will be wider and highly relevant to their needs. Most significantly, our new leasing activities will soon be fully operational, while the pending acquisition of SNS Securities will enable us to offer added solutions and services.

I would like to take this opportunity to thank all our stakeholders for this remarkable year, most significantly, our clients, who have trusted NIBC to be their financial partner during their most decisive moments in work and in life. A special thanks also goes to our employees, whose tireless dedication, commitment and 'Think Yes' mentality has enabled us to deliver on our ambitions. I look forward to working closely with them in 2016 and beyond, as we continue to build, with confidence, the NIBC we aspire to be: professional, entrepreneurial and inventive.

The Hague, 8 March 2016
Paulus de Wilt
Chief Executive Officer,
Chairman of the Managing Board

Building a more sustainable future through our new BECC venture

Supporting DocData in the consolidating e-commerce market



Providing long-term strength and stability to Karlsberg

REPORT OF THE MANAGING BOARD

VISION AND STRATEGY

NIBC is an enterprising bank focused on its clients' most decisive moments in business and in life. In a complex world, our clients look to develop long-term banking relationships based on transparency and trust. We provide advice and debt, mezzanine and equity financing solutions for visionary business entrepreneurs, and straightforward and transparent products and services for enterprising retail customers. From our offices in The Hague, Frankfurt, London and Brussels, we service around 1,000 businesses and approximately 390,000 retail clients.

In 2015, we continued to rely on our vision and strategy to deliver sustainable and profitable growth in the business. Our performance was underlined by a growing and improved corporate loan portfolio, and by a strongly expanding mortgages and savings business. We successfully introduced new products into the market, delivering on high-profile project mandates, and reaping the benefits of our client-focused approach, as was evidenced by our unprecedented industry-leading NPS of +40% for the year for our Corporate Banking business. We have also in-sourced our customer service centre for NIBC Direct to further intensify its client relationships.

NIBC's solid capital position continued to improve, evidenced by a Basel III (fully-loaded) CET-1 ratio of 15.6% and a BIS ratio of 20.0%, and a loan-to-deposit ratio of 143%, which is well within our target range. We also expanded our presence and visibility in the subordinated debt (Tier-2) and public senior unsecured debt markets. Liquidity levels remained strong, due to our prudent approach to market uncertainties. Impairments of 39 basis points are now in line with our ambition of below 40, while new origination and repayments further enhanced the composition of our corporate loan book.

ROOTED IN OUR CORPORATE VALUES

Our performance is rooted in the strength of our corporate values, and in our determination to be the enterprising partner for decisive moments. These values guide our everyday actions and decisions, and differentiate us in the market. As a bank built for entrepreneurs, we are committed to having a 'Think YES' mentality by being flexible, agile and by sharing our clients' can-do attitude.

Entrepreneurial: We are a sound, enterprising bank focused on our clients' most decisive moments in business and in life. Our clients require a bank that can respond quickly and flexibly to their requirements.

Professional: Our in-depth sector knowledge, expertise in financial solutions and agile execution are the foundation of our success.

Inventive: We are a provider of highly bespoke solutions and encourage our people to think outside of the box when crafting them.

OUR BUSINESS MODEL

NIBC focuses on Corporate Banking and Consumer Banking activities. Indispensable to our entire business are Treasury, Risk Management and Corporate Center. Our client teams deliver a wide range of customised products and integrated solutions to clients in all our sectors. To better serve our clients, we work with several Advisory Board members who add further value by bringing strategic outside-in insights and advice on new opportunities and avenues for growth in the business sectors and fields in which we excel.

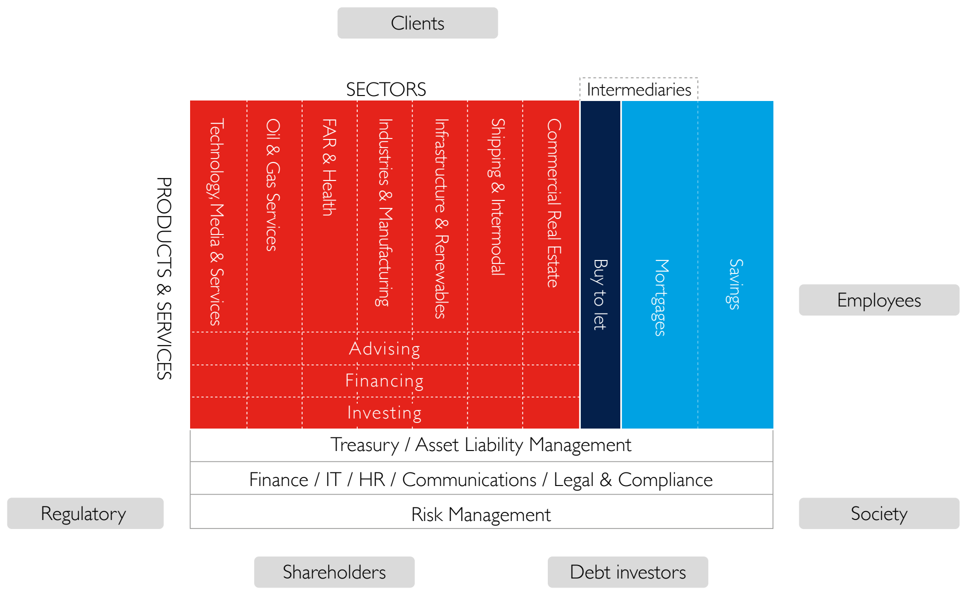
NIBC has made clear choices not to offer routine daily banking services such as current accounts or payments so that it is better able to concentrate on its clients' needs and on our home markets. Without the costs and liabilities of a brick-and-mortar branch network, we are able to serve our clients in a sharper and more dynamic way. We are also a. reliable partner to universal banks, as partner in a syndicated deal or advisor to one of the deal parties

The healthy growth of our net interest income and our fee income in 2014 and 2015 demonstrates the quality and stability of NIBC's earning capacity. This is also reflected in the higher volumes of our new businesses in both corporate and consumer banking. Next to the income side, the bank was also able to further diversify its funding profile on the wholesale and retail markets.

Operational structure

Through our Corporate Banking activities we provide a wide range of customised products and solutions across a select number of sectors in which we have strong expertise and market positions.

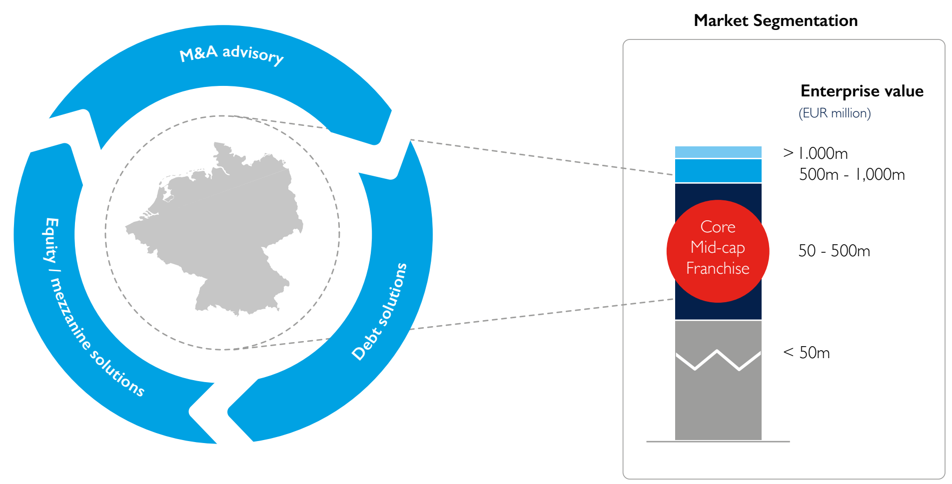
NIBC and its environment



In **Corporate Banking** we offer advice and debt, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany and the United Kingdom. NIBC has long-standing expertise in its corporate niches where it is a provider of highly bespoke and specific solutions.

We apply a three lines approach; first we assess the sector and the client; then the underlying contract, that generates the cash flows; and lastly we assess the collateral base. These niches include Food, Agri, Retail & Health; Commercial Real Estate; Industries & Manufacturing; Infrastructure & Renewables; and Technology, Media & Services.

Furthermore, we are active in two global sectors Oil & Gas Services and Shipping & Intermodal. We look to adjust our products based on our clients' individual needs, and strive to forge a genuine long-term partnership with them that is based on transparency and trust.



In **Consumer Banking** we offer residential mortgages, including a new buy-to-let mortgage product, and online retail saving deposits via NIBC Direct in the Netherlands, Germany and Belgium. We also provide brokerage services in Germany. Our consumer offering is mainly outsourced and fully automated, which enables us to deliver products and services in an efficient and cost-effective way.

Treasury and **Asset Liability Management** manage the bank's balance sheet in relation to interest, liquidity and capital risks and operate the treasury function. There is a close cooperation between Treasury and Risk Management to ensure that NIBC's overall risk appetite is in line with the strategy and the capital requirements.

The **Corporate Center** consists of HR & Corporate Communications, Internal Audit, Legal & Compliance, Sustainability, Operations & Facilities, Technology, Finance & Tax and Strategy. HR & Corporate Communications aims to foster a culture that supports our 'Think Yes' approach and ensures that NIBC is within the top quartile of the employer benchmark. Corporate Communications is responsible for engaging with our external and internal stakeholders.

Internal Audit performs operational audits based on their annual audit plan, which is approved by the Supervisory Board and reports to the *Chief Executive Officer* (**CEO**).

Legal & Compliance provides legal support to the whole organisation, including the managing the group's legal risks and NIBC's reputation. Compliance is responsible for independent oversight of policies, procedures and core processes, to ensure that NIBC and its employees act in conformity with all applicable laws and regulations. Sustainability focuses on the embedding of sustainable practices across the core processes of the bank.

Operations & Facilities and Technology are closely aligned with the business and focus on running the bank's operational requirements and on change management. Special attention is given to the costs that are implicit in the ownership and maintenance of the service quality of systems and infrastructure. In terms of change management, there are several projects that have initiated due to the evolving regulatory environment. This department works closely alongside the business to further improve the clients' experience when doing business with NIBC. Finance & Tax and Strategy focuses on the preparation of management and reporting information to internal and external stakeholders. Finance plays an active role in challenging the business with regards to new opportunities and important decisions.

Risk Management is the cornerstone of NIBC's sustainable growth strategy. Hence, it is fully integrated into its planning and control cycle and its day-to-day business activities. The NIBC risk management framework provides a structured approach for managing risks as an integral part of our business activities.

Pivotal to this is that every member of NIBC staff takes accountability for his or her actions as part of our sound risk culture. Consequently, NIBC works with a 'three lines of defence' model, which begins with the responsibility that each employee must take within the risk management framework.

Our risk appetite defines the amount and type of risk the organisation is willing to accept in pursuit of its business objectives. Performance is measured across six pillars by means of quantitative and qualitative risk appetite statements. This framework helps NIBC implement and execute its strategy of sustainable growth, and provides guidance with regards to client interests, product suitability and compliance with laws and regulations. The risk appetite is rolled out throughout the organisation and incorporated in policies, procedures, limits and action plans. Key risk/performance indicators and early warning signals are used to monitor and control developments in the relevant areas.

Based on our risk management framework and the defined risk appetite, Risk Management secures a sound risk/return ratio.

MARKETS AND DRIVERS

We mainly serve the dynamic medium-sized company segment in North-Western Europe, where we have long-standing expertise. This segment includes companies with an annual turnover of between EUR 50 million and EUR 500 million, which are often characterised by a common set of entrepreneurial values and management practices. There are an estimated 3,000 businesses within this category based in the Netherlands, while in Germany, there are some 11,000 businesses with these same characteristics, as part of that country's *Mittelstand*.

Many of our corporate clients are privately or family-owned businesses and include corporations, financial institutions, institutional investors, financial sponsors, family offices, entrepreneurial investors and retail clients. These companies are usually participants in major national and international supply chains within their respective sectors, and are often disruptors in their markets, challenging the space of larger corporations and enabling innovation to take hold. The mid-market is restless by nature and requires a bank that can respond quickly and in a highly flexible way to its requirements. Mid-market businesses are usually long-term oriented and not overly leveraged, which reflects the type of banking relationships they look to have.

Within the mid-market, our focus is on the supply chain economies of selected industries, in which our expertise is strongest. These include Food, Agri, Retail & Health; Industries & Manufacturing; Infrastructure & Renewables; Technology, Media & Services and Commercial Real Estate in North-Western Europe and Oil & Gas Services and Shipping & Intermodal globally.

On the retail side, our focus is on a wide group of consumers who actively manage their financial ambitions. We offer complete products against a fair price that are based on client needs. In savings, we service clients with fixed and flexible term products and offer the same service levels for all products. In mortgages we focus on first and second time buyers and switchers, in addition to the (semi) professional investor with our buy-to-let product and brokerage services.

Growth drivers

Growth in demand for our products and services is closely linked to the various stages of the economic cycle and of our respective sectors. During periods of strong growth clients often approach NIBC in the context of major financial decisions, such as mergers & acquisitions major investments, share listings and other transformational moments. During slower growth periods, we help clients facing difficulties and looking to make strategic adjustments to their operations and balance sheet.

In every case we offer a coordinated multi-product approach combining advice, financing and investment, to provide clear solutions for these complex business challenges.

Demand is often driven by the need for products and solutions that are not elsewhere, which we tailor to the individual requirements of the client. This approach is combined with fast decision-making and processing, deep-seated sector expertise, and knowledgeable banking experts.

On the retail side, demand is linked to economic circumstances such as interest rates and customer confidence. Mortgages have developed positively on the back of an improved residential real estate market in the Netherlands. Growth in savings is driven by a lack of alternative investment opportunities and the still modest rate of consumption of retail clients.

SWOT analysis

As part of our annual planning cycle, we assess NIBC's position in relation to the opportunities and

STRENGTHS	WEAKNESSES
Clear strategic focus and in-depth knowledge of specific market segments.	Impact of NIBC's credit rating on market access in volatile capital markets.
Inventive, professional, entrepreneurial and highly engaged employees (+84%).	Current profitability and return on equity.
Flexibility to adapt to changing world and grasp the opportunities it presents.	Limited product suite.
High client satisfaction, NPS score of net +40% for corporate clients and 7.7 customer satisfaction score.	No direct access to USD funding and interdependency on cross currency swaps.
Solid financial foundations.	
OPPORTUNITIES	**THREATS**
Economic recovery and return of client confidence especially in the Netherlands and Germany.	Exposure to Oil & Gas Services and Shipping & Intermodal, which accounted to 5% and 6% respectively of our total exposure.
We have a strong leverage ratio and capital base. We can seek opportunities as a consequence of the deleveraging in the sector.	Geopolitical situation, economic developments in China but also a potential Brexit.
Need for alternative forms of financing.	Continued low and/or negative interest rate environment.
Fast-track growth and focus on German mid-sized market.	More complex regulatory environment and rapidly changing requirements.
Clients' need for support in their efforts to adapt to the changing world. Reduction of certain large pre-crisis exposures including repricing.	Current uncertainty in the Netherlands with respect to treatment of senior unsecured bonds.
	Long tenors of infrastructure transactions, low risk profile, low returns in current business positioning of NIBC.

challenges in its markets, gathering input from a variety of stakeholders. On the previous page is an overview of our assessment of NIBC's strengths, weaknesses, opportunities and threats as of year-end 2015.

Strategy and objectives

The NIBC strategy is focused on creating value during our clients' most decisive moments. Through it, we aim to achieve our objectives of developing a sustainable franchise with strong solvency, ample liquidity and profitable growth. The strategy focuses on our greatest strengths and on tapping the most promising growth opportunities in our markets and in specific sectors of the economy, through a flexible and future-focused approach.

To best serve the interest of all our stakeholders over the long term, our strategy seeks to strike a sustainable balance between risk and return, while keeping costs under control. This is supported by our risk management approach, which ensures responsible banking, in line with regulatory requirements and ethical, environmental and social standards.

The strategy comprises three main pillars that give us distinct advantages in our markets: focus, entrepreneurial culture and flexibility. These pillars enable us to work towards long-term customer relationships and sustainability, and profitable growth, while safeguarding our balance sheet.

1. Focus

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

Focus is reflected in the NPS score of Corporate Banking, which has increased steadily over the past few years, with clients valuing the relationship, account management, high speed and sector and client knowledge. In 2015, this indicator reached an all-time high of +40%.

2. Entrepreneurial culture

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

The *NIBC Innovation Lab* (**The Lab**) aims to further stimulate the entrepreneurial culture of NIBC. The Lab's objective is to encourage everyone at NIBC to think beyond their current job responsibilities. Its ambition is to generate, assess and implement non-conventional ideas and initiatives. Projects can be run entirely in-house or in partnership with third parties.

3. Flexibility

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

The introduction of flexible working and the corresponding renovation of our office in The Hague as part of our 'NIBCity' programme, will give a strong impetus to our entrepreneurial culture and agility. We believe our clients will reap the benefits of our more collaborative work space tools. The client teams, which consist of experts from our sector and product organisations, and are often on different locations, will be able to hold more effective discussions through these work spaces and via video conferencing tools.

TARGETS AND PERFORMANCE

In our annual report 2014, we have articulated the targets for the period 2015 to 2017. These targets were set based on the outcome of the annual strategy day of the combined Supervisory and Managing Board in June 2014.

In the table below, we have assessed NIBC's performance against these targets, and find that overall, we are ahead of plan. This will be input for the strategy day in June 2016, during which new targets will be set for the period 2017-2020.

	Targets	Performance
	FRANCHISE	
☑	Be a reliable and client-focused bank for both our corporate and consumer clients.	Overall reflected by our NPS scores for Corporate and Consumer Banking.
☑	Maintain a positive NPS score (above 20) and high customer satisfaction with NIBC Direct (above 7.5) and thus retain our position in the top quartile within the financial sector.	Current score at +40%, based on the response of 154 clients on our NPS-survey, and 7.7; well above targets.
☑	Achieve a medium-term average corporate loan portfolio above EUR 9 billion, drawn and undrawn, and origination levels above EUR 2.5 billion annually, in our home markets.	At year end the drawn and undrawn portfolio amounts to EUR 9.2 billion, with origination at EUR 2.9 billion well above our targets.
☑	Grow our loan, equity and advisory business.	We achieved a growth of 33% of our fee business, and healthy growth overall.
☑	Achieve a medium-term average mortgage portfolio above EUR 9 billion.	Total origination of mortgages amounted to EUR 1.3 billion, and the mortgage book increased to EUR 8.6 billion from EUR 8.1 billion.
+/–	Introduce two new retail client (mortgage or other) products annually according to customer demand and interest.	We launched our buy-to-let (*vastgoed hypotheek*) product with good origination levels in the first year. Recent focus on self-employed individuals.
☑	Balance the growth of our retail savings over the three countries where NIBC is active.	Within our appetite. NL: EUR 4.1 billion; DE: EUR 4.7 billion; BE: EUR 1.2 billion.
	CAPITAL	
☑	Be a creditworthy partner for all our stakeholders, reflected in ratios such as a *Common Equity Tier-1 ratio* (**CET-1**) above 12% and *leverage ratio* (**LVR**) over 5%, all based on healthy growth of our client portfolios.	All in line with our ambition, CET1 at year end 2015 at 15.6% and LVR at 7.2%.
☑	Continue to invest in our people and to further develop our culture to boost NIBC's corporate values: innovativeness, entrepreneurship and professionalism. In this context, keep client satisfaction and employee engagement, as measured by our annual survey, at a minimum of 85% over time.	The year 2015 was pivotal to changing the ways in which we collaborate. Several projects were implemented successfully, including the. NIBCity initiative. Employee engagement score was 84%; 1% below previous year but still high. Training costs increased from EUR 1,759 to EUR 2,539 per employee.
☒	Continue to create a more diverse workplace by increasing the number of women in senior management positions, with a medium-term target to increase this above 30%. We are lagging on this target, so have now set it for 2016/17.	No major achievements in 2015. We remain committed to having more women in senior positions but have not reached our goal to increase the number of women in senior management positions to 30%.

	SUSTAINABLE PROFITABILITY	
✓	The qualitatively and quantitatively sound growth of our corporate and consumer portfolios, our private equity portfolios and our fee business will result in further sustainable growth in operating income in the coming years.	Operating income grew to EUR 316 million in 2015 from EUR 295 million in 2014 (more than 7%). Net interest income and net fee income also grew by 18%.
+/–	In addition, we will keep our cost-to-income ratio around 50% and work to reduce our impairment levels and retain these in line with market developments.	Major investments made in 2015 e.g. customer service centre and NIBCity. Furthermore, we reclassified the servicing cost of our mortgage books from net interest income to costs. The overall cost-to-income ratio amounts to 54%.
+/–	All the measures taken should result in sustainable growth of our net profit and restore return to shareholders to the range of 8-10%, with an intermediate net profit goal of EUR 100 million.	Although we are still not satisfied with the absolute amount of EUR 71 million, we are on track to reach our intermediate goal.
	LIQUIDITY/FUNDING	
✓	Our bank's liquidity is managed within the bandwidth of the LCR and NSFR being above 100%. Our internal appetite is set well above these external targets. The targets for coming years are set for further optimised funding diversification and managing interest rate risk. This will result in building a curve for both our pass-through covered bond and unsecured funding by issuing benchmark transactions. The target loan-to-deposit ratio is between 160-140% with an asset encumbrance of below 30% at end-2015.	In 2015 we went to the market with our third conditional pass-through covered bond and our first senior unsecured bond, which has a tenor of 3.5 years. Furthermore, our retail deposits grew by EUR 1 billion to EUR 10 billion. The asset encumbrance at year end was 29%, coming from 35% at year-end 2014.
	ASSET QUALITY	
+/–	Our business model for the corporate bank, with a focus on sub-investment grade clients but with well-structured and secured facilities, can lead to situations where temporary financial concessions are needed. We remain committed to our clients through downturns if we firmly believe in their underlying business and (financial) performance. We are working to reduce our impairment levels sustainably below 40 basis points.	Although our overall impairment levels are at 39 basis points, we still see some challenges in certain markets we are active in. In 2015 we took our first-ever impairment on an Oil & Gas Services exposure. This reflects the extraordinary circumstances in that market. Furthermore, we increased our *Incurred But Not Reported* (**IBNR**) by EUR 5 million, reflecting a *Loss Emergence Period* (**LEP**) of six months, which is more in line with common market practice. Impairments are at elevated levels and are expected to stay there mainly due to extremely low oil prices and macro-economic uncertainties.
✓	NIBC Direct mortgages originated in 2014 were mainly NHG covered, so no major losses are expected for the period. Improved housing market conditions will also result in stable or lower losses in our older mortgage book.	In 2015, we saw impairments at a level of 11 basis points (2014: 16 basis points) on our total mortgage book. This is well within our agreed appetite.

OUTLOOK

We are in the process of getting all regulatory approvals relating to the finalisation of the acquisition of SNS Securities. The acquisition price is not material for NIBC and will result in a bad will amount. This amount will be used to further invest in the franchise. The related funding of the operations of SNS Securities at the moment of closing of the transaction can be covered as part of our regular funding actions. After we receive all required approvals we will expand our service offering with the capital market solutions, equity and fixed income brokerage, research and execution services for independent asset managers. As part of our normal course of business we are always exploring opportunities to grow our franchise both organically and inorganically.

The external environment remains extremely volatile given unpredictable factors such as developments in China, the discussions around a potential Brexit, the refugee crisis and the impact on the macro- and social economic environment in Europe and individual countries such as Greece and Turkey. Furthermore, the uncertainties in the Middle East, the low and unstable oil price, and the continuing low interest environment. We are constantly assessing what the various scenarios will mean for our risk profile, so we can move fast to mitigate risks, if and when needed.

We see opportunities to further accelerate our corporate banking growth in 2016 and are investing substantially to support this growth. We are also exploring new retail products that tap into demographic trends. There is growing demand for non-standard mortgages, which we want to help meet.

We will concentrate on the activities clients value us for and consider a logical extensions of our offering. We are open to acquisitions that make strategic sense. Sustainable profitability remains the keyword. We currently have no ambitions to expand to new countries or launch flow products such as payments traffic. Internally, we will continue to invest in a number of regulatory-driven projects, as a consequence of the changing supervision regime. We must be aware of 'project fatigue' after the array of integration and IT projects we have launched in earlier years, which put pressure on our organisation. We are conscious of this risk, and are making sure we give people the tools they need to do their work well, rather than over-burdening them with change. On the risk front, operational risk in all its facets – including regulation, corruption and technology risk – will be prominent, in addition to 'classic' financial risks.

FINANCIAL PERFORMANCE

We look back on an eventful and positive 2015. The performance of our Corporate Banking and Consumer Banking activities was solid against a backdrop of challenging economic circumstances. We have been able to increase profitability due to strong origination amounting to EUR 2.9 billion and a further increase in our fee business to EUR 36 million as the main contributors of our corporate bank. Furthermore, our consumer bank continued to grow, despite the challenge of low interest rates.

The following section describes the financial developments and analysis of NIBC for the financial year 2015. Although NIBC distinguishes between two main client groups, corporate and retail, it is managed as one integral entity from a Managing Board perspective. Therefore, financial information is not segmented for reporting purposes.

Income statement

IN EUR MILLIONS	2015	2014
Net interest income	286	247
Net fee and commission income	36	27
Net trading income	(12)	3
Dividend income	1	2
Gains less losses from financial assets	2	16
Share in result of associates & other operating income	2	1
Operating income	**316**	**295**
Personnel expenses	(91)	(81)
Other operating expenses	(76)	(68)
Depreciation and amortisation	(6)	(5)
Operating expenses	**(172)**	**(155)**
Net operating income	**144**	**140**
Resolution levy	(4)	-
Impairments of financial assets	(63)	(93)
Corporate tax	(6)	(4)
Net profit before special items	**71**	**42**
Special items		
SNS levy (net)	-	(18)
Reported net profit	71	24

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.

Small differences are possible in this table due to rounding.

Compared to the presentation in the Annual Report 2014, servicing expenses for mortgage and retail savings have been reclassified from net interest income to other operating expenses. This concerns EUR 18 million of servicing expenses in 2015 and EUR 16 million of servicing expenses in 2014.

OPERATING INCOME

Operating income further increased in 2015 from EUR 295 million to EUR 316 million, an increase of 7%. This is after the reclassification in both years of our paid servicing expenses for mortgages and savings from net interest income to operating expenses, with no major impact on the relative increase. Operating income in 2015 is influenced by a significant write-off of EUR 20 million on a non-financial company, now classified as held for sale. The increase of operating income reflects the strong underlying growth of the corporate and consumer franchises.

Net interest income

Net interest income increased by 16% in 2015 to EUR 286 million from EUR 247 million in 2014.

The growth of net interest income was driven by the increase of our client business in both Corporate and Consumer Banking, in combination with the improvement of our funding profile:

- Our drawn corporate loan portfolio increased in 2015 by 8% from EUR 7.2 billion to 7.8 billion, driven by loan origination of EUR 2.9 billion more than compensating re- and prepayments. The positive impact on net interest income was supported by healthy origination spreads, leading to an increase in 2015 by 5% of the average portfolio spread from 245 basis points to 257 basis points;
- Our mortgage portfolio grew in 2015 by 6% to EUR 8.6 billion from EUR 8.1 billion, supported by origination of EUR 1.3 billion;
- Our funding profile combined with, on average, lower funding rates, also contributed to the increase of net interest income in 2015; and
- The US dollar's appreciation against the euro had an impact of EUR 6 million (or 2%) on net interest income.

Net fee and commission income

Net fee and commission income increased by 33% in 2015, after an increase of 59% in 2014. All fee activities displayed an improvement in 2015, contributing to the increase of net fee income from EUR 27 million to EUR 36 million, especially M&A Advisory services (+55%) and investment management (+29%).

Net trading income

Net trading income in 2015 amounted to a loss of EUR 12 million compared to a gain of EUR 3 million in 2014. The decline includes fair value changes relating to the portion of our mortgage and funding portfolios accounted for at *fair value through profit or loss* (**FVtPL**).

Positive revaluations of our FVtPL mortgage book generated a gain of EUR 11 million in 2015 (2014: gain of EUR 52 million). This positive net trading income was more than offset by revaluation of our structured funding, which had a negative effect of EUR 17 million (2014: EUR 23 million negative).

Gains less losses

Gains less losses decreased from EUR 16 million in 2014 to EUR 2 million in 2015, even though the underlying portfolio performed well and some exits with substantial positive results were realised. The main reason for the decrease were two significant losses on equity investments, including a write-off of EUR 20 million on a non-financial company transferred to held for sale. This asset is expected to be sold April 2016.

OPERATING EXPENSES

The increase in the operating expenses, from EUR 155 million to EUR 172 million, reflects both the one-off pension benefit in 2014 (EUR 5 million) and investments made in 2015 in people and special projects. These investments include the increase of origination capacity, the 'Think Yes' campaign, the in-sourcing of our client service centre and the roll out of the NIBCity project, which entails the implementation of more flexible working throughout the organisation and investments in IT.

The investments facilitate future growth of our business.

The cost-to-income ratio still is at 54%, after the reclassification of servicing costs from net interest income to operating expenses of EUR 18 million in 2015 and EUR 16 million in 2014. Earlier guidance that the cost-to-income should be in the range of 48-53% was before reclassification. The impact of this reclassification on the cost-to-income ratio is approximately 2.5% negative.

IMPAIRMENTS ON FINANCIAL ASSETS

In absolute terms, impairments decreased from EUR 93 million in 2014 to EUR 63 million in 2015. The year 2014 was influenced by an impairment of EUR 41 million resulting from restructuring actions and a prudent internal assessment on our real estate portfolio. In the 2015 impairments we added EUR 5 million to the provision for IBNR by adjusting the loss emergence period from three to six months, bringing this more in line with market practice. Furthermore, the 2015 underlying impairment level reflects the fragile and volatile economic environment, especially in our global sectors.

NET PROFIT BEFORE SPECIAL ITEMS

NIBC's underlying net profit (before the EUR 18 million net one-off SNS levy in 2014) increased by 69% from EUR 42 million in 2014 to EUR 71 million in 2015. This substantial improvement mainly reflects the strong foundations of the income line-items net interest income and net fee-income, driving our top-line growth.

Balance sheet

IN EUR MILLIONS	December 2015	December 2014
Cash and banks	2,491	2,760
Loans	7,790	7,240
Lease receivables	212	361
Residential mortgages	8,580	8,058
Debt investments	1,377	1,341
Equity investments	277	334
Derivatives	2,151	2,851
All other assets	165	198
TOTAL ASSETS	**23,042**	**23,144**

IN EUR MILLIONS	December 2015	December 2014
Retail funding	10,016	8,956
Funding from securitised mortgages	2,062	3,348
Coverd bonds	1,513	1,034
ESF	1,127	992
All other senior funding	3,548	3,280
Tiere-I & subordinated funding	400	320
Derivatives	2,350	3,217
All other liabilities	139	166
TOTAL LIABILITIES	**21,156**	**21,313**
SHAREHOLDER'S EQUITY	**1,886**	**1,831**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**23,042**	**23,144**

Both residential mortgages and the corporate loan book displayed a healthy growth in 2015, reflecting the trust of our clients in NIBC. Total corporate loans including undrawn, demonstrated a growth of EUR 0.4 billion especially in our home markets.

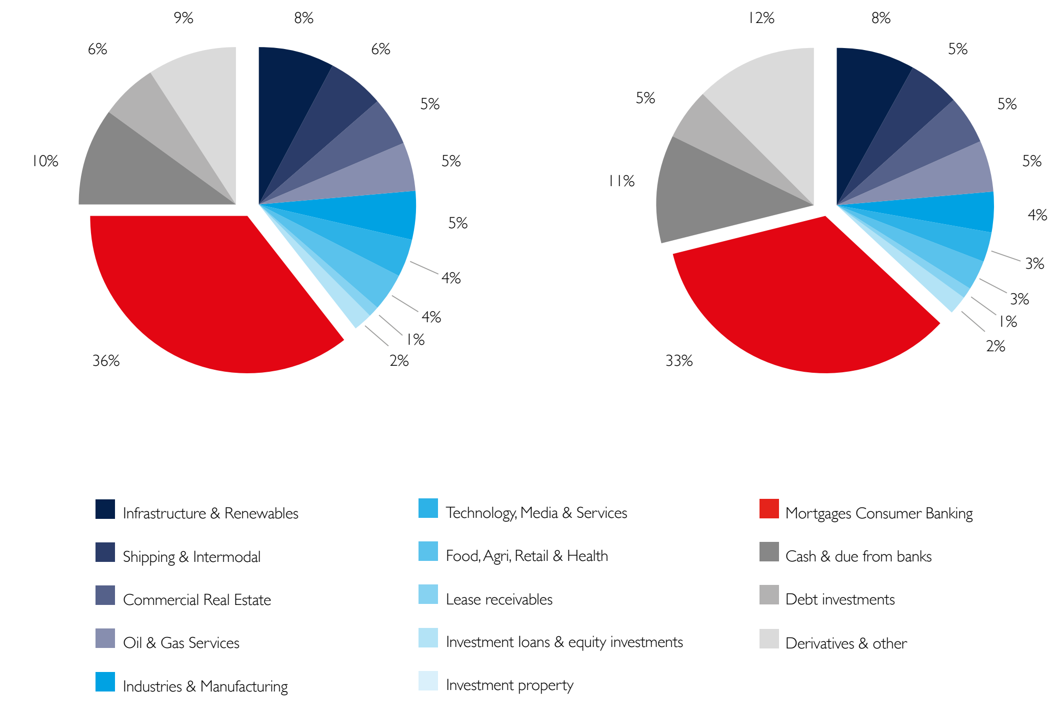
The drawn corporate loan book grew by EUR 0.6 billion to EUR 7.8 billion, or 8%.

The appreciation of the dollar versus the euro had a EUR 0.3 billion positive effect, reflecting our exposures to the Oil & Gas Services and Shipping & Intermodal sectors, which are mostly dollar-denominated. Total corporate banking assets grew modestly, including undrawn, lease receivables, investment loans and equity investments, from EUR 9.7 billion last year to EUR 9.9 billion in 2015.

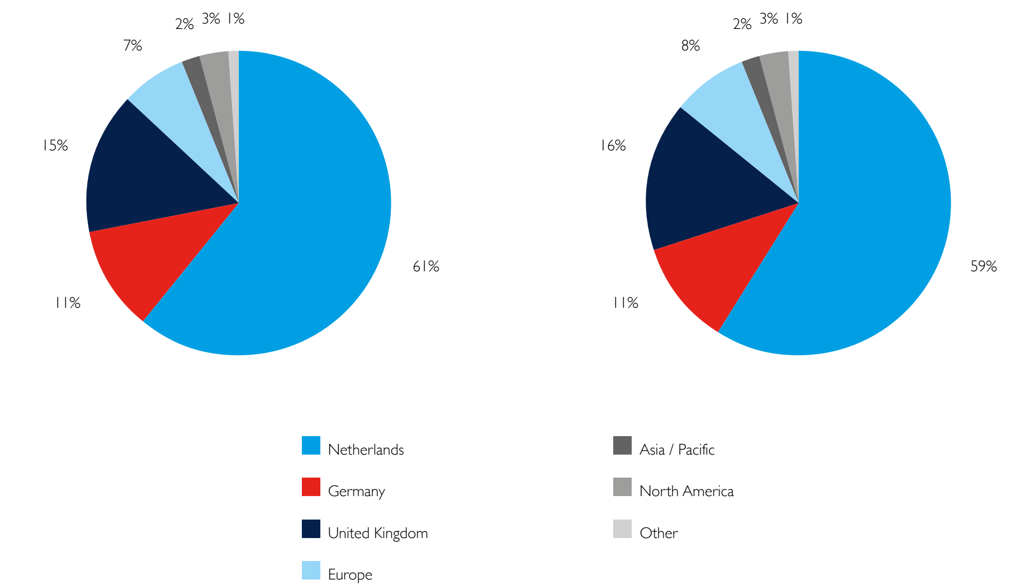
The credit quality of the non-defaulted part of the corporate loan portfolio remained stable in 2015. Even though our impaired exposure increased from 5.2% to 5.4% of the total corporate loan exposure, the total of impairments of EUR 172 million was roughly at the same level of 2014. Almost all of our corporate loans are collateralised in some form.

As a result our *loss-given-defaults* (**LGD**) are concentrated in those LGD-categories that correspond to recoveries in the range of 80%-90%. Our forborne exposure decreased substantially in 2015 from 13.3% of the total corporate loan exposure to 8.3%.

Breakdown total assets 2015 **Breakdown total assets 2014**



Breakdown total balance sheet by region 2015 **Breakdown total balance sheet by region 2014**



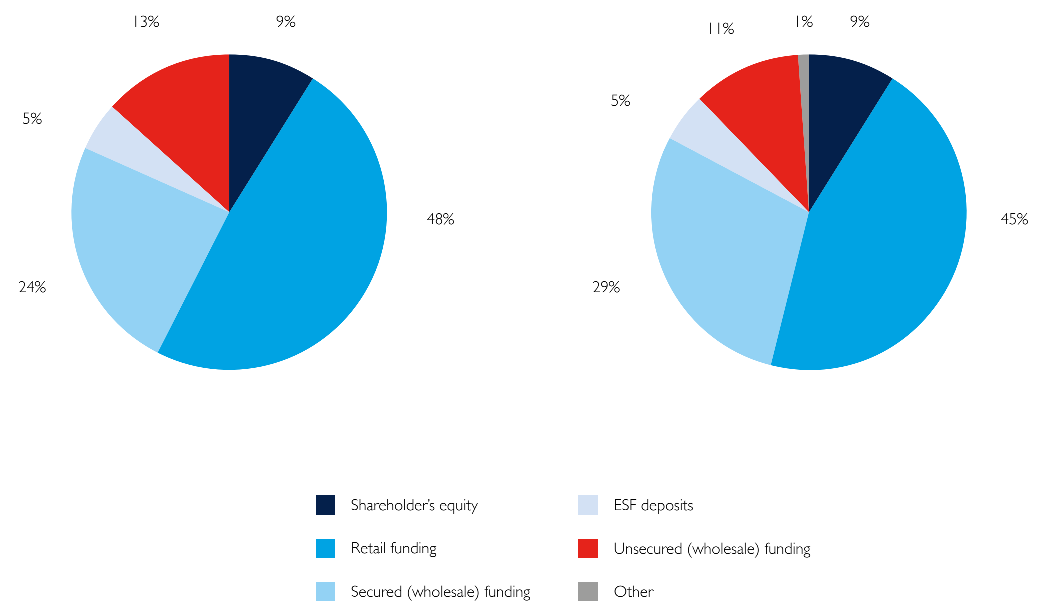
Our mortgage portfolio grew in 2015 by 6% to EUR 8.6 billion from EUR 8.1 billion, supported by origination of EUR 1.3 billion. NIBC's mortgage portfolio consists of two parts: mortgages originated since 2013 and those originated before the crisis:

- Since the crisis, we have made significant choices regarding our business model and mortgages originated since 2013 – a key part of our consumer franchise – are held to maturity and accounted for at amortised cost; and
- The mortgages originated before the crisis are valued at FVtPL. This valuation method was chosen when IFRS was first adopted, reflecting the 'originate to distribute' business model NIBC had at that time. As since the crisis we have made other choices regarding our business model for mortgages, these mortgages, although still accounted for at FVtPL, are in practice now also held to maturity. At year-end 2015, a EUR 96 million (2014: EUR 95 million) positive revaluation on the outstanding mortgages and related hedges was accounted for in our balance sheet due to credit spread movements.

As was the case in 2014, 2015 was marked by growth of our asset base. This development continued to fuel our funding needs and funding diversification. Diversification of funding has been a key part of our strategy since early 2008, when we started to build our retail savings franchise. We continued to diversify our funding sources in 2015. Overall, our funding mix shows a healthy balance between wholesale and retail:

- Retail savings increased in 2015 by 12% from EUR 9 billion to EUR 10 billion. Of our retail savings, 55% (2014: 48%) is in term deposits;
- With respect to wholesale funding we re-entered the unsecured market in the first quarter of 2015 with a senior unsecured bond. It had a total size of EUR 500 million, maturity of 3.5 years and pays interest of 1.7% above the swap rate. In April 2015 we issued our third conditional pass-through covered bond. The transaction, backed by a pool of Dutch residential mortgages, met strong demand in both the primary and secondary markets. The transaction size was EUR 500 million, had a maturity of 7 years and was priced +1 bps above the swap rate. In March 2015 we issued a privately placed EUR 50 million subordinated Tier-2 transaction with a maturity of 10 years, supporting our capital base. Additionally during 2015 various senior funding transactions at maturities ranging between 1.5 and 15 years were privately placed; and
- Institutional deposits attracted in Germany under the *Einlagensicherungsfonds* (**ESF**) increased in 2015 by 14% to more than EUR 1.1 billion.

Funding composition
2015 **2014**



The healthy funding and liquidity position in 2015 of NIBC is further evidenced by the following ratios:

- Our Liquidity Coverage Ratio of 201% (versus 128% at year-end 2014) and Net Stable Funding Ratio of 113% (108% at year-end 2014);
- Our asset encumbrance ratio of 29% (2014: 35%), which meets our ambition to maintain this ratio below 30%; and
- Our loan-to-deposit ratio of 143% (2014: 154%), which is in line with our ambition to maintain this ratio at a level between 140%-160%.

Part of the unsecured funding portfolio is classified at FVtPL. At year-end 2015 a debit of EUR 166 million (2014: EUR 192 million debit) on the unsecured funding portfolio at FVtPL is accounted for in our balance sheet due to credit spread movements.

SOLVENCY

NIBC's solvency ratios were maintained at a solid level in 2015, with the fully loaded CET-1 ratio increasing from 15.5% in 2014 to 15.6% in 2015 and the fully loaded BIS ratio increasing from 19.3% in 2014 to 20.0% in 2015. The leverage ratio of NIBC increased to an even more comfortable level of 7.2% at year-end 2015[1] (2014: 7.0%).

Challenges

- To continue to optimise NIBC's funding profile by increasing our access to the wholesale funding markets, building curves for secured and unsecured funding;
- To keep our cost-to-income ratio between 48-54%, on the adjusted basis in which servicing expenses are included in operating expenses instead of operating income;
- To reduce our impairment levels sustainably to below 40 basis points;
- To increase our net profit before special items to such a level that our return on equity will improve to above 8%;
- To maintain our solvency level above 12.5% with respect to the CET-1 ratio and 15.0% with respect to the BIS ratio; and
- To further improve our S&P and Fitch rating from BBB- with stable outlook to BBB flat in the medium term.

[1] Capital ratios include one securitised transaction for which regulatory treatment has been adjusted in 2015. Due to rating migration, the position is no longer treated within the securitisation framework and NIBC has included the position in its advanced internal ratings-based approach. Within this approach, NIBC has taken received credit protection into consideration when determining the applicable *risk weighted assets* (RWA).

CORPORATE BANKING

NIBC provides financing, advising and co-investment solutions to mainly mid-sized, often family-owned, companies and entrepreneurs in the Netherlands, Germany, United Kingdom and Belgium. It offers a broad range of tailor-made products and services, as part of a client-centred approach that aims to develop sustainable long-term relationships based on transparency and trust. In 2015, Corporate Banking delivered a strong performance, with EUR 2.9 billion in new origination, taking the total volume of Corporate Banking assets to EUR 9.9 billion (2014: EUR 9.7 billion), while fee income increased to EUR 36 million (2014: EUR 27 million). It also achieved a record high NPS of +40% (2014: +27%)

PRESENT POSITION AND OFFERING

NIBC has a clear focus on (family-owned) mid-cap companies in the Netherlands, Germany and United Kingdom, where it has longstanding areas of expertise. Furthermore, we serve especially Leveraged Finance, Infrastructure, FAR & Health and Technology, Media & Services transactions from our London office. In 2015, the full integration of NIBC Bank Deutschland AG and investments in originating capacity helped us to further expand our franchise in Germany, our second home market.

Our expertise spans debt and equity mezzanine, mergers & acquisitions, capitalisation advisory, leveraged finance and structured finance. We are also active in financing across seven key sectors in which we have deep-seated market knowledge and strong positions. Of the seven, two are global sectors, while five are locally-operating, well-diversified industry sectors.

APPROACH AND STRATEGY IN THE MARKET

NIBC Corporate Banking distinguishes itself in the market through strong, longstanding relationships with its clients, and by looking to add value on a transactional basis. We provide bespoke solutions in our markets that are often unavailable elsewhere, and aim to think and act like entrepreneurs. We are well-known for the following qualities:

Sectors	Products	Clients
■ Food, Agri, Retail & Health ■ Industries & Manufacturing ■ Technology, Media & Services ■ Infrastructure & Renewables ■ Commercial Real Estate ■ Oil & Gas Services ■ Shipping & Intermodal	■ Advising - M&A - Capitalisation advisory ■ Financing - Corporate lending - Leveraged finance - Structured finance - Asset finance - Project finance - Derivatives ■ Investing - Investment funds - Private equity (co-) investment	■ Corporate clients ■ Financial sponsors ■ Entrepreneurial investors - HNWE - Family offices / family owned companies ■ Institutional investors - Pension funds - Insurance companies - Banks

- We are an integrated and flexible organisation, that aims to react swiftly to the demands of clients and markets;
- Being inventive is at the core of what we do, and we are constantly seeking to develop products and services that are tailored to meet our clients' evolving needs; and
- We keep short communication lines, and encourage intensive cooperation across all departments and geographies.

To further deepen our understanding of the dynamics in our markets, we work closely with members of the Advisory Board, who provide strategic insights and advice on new opportunities and avenues for growth. These experts are highly experienced in the business sectors and fields in which we excel. They meet regularly to discuss strategy, trends and special issues within the corporate space. For more information about the Advisory Board please visit our corporate website.

The success of our market approach in Corporate Banking was again validated in 2015 through an unprecedented NPS of +40% in the Netherlands, Germany, the United Kingdom and Belgium, based on the response of 154 clients on our survey. This is among the highest in our industry, and conveys the improvements we have made to our client processes, and to the quality of account management over the years. Our corporate clients specifically value the relationship with account management, high speed and sector and client knowledge.

DEVELOPMENTS AND PERFORMANCE

In 2015, we saw increased demand across all sectors, from new and existing clients who value our fast-moving and bespoke corporate services. We continued to sharpen our sector focus, concentrating on industries in which we possess strong expertise and knowledge and where we can best help our clients achieve their strategic ambitions.

Volumes of newly originated loans totalled EUR 2.9 billion, which is comparable to last year's record level. This resulted in a healthy increase in our corporate loan portfolio, which reached EUR 9.2 billion (drawn and undrawn excluding equity/mezzanine positons), a 5% rise compared the previous year (2014: EUR 8.8 billion). This performance was largely the result of our dedicated and proactive origination efforts, through which we have steadily boosted our origination capacity, while organising special sessions to share client interaction best practices.

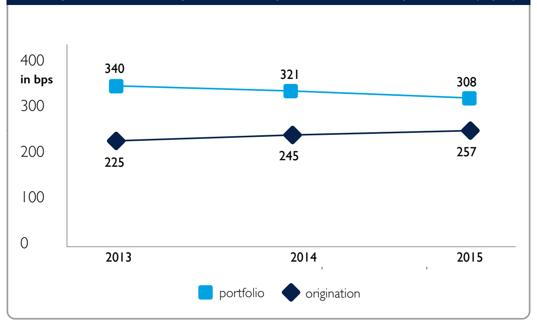
The well diversified corporate banking exposure of EUR 9.9 billion at 31 December 2015, consists of:

- EUR 9.2 billion corporate loans;
- EUR 221 million lease receivables;
- EUR 161 million investment loans; and
- EUR 300 million equity investments.

The composition of the corporate loan book improved due to repayments of some larger exposures and new origination. The improving portfolio spread and lower funding costs support our increasing net interest income. Significant repayments and prepayments were made by clients in the year, including distressed assets clients. This has resulted in a better risk profile of the overall portfolio and was more than compensated by origination of new, on average smaller ticket deals.

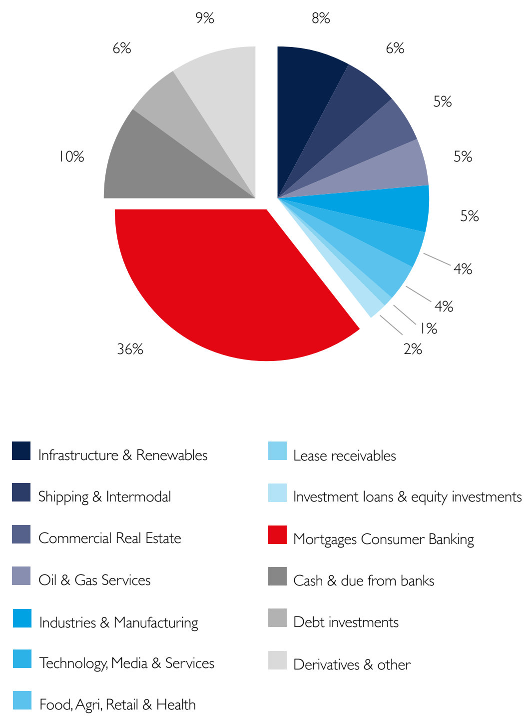
Fee income increased significantly, by 33% to EUR 36 million (2014: EUR 27 million), including increased client M&A activity and higher investment management fees. We also delivered a good conversion rate of our pipeline, and saw high levels of repeat business, thereby further demonstrating client satisfaction with our services.

Corporate loan porfolio spread development (bps)



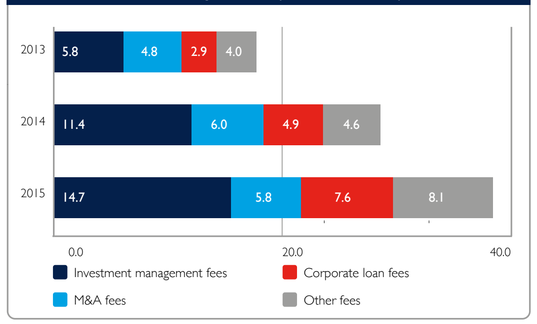
In Germany, we more than doubled our origination level, most notably in the second half of the year, going from EUR 0.5 billion to EUR 1.1 billion. This was mainly the result of NIBC's integration of Gallinat-Bank AG, which has also intensified our focus on this country, in addition to the targeted investments in local originators.

Breakdown total assets 2015



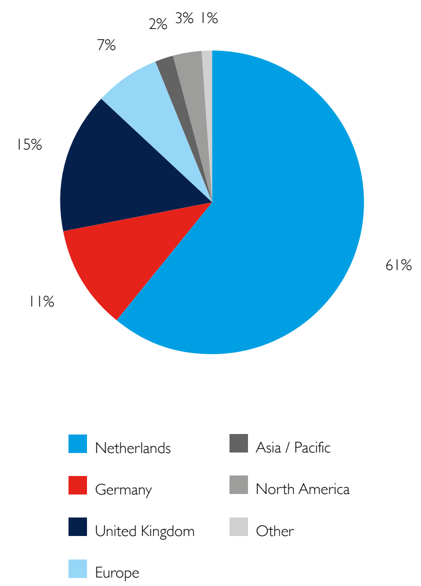
On a sector level, we are continuing to diversify our portfolio and further sharpening our focus on promising sub-sectors such as healthcare, telecom and business software. We are increasingly helping clients that face challenging conditions in the Oil & Gas Services and Shipping & Intermodal sectors.

Fee income development (EUR million)



In the Netherlands, we saw steady improvements in the Dutch economy that translated into stable growth over the year. There was greater traction in the market overall, with a corresponding increase in the number of decisive moments that typically lead our clients to require our services, most notably in the M&A arena.

Breakdown total balance sheet by region 2015



We saw a good performance and an improved risk profile in our Commercial Real Estate (**CRE**) business. New business (EUR 466 million), comprising mainly of smaller tickets with strong profiles, have replaced older and larger exposures. This resulted in a more or less stable CRE portfolio with improved risk profiles and better spreads. In Industries & Manufacturing, Food, Agri, Retail & Health; Technology, Media & Services, we delivered significant growth in our market share and through the number of products we offer.

In June, our Think YES campaign entered a new phase. It perfectly reflects our entrepreneurial mentality, making us unique within our sector and greatly appreciated by our customers.

In October, we launched an app for iPads, giving clients 24/7 access to concise information about NIBC's corporate banking activities. With the user-friendly app, clients and other interested parties can manage a wide range of account features, find specific contact information across NIBC and access documents offline via a library interface.

In December 2015, NIBC announced the signing of the acquisition of Netherlands-based SNS Securities, subject to regulatory approval. In the event that this transaction closes in 2016, NIBC will become increasingly active in the areas of securities, brokerage and capital market transactions, giving our clients an even larger choice of tailor-made banking solutions, thereby further building our franchise in the Netherlands in the years ahead.

Furthermore, we became a strategic partner and funder of a new equipment leasing company in December 2015. Through this investment we are broadening our scope into smaller ticket financing and will offer our clients the possibility to lease their assets. After a start-up period, the new leasing activities will be launched in the spring of 2016.

PROJECT HIGHLIGHTS 2015

In 2015, Corporate Banking secured mandates for a large number of high-profile deals across its markets, demonstrating its ability to provide tailor-made solutions swiftly, and at decisive moments for its clients. These included the following examples:

- In February, we realised the third success for our long-standing client Lucas Bols, advising the Dutch drinks company on its successful *initial public offering* (**IPO**) on Euronext Amsterdam. The offer book was well oversubscribed leading to a 5% increase on the initial offer price. Prior to the IPO, we provided Capitalisation Advisory to Bols with an in-depth strategic review and advice on its optimal capitalisation alternatives. Simultaneously, Food, Agri, Retail & Health co-arranged a senior secured EUR 80 million post-IPO refinancing package. During this IPO process, M&A acted as independent advisor to Lucas Bols' management and majority shareholder AAC Capital;
- In 2015, NIBC closed multiple deals with Karlsberg. In January, Food, Agri, Retail & Health Germany announced the successful closing of a multipurpose EUR 15 million facility for *Mineralbrunnen Überkingen-Teinach AG* (**MinAG**), which is a stock-listed German soft drinks producer and is majority owned by local brewery Karlsberg Holding GmbH. Our knowledge of the soft drinks industry as well as a long-term relationship with the company made it possible to enter this bilateral financing. In June, we acted as Mandated Lead Arranger in a new EUR 20 million borrowing base facility; and
- In October, we acted as advisor to Docdata in the EUR 155 million sale of its e-commerce activities to US-based Ingram Micro. Our services comprised a number of critical tasks, including the valuation analysis of Docdata and its e-commerce activities; stakeholder engagement efforts; corporate governance advice; advice on strategy, tactics, negotiation, structuring and financial planning; and day-to-day project management, including the due diligence process. In December, we also advised Docdata in the EUR 22 million sale of its IAI division to ASSA ABLOY. These transactions solidify NIBC's position in advising in complex public situations and realising a swift transaction process.

OUTLOOK

In the months ahead, we will increase our attention on promising sectors and sub-sectors such as healthcare, telecom, business software, where we see good opportunities to add value for clients. Due to market conditions, there are likely to be fewer opportunities in Oil & Gas Services and Shipping & Intermodal, although we will continue to help our clients navigate the challenging environment.

CONSUMER BANKING

Our Consumer Banking business offers clients a distinct range of quality savings, brokerage and mortgage products via NIBC Direct in the Netherlands, Germany and Belgium. We help clients realise their financial goals by offering products that are highly accessible, easy to understand and fairly priced. In 2015, Consumer Banking delivered a robust performance, with 6.5% growth in its mortgage portfolio, increasing to EUR 8.6 billion (2014: EUR 8.1 billion), and 12% growth in the total savings balance, which rose to EUR 10 billion (2014: EUR 9 billion). It also launched new products in its markets such as the buy-to-let mortgage product, and enhanced its client service by establishing a dedicated in-house client service centre for its clients in the Netherlands.

PRESENT POSITION AND OFFERING

NIBC is distinctly positioned among retail clients in its markets, by offering highly transparent and straightforward products and services. The business has a uniquely strong focus on its clients and looks to offer conditions on its products that are often more favourable than those available elsewhere.

Mortgages

Launched in 2008, NIBC Direct returned to the Dutch mortgage market in May 2013. These mortgages are sold through high street mortgage providers countrywide.

Housing market trends have generally become more favourable in the Netherlands since 2014, albeit with strong regional differences. A gradual recovery in transaction activity has taken hold, and affordability for homebuyers has improved, most notably because of historically low interest rates. In this environment however, margins are under pressure due to increased competition from new entrants in the market.

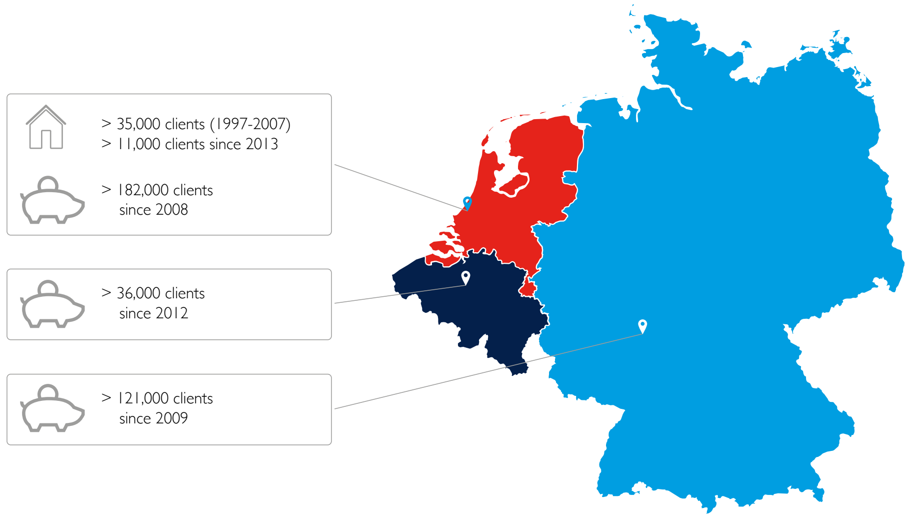
In addition to its conventional mortgage products offer, NIBC Consumer Banking has begun to diversify its product focus and is capturing emerging opportunities in underserviced segments of the market. This was further demonstrated in 2015 with the successful new buy-to-let proposition launched in January, and a recent focus on products for self-employed individuals.

NIBC's servicing and administration of the mortgage portfolio is outsourced to third-party servicers and special servicing is performed in-house. The special servicing at NIBC is focused on intensive contact with its mortgage clients and tailor-made solutions.

Retail savings

Under the brand name NIBC Direct, we offer a fair priced range of savings products in the Netherlands, Germany and Belgium, which range from on-demand, long-term deposits of up to 10 years to a combination of both in Germany. These award-winning products are known for their straightforward client-centric features and absence of complicated terms and conditions. NIBC Direct's savings policy is recognised as being customer-centric. For example, in the event of a downward adjustment of the term deposit rates, clients are given the option to open a term deposit at the old (higher) rate.

The total volume of Dutch, German and Belgian savings has grown every year since its launch in 2008, demonstrating the stickiness of this business, despite the high levels of competition and low interest rate environment.



APPROACH AND STRATEGY IN THE MARKET

NIBC's 'Think Yes' campaign also translates to consumers. NIBC Direct is recognised as a client-focused and entrepreneurial bank. Consumers can be more entrepreneurial and demanding than businesses and want clarity about their financial situation and possibilities. The word 'Direct' stands for personal and direct contact. In addition, we always endeavour to be as clear as possible on what we can offer in our products, services and pricing, so clients know what to expect at decisive moments.

Our offering is largely outsourced and fully automated, which enables us to deliver products and services in an efficient and cost-effective way. Unencumbered by the distraction of a physical bank network, we are able to spend more time and resources on adding value for our clients.

We have recently improved our direct contact with clients after transferring our client service centre back in-house. We are also focused on developing processes that help our retail clients better manage their finances, such as a dedicated mortgage portal. Here, customers can find an extensive overview of their mortgage.

In NIBC Direct mortgages, we acted as a 'first mover' to reward borrowers for making repayments by reducing their interest rate automatically once certain loan-to-value thresholds are reached. Our mortgage products are sold through high-street mortgage advisors because we also believe it is important that customers are able to receive the right advice from professionals with specialist knowledge.

As a responsible provider we look to help clients reach a solution in the event of financial distress by determining the need for forbearance measures for that client and the conditions that should apply.

DEVELOPMENTS AND PERFORMANCE

Mortgages

The Dutch mortgage market continued to demonstrate stable growth in the year, as the housing recovery gradually took hold, bringing an increase in first-time buyers and rising demand from second-time buyers and switchers.

In 2015, mortgage origination volumes surpassed our target level to reach EUR 1.3 billion (2014: EUR 1 billion), giving NIBC a share of approximately 2.1% in the market of newly acquired mortgages. After normal prepayments and repayments, our total mortgage portfolio (including white label) increased from EUR 8.1 billion in 2014 to EUR 8.6 billion in the year.

This strong performance was due to the favourable market conditions, and to our successful efforts to offset falling prices driven by increased standardisation in the market, more product similarity and increased competition. To achieve this we expanded our distribution network, to reach a broader audience especially for non-*National Mortgage Guarantee* (**NHG**) mortgages, while also intensifying our relationship and activities with existing distribution partners. In the year, we added four distribution channels, taking the total number of channels selling NIBC Direct mortgages to ten, covering 2,000 intermediaries.

The launch of our new buy-to-let mortgages in the Netherlands, fits our strategy of focusing on specific market segments and fulfils special needs in the market. The success of this product in its first year demonstrated that there are increasing numbers of private investors are investing in rented residential real estate, while more people also want to rent out their home.

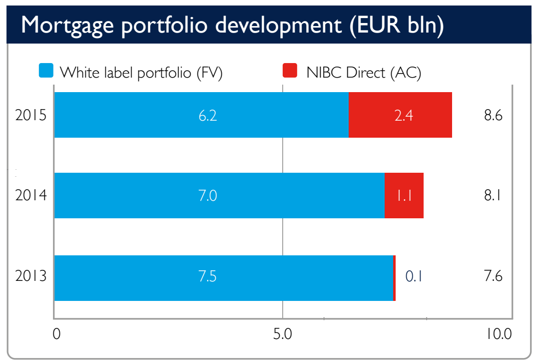
Savings

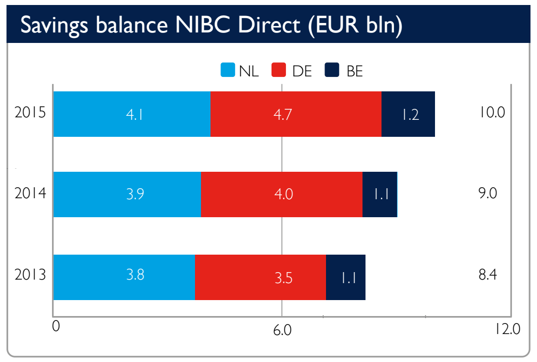
Total volume of savings rose by 12% to EUR 10 billion from EUR 9 billion in 2014. This growth was primarily driven by Germany, which accounted for EUR 0.7 billion, while the Netherlands accounted for EUR 0.3 billion. NIBC's German brokerage business, assets under management increased from EUR 92 million assets to EUR 131 million, an increase of 42%.

In August, we in-sourced our client service centre to ensure that clients have a more direct communication line with our people, and to demonstrate better value in a low interest rate environment. The NIBC Direct Customer Survey Score in each of our markets was 7.7 for the year, from 7.5 in the previous year, demonstrating strong levels of satisfaction.

In November, NIBC Direct was awarded the 'Website of the year' by the Dutch Marketing Authority. The public commended the website's simplicity and straight-forward interface, reflecting our strong client focused approach in savings and mortgage products.

Due to the sustained low interest rates, German customers are increasingly investing in equities as an alternative to savings. The German brokerage business proved to be an effective client retention method as NIBC Direct recorded an increase of 76% of total trading volumes on the back of 5,800 accounts (up from just under 4,800 in 2014).





OUTLOOK

In 2016, the focus of our consumer franchise will be to continue to grow the mortgage book through sustainable origination, offsetting prepayments and repayment levels. To achieve this, we must collaborate closely with existing distribution partners and potential new partners. A key to success will also be the ability to develop new and highly focused products that are underserved by NIBC's larger competitors.

In retail savings, NIBC will endeavour to sustain its high client satisfaction levels by intensifying its focus on creating long-term relationships based on transparency and trust. It will also make retail products and services more accessible and friendlier to clients via web channels. It will create additional functionality via cloud technology to enable more efficient IT operations.

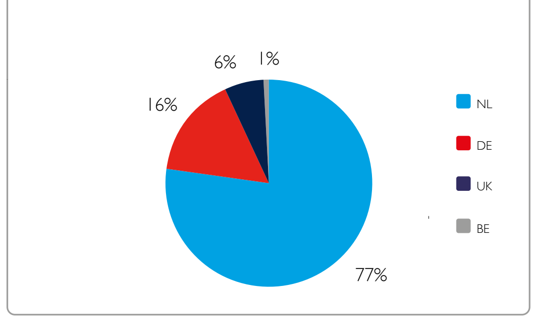
OUR PEOPLE

At NIBC, we understand that the development of our employees' capabilities and commitment levels is what ultimately defines our success in the market. We look to develop a culture in which our people are able to reach their personal and professional potential by working together to fulfil our strategic ambitions. Our business model is dependent on this cooperation and on encouraging individuals to take full responsibility, not only towards our clients and to NIBC, but also towards their local communities.

Following our repositioning of the NIBC-brand with the 'Think Yes' campaign, we also redefined our corporate values. The corporate values underpinning the campaign; entrepreneurial, professional and inventive, will also become the corporate values. In this way we link the external promise with the internal delivery and culture. In 2016 we will base our Performance Management framework on the new values.

In 2015, our total headcount increased to 644 employees, from 637 in 2014. In 2015 we worked further on the integration of the acquisition of the former Gallinat Bank AG in Germany, which progressed smoothly without the need of a reorganisation. The gender diversity for our entire organisation increased to 30% female staff, which is below our ambition level.

% FTE's by country



	2015	2014	2013
Absenteeism	2.1%	2.1%	2.7%
Training expenses per employee (EUR)	2,539	1,759	1,950
Male/female ratio top management	89% / 11%	88% / 12%	88% / 12%
Employee turnover (employees started)	15.2%	19.7%	9.4%
Employee turnover (employees left)	14.7%	13.2%	14.6%

EMPLOYEE ENGAGEMENT

We aim to be consistently ahead of other financial institutions and in line with high-performing organisations by continually improving and safeguarding our levels of employee engagement. We view this indicator as the single most important measurement of our people's commitment and pride in the company.

In 2015, our annual Employee Engagement Survey, which is conducted anonymously by a third party, showed that our employee engagement levels have remained at around 84%, which is almost equal to the previous year's result 85%. This demonstrates the continued high engagement levels of our people. Last year, a total of 89% of those surveyed said they were proud to be associated with NIBC. An increased number of respondents (81%) stated that they strongly believe in NIBC's vision and strategy.

Such a highly engaged workforce is the basis for better performance, productivity and ultimately, the success of the company.

TALENT DEVELOPMENT

Ensuring the continuous development of our people's skills, capabilities and knowledge is our most important tool for attracting and retaining people, and is central to our core proposition as an employer of choice in our markets. To compete effectively in our industry for the best and most engaged talent, we know we must develop ourselves at a faster pace and to a higher standard than many of our larger peers.

In 2015, we launched the NIBC Academy. A total of 40 courses were selected from a previous total of 300 by filtering parts of the syllabus and using a centralised modular system for specific areas. In doing so, we have empowered our people to take a greater responsibility for their learning, which is now available to them on demand and via new channels, such as the intranet.

We continued to provide customised training for our staff. We spend an average of approximately EUR 2,500 per employee (2014: 1,800) on training and education, which is close to the 75th percentile when benchmarked with financial services and close to the 90th percentile versus general industries. Various training initiatives are created internally for commercial and non-commercial staff.

In the year, we continued to tailor our Deal Team Dynamics training programme, which has been designed to enhance the professional skills of those who work on corporate banking transactions. The programme increases the effectiveness and efficiency of those working on client transactions and outlines the specific steps and processes to be taken in deal work and in internal projects to better serve our clients.

We also offered the popular advanced corporate credit training course from Fitch for a third year. Next to the theory, a main part of this training is a real life case study regarding the Transaction Committee, involving the participation of some Committee-members.

Our Analyst Programme for young bankers was re-designed and re-launched in the year to ensure that it is more effective at meeting the requirements of the business as well as modern learning methods fitting the new generation of young talents. The revised courses were developed by a multi-disciplinary team of business, risk and human resources experts, together with the Rotterdam School of Finance and training institute VD to ensure they appeal to the new generation of bankers through state-of-the-art educational methods. A total of 22 participants completed the Analyst Programme in 2015, compared to 13 in the previous year.

In terms of attracting new talent to NIBC, in 2015, we continued to concentrate our efforts on universities via engagements with student associations, workshops and guided visits. We have gradually become more focused on specific student associations and institutions where our efforts have historically been more effective.

At the same time, we have become more inventive in our recruitment efforts, making use of new and dynamic channels for engaging with prospective young talent, such as gamification, social media and other online platforms.

Following its establishment in 2006, Young NIBC has continued to provide a platform for younger NIBC staff to socialise with each other and network with young professionals from other companies. Examples of social events include the Pub Quiz and the annual client visit, during which a corporate client of NIBC is visited on site. In 2015 we visited our client Hapag Lloyd at their headquarters in Hamburg.

Together with Young Financial The Hague, Young NIBC organises an annual event in the style of the Dutch television programme 'College tour', during which an important public figure – in 2015, it was former Dutch Prime Minister Jan Peter Balkenende – is invited to share his or her views on trending topics and life lessons.

BANKING ON TRUST

Trust and integrity are the foundations on which a sustainable financial services sector must be built, and therefore have always been central themes within our corporate culture. In 2015, we continued Banking on Trust, an internal programme introduced in 2013 to re-emphasise our corporate culture and the behaviour to help restore trust in the sector.

In February, NIBC held a company-wide event to mark the signing by all employees of the new Bankers' Oath which applies to all Dutch bank employees in the Netherlands. The event, which was the first of its kind in the Netherlands, was moderated by a well-known radio personality and included a number of presentations and interactions with the audience. It culminated with all NIBC employees reciting the new Bankers' Oath in front of a mirror, and then signed the mirror.

To ensure that these important topics are addressed on a regular basis, we actively deployed the learning programme that our Compliance department developed to enhance employees' awareness about the framework we use to deal with integrity-related matters, such as our corporate values. We also offer this tool to all new employees when they join NIBC.

PROMOTING DIVERSITY

NIBC is devoted to creating a stimulating work environment for people from all backgrounds. It also recognises the sustainability benefits of having a highly diverse workforce, and has therefore continued to take steps to increase diversity across the company, during its recruitment and promote processes by considering candidates irrespective of gender, age or nationality.

We remain committed to appointing more women to senior positions. Our high retention of staff means top vacancies arise infrequently, however, and we are lagging in our aims to increase the portion of women in senior management positions. Currently, 11% of senior top management are female.

Notwithstanding, we have continued to pay close attention to this subject, in both internal and external recruitment. Diversity in general and the male-female balance specifically, are explicitly taken into account in our talent programmes and performance management. Furthermore, we have introduced development interviews to retain and further develop talented female employees. In recruitment and selection we also focus on attracting female candidates. In our senior management eight vacancies occurred of which two were staffed by women.

Signing the Bankers' Oath at NIBC headquarters in February

In 2015, we had one woman, Petra van Hoeken, on our Managing Board and two on our Supervisory Board. Overall, 30% of people in our organisation are women.

Legislation requires that at least one third of the Supervisory Board and Managing Board be comprised of female members, and NIBC is acutely aware of the fact that it is yet to meet this requirement. In the case of a vacancy in the Managing Board and the Supervisory Board, the regular policy is applied in which we ask the executive search to also shortlist female candidates. This will also be the case when we will fulfil the vacancy for *Chief Risk Officer* (**CRO**). However, the selection will primarily be based on the fit for that specific position.

In 2015, we have included this topic as high-priority discussion in the quarterly meetings of our Management Board, so that we remain focused and mindful of new opportunities. The Managing Board, is also periodically engaging with female members of our staff to provide them with the best possible advice on career development.

Since 2012, NIBC has been a signatory to the 'Talent to the Top' Charter, a code with clear agreements with regards to the promotion of gender diversity at the top and sub-top management levels of the company. By signing this charter we have gained access to tools, knowledge and resources to support us in our strategy of embedding gender diversity throughout our organisation.

Also in 2015, we continued to pay close attention to other elements of our diversity goals, including factors such as age, background and work-life balance.

PENSIONS AND BENEFITS

The year was the first in which we implemented updates to our employee benefits and terms and conditions of employment that were undertaken in 2014. These revisions, which were done in close collaboration with the *Employees' Council* (**the Council**), provide us with a better and more effective framework in this area, and one that is consistent with current trends in the banking sector.

The revisions have allowed us to significantly modernise our set of employment benefits by making them more flexible and better aligned to the realities of our business. One of the most important aspects of this has been the switch to a discretionary approach to compensation and benefits that was rolled out in 2015 that takes into account a range of considerations, including KPIs and country-wide benchmarks. This modern set of employment benefits enables us to continue rewarding our talented staff well and to retain them.

We also worked closely with NIBC's Pensions Committee, in which the company, the Council, the NIBC pension fund and pensioners were represented to redesign our employee pension plan. The new plan is a collective defined contribution scheme for salaries up to EUR 100,000 and is applicable for all employees. For the employer, the main benefit is that pension costs become predictable.

HEALTH AND SAFETY

At NIBC, we know that a healthy workforce makes good business sense in the long term. To this end, we continually look at a wide range of programmes and initiatives that help to enhance the wellbeing of our people.

As part of the Flexible Working project and in line with our latest health and safety policy, in 2015, we have continued to upgrade our office furniture with adjustable desks, chairs and screens that allow people to work in the most comfortable way possible.

At the same time, we have continued to offer preventative measures such as flu vaccinations for staff, which 65 people made use of in 2015 (2014: 78). Absenteeism remained low at 2.1% in 2015, stable compared to 2014.

We have also continued to favour the creation of a stronger work-life balance and to look at ways to further increase flexibility in our way of working, in terms of location and time. Initial results suggest that flexible working hours have an important part to play in creating a more dynamic and energetic work environment.

EMPLOYEES' COUNCIL

NIBC's Employees' Council represents the interests of all staff based in the Netherlands. It has 11 members from all departments and levels across the bank. As the voice of employees, the Council regularly meets with the members of the Managing Board and HR in both formal and informal settings. Twice a year, it meets with members of the Supervisory Board.

Since 2014 NIBC has opted not to be part of the collective labour agreement for banking institutions in the Netherlands. The Council has therefore become, for the first time in its history, senior management's direct interlocutor in this important area. It has led to an employee benefit scheme that was renewed in 2015. The Council ensured that staff was consulted about the various changes to the scheme in order to create broad acceptance and support. As one of its focus subjects, employability is being given ongoing attention.

Other matters the Council advised on in 2015 included the appointment of a Supervisory Board member, as well as of the re-appointment one of the Managing Board members. Furthermore, the Council spent time advising on a potential acquisition. With respect to pensions, the Council advised positively on a potential transfer of the (old) defined contribution scheme, into a *Premium Pension Institution* (**PPI**). At the end of the year, the renewal of the social protocol was still under discussion. An agreement was reached in February 2016, effective from 1 April 2016.

During 2015, the Council welcomed one new member.

SUSTAINABILITY

We believe high sustainability standards are a prerequisite for being a successful business. That is why we look to support our clients through products and services that are wholly transparent, trustworthy and sustainable. We also aim to stay abreast of sustainability developments taking place in the world around us, to find out how best to serve our clients, and to be good corporate citizens in the communities in which we operate.

We are acutely aware of the responsibility we have as a bank to help rebuild trust in our industry. That is why we take full responsibility for our operations and aim to forge long-term relationships with our clients. It is also why we continued to increase our focus on trust and integrity, reduce our environmental footprint, invest in the professional and personal development of our staff, and support high-value community involvement.

HOW WE MANAGE IT

We are guided in the way we do business and interact with our clients by our Code of Conduct, Corporate Values, Compliance Framework and Sustainability. In 2010, we launched our first Sustainability Strategy in close consultation with our main stakeholders. The objective of the strategy has been to draw from our commitments in the areas of trust and integrity, people, environment and society, to develop a comprehensive, down-to-earth approach to sustainability at NIBC.

Stakeholder engagement is at the centre of sustainability at NIBC and helps us to define our priorities and continually sharpen our approach. Following a fine tuning of our Sustainability Strategy in 2014, we have continued to develop and sharpen the focus of our sustainability efforts. Increasingly, in consultation with internal and external stakeholders, we are becoming better at defining a limited number themes and areas in which NIBC can have the greatest impact and truly add value. The implementation of the NIBC's sustainability strategy is overseen by a dedicated sustainability team but is primarily managed by and embedded in each business unit. For NIBC, this is an integral part of how we do business and is reflected in our Code of Conduct and business principle 'We Take Responsibility'.

Our governance revolves around a system of checks and balances that ensure stakeholders are also part of our decision-making processes. Processes, roles and responsibilities are defined to manage sustainability, for example, in client business, human resource management or our carbon footprint.

Sustainability team

The sustainability team is responsible for the set-up and implementation of sustainability strategy, targets, planning and budget. It is up-to-date on all sustainability developments and engages with external stakeholders. The team meets regularly with each business unit to discuss progress and evaluate activities. On a quarterly basis, it also reports on figures and progress to the Managing Board.

Business units

NIBC's sustainability strategy is aligned with our business strategy, and different departments are responsible for managing sustainability as part of their activities. For example, business teams apply the Sustainability Framework in their client interaction, Facilities & Services manages NIBC's energy efficiency programme, and Human Resources is responsible for sustainability in our human resource activities.

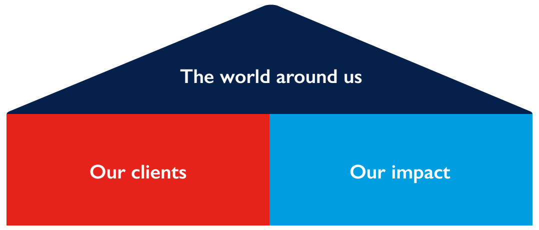
International offices

Each of our offices in Frankfurt and London has a Sustainability representative who acts as a liaison for the Sustainability Team. They help inform local staff on our sustainability policies and activities and report back on any relevant local sustainability initiatives or issues to head office.

To find out more about our sustainability strategy and how it is managed please visit our corporate website.

Reporting

The NIBC Annual Report 2015 has been drafted in line with GRI G4 guidelines. A description of the materiality assessment can be found on the NIBC annual report website. The corporate responsibility assurance report can be found in the 'Other Information' section. We have received external reasonable assurance with regard to specific non-financial key performance indicators.



The world around us

The world around us continues to evolve. We strive to be a trustworthy, transparent and sustainable bank. We act with integrity to inspire clients' trust and adhere to the letter and spirit of all applicable laws. At NIBC we have frameworks, standards and policies, including a Code of Conduct, business principles and compliance framework that are the formal basis for our culture of integrity and trust. We also know that trustworthiness goes far beyond rules and regulations: just as crucial to our culture are the way we act and the values we display in all our daily work. That is why we continuously work to earn, maintain and strengthen the trust of our clients, employees and other stakeholders.

In February, NIBC held a company-wide event to mark the signing by all employees of the new Bankers' Oath which applies to all Dutch bank employees in the Netherlands. The event, which was the first of its kind in the Netherlands, was moderated by a well-known radio personality and included a number of presentations and interactions with the audience. It culminated with all NIBC employees reciting the new Bankers' oath in front of a mirror, and then signing the mirror.

To find out more on NIBC's policies and principles, please visit our corporate website.

OUR CLIENTS

Our clients are our top priority and fundamental to our performance as a bank. We maintain long-term relationships with our clients; understanding their business, anticipating their needs and delivering the best possible service. We recognise each client and situation is unique, and want to create lasting value for them. This applies to our corporate clients, as well as consumer clients.

NIBC views sustainability as an opportunity to build even closer relationships with our clients, strengthen and grow their businesses, and work together to address environmental and societal challenges. We include sustainability factors in our client and supplier assessment and risk management process to ensure better informed decision-making and that our client interaction does not harm society or the environment.

OUR IMPACT

Our people and a socially and environmentally sound society are important for our future performance as a bank. To NIBC, corporate responsibility means we act in a responsible, sensitive and sustainable manner with regard to our people and society. We realise our actions have a direct impact on the world around us. Our success as a bank depends largely on the quality of our people.

That is why we invest in developing our people personally and professionally and provide a stimulating work environment that values diversity and treats everyone with respect.
NIBC employees receive training on environmental & social risks, sustainability developments and NIBC's sustainability framework. In the areas of labour standards and human rights, NIBC adheres to national employment legislation and complies with best practices and standards.

To find out more about our human resources strategy please refer to page 39 of this report.

NIBC is carbon neutral in terms of its direct emissions. Since 2010, we have measured our direct emissions, realised substantial reductions and compensated for remaining direct emissions. We manage our direct impact on the environment through an environmental sustainability programme. This includes measures such as reducing our carbon footprint, using responsibly-sourced paper, and further increasing energy efficiency. Through awareness programmes, we also encourage our employees to take their environmental responsibilities seriously.

For more information about NIBC's environmental footprint and sustainable activities and performance in 2015 please visit our corporate website.

We want to be a good corporate citizen. NIBC contributes to the well-being of the societies in which it operates. We encourage our employees to volunteer their time and expertise to local community projects. We support staff initiatives by matching the money they raise for good causes. In addition, NIBC runs its own social projects, such as educating youth to be money-wise.

For more information about our social projects and community activities please visit our corporate website.

STAKEHOLDER ENGAGEMENT

At NIBC we recognise our responsibility towards all stakeholders and consider their interests in our day-to-day decisions and activities. Engaging with our stakeholders in a proactive way and on a continuous basis is central to our strategy and the ambition to achieve sustainable growth. To ensure our long-term success, we acknowledge the need to strike a careful balance between the interests of all our stakeholders.

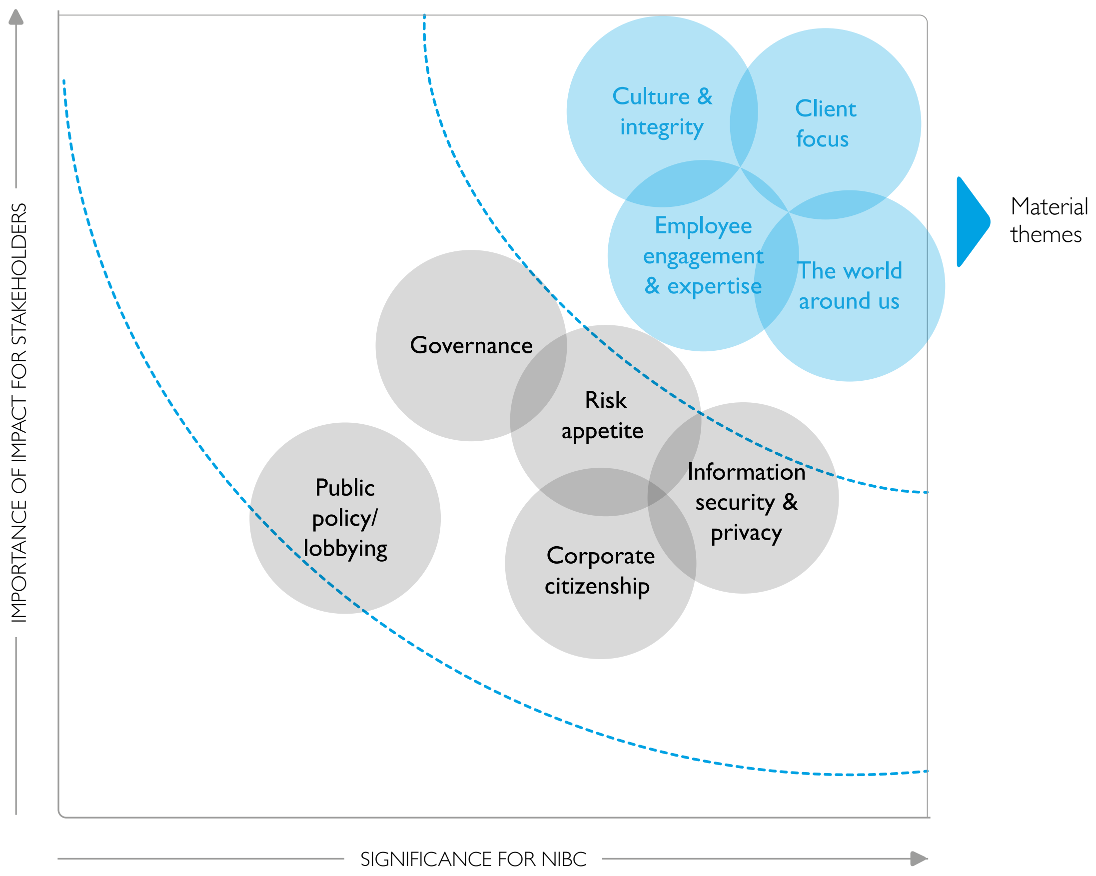
We define stakeholders as any group or individual affected directly or indirectly by our activities.
We have identified our main groups of stakeholders to include: clients, employees, shareholders, investors, regulators, government, rating agencies and society at large (including NGO's and media). Engagement with these groups takes place via different channels that range from ongoing dialogue to direct feedback requests.

MANAGEMENT AND MATERIALITY

Through a regular materiality assessment, we systematically engage stakeholders and capture their view of what is most important for our company. The assessment provides critical clarity about how our company should focus its resources and which aspects are most important to our stakeholders. This materiality assessment process and the outcomes are described here and form the basis of this Annual Report.

A stakeholder consultation was performed across eight stakeholder groups, providing insight into the prioritisation of these topics. These groups included clients, investors, regulators, civil society and employees. The location of each topic within the graph represents the result of their feedback.

2015 Materiality Assessment



us is continuing to evolve and all stakeholders see transparency as an increasingly important aspect.

Overall, this consultative process confirmed our chosen engagement strategy and will continue to guide our efforts. The feedback we gather from these exercises

In 2015, the key outcomes of our materiality assessment are well related to our engagement strategy and the priorities set for the year. Stakeholders believe that our client focus is a highly relevant aspect, and a key driver of our financial performance. Integrity and trust are viewed by all of our stakeholders to be the foundation for our engagement with them. NIBC's culture of entrepreneurial, inventive and professional behaviour is seen to be integral to its future success. Employee engagement and the expertise of our employees are seen as material aspects by all of our stakeholders. The world around

is taken very seriously, and every effort is made to share this information across the company.

Going forward, we will continue putting our clients' interests first by offering transparent and sustainable solutions. We will focus further on identifying and understanding developments in the world around us and opportunities to create value for all of our stakeholders.

ENGAGEMENTS IN 2015

We engage with our wide range of stakeholders on an ongoing basis. In 2015, our stakeholder representatives held regular meetings to exchange information from stakeholder consultations and worked to ensure that feedback was being shared effectively with management and the business.

Clients

Client focus is our guiding principle, and our clients are placed at the centre of everything we do. It is our goal to build a sustainable franchise for the future by building long-term relationships with our clients and delivering clear and sustainable solutions. As part of our duty of care towards our clients, we seek to gather their feedback at every opportunity. Our main client groups include:

- Corporate clients;
- Entrepreneurial investors;
- Institutional investors;
- Financial sponsors; and
- Retail clients.

For corporate clients, we measure satisfaction levels through formal channels, such as NPS surveys directly after deals are closed, informally through post-transaction reviews and from the Advisory Board. For retail customers, we also use NPS surveys, and an annual survey conducted by an independent research bureau, as well as feedback received via service centres.

In 2015, feedback from corporate clients demonstrated that they value our speed, the quality of our bankers and our client and sector knowledge. We have also continued to score highly in the NPS survey, which asks new and existing clients whether they would recommend NIBC to friends and business contacts. Our average, NPS score for Corporate Banking in the Netherlands, Germany and the United Kingdom was +40%, which is among the highest scores in our industry, within our client segments.

NIBC's Advisory Board has greatly helped us understand the context in which our corporate clients operate, in order to serve them better. Advice from the members of this Board – all senior professionals with strong track records, reputations and relevant networks – helps to enhance our insight into market needs and demands. The Advisory Board meets regularly to discuss strategy, trends and/or special issues and met three times in 2015 to discuss key topics, including client feedback. Its members also had individual ad-hoc contact with NIBC bankers during the year.

In Consumer Banking, our clients across all countries have continued to show satisfaction levels that outperform the average levels in our benchmark group of banks. Our average client satisfaction score in the Netherlands, Germany and Belgium was 7.7 on a 10-point scale in 2015 compared to 7.5 in the Netherlands alone in 2014.

In November, NIBC Direct recieved an award in recognition of being regarded the best banking an investment website by Dutch public, because of its ease of use, contest and user-friendliness. NIBCDirect.nl competed against 11 other nominees in the financial services sector to win this award.

We remain committed to maintaining long-term relationships and delivering responsible services to clients. To this end, we strive to ensure that we are abreast of key developments in global sustainability matters, and are able to respond in the best way possible to both the risks and opportunities that these create.

In 2015, we invited clients to participate in two media partnerships; BNR The Successors, a radio/multimedia series about exchanging experiences between successors in family businesses, and business magazine Management Team, Made in NL, about the champions of the Dutch mid-sized manufacturing industry.

It provided our clients and NIBC with insights into these situations and markets and was an opportunity to strengthen the relationship.

In July, NIBC and Dutch pension fund ABP announced that the NPEX Entrepreneurs Fund (NPEX Ondernemersfonds) made its first closing. ABP has committed EUR 25 million to the NPEX Entrepreneurs Fund, which is managed by an NIBC Group Company. It will invest only in new bond issues on NPEX, the Dutch exchange for small and medium-sized enterprises. NIBC and ABP hope that the NPEX Entrepreneurs Fund can positively contribute to financing these businesses.

NIBC continues to be an active member of the Responsible Ship Recycling Standards, an initiative of NIBC and two of its peer banks. Unsustainable shipbreaking can imply adverse environmental and social impacts. The initiative encourages proactive dialogue and aims to facilitate safe, sustainable recycling of ships, and inventories of hazardous materials, to promote safe working conditions, and protect the basic rights of workers.

Employees

As our most important asset, the quality of our people is the key factor to our success. It is their specialist knowledge and 'Think Yes' mentality that sets us apart in our markets and ensures that our clients, whose entrepreneurial spirit we share, receive the best possible advice and support.

Our focus on our people is also part of our strategic commitment to sustainable profitability. We aim to be an attractive employer for people from all backgrounds by investing in their personal and professional development. We also encourage our people to give back to society by volunteering their time and skills to help others in our local communities.

Engagement is vital to these efforts, and is realised through a number of dedicated channels and opportunities. All Board Members meet regularly with employees in accessible meetings, so called Coffee Breaks. It allows all employees to raise any topic, concerns or opportunities, which they think can contribute. Regular Town Hall sessions are held with topics ranging from financial results, and strategy updates to the Bankers' Oath. Young trainees are offered the opportunity to present inventive and challenging business cases to the Managing Board in the Analyst Programme.

For more information about our engagement with employees in the year, please refer to page 39 of this annual report.

Regulators

We maintain strong and open relationships with our regulators, governments and other supervisory bodies. We are committed to collaborating closely with them, being transparent in our dealings, and meeting their expectations.

Governments are responsible for the framework in which public and private organisations operate; they create legislation and regulations, influencing the way NIBC can operate. We hold dialogues with government representatives and actively try to contribute to developments in the financial sector.

NIBC's primary regulating entity is the *Dutch Central Bank* (**DNB**). Throughout 2015, we continued to have ongoing contact and dialogue with the DNB, most notably, on regulatory requirements in areas such as risk management, capital and liquidity, asset quality, and developments in Europe, including the Single Supervisory Mechanism for banks in Europe, and the system of banking supervision for Europe.

We also maintained good relations and dialogue with the Dutch financial markets regulator, the *Authority for the Financial Markets* (**AFM**), and with overseas regulators through our international offices.

NIBC has established and implemented a governance structure that includes an administrative organisation, procedures and internal controls (Tax Control Framework), to meet its tax compliance requirements. This Tax Control Framework is reviewed periodically in order to keep it up-to-date and in line with all relevant developments in rules and regulations, changes within the organisation and the public opinion. One of the principles of the policy is that NIBC does not engage in transactions without economic substance (e.g. in tax havens) or which are exclusively aimed at safekeeping or realising tax benefits for itself or for clients. Furthermore, the positions taken in tax matters need to be supported by internal analysis and/or external opinions. To the extent possible for relevant positions, advance tax rulings are obtained from the Tax Authorities. NIBC upholds a proactive and transparent communication with the Tax Authorities in all jurisdictions NIBC is active in. The agreement on horizontal supervision with the Dutch tax authorities is an example of that.

Society at large

NIBC wants to play a role in addressing environmental and social issues in the communities where it is active by being a responsible corporate citizen. 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. We therefore look to proactively engage with all relevant non-governmental, local and community organisations.

We also continued to encourage our people to become involved in local community programmes. For the sixth year running, NIBC was one of four banks to participate in the successful budget coaching programme in The Hague, teaching schoolchildren how to manage their finances responsibly. In 2015, the programme reached some 300 students at four local vocational schools.

NIBC once again supported the 5th national *Week van het Geld* (**Money Week**) in March. During this week primary school pupils received fun lessons about money. We believe that helping children to become financially literate from a young age can help them become financially self-sufficient when they grow up.

During the week, NIBC employees visited classrooms and gave 21 guest lessons as part of the Bank in the Classroom programme at various schools, all based on the 'Cash Quiz' game. One of the Board members gave a lesson to students as part of the kick-off session in De Meern.

Throughout 2015, NIBC employees embraced their communities through a wide range of sustainability initiatives. Employees in the UK showed their support for Solace Women's Aid, an innovative, grass roots charity which provided vital services in London in the fields of crime reduction, health and social care, with a primary focus on supporting women and children affected by domestic and sexual violence. In Frankfurt, employees supported 'Mädchenbüro' an intercultural institution for teenage girls and 'Johanniter', a non-profit association that provides support services to the homeless.

During 2015, civil society voiced their support for the new Sustainable Development Goals and concern regarding climate change culminating at the global conference COP21 in Paris. In October, NIBC was recognised as among the top Dutch banks for its practices in regard to coal power. In November, the Managing Board of NIBC signed the NVB Climate statement, expressing the Dutch banking sector's responsibility to take action on climate change and calling on other sectors to do the same.

Furthermore, senior leaders from NIBC joined meetings and held dialogues on human rights, climate change, fair practices in supply chains, land rights, weapons, transparency in finance, and other important issues.

As a result, NIBC will evolve and strengthen its policies and practices, balancing the interest of all of its stakeholders during the transition to more sustainable ways of working.

We also engage with suppliers from whom we purchase products and services, which may have an impact on society and the environment. However, most of our suppliers deliver services and are located in high-income OECD countries, and therefore this impact is relatively limited. Even so, we expect our suppliers to act as responsible corporate citizens and look to discuss sustainability matters with them as there are opportunities to do so.

Financial stakeholders

We are committed to maintaining a good relationship with the investment community and proactively engaging with our bond investors. We are transparent and provide accessible information on our company and have processes and procedures in place to ensure that (funding) products and services fully meet our investors' expectations.

As part of our dialogue with bond investors we provide them with regular updates on our company. For our annual and semi-annual figures we organise public conference calls with the Managing Board to allow investors, to directly engage with senior management. In addition, there is an ongoing investor relations effort whereby we travel extensively throughout Europe to update existing bond investors, as well as reaching out to new investors. This is done for our main capital markets funding products, namely, senior unsecured debt, covered bonds, RMBS, as well as subordinated debt.

We also attend various capital markets conferences and on occasion participate in conference panels on topics such as covered bonds and regulatory developments.

We are an active member of the *Dutch Association of Covered Bond Issuers* (**DACB**) and the *Dutch Securitisation Association* (**DSA**). In both associations we work together with the other Dutch banks to engage with regulators on developments and on promoting the Dutch covered bond and RMBS products.

We have frequent contact with rating agencies, who receive full transparency from NIBC during annual review meetings. In addition, we provide quarterly updates and communicate on an ad-hoc basis if necessary. Rating agencies are also key stakeholders, providing NIBC with a credit rating both for the bank as a whole as well as for certain products and programmes. Maintaining a healthy creditworthiness is key to our company and we therefore engage frequently with Fitch and S&P, our primary rating agencies.

We also engage with peer bank counterparties, investors, co-financiers or clients. We are committed to being a transparent and a trustworthy partner to these banks. Integrity is of key importance to us when operating in the financial markets. As a member of the *Dutch Banking Association* (**NVB**), NIBC representatives participate in a number of NVB interest groups while Paulus de Wilt is a member of the Board of the NVB.

Smarter ways of working through NIBCity

Innovative financing for PCI Groep

Transparency and inventiveness for the mortgage market

REPORT OF THE SUPERVISORY BOARD

Macroeconomic conditions remained difficult in the year throughout much of NIBC's markets, despite prolonged efforts by the European Central Bank to stimulate growth. For financial services providers, the implementation of new capital regulations designed to build greater stability across the industry captured significant attention, and placed further pressure on its resources.

Against this backdrop, NIBC relied on the strength of its strategy, with its focus on long-term client relationships in the dynamic mid-sized segment, and on the creation of bespoke solutions to deliver a sustained performance in its two main areas of business. In Corporate Banking this was driven by a 5% rise in the loan portfolio, while in Consumer Banking, there were strong increases in mortgages of 6% and in savings of 12%.

NIBC also took important steps towards the realisation of it strategic objectives, while maintaining its robust capital position, making further improvements to its return on equity, and preserving solid liquidity levels. It successfully completed its integration of Gallinat-Bank AG in Germany, which has intensified its focus on this country, to make it NIBC's true second home market.

In December, NIBC announced the acquisition of SNS Securities from SNS Bank, in a process that was closely monitored by the Supervisory Board. This transaction will allow NIBC to expand its service offering with capital market solutions, equity and fixed-income brokerage, research and execution services for independent asset managers. Clients of both companies will benefit from the combined product suite, which complements each other and propels NIBC's growth ambition by expanding its client franchise among mid-sized corporates and entrepreneurs.

In the year, the Supervisory Board said farewell to member Niek Hoek, who stepped down from his position in March. We are very grateful to him for his valuable contributions and wish him every success for the future. Later on, we were pleased to welcome new Board member Dick Sluimers as of 1 January 2016. We are confident that he is an excellent addition, with his extensive experience in both private and public organisations and in the financial world, which makes him well qualified as a Board member in today's markets.

In February 2016, Petra van Hoeken, CRO and member of the Managing Board of NIBC announced that she will leave the bank after having worked with the bank for over four years. Petra has been nominated as Chief Risk Officer of Rabobank. We will miss her dedication at NIBC, and we are grateful for her contribution in transforming the bank into a financially healthy organisation with an adequate risk framework and that is well positioned for the future. We thank Petra for bringing her extensive experience and strong commitment to NIBC in the past four years.

Throughout the year, the NIBC Supervisory Board was able to carry out its vital duties towards the company's stakeholders, and had satisfactory access to all necessary information and company personnel. We would like to take this opportunity to thank all the company's stakeholders for the trust they have continued to place in the company.

We are especially grateful to NIBC's employees who deserve our warm thanks for their hard work and dedication throughout the year. The 2015 employee engagement survey has once again demonstrated the extraordinary high commitment of our staff, both in absolute terms and relative to peer institutions. Such high engagement gives us great confidence in the bank's future success, whatever the challenges ahead.

On 31 December 2015, the Supervisory Board of NIBC had eight members, who are also members of the Supervisory Board of NIBC Holding (see table below). Mr. Veenhof and Mr. De Jong were reappointed as members of the Supervisory Board by the General Meeting of Shareholders on 10 April 2015. The reappointments were approved by the Dutch Central Bank.

COMPOSITION OF THE SUPERVISORY BOARD

As per 1/1/2016

Name	Year of birth	Nationality	Member since	End of term	Committee memberships[1]
Mr. W.M. van den Goorbergh (Chairman)[2]	1948	Dutch	2005	2018	AC, RNC, RPCC, RPTC
Mr. D.R. Morgan (Vice-Chairman)	1947	Australian	2010	2018	RNC, RPCC
Mr. M.J. Christner	1972	German	2011	2019	AC
Mr. J.C. Flowers	1957	American	2012	2016	-
Mr. D.M. Sluimers[2]	1953	Dutch	2016	2020	AC
Mr. A. de Jong[2]	1954	Dutch	2005	2015	RPCC, RPTC
Ms. S.A. Rocker	1954	American	2009	2017	RNC
Ms. K.M.C.Z. Steel[2]	1946	Belgian	2014	2018	AC, RPCC
Mr. A.H.A. Veenhof[2]	1945	Dutch	2006	2015	RPTC, RNC

1 AC- Audit Committee; RNC - Remuneration and Nominating Committee; RPC - Risk Policy & Compliance Committee; RPTC - Related Party Transaction Committee.

2 Meets the independence criteria of the Dutch Corporate Governance Code.

Mr. Hoek resigned as member of the Supervisory Board as per 30 March 2015. The Supervisory Board would like to express its deep gratitude to Mr. Hoek, whose extensive knowledge of the international banking landscape and sharp analytical skills greatly benefited NIBC.

On 14 December 2015, the General Meeting of Shareholders appointed Mr. D.M. Sluimers as his successor with effect from 1 January 2016 as both member of the Supervisory Board and chairman of the Audit Committee after approval by the Dutch Central Bank. We warmly welcome Mr. Sluimers, who brings extensive experience in the Dutch banking and finance sector covering a broad spectrum of disciplines, as well as extensive professional skills and management capabilities. The appointment of Mr. Sluimers follows the enhanced right of recommendation of the Employees' Council of NIBC.

The Supervisory Board now comprises two female and seven male members of diverse nationalities.

Five out of nine Supervisory Board members meet the independence criteria laid out in the Dutch Corporate Governance Code. For a detailed explanation of our compliance with the Dutch Corporate Governance Code, please see our website.

The committees of the Supervisory Board each have an independent chairman. All members of the Supervisory Board meet the criteria of the Dutch Corporate Governance Code relating to other positions, insofar as they are relevant to the performance of the Supervisory Board member's duties. Since the Dutch Act on Management and Supervision came into force on 1 January 2013, we have been monitoring the number of supervisory functions held by our Supervisory Board members. When a Supervisory Board member is appointed or reappointed, compliance with this new law is verified. The profile for the Supervisory Board and their relevant ancillary positions can be found on our website.

Meetings of the Supervisory Board

The Supervisory Board met on six occasions in 2015. There were three regular two-day meetings of the Supervisory Board. In December there was a regular one-day meeting and one regular meeting took place in advance of the Strategy Day that was held on 12 June 2015, at which the Supervisory Board and the Managing Board discussed the bank's current and future strategy. Six members of the Supervisory Board participated in all the 2015 meetings; two were absent from one meeting.

During these regular meetings, there was an extensive discussion of NIBC's corporate banking and consumer banking business, risk/return profile, the updated risk appetite framework, strategic projects and financial performance. The interim 2015 results and the 2016 budget were also discussed. Other matters discussed included quarterly results, control-related topics, the financial reporting process, composition of the Supervisory Board and its committees, and compliance with legislation and regulations.

The Supervisory Board continued its programme of lifelong learning last year, with sessions on topics such as rating and commercial real estate in the Netherlands. For more details of the lifelong learning programme, please see our website.

The Supervisory Board conducted an internal evaluation of its performance in 2014. At the end of 2014, an external evaluation of the Supervisory Board was initiated. The outcome of the external evaluation was available in the first quarter of 2015. The outcome was extensively discussed in the meeting of the Supervisory Board of 3 March 2015. Main takeaways were that overall, the members of the Supervisory Board were satisfied with the size of the board and consider that it operates as a well-oiled machine.

Although greater diversity in terms of gender, age and skills would be welcome, the Board is generally satisfied with the composition of the Supervisory Board committees and their functioning. In the case of a vacancy in the Supervisory Board, the regular policy is applied in which we ask the Executive Search to also shortlist female candidates. However, the selection will primarily be based on the fit with the specific position. Going forward, NIBC will continue to strive to find a good balance in the gender diversity of the Supervisory Board and enhance the chance of the appointments of female candidates.

In 2015 there were no transactions in which the members of the Supervisory Board had a conflict of interest.

The financial statements and the findings of the external auditor were discussed in the external auditor's presence. Most of the discussions and decisions of the Supervisory Board were prepared in the committees referred to below, at which at least two members of the Supervisory Board are present. The members of the Managing Board attended all meetings of the Supervisory Board. Members of the Supervisory Board attended two consultation meetings between the Managing Board and the Employees' Council.

In December 2014, the Supervisory Board approved the appointment of EY as the auditor of the financial statements as from the financial year 2016. This appointment was formalised by the Annual General Meeting of Shareholders in April 2015.

Meetings of the committees of the Supervisory Board

The Supervisory Board is supported by four committees consisting of members of the Supervisory Board.

Audit Committee

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

During 2015, the AC extensively reviewed NIBC's quarterly financial highlights, half-yearly and annual financial reports and related press releases, and discussed the draft reports of the external auditor, including its Board Report and Management Letter, before these were dealt with in the Supervisory Board meeting. Furthermore, the AC discussed the in-control statement of the Managing Board.

The Committee discussed NIBC's financial performance in depth, including the development of the bank's net interest income, business growth and the development of spreads and cost-to-income ratios. Furthermore, the Committee reviewed NIBC's liquidity, funding optimisation, growth of retail savings, senior unsecured issuance and Covered Bonds issuance, and the development of related liquidity and solvency ratios.

The AC also approved the annual audit plan of the external auditor.

Specific topics discussed with the auditors dealt with the fair value of residential mortgages and fair value of the bank's liabilities, both designated at FVtPL, and several distressed credit files and level of loan impairments. The Committee informed itself of the state and developments of NIBC's Information Technology.

The Committee also considered the establishment and integration of NIBC Bank Deutschland AG after the takeover of Gallinat-Bank AG in 2014.

The AC took note of and discussed NIBC's analyses of the new standard on Financial Instruments, IFRS 9, effective in 2018, with options to early adopt, including optional and mandatory changes in classifications and measurement of financial assets and change of impairment methodology.

By 1 January 2016, NIBC must have appointed new independent external auditors. For this, the Committee finalised its audit tender process, in preparation for a nomination by the Supervisory Board and decision made by the Annual General Meeting in 2015. The Committee agreed with an exit evaluation of the external auditor in 2016.

The AC discussed the annual plan and quarterly reports of Internal Audit, and evaluated the functioning of Internal Audit. Both the internal auditor and external auditor reported on the quality and effectiveness of governance, internal control and risk management.

The AC took note of and discussed NIBC's consultations with the Dutch Central Bank, and considered the results of the Supervisory Review and Evaluation Process and of on-site examinations conducted by the Dutch Central Bank.

The external auditors, by mutual agreement, were represented at all but one meeting of the AC in 2015. The external auditor had one meeting with the Committee without the members of the Managing Board present.

The Audit Committee met five times in 2015 in the presence of all members of the Managing Board.

Remuneration and Nominating Committee

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. In addition, it provides the Supervisory Board with proposals for appointments and reappointments to the Supervisory Board, its committees and the Managing Board. It also evaluates the performance of the other Supervisory Board committees, and assesses the performance of the members of the Managing Board and the Supervisory Board.

The RNC monitors the remuneration policy as well as the execution of it, which entails discussing the total available pool for variable compensation and defining the collective and individual performance targets that form the basis for the variable compensation of individual members of the Managing Board. Furthermore, the RNC oversees the remuneration of so-called Identified Staff – employees whose professional activities have a material impact on NIBC's risk profile – and determines the remuneration of the control functions.

The RNC held five meetings in 2015 in the presence of the head of Human Resources and, in appropriate cases, of the CEO. Additionally, a delegation of the RNC attended a meeting of the control functions. During 2015, the RNC paid attention to NIBC's remuneration policy and the associated governance, succession planning and the selection and (re-) appointment of a (new) Supervisory Board member and a member of the Managing Board.

Remuneration management

The RNC also reviewed the Remuneration Policy this year, taking into account relevant legislation and guidelines. Next to legislation, the Committee has taken the market circumstances and developments into consideration. On one hand, the positioning of NIBC in the relevant labour markets was monitored by means of benchmark surveys. On the other hand, attention was paid to broader developments in the market, as the Committee is well aware of the public attention to the subject of remuneration in the financial industry. The Supervisory Board amended the remuneration policy, fulfilling all legislative changes as proposed by the RNC. The RNC also discussed the performance of the Managing Board and its members and set financial and non-financial targets.

In light of the Dutch remuneration legislation for financial services companies (*Wet beloning financiële ondernemingen* – **Wbfo**), social context and market positioning (benchmark information), the base salaries of the CEO and the members of the Managing Board were adjusted as per 1 January 2016. This was a decision made after considerable discussion and aims to ensure that NIBC continues to be competitive in its relevant labour markets. To this end the Committee considered the outcome of benchmark surveys, executed by independent external advisors.

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

Succession management

As in previous years, succession management and culture were high on the RNC's agenda in 2015. Regarding succession management, the Committee acknowledged that the size of the Bank, as well as its highly specialised workforce, complicate the availability of successors for each and every key-position. Therefore the RNC assured itself that for each key-position at least continuity is guaranteed. In that respect it was noted that for all key positions within NIBC an immediate solution, interim or definite, is available.

Regarding culture, the RNC discussed the results of the annual Employee Engagement Survey and took note of the continuous high level of engagement. In addition to the quantitative results of the survey the RNC also discussed the qualitative remarks made in the survey with the CEO and the head of HR. Furthermore, the Committee's Chairman regularly holds talks with senior managers. These informal meetings are held to gain the fullest possible understanding of their professional development and internal developments within the bank.

Composition of the Supervisory Board

The RNC, in its role of Nominating Committee, discussed the composition of the Supervisory Board in 2015. As Mr. Hoek stepped down a search was conducted for his replacement. After an extensive and conscientious process, Mr. Sluimers was appointed as per 1 January 2016. Based on performance, and as Mr. De Jong and Mr. Veenhof were available for a new term, they were reappointed after obtaining the required approvals.

Risk Policy & Compliance Committee

The *Risk Policy & Compliance Committee* (**RPCC**) assists the Supervisory Board in supervising NIBC's risk appetite, risk profile and risk policy. It prepares issues for decision in the Supervisory Board in these areas by presenting proposals and recommendations, by request of the Managing Board and/or Supervisory Board or otherwise, on credit, market, investment, liquidity, operational and compliance/regulatory risks, and any other material risks to which NIBC is exposed.

During 2015, the RPCC extensively discussed NIBC's assets, liquidity, stress tests and risk profile. A topic that was consistently on the agenda of the Committee throughout the year was NIBC's updated risk appetite framework. The RPCC discussed NIBC's long-term objectives, including the attainment and retention of a BBB credit rating, and appraised developments in the six defined pillars of risk appetite (franchise, solvency, profitability, liquidity, funding and asset quality). Performance is measured and steered across these pillars by means of quantitative and qualitative risk appetite statements. Specific attention was devoted to the evaluation & review of the newly introduced stress testing framework.

Besides risk appetite and the quarterly reporting on the subject received by the Committee, the RPCC discussed in all of its meetings, segments of NIBC's corporate and consumer credit portfolios, including the bank's distressed portfolio, as well as specific distressed exposures.

Other topics the RPCC regularly reviewed included NIBC's market risk and event risk reports, economic capital reports, liquidity risk reports and risks of the macroeconomic environment, such as the very low interest rate environment, the domestic mortgage market, decreasing oil prices and market volatility around the possible *exit of Greece from the Eurozone* (**Grexit**).

On the non-financial risk side, the RPCC reviewed NIBC's operational risk profile and in-control environment, including specialised risks such as information security, new product approvals and significant changes within the organisation (including certain IT-related initiatives), as well as compliance and regulatory risk. The Committee also evaluated how risk awareness is embedded in NIBC's organisation, e.g. through the 'lessons learnt' programme developed by the restructuring & distressed assets team, and it regularly reviewed and discussed market and regulatory developments and their impact on NIBC, such as the AQR, the resolution plan and the Basel III revisions.

The RPCC met four times in 2015 in the presence of members of the Managing Board.

Related Party Transactions Committee

The *Related Party Transactions Committee* (**RPTC**) assists the Supervisory Board in assessing material agreements of any kind with a person or group of persons who hold, directly or indirectly, 10% of 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 RPTC.

On 9 September 2015, the RPTC had a meeting following a proposal relating to an investment of NIBC in a new JCF investment fund. The RPTC approved the investment and reported their decision to the Supervisory Board in the meeting on 10 November 2015. We hereby state that we comply with best practice III.6.4.

Financial statements

The consolidated financial statements have been drawn up by the Managing Board and audited by PricewaterhouseCoopers Accountants N.V., who issued an unqualified opinion dated 8 March 2016. The Supervisory Board recommends that shareholders adopt the 2015 Financial Statements at the Annual General Meeting of Shareholders on 1 April 2016.

The Supervisory Board also 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 2015.

The Hague, 8 March 2016

Supervisory Board

Mr. W.M. van den Goorbergh, Chairman
Mr. D.R. Morgan, Vice-Chairman
Mr. M.J. Christner
Mr. J.C. Flowers
Mr. A. de Jong
Ms. S.A. Rocker
Mr. D.M. Sluimers
Ms. K.M.C.Z. Steel
Mr. A.H.A. Veenhof

REMUNERATION REPORT

The Supervisory Board reviewed and amended NIBC's remuneration policy in 2015. The review took account of all relevant laws, regulations and guidelines: the Dutch Corporate Governance Code; the Dutch Banking Code; the *DNB Principles on Sound Remuneration Policies* (**DNB principles**), including additional DNB guidance on the implementation of the DNB Principles and the *Committee of European Banking Supervisors Guidelines* (**CEBS Guidelines**) on Remuneration Policies and Practices; and CRDIV and the Dutch remuneration legislation for Financial Services Companies Wbfo.

NIBC's remuneration policy and Managing Board remuneration for 2015 are outlined below. An overview of the remuneration of other staff and the Supervisory Board is also presented. Please see our website for further information about the remuneration policy.

MANAGING BOARD REMUNERATION IN 2015

To avoid unnecessary duplication, we refer to note 57 of the consolidated financial statements for all relevant tables. These can be considered an integral part of this Remuneration Report.

Remuneration principles

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

Peer group composition

In order to determine appropriate market levels of remuneration for the Managing Board, the Supervisory Board has identified a hybrid benchmark peer group, consisting of all AEX and AMX (Euronext) listed companies. The composition of this peer group reflects the labour market in which NIBC competes for talent. As such, it is an objective measure outside NIBC's control.

Market positioning

Throughout the cycle, total compensation for the CEO and members of the Managing Board is targeted just below the median of their peers in the peer group, based on benchmark data provided by external independent compensation consultants.

Base salaries

In 2015, the base salary for the CEO was set at EUR 775,000 gross per year (unchanged), while the base salary for members of the Managing Board was set at EUR 500,000 gross per year (unchanged). Base salaries are payable in 12 equal monthly instalments. The Supervisory Board reviews the level of base salaries against the market each year and may decide to adjust it.

Variable compensation

The long-term incentive arrangement (40% to 70%) was revoked in December 2014 and replaced by a variable income component at target of 15% of base salary (with a maximum of 20% of base salary).

Over 2015 the following incentive compensation of base salary were granted: the CEO 17%, the *Chief Client Officer* (**CCO**) 17%, the *Chief Financial Officer* (**CFO**) 17% and the CRO 17%.

For the CEO and other members of the Managing Board, the variable compensation is delivered in a pre-defined mix (same as for other Identified Staff): 30% in cash, 20% in deferred cash, 30% in PSUs and 20% in unvested PSUs. In this way, NIBC complies with regulations that require Identified Staff to receive 50% of all variable compensation in the form of equity or equity-linked instruments and for 40% of both the cash and equity component to be deferred. For the Managing Board, the holding period of the equity-linked instruments is set to five years as required by law.

Pension

The CEO and other Managing Board members participate in the NIBC pension plan, in line with the arrangements available to all other employees. In 2015, the pension plan consisted of a) a *collective defined-benefit pension arrangement* (**CDC arrangement**) up to a pensionable salary of EUR 100,000 maximum salary, and; b) an additional (gross) contribution up to their respective base salaries. The retirement age for the CEO and members of the Managing Board is 67. There are no contractual early retirement provisions.

The Members of the NIBC Managing Board, including the CEO, participate in the same pension scheme as employees. NIBC pays a standard flat-rate contribution of 26% into the pension fund for the CDC arrangement. As all employees, they are required to make a personal contribution of 4.0% of their pensionable salary in the CDC arrangement.

Other key benefits

The CEO and members of the Managing Board are entitled to a company car up to a certain price limit or, if they prefer, the equivalent value of the lease car limit as a gross cash allowance.

In addition, when applicable, the members of the Managing Board are entitled to dividend compensation on share awards conditionally granted before 2012. As is the case with all our employees, the members of the Managing Board are entitled to a contribution towards their disability insurance, accident insurance and permanent travel insurance and a subsidy on mortgage interest paid (as of 1 April 2014, no new mortgage subsidies have been granted).

Employment contracts

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

Amendments to Managing Board remuneration in 2016

After a thorough review of Managing Board remuneration in 2015, the fact that the salary development has been flat for the last four years as no inflation correction was applied and taking into account its performance, the Supervisory Board decided to amend the base salaries of the CEO and the members of the Managing Board. As of January 2016, the CEO will receive a base salary of EUR 800,000 (2015: EUR 775,000), while the members of the Managing Board will receive a base salary of EUR 550,000 (2015: EUR 500,000).

Other staff remuneration

In line with the DNB Principles, employees whose professional activities have a material impact on NIBC's risk profile are designated Identified Staff. Specific remuneration conditions may apply to Identified Staff other than Managing Board members. The outlines of the remuneration policies for Identified Staff and other staff are given below. For further details on the policies for Identified Staff, please see our website (published in the course of May 2016, (chapter 'Corporate Governance / Managing Board').

Total compensation funding

Each year, based on a proposal by the Managing Board, the Supervisory Board decides, at its discretion, on the overall amount of money available for total compensation, the amount of variable compensation and the specific forms in which variable compensation may be awarded. The 2015 compensation ratio (total compensation costs as percentage of operating income) was 28.1%.

Variable compensation

All employees with a function contract are eligible for variable compensation. Whether or not they actually receive it is wholly discretionary and depends on the overall financial and non-financial performance of the bank, of their respective business unit, their personal performance and the relevant market levels of remuneration.

All employees have a pre-agreed set of financial and non-financial (at least 50%) performance targets. Their performance assessments take into account the achievement of pre-agreed targets, how they have behaved according to NIBC's Business Principles, as well as their contributions towards the bank's longer-term objectives. Non-financial performance aspects include client satisfaction, employee satisfaction, transparency, and sustainability. The Dutch Banking Code serves as a guideline for all employees. In 2015, the average variable compensation awarded to eligible employees was approximately 17%; below the 20% cap of the Wbfo. The maximum awarded to any individual, including risk-takers, was 50% of fixed salary.

Employees do not qualify for variable remuneration if their performance has been inadequate or poor, if they have failed to meet duty-of-care or compliance requirements, if they have displayed behaviour contrary to NIBC's policies and corporate values, or are subject to disciplinary action.

Pay mix

Variable compensation, if any, is delivered in various components: (I) cash; (II) deferred cash; (III) vested *Phantom Share Units* (**PSUs**); (IV) unvested PSUs. The variable compensation is a combination of cash, deferred cash and PSUs. The Managing Board determines the precise split between cash and equity or equity-linked components, the proportion of deferred compensation and the form in which this is distributed (such as cash or unvested equity), whether a threshold applies for the deferred component and, if so, how high that threshold is.

For Identified Staff, no threshold applies and any variable compensation is delivered in a pre-defined mix: 30% in cash, 20% in deferred cash, 30% in PSUs and 20% in unvested PSUs. In this way, NIBC complies with regulations that require Identified Staff to receive 50% of all variable compensation in the form of equity or equity-linked instruments and for 40% of both the cash and equity component to be deferred.

Special situations

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

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

Supervisory Board Remuneration
Remuneration for the Supervisory Board remained unchanged. The Chairman and members of the Supervisory Board are entitled to an annual gross basic fee totalling EUR 60,000 for the Chairman, EUR 50,000 for the Vice-Chairman and EUR 40,000 for members. 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 AC, EUR 11,500 for the RPC and EUR 10,000 for the RNC. The Chairman and members of the Supervisory Board are further entitled to reimbursement of genuine business expenses incurred in fulfilling their duties.

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

The Supervisory Board discussed Identified Staff, the performance and remuneration of control functions, as well as the employees with the highest proposed variable compensation. Scenario analyses were conducted by Risk Management to assess the possible outcomes of the variable remuneration components on an individual and collective basis.

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

If an employee resigns, any unvested amounts of compensation are forfeited.

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

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

Disclosure on Dutch Remuneration Legislation for Financial Services Companies (WBFO).
The variable compensation in cash charged to the income statement increased in 2015 on the back of improved performance. The total amount of variable income granted in 2015, with respect to the performance over 2014, amounts to EUR 5.7 million. This grant consists of (direct and deferred) cash and (vested and unvested) share based instruments. The 2014 figures include a one-off compensation for sign on and for cancellation of long-term incentive arrangements of the Statutory Board. In 2015 one employee was awarded a total compensation of more than EUR 1.0 million (in 2014: one employee).

CORPORATE GOVERNANCE

It is crucial for NIBC that corporate governance and reporting lines are sound and transparent. NIBC has a matrix organisation with both hierarchical and functional reporting lines. *Our website* contains our articles of association, policies, charters and other information on corporate governance, the compliance statements with respect to the Dutch Banking Code, and the Dutch Corporate Governance Code.

This chapter contains some highlights of our governance structure in 2015. To the extent applicable, NIBC adheres to international governance standards such as the EBA Guidelines on Internal Governance.

MANAGING BOARD

The Managing Board is responsible for the day-to-day operations of the business and for our long-term strategy. The Board also ensures we comply with relevant legislation and regulatory requirements. The four members of the Managing Board have thorough and in-depth knowledge of the financial sector in general and the banking sector in particular.

For the composition of the Managing Board as per 31 December 2015, see the following table.

Name	Year of birth	Nationality	Member since	End of term[1]
Mr. P.A.M. de Wilt (Chairman, CEO)	1964	Dutch	2014	2018
Mr. H.H.J. Dijkhuizen (Chief Financial Officer)	1960	Dutch	2013	2017
Mr. R.H.L. ten Heggeler (Chief Client Officer)	1963	Dutch	2009	2017
Ms. P.C. van Hoeken (Chief Risk Officer)	1961	Dutch	2011	2019

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

In the case of a vacancy in the Managing Board, the regular policy is applied in which we ask the Executive Search to also shortlist female candidates. However, the selection will primarily be based on the fit for the specific position. Going forward, NIBC will continue to strive to find a good balance in the gender diversity of the Supervisory Board and enhance the chance of the appointments of female candidates.

The Supervisory Board decided on 25 August 2015, based on the profile and total composition of the Managing Board, to re-appoint Petra van Hoeken as member of the Managing Board and CRO of NIBC Bank N.V. for an additional period of four years as from 1 January 2016. Both the shareholder and the Employees' Council gave a positive advice in relation to this re-appointment.

NIBC Bank Deutschland AG is a full subsidiary of NIBC Bank N.V. As per 1 January 2016 Mr. E.J. Langendam, Chairman of the Managing Board (Vorstand) of NIBC Bank Deutschland AG resigned. The Vorstand of the AG now comprises Mr. T.A. Rasser and Mr. H.J. Michel. A successor for Mr. Langendam is expected to be appointed in the first half year of 2016. Members of its Supervisory Board (Aufsichtsrat) of the AG are Mr. R.H.L. ten Heggeler, Mr. H.H.J. Dijkhuizen and Ms. P.C. van Hoeken.

The NIBC Managing Board, which meets weekly, represents and balances the interests of all stakeholders. In 2015, there were no transactions in which the members of the Managing Board had a conflict of interest. More information about the Managing Board, including short biographies, can be found on our website.

The *Engagement Committee* (**EC**) ensures a transparent, ethical and accurate decision-making process with regard to NIBC's engagement of clients. The EC serves as forum where all potential transactions and engagements of the Corporate Banking division of NIBC are checked against potential conflicts of interest as well as potential integrity risks. The EC comprises of two members of the Managing Board (representing Corporate Banking and Risk Management) and the head of Compliance.

SUPERVISORY BOARD

The Supervisory Board oversees management performance and advises the Managing Board. On 31 December 2015, the Supervisory Board consisted of eight people with extensive and international expertise in fields such as banking and finance, corporate governance and corporate management. As per 1 January 2016 Mr. D.M. Sluimers has been appointed as new member of the Supervisory Board and chairman of the Audit Committee. For more information about our Supervisory Board, please see the Report of the Supervisory Board or visit our website.

The Supervisory Board evaluated its performance in 2010 and 2011 with the support of external advisors and has followed up on the recommendations. At the end of 2014, a new external evaluation of the Supervisory Board was started. The outcome of this evaluation came available in the first quarter of 2015. Please refer to the report of the Supervisory Board for further information on this Board evaluation.

DUTCH CORPORATE GOVERNANCE CODE

NIBC voluntarily supports and applies the principles of the Dutch Corporate Governance Code. NIBC partly deviates from best practices and principles as laid out in the Code. The main deviation is that we do not comply with best practice provision III.2.1, which provides that the members of a supervisory board should be independent, except for one member. At this point, the Dutch Corporate Governance Code deviates from the policy of the DNB that came into force in 2012. It is the policy of the DNB that at least 50% of the members of a supervisory board should be formally independent members according to the criteria of provision III.2.1. of the Dutch Corporate Governance Code. Based on this new policy, we assessed the independence of the members of our Supervisory Board. Five out of nine members qualify as formally independent.

Our website contains a detailed overview of NIBC's compliance with the principles of the Dutch Corporate Governance Code, including reasons for the above and other minor deviations, as well as the full text of the Code.

DUTCH BANKING CODE

The Banking Code is self-regulation, but had been decreed a legislative code by the Ministry of Finance. The first Banking Code was valid until the end of 2014. As per 1 January 2015 a new Dutch Banking Code (Code) came into force as part of a package called 'Future-oriented banking'. Again, the new Code concerns self-regulation. In addition to the Code, Future-oriented banking introduces a Social Charter and rules of conduct associated with the Bankers' Oath and disciplinary rules for employees of banks in the Netherlands. The package Future-oriented banking and more specifically, the changes to the responsibilities of Managing Board and Supervisory Board in the new Banking Code have been extensively discussed in the meeting of the Supervisory Board of 11 August 2015.

The Managing Board was also present at that meeting. All members of the Managing Board and Supervisory Board have taken the Bankers' Oath. On 2 February 2015, in our head office in The Hague, an event called 'Banking on Trust' was organised on culture and integrity. After this interactive event where among others dilemmas discussed, employees of NIBC The Hague took the Bankers' Oath and symbolically put their signature on the Oath that was reflected on a mirror on the wall. Both the chairman of the Supervisory Board and the chairman of the Dutch Banking Association attended this event which received a lot of positive feedback from our employees. In Q1 2015 our foreign offices also paid attention to culture and integrity in separate sessions. The components of the Bankers' Oath are embedded in our Code of Conduct, which applies to our entire organisation and is included in our employee contracts.

In 2015, culture and leadership was a prominent subject on the agenda of NIBC's senior management meetings. Also in 2015 we launched a new advertisement campaign under the name 'Think YES'. In preparation of this campaign NIBC's three key values were determined: inventive, entrepreneurial and professional. These values came about with intensive input and discussion from NIBC's senior management. Following an internal session with our employees, it transpired that integrity is considered an essential part of the core value 'professional'. The three core values will be incorporated into our training programme offered via NIBC Academy. NIBC's talent programme also regularly addresses culture and conduct, among other areas, by organising training sessions on these subjects lead by external experts. In preparation for the Banking on Trust event, a bank wide, obligatory, e-learning on integrity was conducted by all employees of NIBC The Hague.

Every month, a coffee break meeting is organised in which a small number of employees meet with a member of the Managing Board. Employees are invited to voluntarily attend these meetings, which do not have a fixed agenda, and often cover a wide range of topics, some of which are related to dilemmas and cultural matters.

NIBC has implemented all procedural and operational measures required under the Banking Code. We have aligned our remuneration policies for staff and for the Managing Board with the Code. Since 2010, we have had a programme of lifelong learning and held regular training sessions for the Managing Board and the Supervisory Board.

Our governance is fully aligned with both the first and the second Dutch Banking Code. A detailed explanation of the Dutch Banking Code and an overview of NIBC's compliance with it can be found on our website.

RISK MANAGEMENT

Risk management is an integral part of doing business in corporate and consumer banking. NIBC believes that effective risk management is at the core of its sustainable growth strategy, and should be fully integrated into its planning and control cycle and its day-to-day business activities. The NIBC risk management framework provides a structured approach for managing risks as an integral part of our business activities. It helps to define the scope and boundaries of these activities according to the appetite formulated by the Managing Board.

KEY DEVELOPMENTS IN RISK MANAGEMENT

In an economic climate that can be characterised as challenging, as a modest recovery is surrounded with uncertainty and markets are continuously confronted with low interest rates, risk management is a key element in the execution of NIBC's strategy. In 2015, the following key developments are noteworthy:

- **Product development**
  In 2015, NIBC launched various new products, such as the NPEX Entrepreneurs Fund (a fund investing in SME bonds listed on the NPEX stock exchange) and the buy-to-let mortgages, which it started to offer in the Netherlands in January 2015. Each product launch involves a New *Product Approval Process* (**NPAP**), in which the risk assessment forms a key component. Elements such as client interest, product knowledge and handling, need to be successfully addressed before a product can be implemented.

- **Increased attention for sector developments and portfolio management in certain sectors**
  Given the pressure in certain sectors (mainly Oil & Gas and the dry bulk shipping subsector), extra portfolio management and risk management attention has been directed at these areas, with the goal to proactively discuss the situation with our clients and, where necessary, take pre-emptive measures.

- **Strengthening of risk management processes**
  Various parts of NIBC's risk management practice have been strengthened in 2015, such as further developing the risk appetite framework, the extension of the stress testing framework and an increased focus on compliance and integrity risks. Also, the forbearance concept has been further implemented, enhancing the review and reporting processes on the Corporate Loan portfolio.

- **Reduction of legacy exposures**
  During 2015, NIBC successfully continued its efforts to reduce its legacy exposures, by restructuring and transferring (part of) these positions. This has helped to improve NIBC's risk profile.

- **Further development of risk management function in certain areas**
  In the past year, NIBC has invested in several areas of risk management, following the extra commercial effort that is also undertaken in these areas. Consequently, the risk management function of NIBC Bank Deutschland AG has further evolved, as well as the risk management function of Consumer Banking.

- **Risk awareness**
  Risk awareness is continuously increasing via training and knowledge sharing sessions. During the year, various aspects of risk management have been addressed throughout the organisation, such as risk appetite, credit skills, information security, operational risk and legal and regulatory developments.

RISK GOVERNANCE

NIBC uses the 'three lines of defence' governance model, which provides a structure to clearly assign the risk management activities and responsibilities throughout the organisation.

Line of defence	Who	Responsibility
1st line of defence: Risk Ownership	Business	The business is responsible for the decision to take risk and to execute its business processes within the applicable risk frameworks
2nd line of defence Risk Control	Risk and Control functions	Risk and control functions are responsible for designing the frameworks, monitoring and controlling execution and reporting on key risk indicators
3rd line of defence: Risk Assurance	Internal Audit	Internal Audit is responsible for review of and assurance on effective design and execution of the control processes

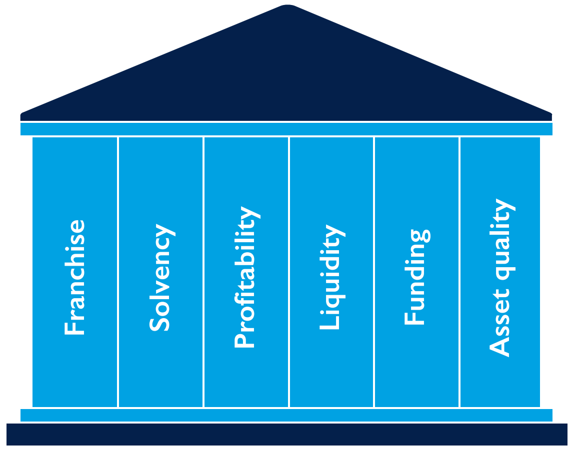
This governance model supports risk awareness throughout the organisation, and promotes dialogue across functions on goals, risks and controls. Pivotal to this is that every member of the NIBC staff takes accountability for his or her actions as part of our sound risk culture.

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

Committee	Risk area	Delegated authorities
Risk Management Committee (RMC)	Integral risk management Operational risk	- Approve risk policies and methodologies; - Set portfolio, sub-portfolio and concentration limits; - Govern model validation; - Approve new product approval requests.
Asset & Liability Committee (ALCO)	Market risk Liquidity risk Interest rate risk	- Set and monitor economic capital limits; - Set and monitor market risk limits; - Liquidity management; - Manage interest rate risks and currency risks of banking book.
Transaction Committee (TC)	Credit risk	- Decision-making on senior debt transactions, impairments and write offs, lending and underwriting strategies.
Investment Committee (IC)	Credit risk Investment risk	- Decision-making on equity, mezzanine and subordinated debt transactions, impairments and revaluations.
Engagement Committee (EC)	Reputational risk Integrity risk	- Decision-making with regard to client engagement and conflicts of interest.

RISK APPETITE

Risk appetite defines the amount and type of risk an organisation is willing to accept in pursuit of its business objectives. In order to achieve our long-term objectives, including the attainment and retention of a target BBB credit rating, we have defined six pillars, which together form NIBC's risk appetite framework.



- Franchise – be a reliable and client-focused bank;
- Solvency – be a creditwothy partner for our clients and other stakeholders
- Profitability – have returns aligned with our business model and risk profile;
- Liquidity – sufficient and appropriate at all times;
- Funding – stable and diverse funding base;
- Asset Quality – satisfactory and aligned with our business objectives.

Performance is measured across these six pillars by means of quantitative and qualitative risk appetite statements. This framework helps NIBC to implement and execute its strategy of sustainable growth, as it helps to steer on client interest, product suitability and compliance with laws and regulation.

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

Determining risk appetite is closely linked to the budget setting and capital planning processes. NIBC's forward-looking risk profile, based on budgets and (stressed) scenario forecasts, is the basis of setting the risk appetite. A set of selected stress scenarios (including externally provided inputs) is designed to provide the business with the incentive to improve the asset quality and present management with a holistic overview of NIBC's risk profile and its sensitivities.

Throughout 2015, the Managing Board and Risk Management engaged in discussions with senior management and presented risk appetite to a wide range of employees. Consequently, it has become more tangible for everyone and a part of NIBC's overall risk governance. Periodically Risk Management reviews all scenarios used (hypothetical, historical and regulatory) to determine if they are still relevant and sufficiently comprehensive to capture all significant risks contained in NIBC's positions.

OVERVIEW OF RISK TYPES

Within its risk management framework, NIBC distinguishes the following key risk categories: credit risk, investment risk, market risk, liquidity risk and operational risk. Managing these risks in line with the business strategy and the risk appetite helps NIBC to achieve its targets in a sustainable and controller way. One additional element that is key enabling the business activities is to ensure the bank's capital adequacy.

Table 1 shows a breakdown of NIBC's positions (both drawn and undrawn), together with the main types of risk present in these portfolios. This section discusses these risk categories and the way NIBC manages them.

Notes 58, 59, 60 and 61 to the consolidated financial statements contain more detailed information on NIBC's portfolios, the various risk types and the risk management procedures. Additional information on capital adequacy and risk management can be found in NIBC's Pillar 3 report which is published on our website.

Table 1 Overview of main risk exposures

IN EUR MILLIONS	Main risk types	31 December 2015	31 December 2014
CORPORATE/ INVESTMENT LOANS	Credit risk	9,393	8,943
LEASE RECEIVABLES	Credit risk	221	361
RESIDENTIAL MORTGAGES	Credit risk	8,580	8,058
EQUITY INVESTMENTS	Investment risk	285	358
DEBT INVESTMENTS	Credit risk / Market risk	1,296	1,190
CASH MANAGEMENT	Credit risk	1,382	1,212
DERIVATIVES 1	Credit risk / Market risk	2,151	2,851
FUNDING	Liquidity Risk	20,251	19,443
CAPITAL (Incl.Tier-2 as per Basel III)	Capital Adequacy Risk	2,025	1,866

1 Positive replacement values.

CREDIT RISK

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

Within the corporate banking activities, credit risk is governed by the *Transaction Committee* (**TC**) and the *Investment Committee* (**IC**). Both committees review and approve transaction proposals and monitor usage of the various portfolio and concentration limits. For the Consumer Bank, which is based on program lending instead of individual credit review by a committee, credit risk is governed by RMC. RMC determines the underwriting criteria, within which the Consumer Bank can originate retail mortgages and buy-to-let mortgages.

The table on the next page provides a breakdown of the credit exposures of NIBC

Table 2 Overview of credit risk exposures

IN EUR MILLIONS	2015	2014
CORPORATE LOANS PORTFOLIO		
Infrastructure & Renewables	1,990	2,070
Shipping & Intermodal	1,537	1,357
Commercial Real Estate	1,293	1,321
Oil & Gas	1,282	1,316
Industries & Manufacturing	1,266	1,118
Technology, Media & Telecommunications	968	744
Food, Agriculture, Retail & Health	896	864
Total Corporate loan exposures	**9,232**	**8,789**
INVESTMENT LOANS PORTFOLIO		
Infrastructure & Renewables	4	-
Shipping & Intermodal	-	-
Commercial Real Estate	-	-
Oil & Gas	16	-
Industries & Manufacturing	17	18
Technology, Media & Services	82	117
Food, Agriculture, Retail & Health	42	19
Total Investment loan exposures	**161**	**154**
CONSUMER LOANS PORTFOLIO		
Retail mortgages - The Netherlands	8,463	7,891
Retail mortgages - Germany	117	167
Total Consumer loan exposures	**8,580**	**8,058**
DEBT INVESTMENT PORTFOLIO		
Financial institutions & Corporate credits	482	402
Securitisations	814	788
Total Debt investment exposures	**1,296**	**1,190**
Lease receivables exposure	**221**	**361**
Derivatives	**2,151**	**2,851**
Cash Management	**1,382**	**1,212**
TOTAL AT 31 DECEMBER	**23,023**	**22,615**

DEVELOPMENT OF CREDIT QUALITY

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

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

The framework and the relationship between the different measures is illustrated in figure 1.

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

The table 3 on the following page provides an overview of the exposures that are classified within one or more of the credit quality measures for the total portfolio.

It should be noted that the exposures reported under the various measures are partially overlapping.

In general, the credit quality of the non-defaulted part of the Corporate Loan portfolio remained stable in 2015. Challenges were mainly concentrated in the Oil & Gas sector and the dry bulk shipping subsector. Emphasis during the year was on ensuring solid quality of existing and newly originated transactions. This was enforced by sound and proactive portfolio management and increased sector emphasis.

In terms of *Counterparty Credit Rating* (**CCR**) distribution, the credit quality of the total portfolio is concentrated in categories 5 and 6 of NIBC's internal rating scale (corresponding to the BB and B categories in external rating agencies' scales).

Figure 1 Credit quality framework

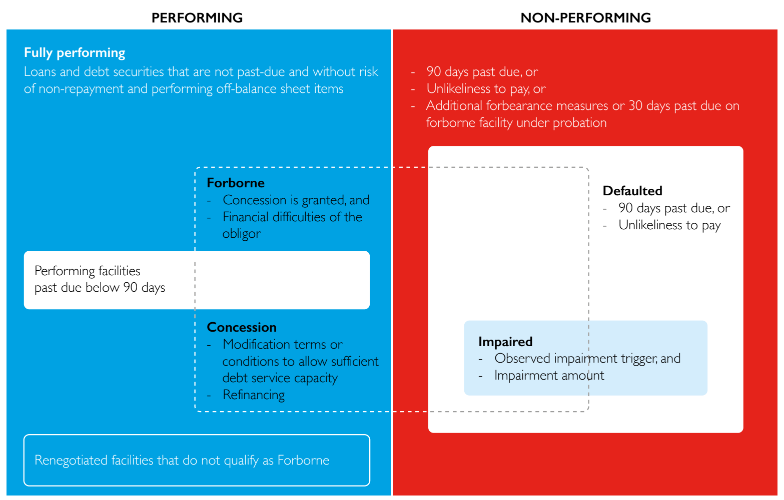


Table 3 Overview of credit quality measures Total portfolio (Corporate Loan portfolio and Dutch Residential Mortgages)

	31 December 2015		31 December 2014	
IN EUR MILLIONS	**Exposure**	**In %**	**Exposure**	**In %**
Defaulted exposure	641	3.6	581	3.4
Impaired exposure	503	2.8	454	2.7
Non-performing exposure	656	3.7	581	3.4
Forborne exposure	795	4.5	1.324	7.9

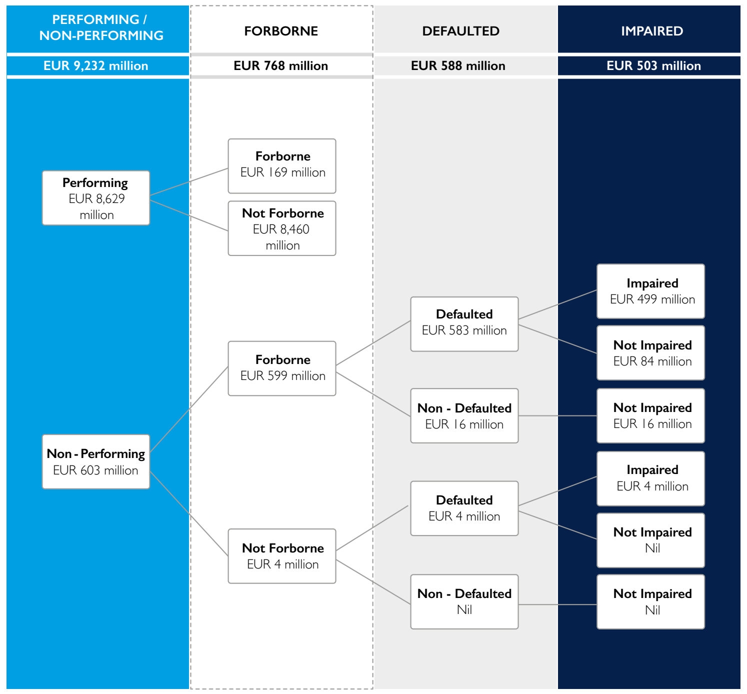
The concentration of NIBC's corporate loan exposure in sub-investment grade is counterbalanced by the fact that almost all loans are collateralised in some form. Loans can be collateralised by mortgages on vessels and real estate, by lease and other receivables, by pledge on machinery and equipment, or by third-party guarantees and other similar agreements. As a result, NIBC's LGDs are concentrated in those LGD categories that correspond to recoveries in the range of 80% to 90%.

Figure 2 provides the numerical overview of the relationship between these measures for the Corporate Loan portfolio.

The Mortgage portfolio has shown an improvement in credit quality in 2015. During the year, we have seen the amounts in arrears decrease and also the default statistics have improved considerably. The forborne exposure as per 31 December equals EUR 27 million. The reported forborne exposure per 31 December 2014 equalled EUR 151 million. The decrease, however, is partly the result of a newly implemented, narrower definition of forborne exposure for the Mortgage portfolio.

During 2015, acceptance criteria were adjusted, to bring these in line with adjusted regulation. The maximum NHG guaranteed loan amount was decreased to EUR 245,000 and the maximum loan-to-value for owner-occupied mortgages has been lowered to 103%.

Figure 2 Overview of credit quality measures Corporate Loan portfolio



Note 58 to the financial statements provides more detailed information on the development of impairments and write-offs as well as more details on forborne exposure.

MARKET RISK

NIBC defines market risk as the current and prospective volatility in its earnings and capital as a result of movements in market prices. Market risk 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 spread curves.

The predominant market risk drivers for NIBC are interest rate risk and credit spread risk. Interest rate risk of NIBC is present in the Trading book, the Mismatch book and the Banking book.

In the Trading book, NIBC takes short-term positions in the EUR, GBP and USD yield curves. The Trading book also contains interest rate risk related to derivative transactions of NIBC's clients. The limits for the Trading book are moderate. Trading book limits are monitored on a daily basis and reported to ALCO on a biweekly basis.

In the Mismatch book, NIBC concentrates the interest rate risk of the bank based upon a long-term view. NIBC only takes mismatch positions in the currencies in which the bank has lending activities. In 2013 NIBC opened a new strategic mismatch position in GBP. Subsequently, new EUR and USD mismatch positions were opened in 2014, while the GBP mismatch was further increased. In 2015 the EUR, USD and GBP positions were further enlarged. At year-end of 2015, 42% of the mismatch position was held in EUR, 35% in GBP and 23% in USD.

Apart from the Trading book and the Mismatch book, interest rate risk is also managed in a number of books collectively referred to as Banking book. The Banking book contains only residual interest rate risk and basis risk.

NIBC is subject to credit spread risk in the Debt Investment portfolio, which is part of the Banking book and mainly consists of investments in financial institutions and securitisations.

NIBC has the policy to hedge its currency positions. When currency positions exceed small facilitating limits, NIBC enters into a hedging transaction.

Note 59 to the consolidated financial statements provides more information on market risk.

INVESTMENT RISK

Investment risk relating to NIBC's equity investments is the risk that the value of the investment will deteriorate. NIBC has included investment risk in its market risk framework.

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

The investment process is based on the following principles:

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

Management of investment exposures

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

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

All investment exposures are reviewed on a quarterly basis. The investment manager drafts a review document and prepares a valuation of the investment in accordance with the International Private Equity and Venture Capital Valuation Guidelines, to the extent that these are consistent with IAS 39.

Table 4 Breakdown of equity investments per sector

IN EUR MILLIONS	**2015**	**2014**
Infrastucture & Renewables	107	90
Shipping & Intermodal	-	-
Commercial Real Estate	11	10
Oil & Gas	-	-
Industries & Manufacturing	27	18
Technology, Media & Services	97	101.5
Food, Agriculture, Retail & Health	43	138.5
TOTAL AT 31 DECEMBER	**285**	**358**

Table 5 Breakdown of equity investments per region

IN EUR MILLIONS	**2014**	**2013**
The Netherlands	215	289
Germany	-	-
United Kingdom	13	12
Rest of Europe	27	26
North America	30	31
TOTAL AT 31 DECEMBER	**285**	**358**

The International Private Equity and Venture Capital Valuation Guidelines lay out recommendations, intended to represent current best practice on the valuation of private equity investments. All valuations are approved by the IC.

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

Composition of investment exposure

Tables 4 and 5 show the on-balance amounts and the breakdown of the Equity Investments portfolio in industry sectors and regions. NIBC's off-balance commitments amounted to EUR 16 million at 31 December 2015 (31 December 2014: EUR 19 million).

LIQUIDITY RISK

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

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

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

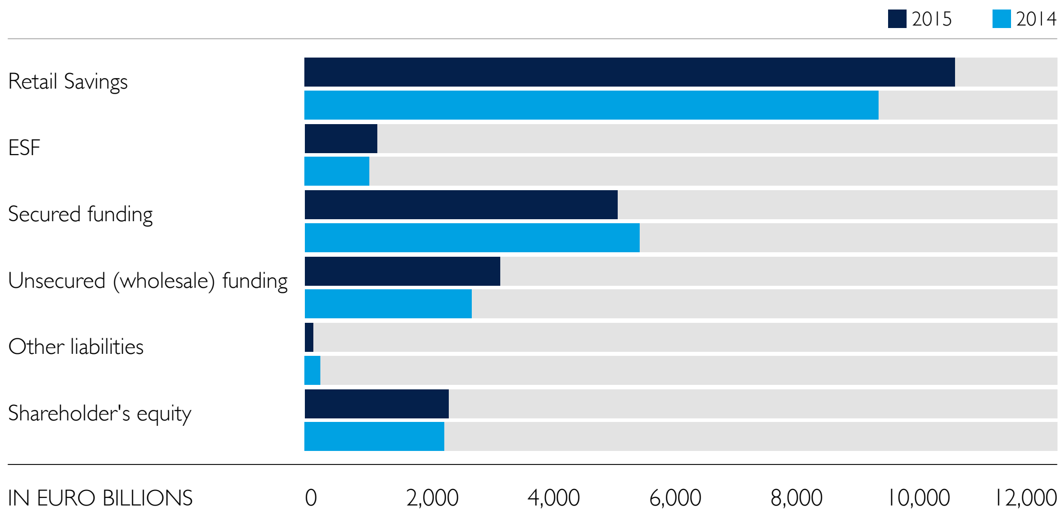
The liquidity positions are managed by the ALCO. Using frequently updated projections from the business units and maturity profiles of the different portfolios, liquidity forecasts and stress tests are performed and reported to ALCO on a bi-weekly basis.

Funding

NIBC further improved its diversified funding base in 2015. Two structured transactions were redeemed (DMBS XV and Sound II, approximately EUR 500 million each). To attract new funding, NIBC employed various instruments. In 2015, NIBC issued a new senior unsecured bond (EUR 500 million, tenor 3.5 years), a new conditional pass through covered bond (EUR 500 million), senior unsecured private placements of EUR 184 million and a new Tier-2 private issue of EUR 50 million. Additionally, we have grown our retail savings by almost EUR 1 billion and we have further developed our *Einlagensicherungsfonds* (ESF) funding by approx. EUR 175 million. Overall, NIBC has strengthened its position in the various funding markets and continues to improve the composition and efficiency of its funding mix.

An overview of the Funding portfolio at 31 December 2015 and 31 December 2014 is shown in figure 3. The funding overview is based on total balance sheet amounts.

Figure 3 Breakdown of total liabilities



Note 60 to the consolidated financial statements provides more information on liquidity risk.

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error, fraud, or external events including legal risk. Reputational risk and strategic business risk are also considered to be part of operational risk.

In NIBC 'three lines of defence' model, operational risk management strives for a 'no surprises' operating environment and provides a transparent and consistent way of managing operational risk across all our business lines, banking activities and countries.

As part of this, every NIBC business unit and international office (first line) has an operational risk management 'champion'. These employees assess their department's activities for potential operational risks, monitor the control mechanisms in place to mitigate these, coordinate ways of resolving loss-making events and promote awareness for operational risks within their departments. Since the scheme was launched in 2012, this has created a valuable network of experts that shares its knowledge and expertise across the bank.

The central ORM function monitors and controls operational risk on group level, develops policies and processes and provides methodology and tools. The tools give an integrated view of the *risk and control self-assessment* (**RCSA**), control identification, action planning, and event and loss registration. These tools support the constant process of evaluating and reducing operational risk, and planning mitigation measures. The department also co-ordinates the development of forward-looking scenario analysis (hypothetical external or internal scenarios with which it is ensured that a plan exists in case these events occur).

In 2015, NIBC has continued enhancing its forward-looking, proactive attitude and its structured approach to managing operational risk across all 'three lines of defence'. In a rapidly changing environment, this ensures a forward-looking approach to the development of risks and allows the assessment and identification of the areas that require attention in time. This also entails a proactive and forward-looking analysis of new products and services that NIBC plans to launch for its customers. The central element in the New Product Approval Process (NPAP) is the client's interest. As part of the NPAP, NIBC needs to determine how the product is suitable for its clients and how NIBC will ensure it can offer the product to its clients in a responsible and sustainable manner. In addition to the NPAP, NIBC has implemented a *Significant Change Approval Process* (**SCAP**). This process is used to assess the impact of material adjustments in internal processes. These adjustments are reviewed for impact on operational risk.

Operational risk in all its facets – including compliance and regulation, dealing with integrity, change management and technology risk – will remain a key part of a bank's overall risk management. Doing more business always means more risk: that is not negative in itself, but must be properly understood and managed. As such, NIBC's risk appetite framework also includes specific risk appetite statements for operational risk, as well as other non-financial risks, such as legal and compliance risks.

As part of our yearly cycle we use the operational risk management process also as a basis for the in control statement of the Managing Board as included in this Annual Report.

CAPITAL ADEQUACY

Regulatory capital

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

As in previous years, NIBC is solidly capitalised at 31 December 2015, as shown by our solid regulatory ratios. The fully-loaded Common Equity Tier-1 ratio stood at 15.6% (Core Tier-1 ratio 31 December 2014: 15.5%); the Tier-1 ratio at 15.6% (31 December 2014: 15.5%); and the Total Capital / BIS ratio at 20.0% (31 December 2014: 19.3%). These are well above the minimum capital requirements imposed by the CRR/CRD IV, which require a minimum Tier-1 ratio of 6% and a minimum Total Capital / BIS ratio of 8%, excluding capital buffers.

The driver for the slightly higher levels of these ratios compared to 2014 was the increase in Common Equity Tier 1 capital. Of the total capital requirement, 92% relates to credit risk, 5% to operational risk, 1% to market risk and 2% credit value adjustment. Table 6 shows the summary of capital ratios and RWA for NIBC.

Table 6 NIBC (fully loaded) capital ratios, CRR/CRD IV

	31 December 2015	31 December 2014
CAPITAL RATIOS (IN%)		
Common Equity Tier-1 ratio	15.6%	15.5%
Tier-1 ratio	15.6%	15.5%
Total Capital / BIS ratio	20.0%	19.3%
RISK WEIGHTED ASSETS (IN EUR MILLIONS)		
Credit risk	9,415	8,560
Market risk	137	371
Operational risk	448	449
Credit Value Adjustment	163	266
TOTAL RWA	**10,162**	**9,646**

Economic capital

In addition to regulatory capital, NIBC also calculates *Economic Capital* (**EC**). This is the amount of capital that NIBC needs as a buffer against potential losses from business activities, based upon its own assessment of risks. It differs from Basel's regulatory capital as NIBC assesses the specific risk characteristics of its business activities in a different manner from the required regulatory method. At NIBC, EC is based on a one-year risk horizon with a 99.95% confidence level. This confidence level means that there is a probability of 0.05% that losses in a period of one year will be larger than the allocated EC.

During 2015, the EC remained relatively stable and ranged between EUR 955 million and EUR 1,001 million, with an average of EUR 986 million.

Note 61 to the consolidated financial statements provides more information on capital management.

IN CONTROL REPORT

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

RISK MANAGEMENT AND CONTROL

The Managing Board relies on the risk management and control framework and is supported by business unit management. The business unit managers provide a bi-annual In Control Statement to the Managing Board, based on a risk and control self-assessment. The results of the self-assessments have been shared with the Supervisory Board.

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 of NIBC believes 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.

RESPONSIBILITY STATEMENT

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

- The annual consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of NIBC and its consolidated group companies;
- The annual report 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 describes the material risks which NIBC faces.

The Hague, 8 March 2016

Managing Board

Paulus de Wilt, *Chief Executive Officer and Chairman*
Herman Dijkhuizen, *Chief Financial Officer*
Rob ten Heggeler, *Chief Client Officer*
Petra van Hoeken, *Chief Risk Officer*

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

for the year ended 31 December

IN EUR MILLIONS	NOTE	2015	2014
Interest and similar income		564	540
Interest expense and similar charges		278	294
NET INTEREST INCOME	2	**286**	**246**
Fee and commission income		37	28
Fee and commission expense		1	1
NET FEE AND COMMISSION INCOME	3	**36**	**27**
Dividend income	4	1	2
Net trading income	5	(11)	3
Gains less losses from financial assets	6	22	15
Share in result of associates	28	1	1
Other operating income	7	17	22
OPERATING INCOME		**352**	**316**
Personnel expenses and share-based payments	8	97	89
Other operating expenses	9	82	76
Depreciation and amortisation	10	8	10
OPERATING EXPENSES		**187**	**175**
Impairments of financial assets	11	63	93
Impairments of non-financial assets	11	20	-
Regulatory charges and levies	12	4	18
TOTAL EXPENSES		**274**	**286**
PROFIT BEFORE TAX		78	30
Tax	13	7	6
PROFIT AFTER TAX		**71**	**24**
Result attributable to non-controlling interests		-	-
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDER		**71**	**24**

Consolidated statement of comprehensive income

for the year ended 31 December

			2015			2014
IN EUR MILLIONS	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
PROFIT FOR THE YEAR	**78**	**7**	**71**	**30**	**6**	**24**
OTHER COMPREHENSIVE INCOME						
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS						
Remeasurements of defined-benefit plans	-	-	-	(10)	(2)	(8)
Revaluation of property, plant and equipment	-	-	-	-	-	-
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS						
Net result on hedging instruments	(16)	(4)	(12)	19	2	17
Revaluation of equity investments	2	-	2	6	1	5
Revaluation of debt investments	(7)	(2)	(5)	9	3	6
TOTAL OTHER COMPREHENSIVE INCOME	**(21)**	**(6)**	**(15)**	**24**	**4**	**20**
TOTAL COMPREHENSIVE INCOME	**57**	**1**	**56**	**54**	**10**	**44**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO						
Parent shareholder	57	1	56	54	10	44
Non-controlling interests	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	**57**	**1**	**56**	**54**	**10**	**44**

Consolidated balance sheet

at 31 December

IN EUR MILLIONS	NOTE	2015	2014
Assets			
FINANCIAL ASSETS AT AMORTISED COST			
Cash and balances with central banks	14	746	474
Due from other banks	15	1,745	2,286
Loans and receivables			
Loans	16	7,668	7,226
Debt investments	17	294	359
Residential mortgages own book	18	2,390	1,078
FINANCIAL ASSETS AT AVAILABLE-FOR-SALE			
Loans	19	18	-
Equity investments	20	48	53
Debt investments	21	1,064	945
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)			
Loans	22	316	374
Residential mortgages own book	23	3,954	3,342
Securitised residential mortgages	24	2,236	3,638
Debt investments	25	19	37
Equity investments (including investments in associates)	26	222	276
Derivative financial assets	27	2,151	2,851
OTHER			
Investments in associates (equity method)	28	7	6
Intangible assets	29	-	43
Property, plant and equipment	30	49	42
Current tax	31	-	2
Other assets	32	44	109
Assets held for sale	33	71	-
Deferred tax	34	-	3
TOTAL ASSETS		**23,042**	**23,144**

IN EUR MILLIONS	NOTE	2015	2014
Liabilities and equity			
FINANCIAL LIABILITIES AT AMORTISED COST			
Due to other banks	35	829	1,159
Deposits from customers	36	11,586	10,182
Own debt securities in issue	37	3,050	2,064
Debt securities in issue related to securitised mortgages and lease receivables	38	2,062	3,348
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)			
Own debt securities in issue	39	36	35
Debt securities in issue structured	40	704	823
Derivative financial liabilities	27	2,350	3,217
OTHER FINANCIAL LIABILITIES			
Other liabilities	41	92	161
Current tax	31	-	-
Deferred tax	34	1	-
Employee benefits	42	4	4
SUBORDINATED LIABILITIES			
Amortised cost	43	120	67
Fair value through profit or loss	44	280	253
OTHER			
Liabilities held for sale	33	42	-
TOTAL LIABILITIES		**21,156**	**21,313**
SHAREHOLDER'S EQUITY			
Share capital	45	80	80
Other reserves	45	298	318
Retained earnings		1,437	1,409
Net profit attributable to parent shareholder		71	24
TOTAL PARENT SHAREHOLDER'S EQUITY		**1,886**	**1,831**
Non-controlling interests		-	-
TOTAL SHAREHOLDER'S EQUITY		**1,886**	**1,831**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**23,042**	**23,144**

Consolidated statement of changes in shareholder's equity

IN EUR MILLIONS	Attributable to parent shareholder								
	Share capital	Other reserves[1]	Retained earnings	Remeasurements of defined benefit plans	Net profit	Distribution charged to net profit	Total	Non-controlling interests	Total shareholder's equity
BALANCE AT 1 JANUARY 2014	**80**	**295**	**1,417**	**(9)**	**22**	**(16)**	**1,789**	**-**	**1,789**
Transfer of net profit 2013 to retained earnings	-	-	6	-	(22)	16	-	-	-
Total comprehensive income for the year ended 31 December 2014	-	28	-	(8)	24	-	44	-	44
Net investment hedge foreign currency	-	-	(2)	-	-	-	(2)	-	(2)
Transfer of defined benefit plans	-	-	(17)	17	-	-	-	-	-
Transfer of realised depreciation revalued property, plant and equipment	-	(5)	5	-	-	-	-	-	-
BALANCE AT 31 DECEMBER 2014	**80**	**318**	**1,409**	**-**	**24**	**-**	**1,831**	**-**	**1,831**

IN EUR MILLIONS	Attributable to parent shareholder								
	Share capital	Other reserves[1]	Retained earnings	Remeasurements of defined benefit plans	Net profit	Distribution charged to net profit	Total	Non-controlling interests	Total shareholder's equity
BALANCE AT 1 JANUARY 2015	**80**	**318**	**1,409**	**-**	**24**	**-**	**1,831**	**-**	**1,831**
Transfer of net profit 2014 to retained earnings	-	-	24	-	(24)	-	-	-	-
Total comprehensive income for the year ended 31 December 2015	-	(15)	-	-	71	-	56	-	56
Transfer of realised depreciation revalued property, plant and equipment	-	(5)	5	-	-	-	-	-	-
Other	-	-	(1)	-	-	-	(1)	-	(1)
BALANCE AT 31 DECEMBER 2015	**80**	**298**	**1,437**	**-**	**71**	**-**	**1,886**	**-**	**1,886**

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

Consolidated statement of cash flows

for the year ended 31 December

IN EUR MILLIONS	NOTE	2015	2014
OPERATING ACTIVITIES			
Net profit for the year		71	24
ADJUSTMENTS FOR NON-CASH ITEMS			
Depreciation, amortisation and impairment losses	10/11	91	102
Changes in employee benefits	42	-	(12)
Share in result of associates	28	(1)	(1)
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Derivative financial instruments	27	(167)	209
Operating assets		(450)	(1.440)
Operating liabilities (including deposits from customers)		1.032	1.734
CASH FLOWS FROM OPERATING ACTIVITIES[1]		**576**	**616**
INVESTING ACTIVITIES			
Gains less losses from financial assets	6	(22)	(15)
Acquisition of property, plant and equipment	30	(13)	(2)
Disposal of subsidiaries, associates and joint ventures	20/26/28	-	3
Acquisition of subsidiaries	48	-	(15)
CASH FLOWS FROM INVESTING ACTIVITIES		**(35)**	**(29)**
FINANCING ACTIVITIES			
Proceeds from the issuance of own debt securities	37/39	1.100	736
Repayment of issued own debt securities	37/39	(113)	(1.780)
Proceeds from the issuance of subordinated liabilities	43/44	94	45
Repayment of issued subordinaed liabilities	43/44	(14)	(23)
Proceeds from the issuance of debt securities structured	40	109	152
Repayment of issued debt securities structured	40	(228)	(123)
Proceeds from the issuance of debt securities related to securitised mortgages and lease receivables	38	-	176
Repayment of issued debt securities related to securitised mortgages and lease receivables	38	(1.286)	(353)
CASH FLOWS FROM FINANCING ACTIVITIES		**(338)**	**(1.170)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**203**	**(583)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,020**	**1,603**
Net increase/(decrease) in cash and cash equivalents		203	(583)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**1,223**	**1,020**
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Cash and balances with central banks (maturity three months or less)	14	613	371
Due from other banks (maturity three months or less)	15	610	649
		1,223	**1,020**
SUPPLEMENTARY DISCLOSURE OF OPERATING CASH FLOW INFORMATION:			
Interest paid		289	321
Interest received		**566**	**537**

[1] The cash flows from operating activities includes an amount of EUR 2 million of taxes (2014: cash outflow of EUR 1 million of taxes),

ACCOUNTING POLICIES

AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of *NIBC Bank N.V.* (**NIBC**) for the year ended 31 December 2015 were authorised for issue by the Managing Board of NIBC on 8 March 2016. NIBC, together with its subsidiaries (NIBC or the group), is incorporated and domiciled in the Netherlands, and is a wholly-owned subsidiary of *NIBC Holding N.V.* (**NIBC Holding**). The principal activities of NIBC are described in the Report of the Managing Board of this Annual Report.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for:

- Available-for-sale financial assets, financial assets and liabilities (including derivative instruments) certain classes of property – measured at fair value; and
- Assets held for sale – measured at fair value less cost of disposal.

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

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

Changes in accounting policies in 2015

Changes in IFRS-EU

The following new or revised standards, amendments or interpretations were implemented by NIBC on 1 January 2015:

- Annual improvements to IFRSs '2010 – 2012 Cycle';
- Annual improvements to IFRSs '2011 – 2013 Cycle'; and
- Amendment to IAS 19 'Defined Benefit Plans: Employee Contributions'.

The changes in IFRS-EU listed above have not led to changes in NIBC's accounting policies and do not have a material impact on the financial position and performance of NIBC.

Other changes

Change in presentation of servicing costs relating to residential mortgages and retail savings

In 2015, NIBC has changed the presentation of servicing costs of EUR 18.3 million (2014: EUR 16.2 million) relating to residential mortgages and retail savings within the income statement from net interest income to other operating expenses. The revised presentation of servicing costs in other operating expenses is considered to be more in line with market practice in the financial industry.

Implementation of this accounting change, a reclassification within the income statement, represents a change in accounting policies under IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' without an impact on the net profit.

The 2014 figures included in the consolidated income statements and related notes have been adjusted to reflect the above mentioned change.

Upcoming changes after 2015

Certain new accounting standards, amendments and interpretations have been published by the *International Accounting Standards Board* (**IASB**) that are not mandatory for 31 December 2015 reporting periods as they are not yet endorsed by the EU and therefore have not been early adopted by the group. The significant upcoming changes and the group's assessment of the impact of these new standards and interpretations are set out below.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' (**IFRS 9**) was issued by the IASB in July 2014. The new requirements become effective as of 2018, subject to endorsement by the EU. IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets under IFRS 9 will depend on both the entity's business model and the instrument's contractual cash flow characteristics. These may result in financial assets being recognised at amortised cost, at fair value through other comprehensive income (equity) or at fair value through profit or loss. In many instances, the classification and measurement under IFRS 9 will be similar to IAS 39, although certain differences will arise. The classification of financial liabilities remains unchanged.

Impairment of financial assets

The recognition and measurement of impairments under IFRS 9 is intended to be more forward-looking than under IAS 39. The new impairment requirements will apply to all financial assets measured at amortised cost and at fair value through other comprehensive income (equity). Initially, a provision is required for expected credit losses resulting from default events that are expected within the next 12 months. In the event of a significant increase in credit risk, a provision is required for expected credit losses resulting from all possible default events over the expected life of the financial instrument.

Hedge accounting

The new hedging rules align hedge accounting more closely with the NIBC's risk management practices. As a general rule, it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' (**IFRS 15**) becomes effective as of 2018, subject to endorsement by the EU. IFRS 15 provides more specific guidance on recognising revenue on other than insurance contracts and financial instruments.

NIBC is currently assessing the impact of the new requirements that may become effective as of 2018. The implementation of IFRS 9 and IFRS 15 if and when endorsed by the EU, may have a significant impact on shareholder's equity, other comprehensive income and/or net profit.

There are no other standards, amendments or interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Annual Improvements to IFRSs '2012-2014 Cycle' and 'Disclosure initiative'

NIBC did not early adopt the 'Annual Improvements to IFRSs 2012-2014 Cycle' and amendments made to IAS 1 'Presentation of financial statements' in relation to the 'Disclosure Initiative'. These amendments endorsed by the EU are mandatory for accounting periods beginning on or after 1 January 2016.

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 2015 and 2014.

Subsidiaries

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

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

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

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

- Another investor has the power over more than half of the voting rights by virtue of an agreement with the group; or
- Another investor has the power to govern the financial and operating policies of the investee under a statute or an agreement; or
- Another investor has the power to appoint or remove the majority of the members of the board of directors or equivalent governing body and the investee is controlled by that board or body; or
- Another investor has the power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of that entity is by this board or body.

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

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

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in the income statement.

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

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

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

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

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

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

Investments in associates and joint ventures
Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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

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

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

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

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

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

SEGMENT REPORTING

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

FOREIGN CURRENCY TRANSLATION

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

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange 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 (other comprehensive income net of tax) 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 other comprehensive income.

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 revaluation reserve in other comprehensive income.

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 other comprehensive income.

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:

- Loans and receivables at amortised cost;
- Available-for-sale financial instruments; or
- Financial instruments at fair value through profit or loss and held for trading, including derivative instruments that are not designated for hedge accounting relationships.

Financial liabilities are classified as:

- Financial instruments at amortised cost; or
- Financial instruments at fair value through profit or loss, including derivative instruments that are not designated for hedge accounting relationships.

The measurement and income recognition in the income statement depend on the IFRS classification of the financial asset or liability. The classification of financial instruments, except for the financial assets reclassified 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 or 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 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 Group has the intention and ability to hold them for the foreseeable future.

Reclassifications are recorded at the fair value of 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 the income statement prior to reclassification date are not 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 revaluation reserve within other comprehensive income are amortised to the income statement 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 other comprehensive income is released to the income statement and, if necessary, additional impairment losses are recorded in the income statement to the extent they exceed the remaining (available-for-sale) revaluation reserve in equity (other comprehensive income).

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.

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. The information provided as of the reclassification date relates only to financial assets remaining on the balance sheet as of the reporting date 31 December 2015.

Changes to the classification of financial assets

NIBC made the following changes:

- In 2007: 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 were 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. In the years after 2012 newly originated mortgages are classified as amortised cost;
- 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) have been 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.

Changes to the classification of financial liabilities

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 offset the gains and/or losses on the derivative instrument that is also included in the income statement. As from 2008, newly issued funding is classified as amortised costs, unless an accounting mismatch with related derivatives would arise or if embedded derivatives are involved. Then the debt securities are classified as fair value.

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category has two subcategories: financial instruments held for trading and financial instruments designated upon initial recognition at fair value through profit or loss.

Financial instruments held for trading

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

The measurement of these financial instruments is initially at fair value, with transaction costs taken to the income statement. Subsequently, their fair value is 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) originated before 1 January 2013, certain Debt investment portfolios, Equity investments (including investments in associates and joint ventures held by our venture capital organisation), 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 as available-for-sale assets at 31 December 2015 include:

- Equity investments;
- Certain debt investments that do not meet the definition of loans and receivables; and
- EU most subordinated 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 other comprehensive income until the financial instrument is derecognised or impaired. When available-for-sale investments are sold, cumulative gains or losses previously recognised in other comprehensive income 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

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

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

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

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

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation technique based on NIBC's best estimate of the most appropriate assumptions and that has been calibrated against actual market transactions. Outcomes are adjusted to reflect the spread for bid and ask prices, to reflect costs to close out positions, where necessary for counterparty credit and liquidity spread, and for any other limitations in the technique. Profit or loss, calculated upon initial recognition (day one profit or loss), is deferred unless the calculation is based on market observable inputs, in which case it is immediately recognised. 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 fair value of on demand deposits from customers is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

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

See note 46 for an analysis of the fair values of financial instruments and further details as to how they are measured.

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 2015 include corporate lending (excluding commercial real estate and leverage loan warehouses, secondary loan trading and distressed asset trading), residential mortgages at own book 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 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 used for 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 measured 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 AMOUNT

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

Fixed-rate financial instruments

The fair values of Fixed-rate financial assets and liabilities carried at 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.

See note 46 for the fair values of NIBC's financial instruments that are not carried at fair value in the balance sheet.

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, and only when, NIBC has currently a legally enforceable right to set-off the amounts and the group intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

COLLATERAL

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 pledge 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 (the net realisable value is management's best estimate (the determination method of the value differs per asset class)). 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 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 (i) a fair value hedge of interest rate risk ('portfolio fair value hedges'); (ii) a fair value hedge of interest rate risk or foreign exchange rate risk ('micro fair value hedges'); or (iii) a cash flow hedge of the variability of highly probable cash flows ('cash flow hedges'). Hedge accounting is applied to derivatives designated as hedging instruments, provided certain criteria are met.

HEDGE ACCOUNTING

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

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

NIBC discontinues hedge accounting prospectively when:

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

Fair value hedge

NIBC applies portfolio fair value hedge accounting and fair value hedge accounting on a micro level. Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement 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), to portfolios of plain vanilla fixed-interest rate funding (liabilities classified as amortised cost) and to the residual interest rate risk from retail deposits and mortgages.

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

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

Micro fair value hedge

NIBC applies micro fair value hedge accounting to the interest rate risk and/or the foreign exchange risk arising from debt investments at available-for-sale and fixed-interest rate funding. (Cross-currency) interest rate swaps are used as hedging instruments. Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement together with changes in the fair value of the hedged items attributable to the hedged risks.

Effectiveness is tested retrospectively on a monthly basis by comparing the cumulative clean fair value movement (since inception) of the hedged item, due to changes in both benchmark interest rates and 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 other comprehensive income 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 other comprehensive income are recycled to the income statement in the periods in which the hedged item will affect the income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in other comprehensive income at that time remains in other comprehensive income 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 other comprehensive income 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 other comprehensive income net of tax; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in other comprehensive income net of tax 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 bandwidth 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.

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 reporting 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 event occurring and its identification is determined by management for each identified portfolio (Corporate loans, Residential mortgages at own book, EU Corporate Credits and EU Structured Credits). The average period is six months for the different Corporate loan portfolios and Residential mortgages at own book. 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 risk rating 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 financial assets.

Financial assets classified as available-for-sale
The group assesses, at each reporting 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 other comprehensive income 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, NIBC seeks to restructure loans rather than to take possession of collateral. This may involve extending payment terms 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 continuously reviews renegotiated loans 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.

The method to determine impairments for renegotiated and or restructured loans is identical to that for non-structured loans.

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 impairment may have occurred and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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 ten 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.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships 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.

Impairment of intangible assets

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

TANGIBLE ASSETS

Property, plant and equipment

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

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

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

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

- Buildings 30 - 50 years
- Machinery 4 - 10 years
- Furniture, fittings and equipment 3 - 10 years

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

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

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

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 income statement on a straight-line basis over the period of the lease. Properties leased out under operating leases are included in investment properties.

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

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

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 a 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.

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

When an operation is classified as a discontinued operation, if material, the comparative income statement and cash flow statement are represented as if the operation had been discontinued from the start of the comparative period.

In May 2015 NIBC obtained control over Vijlma B.V. The acquisition of Vijlma B.V. meets the criteria of an acquisition under IFRS 3. As Vijlma B.V. is acquired exclusively with a view to resale, IFRS 5 allows the acquisition of Vijlma B.V. to be presented as a disposal group classified as held for sale, hence allowing a short-cut method of consolidation which NIBC has applied. Consequently no purchase price allocation has been performed, including disclosures in line with IFRS 3.

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

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

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.

EMPLOYEE BENEFITS

Pension benefits

NIBC and its subsidiaries have various post-employment schemes 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 employment schemes consist of a defined contribution pension plan, a defined benefit pension plan or a combination of these plans.

A defined contribution plan is a pension plan under which NIBC pays fixed contributions into 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 reporting date less the fair value of plan assets. 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.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. NIBC determines the net interest expense (income) on the defined benefit liability (asset) for the period by applying the discount rate used to measure defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses and share based payments in the income statement.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss as a past service cost. NIBC recognises gains and losses on the settlement of a defined benefit plan when the settlements occurs.

Termination benefits

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

Share-based compensation

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

Equity-settled transactions

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

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions; 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-market vesting conditions. NIBC recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.
No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied. Similarly, awards of equity instruments with non-vesting conditions are treated as vesting if all vesting conditions that are not market conditions are met, irrespective of whether the non-vesting conditions are satisfied.

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

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

Cash-settled transactions

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

Profit-sharing and bonus plans

A liability is recognised for cash-settled bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to our shareholder after certain adjustments. NIBC recognises a 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 comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholder's equity (other comprehensive income), in which case it is recognised in shareholder's equity (other comprehensive income).

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

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

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

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

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

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

Deferred tax related to the fair value remeasurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income 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 as a liability 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 group 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 other comprehensive income, 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

Income less cost of sales from consolidated non-financial companies is presented under other operating income.

Sales of services by consolidated non-financial companies

The group sells temporary employment services. Revenue from temporary employment services is generally recognised at the contractual rates.

STATEMENT OF CASH FLOWS

The statement of cash flows, based on the indirect method of calculation, gives details of the source of cash and cash equivalents that became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operating activities, including banking activities, investment activities and financing activities.

Movements in loans and receivables and inter-bank deposits are included in the cash flow from operating activities. Investing activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in and sales of subsidiaries and associates, property, plant and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Movements due to currency translation differences as well as the effects of the consolidation of acquisitions, where of material significance, are eliminated from the cash flow figures.

FIDUCIARY ACTIVITIES

NIBC acts 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:

- Fair value of certain financial instruments;
- Impairment of corporate loans;
- Impairment of debt investments classified at amortised cost;
- Impairment of debt investments classified as available-for-sale; and
- Impairment of equity investments classified as available-for-sale.

FAIR VALUE OF CERTAIN FINANCIAL INSTRUMENTS

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

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

Changes in assumptions could affect the reported fair value of financial instruments. For the identification of assumptions used in the determination of fair value of financial instruments and for estimated sensitivity information for level 3 financial instruments, except for own liabilities and residential mortgages designated at fair value through profit or loss, see note 46.

Own liabilities designated at fair value through profit or loss

At 31 December 2015, the fair value of these liabilities was estimated to be EUR 1,020 million (31 December 2014: EUR 1,111 million). This portfolio is designated at fair value through profit or loss and is reported on the face of the balance sheet under the following headings:

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

The portion of fair value changes on these liabilities designated at fair value through profit or loss during 2015 attributable to the movement in credit spreads as reported in notes 39, 40 and 44 reflects gross amounts, excluding pull-to-par and model refinement effects.

The credit spread used to revalue these liabilities was based on spread indications from distribution banks, supported by the trends in quotes on the latest NIBC senior unsecured issue. Given market inactivity for both cash and synthetic NIBC funding and protection, these observations are combined with data for both cash and synthetic index indicators, such as iTraxx indices and credit curve developments. The resulting overall market view supports the reasonableness of the range in which the applied credit spread falls.

The valuation of all the above classes of financial liabilities designated at fair value through profit or loss is sensitive to the estimated credit spread used to discount future expected cash flows. A 10 basis point change in the weighted average credit spread used to discount future expected cash flows would increase or decrease the fair value of these own financial liabilities at 31 December 2015 by EUR 5.0 million (31 December 2014: EUR 5.4 million).

Residential mortgages

NIBC determines the fair value of residential mortgages (both those it holds in part of its own warehouse and those it has securitised) by using a valuation model developed by NIBC. This model discounts expected cash flows (after expected prepayments) to present value using inter-bank zero-coupon rates, adjusted for a spread that principally takes into account the costs and the risks of the assets. Subsequently NIBC calculates two discount spreads, one via the top-down approach (i.e. retail spread), and one via the bottom-up approach (i.e. securitisation spread).

The top-down approach derives a discount spread by taking into account the mortgage rates of newly originated loans in the consumer market. The offered mortgage rate is determined by collecting mortgage rates from other professional lenders sorted by product, loan-to-value class and the fixed-rate period. The discount spread is derived by comparing the offered mortgage rate to the market interest rates taking into account various upfront costs embedded in the offered mortgage rate. Where deemed necessary, surcharges are added to reflect the illiquidity of certain sub-portfolios.

Via the bottom-up approach a price is derived by determining the various components that market participants would take into account when pricing the asset. This includes funding-related costs, servicing costs and a compensation for prepayment and credit risks. Funding-related costs are derived by assuming that the acquiring party will fund the acquired portfolio by securitising the assets via a *residential mortgage backed security* (**RMBS**). NIBC therefore collects quotes from publicly issued RMBSs solely including Dutch residential mortgages, over a certain period before the measurement date. Various transaction costs related to issuing and maintaining an RMBS are added to the observed primary rates. Where deemed necessary, surcharges are added to reflect the illiquidity of certain sub-portfolios. Any additional arbitrage opportunities that may exist (i.e. the difference between the bottom-up approach versus the top down approach) are assumed to be only applicable to the first call date of the RMBS-transaction.

In the consumer market there is currently limited trading activity in mortgage portfolios. Therefore NIBC currently considers the discount spread determined via the bottom-up approach as the best approximation of the fair value of its residential mortgage portfolio. The use of RMBS spreads provides the best estimate of the spread that would be inherent in a transaction at the reporting date motivated by normal business considerations.

The determination of the applicable discount spread (including a spread for prepayment risk) and prepayment rates requires NIBC to apply judgement. A ten basis point shift in either direction of the discount spread across the mortgage portfolio would have had either a positive or a negative impact as of 31 December 2015 of approximately EUR 18 million (31 December 2014: EUR 22 million) on the fair value of the mortgages. A 1% point shift in the assumption NIBC makes about expected prepayments would have had an impact as of 31 December 2015 of approximately EUR 13.0 million (31 December 2014: EUR 16.9 million) on the fair value of the mortgages.

Valuation of corporate derivatives (credit valuation adjustment and debit valuation adjustment)

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

Fair value of equity investments

The group estimates the fair value of its equity investments using valuation models, and it applies the valuation principles set forth by the International Private Equity and Venture Capital Valuation Guidelines to the extent that these are consistent with IAS 39.
On 31 December 2015, the fair value of this portfolio was estimated to be EUR 270 million (31 December 2014: EUR 329 million). This portfolio is reported as equity investments (including investments in associates) at fair value through profit or loss (31 December 2015: EUR 222 million; 31 December 2014: EUR 276 million) and as equity investments at available-for-sale (31 December 2015: EUR 49 million; 31 December 2014: EUR 53 million).

For the determination of the fair value of equity investments and for estimated sensitivity to key assumptions in the valuation, see 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, 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 2015, 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 14.4 million (31 December 2014: EUR 11.0 million).

IMPAIRMENT OF DEBT INVESTMENTS CLASSIFIED AT AMORTISED COST

NIBC assesses whether there is an indication of impairment on debt investments classified 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 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 2015, 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 0.9 million (31 December 2014: EUR 0.5 million).

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 plus any additional impairment loss (if applicable). If, as at 31 December 2015, 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 0.9 million (31 December 2014: EUR 0.1 million).

IMPAIRMENT OF EQUITY INVESTMENTS CLASSIFIED AS AVAILABLE-FOR-SALE

NIBC determines an impairment loss on the available-for-sale equity investments held in the Investment portfolio of the venture capital organisation 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 0.1 million (2014: EUR 4.0 million) reduction in the profit before tax (gains less losses from financial assets) in 2015.

NOTES

to the consolidated financial statements

1 Segment report

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

No operating segments have been aggregated to form the above reportable operating segments.

The items displayed under 'consolidation effects' refer to the non-financial companies over which NIBC 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. As per 31 December 2015 the non-financial entities are presented under disposal group held for sale and discontinued operations (see note 33). Therefore, in the income statement of NIBC, 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 the consolidated financial statements.

The following table presents the results of the single operating segment, being NIBC Bank, including a reconciliation to the consolidated results under IFRS for the years ended 31 December 2015 and 31 December 2014.

	Internal management report operating segment NIBC Bank		Consolidation effects		Total (consolidated financial statements)	
IN EUR MILLIONS	2015	2014	2015	2014	2015	2014
Net interest income	286	247	-	-	286	246
Net fee and commission income	36	27	-	-	36	27
Dividend income	1	2	-	-	1	2
Net trading income	(12)	3	-	-	(11)	3
Gains less losses from financial assets	2	16	20	(1)	22	15
Share in result of associates	1	1	-	-	1	1
Other operating income	1	-	15	22	17	22
OPERATING INCOME	**316**	**295**	**36**	**21**	**352**	**316**
OPERATING EXPENSES	**172**	**155**	**15**	**20**	**187**	**175**
Impairments of financial assets	63	93	-	-	63	93
Impairments of non-financial assets	-	-	20	-	20	-
Regulatory charges and levies	4	18	-	-	4	18
TOTAL EXPENSES	**239**	**266**	**35**	**20**	**274**	**286**
PROFIT BEFORE TAX	**77**	**28**	**1**	**1**	**78**	**30**
Tax	6	4	1	1	7	6
PROFIT AFTER TAX	**71**	**24**	**-**	**-**	**71**	**24**
Result attributable to non-controlling interests	-	-	-	-		-
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDER	**71**	**24**	**-**	**-**	**71**	**24**
Average allocated economic capital	1,078	1,221	-	-	1,078	1,221
Average unallocated capital	639	450	-	-	639	450
Segment assets	23,042	23,052	-	92	23,042	23,144
Segment liabilities	21,156	21,248	-	65	21,156	21,313
Capital expenditure	13	3	-	-	13	3
Share in result of associates based on the equity method	1	1	-	-	1	1
Investments in associates based on the equity method	7	6	-	-	7	6

2 Net interest income

IN EUR MILLIONS	2015	2014
INTEREST AND SIMILAR INCOME		
Interest income from assets designated at fair value through profit or loss	161	201
Interest income from other assets	403	339
	564	**540**
INTEREST EXPENSE AND SIMILAR CHARGES		
Interest expense from liabilities designated at fair value through profit or loss	17	16
Interest expense from other liabilities	261	278
	278	**294**
	286	**246**

The presentation of servicing expenses relating to residential mortgages and retail savings to an amount of EUR 18 million (2014: EUR 16 million) was changed from net interest income to other operating expenses in 2015. The revised presentation of servicing costs in other operating expenses is considered to be more in line with market practice in the financial industry.

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

For the year ended 31 December 2015, interest income included accrued interest on impaired financial assets of EUR 5 million (2014: EUR 11 million).

For the year ended 31 December 2015, interest expense related to deposits from customers amounted to EUR 196 million (2014: EUR 203 million).

3 Net fee and commission income

IN EUR MILLIONS	2015	2014
FEE AND COMMISSION INCOME		
Agency and underwriting fees	5	4
Investment management fees	15	11
Advisory fees	8	5
Other corporate banking fees	9	8
	37	**28**
FEE AND COMMISSION EXPENSE		
Other non-interest related	1	1
	1	**1**
	36	**27**

4 Dividend income

IN EUR MILLIONS	2015	2014
Equity investments (available-for-sale)	1	2
	1	**2**

5 Net trading income

IN EUR MILLIONS	2015	2014
Assets and liabilities designated at fair value through profit or loss (including related derivatives)	(26)	6
Assets and liabilities held for trading	5	1
Other net trading income	10	(4)
	(11)	**3**

Net trading income included a foreign exchange profit of EUR 1 million (2014: nil).

6 Gains less losses from financial assets

IN EUR MILLIONS	2015	2014
EQUITY INVESTMENTS		
GAINS LESS LOSSES FROM EQUITY INVESTMENTS (AVAILABLE-FOR-SALE)		
Net gain/(losses) on disposal	6	1
Impairment losses equity investments	(5)	(2)
GAINS LESS LOSSES FROM EQUITY INVESTMENTS (FAIR VALUE THROUGH PROFIT OR LOSS)		
Gains less losses from associates	38	18
Gains less losses from other equity investments	(18)	(4)
	21	**13**
DEBT INVESTMENTS		
Gains less losses from debt investments (available-for-sale)	1	2
	1	**2**
	22	**15**

Impairment losses relating to debt investments (available-for-sale) are presented under impairments of financial assets (see note 11 Impairments of financial and non-financial assets).

7 Other operating income

IN EUR MILLIONS	2015	2014
OTHER OPERATING INCOME OF DISPOSAL GROUP HELD FOR SALE CAN BE CATEGORISED AS FOLLOWS:		
NET REVENUE		
Net sales	206	271
Cost of sales	(190)	(249)
	16	**22**
OTHER OPERATING INCOME CAN BE CATEGORISED AS FOLLOWS:		
Other	1	-
	17	**22**

8 Personnel expenses and share-based payments

IN EUR MILLIONS	2015	2014
Salaries	64	61
VARIABLE COMPENSATION		
Variable compensation in cash	6	4
One-off compensation for sign on and for cancellation of long-term awards arrangements	-	1
Share-based and deferred bonuses including expenses relating to previous years' grants	2	2
PENSION AND OTHER POST-RETIREMENT CHARGES:		
Defined-benefit plan	-	6
Defined-contribution plan	11	4
Other post-retirement charges/(releases) including own contributions of employees	(1)	(5)
Social security charges	7	7
Other staff expenses	2	1
Staff cost of non-financial companies included in the consolidation	6	8
	97	**89**

The increase in salaries in 2015 is mainly explained by an increase in the average number of *Full-Time Equivalents* (**FTEs**), mainly driven by the full year impact of the acquisition of NIBC Bank Deutschland AG in 2014.

The number of FTEs (excluding the non-financial companies included in the consolidation) increased from 637 at 31 December 2014 to 644 at 31 December 2015. The number of FTEs employed outside of the Netherlands decreased from 147 at 31 December 2014 to 145 at 31 December 2015.

At 31 December 2015, 83 FTEs (2014: 94 FTEs) were employed at the non-financial companies included in the consolidation, all of them are employed in the Netherlands.

The variable compensation in cash charged to the income statement increased in 2015 on the back of improved performance. The total amount of variable income granted in 2015, with respect to the performance over 2014, amounts to EUR 5.7 million. This grant consists of (direct and deferred) cash and (vested and unvested) share based instruments. The 2014 figures include a one-off compensation for sign on and for cancellation of long-term incentive arrangements of the Statutory Board.

In 2015 one employee was awarded a total compensation of more than EUR 1 million (in 2014: one employee).

Information on the pension charges is included in note 42 Employee benefits.

Information on the remuneration of the members of the Managing Board and Supervisory Board can be found in note 57.

Remuneration of Statutory Board and Supervisory Board

Key management personnel compensation (Statutory Board[1])

IN EUR	2015	2014
THE BREAKDOWN OF THE TOTAL REMUNERATION OF THE STATUTORY BOARD IS AS FOLLOWS:		
Cash compensation (base salary)	2,275,000	2,547,917
Cash compensation (sign-on payment)[2]	-	510,417
Cash compensation (one-off compensation cancellation of long-term incentive arrangement)	-	455,000
Short-term incentive compensation (cash bonus)	116,025	-
Short-term incentive compensation (phantom share units)	116,034	-
Vesting of prior years short-term deferred share awards compensation	126,389	-
Vesting of 2009-2014 co-investment related deferred share awards compensation	503,002	542,220
Pension costs	429,665	344,264
Other remuneration elements	235,988	276,993
	3,802,103	**4,676,810**

[1] Statutory Board is equal to Managing Board. The amounts included in the remuneration tables include current and former Statutory Board members, the latter defined as members in 2014/2015.

[2] The sign-on was related to the compensation to the new CEO for forfeited deferred awards from his previous employer. Of this amount 50% was paid in cash and the after-tax amount was invested in Common Depositary Receipts under the co-investment programme and 50% will be paid in deferred cash with a vesting period of 3 years with a first payment on 1 April 2015.

As at 31 December 2015, current and former members of the Statutory Board held 202,143 *Common Depositary Receipts* (**CDRs**) (31 December 2014: 212,360), 171,218 *Conditional Common Depositary Receipts* (**CCDRs**) (31 December 2014: 152,769) and 72,123 *Conditional Restricted Depositary Receipts* (**CRDRs**) (31 December 2014: 90,572).

Key management personnel compensation (Supervisory Board)

IN EUR	2015	2014
TOTAL REMUNERATION OF THE SUPERVISORY BOARD IS AS FOLLOWS:		
Annual fixed fees, committee fees	497,250	540,458
	497,250	**540,458**

Components of variable compensation - NIBC Choice

NIBC Choice is NIBC Holding'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 includes conditions relating to termination of employment or certain corporate events, such as restructurings, affecting the rights that would otherwise accrue to them.

The following table gives an overview of the different NIBC Choice instruments and their main characteristics:

NIBC Choice instrument	Share based	Equity/Cash-settled	Vesting conditions
Common Depositary Receipt (CDR)	Yes	Equity-settled	None
Restricted Depositary Receipt (RDR) (until 14/12/2015)	Yes	Equity-settled	3 years pro rata vesting
Conditional Common Depositary Receipt (CCDR)	Yes	Equity-settled	None
Conditional Restricted Depositary Receipt (CRDR)	Yes	Equity-settled	4 years pro rata vesting
Phantom Share Unit (PSU)	Yes	Cash-settled	None
Restricted Phantom Share Unit (RPSU)	Yes	Cash-settled	3 years pro rata vesting
Stock options (until 14/12/2015)	Yes	Equity-settled	50% 3yr vesting/50% 4yr vesting
Deferred cash	No	Cash-settled	3 years pro rata vesting

Depositary receipts

The *Depositary Receipts* (**DRs**), consisting of CDRs and 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.

RDRs cannot be transferred and are subject to specific vesting rules. RDRs are subject to three-year vesting, with one third vesting each year on 1 April. Additionally, RDRs are subject to certain conditions including the forfeiture of the RDR in the case of termination of employment, or in the case of certain corporate events, such as restructurings. On every vesting date, the applicable tranche of RDRs converts automatically into CDRs if the vesting conditions are met. Since 2009, no new RDRs were granted by NIBC Holding and on 14 December 2015 the RDRs were removed from the conditions of administration.

In 2009 a co-investment programme was introduced for Statutory Board members. Under this programme Statutory Board members were granted matching shares (CRDRs), subject to a four-year vesting period, on a net after-tax basis representing a 1:1 match to their personal investment in CDRs at that time. These matching shares will become fully unconditional and vest immediately upon change of control of NIBC Holding. Furthermore, the Statutory Board members were entitled to earn additional performance shares (CRDRs). 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 number of performance shares 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 that vests, 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. The conditional performance shares will vest immediately upon a change of control or any other liquidity event. NIBC has the discretion to offer new members of the Statutory Board the opportunity to participate in this co-investment programme under the same conditions, except for the ability to earn performance shares as this feature is presumed no longer to be in line with the DNB Principles.

In 2009, a *Long-Term Incentive plan* (**LTI**) was introduced for the Statutory Board members and selected senior management. The LTI is forward-looking and will be granted annually. Its main objective is to provide an incentive to achieve a balanced mix of pre-agreed long-term financial and non-financial performance conditions. The LTI is subject to three-year cliff vesting and an additional retention period of two years and will be delivered in the form of CRDRs but, at the discretion of the Supervisory Board, may be delivered in another form. On every vesting date, the applicable tranche of CRDRs converts automatically into CCDRs if the vesting conditions are met.

Since 2012, the Supervisory Board was not permitted to grant LTI to Statutory Board members as long as NIBC had not yet repaid all outstanding state guaranteed funding. As of 1 January 2015 the long-term incentive arrangement (40% to 70% of base salary) was revoked by the Supervisory Board and replaced by a short-term variable income component at target of 15% of base salary (with a maximum of 20%). The variable compensation is delivered in a pre-defined mix: 30% in cash, 20% in deferred cash, 30% in Phantom Share Units and 20% in Restricted Phantom Share Units.

Phantom Share Units

In 2010, a new equity-linked reward instrument was introduced as part of the *Short-Term Incentive* (**STI**) plan for the Statutory Board members and selected senior management. The short-term compensation in share-related awards consists of *Phantom Share Units* (**PSUs**) and/or *Restricted Phantom Share Units* (**RPSUs**). RPSU awards are subject to a three-year vesting with one third vesting each year on 1 April. All PSUs, whether vested or restricted are subject to a one-year retention period as measured from the date of vesting. For the Statutory Board the retention period of the equity-linked instruments is five years. The RPSU and PSU has similar characteristics as the CRDR, such as eligibility for dividend and a value which is tied to movements in the net asset value of NIBC Holding, however RPSUs are not eligible for dividend. This short-term compensation can be converted into cash immediately after the retention period and therefore is recognised as cash-settled.

Stock options

NIBC Choice also comprises an employee *Option Plan* (**the Option Plan**) which allowed NIBC Holding to grant options, with the right to be issued one CDR, 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. NIBC may decide to grant further options under the current Option Plan. The exercise period of all granted options will end no later than 14 December 2015. 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. Any dividends payable are deducted from the exercise price of an option.

The Statutory Board may permit 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. As a general rule, all unvested and vested out of the money 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 the annual, semi-annual or quarterly results, taking into account NIBC's internal regulations on private investment transactions.

In 2014 and 2015, no new options were granted to employees. The option plan ended at 14 December 2015. At that date all in-the-money options were exercised on a cashless basis and all out-of-the-money options expired without value.

Stock option and share plans

Options

As at year-end 2015, no options on CDRs of NIBC Holding were in issue (2014: 1,730,416). The option plan ended at 14 December 2015. At that date all in-the-money options were exercised on a cashless basis and all out of-the-money options expired without value.

	Options outstanding (in numbers)		Weighted average exercise price (in EUR)	
	2015	2014	2015	2014
CHANGES IN OPTION RIGHTS OUTSTANDING:				
BALANCE AT 1 JANUARY	**1,730,416**	**1,928,187**	**13.34**	**13.17**
Granted	-	-		-
Exercised	(288,700)	(85,800)	8.01	8.01
Forfeited	(31,757)	(111,971)	14.23	14.41
Expired	(1,409,959)	-	14.42	-
BALANCE AT 31 DECEMBER	**-**	**1,730,416**	**-**	**13.34**
OF WHICH VESTED AT 31 DECEMBER	**-**	**1,730,416**	**-**	**13.34**

The average fair value per option at grant date was EUR 5.68. In 2015, 288,700 options were exercised into CDRs. All option holders opted for the cashless exercise. As a consequence, the holder converted his options into fewer CDRs than he would otherwise be entitled to, while not having to pay the exercise price.

Common Depositary Receipts

At year-end 2015, 2,083,116 (2014: 2,391,679) CDRs were in issue to employees. Of these, 2,261 (or 0.1%) were considered cash-settled (2014: 3,632 and 0.2%); the remaining 99.9% were considered equity-settled. If an employee is entitled to demand cash settlement at fair value, the CDRs are considered cash-settled (rather than equity-settled).

In 2015, a fully discretionary offer was made to current and former employees to sell a maximum of 15% of their CDR holdings. This was mainly to reduce administrative and handling cost by reducing the number of small holders of CDRs (those with up to 1,000 CDRs were allowed to sell their entire holding). Current Statutory Board members were not eligible for this offer.

	Depositary Receipt awards (in numbers)		Fair value at balance sheet date (in EUR)	
	2015	2014	2015	2014
CHANGES IN COMMON DEPOSITARY RECEIPTS:				
BALANCE AT 1 JANUARY	**2,391.679**	**2,581.404**	**-**	**-**
Granted	-	-	-	-
Investments from own funds	-	65,754	-	-
Exercised (options)	48,414	19,173	-	-
Vesting of RDRs	-	-	-	-
CDRs repaid	(356,977)	(274,652)	-	-
BALANCE AT 31 DECEMBER	**2,083.116**	**2,391.679**	**8.84**	**8.60**
OF WHICH RELATES TO INVESTMENT FROM OWN FUNDS AT 31 DECEMBER	**904,359**	**1,062.302**	**-**	**-**

Conditional Common Depositary Receipts

At year-end 2015, 171,218 (2014: 152,769) of the total 244,012 of CCDRs had been issued to current and former Statutory Board members. All CCDRs are considered equity-settled in both 2015 and 2014.

	Conditional Common Depositary Receipt awards (in numbers)		Weighted average fair value at grant date (in EUR)	
	2015	2014	2015	2014
CHANGES IN CONDITIONAL COMMON DEPOSITARY RECEIPTS:				
BALANCE AT 1 JANUARY	**225,563**	**206,468**	**9.25**	**9.25**
Vesting of one-off matching shares awarded in 2009, 2012 and 2014 on investment from own funds	18,449	4,311	8.37	8.70
Vesting of Long Term Incentive shares awarded in 2009/2010/2011	-	14,784	-	9.56
BALANCE AT 31 DECEMBER	**244,012**	**225,563**	**9.18**	**9.25**

The fair market value per CCDR is calculated based on price-to-book ratios observed in the market at grant date based on net asset value, without taking into account expected dividends. The fair value at balance sheet date was EUR 8.84.

Conditional Restricted Depositary Receipts

At year-end 2015, 72,123 CRDRs (2014: 90,572) were in issue to Statutory Board members related to their personal co-investment in 2012, 2013 and 2014 in NIBC Holding CDRs, with a weighted average remaining vesting period of 1.1 years (2014: 1.7 years). These CRDRs are subject to four-year vesting with one quarter vesting each year on 1 January, for the first time on 1 January 2013 (2012 investment), 1 January 2015 (2013 and early 2014 investment) and 1 January 2016 (end of 2014 investment) provided that the holder is still employed by NIBC on the vesting date. These CRDRs will become fully unconditional and vest immediately upon change of control of NIBC Holding. The number of performance shares (only applicable for 2009 and 2012 investments) 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. The number of performance shares contained in this 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 reporting purposes, the number of performance shares expected to vest for the eligible Statutory Board members is estimated at nil CRDRs, based on NIBC's long-term forecast and taking into account price-to-book ratios observed in the market. 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. All CRDRs are considered equity-settled in both 2015 and 2014.

	Conditional Restricted Depositary Receipt awards (in numbers)		Weighted average fair value at grant date (in EUR)	
	2015	2014	2015	2014
CHANGES IN CONDITIONAL RESTRICTED DEPOSITARY RECEIPTS:				
BALANCE AT 1 JANUARY	**90,572**	**45,723**	**8.41**	**8.83**
One-off matching shares (CRDRs) awarded in 2014 on investment from own funds	-	63,944	-	8.39
Forfeited	-	-	-	-
Vested into conditional CDRs	(18,449)	(19,095)	8.37	9.37
BALANCE AT 31 DECEMBER	**72,123**	**90,572**	**8.42**	**8.41**

The fair market value per CRDR is calculated based on price-to-book ratios observed in the market at grant date based on net asset value, without taking into account expected dividends. The fair value at balance sheet date was EUR 8.84.

Phantom Share Units

As at year-end 2015, 208,010 (2014: 191,365) PSUs had been issued to employees. The total outstanding position is considered cash-settled.

	Phantom Share Units (in numbers)		Weighted average fair value at grant date (in EUR)	
	2015	2014	2015	2014
CHANGES IN PHANTOM SHARE UNITS:				
BALANCE AT 1 JANUARY	**191,365**	**206,698**	**8.63**	**8.59**
Granted	84,928	52,814	8.84	8.60
Vesting of RPSUs	69,015	88,804	8.53	8.85
Exercised	(137,298)	(156,951)	8.64	8.69
BALANCE AT 31 DECEMBER	**208,010**	**191,365**	**8.68**	**8.63**

The fair market value per PSU is calculated based on price-to-book ratios observed in the market at grant date based on net asset value, without taking into account expected dividends. The fair value at balance sheet date was EUR 8.84.

Restricted Phantom Share Units

As at year end 2015, 146,791 (2014: 159,526) RPSUs had been issued to employees. The total outstanding position is considered cash-settled.

	Restricted Phantom Share Units (in numbers)		Weighted average fair value at grant date (in EUR)	
	2015	2014	2015	2014
CHANGES IN RESTRICTED PHANTOM SHARE UNITS:				
BALANCE AT 1 JANUARY	**159,526**	**214,364**	**8.49**	**8.62**
Granted	64,779	43,388	8.84	8.60
Vesting of RPSUs	(69,015)	(88,804)	8.53	8.85
Forfeited	(8,499)	(9,422)	8.48	8.48
BALANCE AT 31 DECEMBER	**146,791**	**159,526**	**8.63**	**8.49**

The fair market value per RPSU is calculated based on price-to-book ratios observed in the market at grant date based on net asset value, without taking into account expected dividends. The fair value at reporting date was EUR 8.84.

With respect to all instruments relating to NIBC Choice (CDRs, RDRs, CCDRs, CRDRs, options, PSUs, RPSUs and deferred cash), an amount of EUR 2 million was expensed through personnel expenses in 2015 (2014: EUR 3 million), of which EUR 1 million (2014: EUR 3 million) refers to cash-settled instruments (deferred cash and vested PSUs) and 1 million (2014: nil) to equity-settled instruments.

With respect to the cash-settled instruments (PSUs, RPSUs and deferred cash), the amount expensed during the vesting period through the income statement is based on the number of instruments originally granted outstanding at balance sheet date, their fair value at balance sheet date, the vesting period and estimates of the number of instruments that will forfeit during the remaining vesting period. The liability in the balance sheet with respect to cash-settled instruments is EUR 3 million (2014: EUR 4 million).

With respect to the equity-settled instruments (CDRs, RDRs, CCDRs, CRDRs and options), the amount expensed during the vesting period through the income statement is based on the number of instruments granted outstanding at balance sheet date, their fair value at grant date, the vesting period and estimates of the number of instruments that will forfeit during the remaining vesting period. The liability in the balance sheet relating to the cumulative expenses with respect to equity-settled instruments is EUR 3 million (2014: EUR 3 million).

The current account with NIBC Holding includes EUR 29 million payable (2014: EUR 30 million) relating to NIBC Choice. This is a result of recharges from NIBC Holding to its subsidiaries with respect to NIBC Choice (equity-settled instruments). The recharge is accounted for upon vesting of the granted equity settled NIBC Choice instruments. This amount payable is more than offset by a receivable in the current account position with NIBC Holding for the capital contribution of EUR 51 million (2014: EUR 51 million) in relation to the share-based payments programme granted by NIBC Holding. The difference between both amounts relates to share-based expenses for which the after payroll tax amounts were paid to the Foundation with subsequent delivery of RDRs by the Foundation to the employees.

9 Other operating expenses

IN EUR MILLIONS	2015	2014
Other operating expenses	74	66
Other operating expenses of non-financial companies included in the consolidation	6	8
Fees of the external independent auditor	2	2
	82	**76**

The presentation of servicing expenses relating to residential mortgages and retail savings to an amount of EUR 18 million (2014: EUR 16 million) was changed from net interest income to other operating expenses in 2015. The revised presentation of servicing costs in other operating expenses is considered to be more in line with market practice in the financial industry.

Audit fees 2015

IN EUR THOUSANDS	PwC accountants	Other PwC network	Other audit firms	Total
FEES OF THE EXTERNAL INDEPENDENT AUDITORS CAN BE CATEGORISED AS FOLLOWS:				
Audit of financial statements	1,254	269	43	1,566
Other audit-related services	441	24	278	743
Other non-audit related services	-	-	34	34
Tax services	-	-	50	50
	1,695	**293**	**405**	**2,393**

Audit fees 2014

IN EUR THOUSANDS	PwC accountants	Other PwC network	Other audit firms	Total
FEES OF THE EXTERNAL INDEPENDENT AUDITORS CAN BE CATEGORISED AS FOLLOWS:				
Audit of financial statements	1,237	317	45	1,599
Other audit-related services	385	-	341	726
Other non-audit related services	-	-	35	35
Tax services	-	-	52	52
	1,622	**317**	**473**	**2,412**

The fees listed above relate to the procedures applied to NIBC and its consolidated group entities by accounting firms and external independent auditors as referred to in Section 1(1) of the Dutch Audit Firms Supervision Act (Dutch acronym: Wta), as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

These fees relate to the audit of the 2015 and 2014 annual reports, regardless of whether the work was performed during the financial year.

10 Depreciation and amortisation

IN EUR MILLIONS	2015	2014
Property, plant and equipment	6	6
Intangible assets	2	4
	8	**10**
AMORTISATION OF INTANGIBLE ASSETS CAN BE CATEGORISED AS FOLLOWS:		
Trademarks and licenses	1	1
Customer relationships	1	2
Other intangibles	-	1
	2	**4**

The amortisation of intangible assets discontinued as a consequence of the classification of Olympia as disposal group held for sale on 30 September 2015.

11 Impairments of financial and non-financial assets

Financial assets

IN EUR MILLIONS	2015	2014
IMPAIRMENTS OF FINANCIAL ASSETS		
Loans classified at amortised cost	72	99
Debt investments classified at amortised cost	16	1
Residential mortgages own book at amortised cost	1	-
Debt investments classified at available-for-sale	-	1
	89	**101**
REVERSALS OF IMPAIRMENTS OF FINANCIAL ASSETS		
Loans classified at amortised cost	(25)	(8)
Debt investments classified at amortised cost	(1)	(1)
Residential mortgages own book at amortised cost	-	-
Debt investments classified at available-for-sale	-	-
	(26)	**(9)**
Other	-	1
	63	**93**

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

Non-financial assets

In 2015, EUR 20 million (2014: nil) of impairment charges are recognised on intangible assets relating to NIBC's non-financial companies (see note 29 Intangible assets).

12 Regulatory charges and levies

IN EUR MILLIONS	2015	2014
Deposit Guarantee Scheme (DGS) / Einlagensicherungsfonds (ESF)	1	-
Resolution Levy	3	-
SNS Levy (net)	-	18
	4	**18**

In 2015 levies of EUR 1 million were paid relating to the guarantee system (Einlagensicherungsfonds) for institutional deposits attracted by our German subsidiary NIBC Bank Deutschland AG, EUR 0.1 million relating to the German deposit guarantee system and EUR 3 million relating to the Resolution Fund in the Netherlands by NIBC Bank N.V.

A one-off levy of EUR 18 million (not tax deductible) related to the nationalisation of SNS Reaal was paid to the State of the Netherlands in 2014. The calculation of the one-off levy was based on the volume of NIBC Direct retail savings as at 31 January 2013, compared to the total volume of retail savings in the Netherlands at that date.

13 Tax

IN EUR MILLIONS	2015	2014
Current tax	11	14
Deferred tax	(4)	(8)
	7	**6**

Further information on deferred tax is presented in note 34. The actual tax charge on NIBC's profit before tax differs from the theoretical amount that would arise using the basic tax rate, as follows:

IN EUR MILLIONS	2015	2014
TAX DIFFERENCES CAN BE ANALYSED AS FOLLOWS:		
PROFIT BEFORE TAX	**78**	**30**
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2014: 25.0%)	19	7
Impact of income not subject to tax	(7)	(5)
One-off SNS Levy not subject to tax	-	5
Result final tax assessment previous years	(5)	(1)
	7	**6**
EFFECTIVE TAX RATE	**9.2%**	**19.2%**

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 related to non-financial companies included in the consolidation is EUR 1 million (2014: EUR 1 million).

NIBC Holding N.V. is the parent company of NIBC Bank N.V., NIBC Investments N.V. and NIBC Investment Management N.V., which are all part of the same fiscal entity.

The country by country reporting can be specified as follows:

	For the year ended 31 December 2015				
IN EUR MILLIONS	**Netherlands**	**Germany**	**United Kingdom**	**Belgium**	**Total**
Operating income	271	61	14	6	352
Operating expenses	140	32	11	4	187
Impairments & other	85	2	-	-	87
Result before tax	46	27	3	2	78
Tax	7	(2)	1	1	7
Net profit	39	29	2	1	71

	Netherlands	Germany	United Kingdom	Belgium	Total
FTEs	499	102	36	7	644

	For the year ended 31 December 2014				
IN EUR MILLIONS	**Netherlands**	**Germany**	**United Kingdom**	**Belgium**	**Total**
Operating income	293	10	8	5	316
Operating expenses	156	4	10	5	175
Impairments & other	111	1	(1)	-	111
Result before tax	26	5	(1)	-	30
Tax	6	-	-	-	6
Net profit	20	5	(1)	-	24

	Netherlands	Germany	United Kingdom	Belgium	Total
FTEs	490	102	33	12	637

Operating income is related to NIBC's financial services activities and the operating income of NIBC's holdings in a non-financial company (employment agency). NIBC did not receive any subsidies or grants in 2015 and 2014.

14 Cash and balances with central banks (amortised cost)

IN EUR MILLIONS	2015	2014
Cash and balances with central banks	746	474
	746	**474**
CASH AND BALANCES WITH CENTRAL BANKS CAN BE CATEGORISED AS FOLLOWS:		
Receivable on demand	613	371
Not receivable on demand	133	103
	746	**474**
THE LEGAL MATURITY ANALYSIS OF CASH AND BALANCES WITH CENTRAL BANKS NOT RECEIVABLE ON DEMAND IS AS FOLLOWS:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	7	5
Longer than five years	-	-
Assets with central banks due to mandatory reserve deposits	126	98
	133	**103**

Cash and balances with central banks included EUR 608 million on the current account balance held with Dutch Central Bank (2014: EUR 383 million).

Balances held with central banks are interest-bearing.

The fair value of this balance sheet item does not materially differ from its face value, due to the short-term nature of the underlying assets.

15 Due from other banks (amortised cost)

IN EUR MILLIONS	2015	2014
Current accounts	610	647
Deposits with other banks	1,135	1,639
	1,745	**2,286**
DUE FROM OTHER BANKS CAN BE CATEGORISED AS FOLLOWS:		
Receivable on demand	610	648
Cash collateral placements posted under CSA agreements	1,128	1,620
Not receivable on demand	7	18
	1,745	**2,286**
THE LEGAL MATURITY ANALYSIS OF DUE FROM OTHER BANKS NOT RECEIVABLE ON DE-MAND IS AS FOLLOWS:		
Three months or less	-	1
Longer than three months but not longer than one year	-	4
Longer than one year but not longer than five years	3	9
Longer than five years	4	4
	7	**18**

There were no subordinated loans outstanding due from other banks in 2015 and 2014.

The fair value of this balance sheet item does not materially differ from its face value due to the short-term nature of the underlying assets and the credit quality of the counterparties.

No impairments were recorded in 2015 and 2014 on the amounts due from other banks at amortised cost.

An amount of EUR 1,128 million (2014: EUR 1,620 million) related to cash collateral given to third parties and was not freely available to NIBC.

NIBC transacted several reverse repurchase transactions with third parties. The related disclosures are included in note 49 Repurchase and resale agreements and transferred financial assets.

16 Loans (amortised cost)

IN EUR MILLIONS	2015	2014
Loans to corporate entities	7,668	7,226
	7,668	**7,226**
THE LEGAL MATURITY ANALYSIS OF LOANS IS AS FOLLOWS:		
Three months or less	323	372
Longer than three months but not longer than one year	708	819
Longer than one year but not longer than five years	4,292	3,666
Longer than five years	2,345	2,369
	7,668	**7,226**
THE MOVEMENT IN IMPAIRMENT LOSSES ON LOANS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**170**	**109**
Additional allowances	72	99
Write-offs/disposals	(50)	(22)
Amounts released	(25)	(8)
Unwinding of discount adjustment	(5)	(10)
Other (including exchange differences)	10	2
BALANCE AT 31 DECEMBER	**172**	**170**

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 was reclassified as loans at amortised cost. The corresponding total amount of loans in the available-for-sale category net of impairments has been reclassified to the loans at amortised cost category as at 1 July 2008. The remaining cumulative impairments at 31 December 2015, related to the available-for-sale loans reclassified to the loans at amortised cost category on 1 July 2008, amounted to EUR 15 million (2014: EUR 29 million).

The maximum credit risk exposure including undrawn credit facilities arising on loans at amortised cost amounted to EUR 9,240 million (2014: EUR 8,752 million).

The total amount of subordinated loans in this item amounted to EUR 148 million in 2015 (2014: EUR 143 million).

As per 31 December 2015, EUR 20 million (2014: EUR 17 million) was guaranteed by the Dutch State.

17 Debt investments (amortised cost)

IN EUR MILLIONS	2015	2014
Debt investments	294	359
	294	**359**
DEBT INVESTMENTS CAN BE CATEGORISED AS FOLLOWS:		
Listed	266	326
Unlisted	28	33
	294	**359**

All debt investments are non-government.

IN EUR MILLIONS	2015	2014
THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS IS AS FOLLOWS:		
Three months or less	-	1
Longer than three months but not longer than one year	20	-
Longer than one year but not longer than five years	146	51
Longer than five years	128	307
	294	**359**
THE MOVEMENT IN DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**359**	**415**
Additions	8	39
Disposals (sale and/or redemption)	(65)	(101)
Impairments	(13)	-
Exchange differences and amortisation	5	6
BALANCE AT 31 DECEMBER	**294**	**359**
THE MOVEMENT IN IMPAIRMENT LOSSES ON DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**26**	**25**
Additional allowances	16	1
Write-offs	(2)	-
Amounts released	(1)	(1)
Exchange differences	-	1
BALANCE AT 31 DECEMBER	**39**	**26**

18 Residential mortgages own book (amortised cost)

IN EUR MILLIONS	2015	2014
Residential mortgages own book	2,390	1,078
	2,390	**1,078**
THE LEGAL MATURITY ANALYSIS OF RESIDENTIAL MORTGAGES OWN BOOK IS AS FOLLOWS:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	1	1
Longer than five years	2,389	1,077
	2,390	**1,078**

The maximum credit exposure including committed but undrawn facilities was EUR 2,791 million at 31 December 2015 (31 December 2014: EUR 1,403 million).

The impairment on residential mortgages own book at amortised cost at 2015 was EUR 1 million (2014: nil).

19 Loans (available-for-sale)

IN EUR MILLIONS	2015	2014
Loans to group companies	18	-
	18	**-**
THE LEGAL MATURITY ANALYSIS OF LOANS AS FOLLOWS:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	18	-
Longer than five years	-	-
	18	**-**

In 2015, there was no impairment on loans available-for-sale.

20 Equity investments (available-for-sale)

IN EUR MILLIONS	2015	2014
Equity investments	48	53
	48	**53**

All of these equity investments are unlisted

IN EUR MILLIONS	2015	2014
THE MOVEMENT IN EQUITY INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**53**	**47**
Additions	-	-
Disposals (sales and/or capital repayments)	(12)	(4)
Changes in fair value	4	6
Impairments	-	1
Exchange differences	3	3
BALANCE AT 31 DECEMBER	**48**	**53**
THE MOVEMENT IN IMPAIRMENT LOSSES ON EQUITY INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**65**	**60**
Additional allowances	5	2
Write-offs	(5)	(3)
Exchange differences	5	6
BALANCE AT 31 DECEMBER	**70**	**65**

21 Debt investments (available-for-sale)

IN EUR MILLIONS	2015	2014
Debt investments	1,064	945
	1,064	**945**

All debt investments are non-government

IN EUR MILLIONS	2015	2014
DEBT INVESTMENTS CAN BE CATEGORISED AS FOLLOWS:		
Listed	911	833
Unlisted	153	112
	1,064	**945**
THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS IS AS FOLLOWS:		
Three months or less	21	17
Longer than three months but not longer than one year	79	28
Longer than one year but not longer than five years	272	319
Longer than five years	692	581
	1,064	**945**
THE MOVEMENT IN DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**945**	**1,300**
Additions	680	528
Disposals (sale and/or redemption)	(574)	(909)
Changes in fair value	(6)	9
Impairments	-	(1)
Exchange differences	19	18
BALANCE AT 31 DECEMBER	**1,064**	**945**

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 and currency risk from these assets, the movement due to interest rate changes and exchange rate differences is compensated by results on derivatives.

IN EUR MILLIONS	2015	2014
THE MOVEMENT IN IMPAIRMENTS ON DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**18**	**17**
Additional allowances	-	1
BALANCE AT 31 DECEMBER	**18**	**18**

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

IN EUR MILLIONS	2015	2014
Loans to corporate entities	316	374
	316	**374**
THE LEGAL MATURITY ANALYSIS OF LOANS IS AS FOLLOWS:		
Three months or less	-	1
Longer than three months but not longer than one year	-	2
Longer than one year but not longer than five years	63	67
Longer than five years	253	304
	316	**374**
THE MOVEMENT IN LOANS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**374**	**480**
Additions	-	2
Disposals	(70)	(123)
Changes in fair value	1	3
Exchange differences	11	12
BALANCE AT 31 DECEMBER	**316**	**374**

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 by results on financial derivatives.

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

The portion of fair value changes in 2015 included in the balance sheet amount (designated at fair value through profit or loss) as at 31 December 2015 relating to the movement in credit spreads amounted to nil (2014: EUR 3 million debit, being an increase in the balance sheet carrying amount).

The maximum credit risk exposure including undrawn credit facilities amounted to EUR 316 million (2014: EUR 375 million).

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

IN EUR MILLIONS	2015	2014
Residential mortgages own book	3,954	3,342
	3,954	**3,342**
THE LEGAL MATURITY ANALYSIS OF RESIDENTIAL MORTGAGES OWN BOOK IS AS FOLLOWS:		
Three months or less	10	14
Longer than three months but not longer than one year	5	6
Longer than one year but not longer than five years	86	72
Longer than five years	3,853	3,250
	3,954	**3,342**
THE MOVEMENT IN RESIDENTIAL MORTGAGES OWN BOOK MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**3,342**	**3,586**
Additions (including transfers from consolidated SPEs)	1,010	4
Disposals (sale and/or redemption, including replenishment of consolidated SPEs)	(427)	(327)
Changes in fair value	29	79
BALANCE AT 31 DECEMBER	**3,954**	**3,342**

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 by results on financial derivatives.

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 income are recognised in net trading income.

The maximum credit exposure including committed but undrawn facilities was EUR 3,955 million (2014: EUR 3,343 million).

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

IN EUR MILLIONS	2015	2014
Securitised residential mortgages	2,236	3,638
	2,236	**3,638**
THE LEGAL MATURITY ANALYSIS OF SECURITISED RESIDENTIAL MORTGAGES IS AS FOLLOWS:		
Three months or less	1	1
Longer than three months but not longer than one year	3	2
Longer than one year but not longer than five years	28	43
Longer than five years	2,204	3,592
	2,236	**3,638**
THE MOVEMENT IN SECURITISED RESIDENTIAL MORTGAGES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**3,638**	**3,878**
Additions	-	-
Disposals (sale and/or redemption including transfers to own book)	(1,281)	(314)
Changes in fair value	(121)	74
BALANCE AT 31 DECEMBER	**2,236**	**3,638**

At 31 December 2015 the carrying amounts for residential mortgages own book (designated at fair value through profit or loss) and securitised residential mortgages include a total revaluation adjustment of EUR 455 million debit (2014: EUR 547 million debit) related to both interest rates and credit spreads. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated by results on financial derivatives.

The portion of fair value changes in 2015 included in the balance sheet amount relating to the movement in credit spreads on residential mortgages own book (see note 23 Residential mortgages own book) and securitised residential mortgages amounted to EUR 22 million debit at 31 December 2015 (2014: EUR 44 million debit), being an increase in the carrying amount.

The carrying amount includes a EUR 187 million credit (2014: EUR 181 million credit) related to mortgage savings amounts.

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

At 31 December 2015, securitised residential mortgages in the amount of EUR 2,236 million (2014: EUR 3,638 million) were pledged as collateral for NIBC's own liabilities (see note 51 Assets transferred or pledged as collateral).

The maximum credit exposure was EUR 2,236 million at 31 December 2015 (2014: EUR 3,638 million).

The aggregate difference yet to be recognised in the income statement between transaction prices at initial recognition and the fair value determined by a valuation model on both residential mortgages own book (see note 23 Residential mortgages own book) and securitised residential mortgages at 31 December 2015 amounted to a liability of EUR 16 million (2014: EUR 19 million).

Securitised residential mortgages are recognised on NIBC's balance sheet based on the risks and rewards NIBC retains in the *special purpose entities* (**SPEs**) issuing the mortgage-backed notes. Risks and rewards can be retained by NIBC by retaining issued notes, providing overcollateralisation to the SPEs or implementing reserve accounts in the SPEs. At the balance sheet date, NIBC retained EUR 187 million (2014: EUR 248 million) of notes issued by the SPEs, overcollateralisation provided to the SPEs amounted to nil (2014: nil) and reserve accounts amounted to EUR 15 million (2014: EUR 18 million).

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

IN EUR MILLIONS	2015	2014
Held for trading	12	31
Designated at fair value through profit or loss	7	6
	19	**37**

All debt investments are non-government counterparties and listed

IN EUR MILLIONS	2015	2014
THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS IS AS FOLLOWS:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	7	6
	7	**6**
THE MOVEMENT IN DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**6**	**50**
Additions	-	-
Disposals (sale and/or redemption)	(1)	(43)
Changes in fair value	1	(1)
Exchange differences	1	-
BALANCE AT 31 DECEMBER	**7**	**6**

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 by results on financial derivatives.

The portion of fair value changes in 2015 included in the carrying amount (designated at fair value through profit or loss) relating to the movement in credit spreads amounted to EUR 1 million debet, being an increase in the carrying amount (2014: EUR 1 million credit, being an decrease in the 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.

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

IN EUR MILLIONS	2015	2014
Investments in associates	172	225
Other equity investments	50	51
	222	**276**
THE MOVEMENT IN INVESTMENTS IN ASSOCIATES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**225**	**201**
Additions	9	15
Disposals	(103)	(12)
Changes in fair value	41	21
BALANCE AT 31 DECEMBER	**172**	**225**

At the end of 2015 and 2014, all investments in associates were unlisted.
Other disclosure requirements for associates are presented in note 55 Principal subsidiaries and associates.

IN EUR MILLIONS	2015	2014
THE MOVEMENT IN OTHER EQUITY INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**51**	**56**
Additions	18	1
Disposals	(2)	(3)
Changes in fair value	(18)	(4)
Exchange differences	1	1
BALANCE AT 31 DECEMBER	**50**	**51**

At the end of 2015 and 2014, other equity investments were unlisted.

27 Derivative financial instruments

IN EUR MILLIONS	2015	2014
DERIVATIVE FINANCIAL ASSETS		
Derivative financial assets used for hedge accounting	168	187
Derivative financial assets - other	1,983	2,664
	2,151	**2,851**
DERIVATIVE FINANCIAL LIABILITIES		
Derivative financial liabilities used for hedge accounting	45	37
Derivative financial liabilities - other	2,305	3,180
	2,350	**3,217**

Derivative financial assets and liabilities used for hedge accounting are derivatives designated in hedge accounting relationships as defined in IAS 39.

The derivatives financial assets and liabilities in the category 'other' are classified as held for trading according to IAS 39.

The derivatives in this category consist of:

- Interest rate swaps to hedge the interest rate risk of the mortgage portfolio;
- Interest rate swaps to transform fixed rate funding into floating rate funding;
- FX and cross-currency swaps to fund the non-euro loans to customers or to transform non-euro funding into euros;
- Client-driven derivative transactions and hedges resulting from this activity; and
- Limited money market trading.

Economically all these derivatives, with the exception of the limited money market trading, are used to hedge interest rate or FX risk. The limited money market trading is controlled by a small facilitating VAR limit of EUR 2.25 million. For further details see note 59 Market risk.

Derivative financial instruments a for hedge accounting at 31 December 2015

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	20	4,898	2,115	7,033	120	44
Interest currency rate swaps	-	-	17	17	6	-
	20	**4,898**	**2,132**	**7,050**	**126**	**44**
DERIVATIVES ACCOUNTED FOR AS CASH FLOW HEDGES OF INTEREST RATE RISK						
OTC PRODUCTS:						
Interest rate swaps	25	1,142	976	2,143	42	1
	25	**1,142**	**976**	**2,143**	**42**	**1**
TOTAL DERIVATIVES USED FOR HEDGE ACCOUNTING	**45**	**6,040**	**3,108**	**9,193**	**168**	**45**

Derivative financial instruments used for hedge accounting at 31 December 2014

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	86	247	3,636	3,969	139	37
Interest currency rate swaps	-	6	17	23	6	-
	86	**253**	**3,653**	**3,992**	**145**	**37**
DERIVATIVES ACCOUNTED FOR AS CASH FLOW HEDGES OF INTEREST RATE RISK						
OTC PRODUCTS:						
Interest rate swaps	-	-	1,639	1,639	42	-
	-	**-**	**1,639**	**1,639**	**42**	**-**
TOTAL DERIVATIVES USED FOR HEDGE ACCOUNTING	**86**	**253**	**5,292**	**5,631**	**187**	**37**

Derivative financial instruments - other at 31 December 2015

IN EUR MILLIONS	Notional amount with remaining life of: Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC PRODUCTS:						
Interest rate swaps[1]	3,483	35,548	13,920	52,951	1,864	2,199
Interest rate options (purchase)	-	414	45	459	2	-
Interest rate options (sale)	-	641	54	695	-	2
	3,483	**36,603**	**14,019**	**54,105**	**1,866**	**2,201**
CURRENCY DERIVATIVES						
OTC PRODUCTS:						
Interest currency rate swaps	207	2,776	32	3,015	75	55
Currency/cross-currency swaps	203	-	-	203	6	1
	410	**2,776**	**32**	**3,218**	**81**	**56**
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
OTC PRODUCTS:						
Credit default swaps (guarantees given)	14	-	-	14	-	1
Credit default swaps (guarantees received)	10	-	-	10	-	-
Other swaps	28	-	25	53	36	47
	52	**-**	**25**	**77**	**36**	**48**
TOTAL DERIVATIVES - OTHER	**3,945**	**39,379**	**14,076**	**57,400**	**1,983**	**2,305**

[1] The relatively significant notional amount of these derivatives can largely be explained by past market practice, when it used to be more beneficial to hedge interest rate risk by entering into a new swap position rather than to unwind existing swaps.

Derivative financial instruments - other at 31 December 2014

IN EUR MILLIONS	Notional amount with remaining life of: Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC PRODUCTS:						
Interest rate swaps[1]	2,845	7,711	47,752	58,308	2,597	2,952
Interest rate options (purchase)	-	-	257	257	2	-
Interest rate options (sale)	10	11	246	267	-	2
	2,855	**7,722**	**48,255**	**58,832**	**2,599**	**2,954**
CURRENCY DERIVATIVES						
OTC PRODUCTS:						
Interest currency rate swaps	188	644	1,974	2,806	11	169
Currency/cross-currency swaps	110	-	-	110	7	-
	298	**644**	**1,974**	**2,916**	**18**	**169**
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
OTC PRODUCTS:						
Credit default swaps (guarantees given)	19	-	-	19	-	1
Credit default swaps (guarantees received)	24	-	-	24	-	-
Other swaps	-	-	24	24	47	56
Other OTC products	-	1	-	1	-	-
	43	**1**	**24**	**68**	**47**	**57**
TOTAL DERIVATIVES - OTHER	**3,196**	**8,367**	**50,253**	**61,816**	**2,664**	**3,180**

[1] The relatively significant notional amount of these derivatives can largely be explained by past market practice, when it used to be more beneficial to hedge interest rate risk by entering into a new swap position rather than to unwind existing swaps.

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		2015	2014
Fair value pay - fixed swaps (hedging assets)	**assets**	3	-
Fair value pay - fixed swaps (hedging assets)	**liabilities**	(34)	(37)
		(31)	**(37)**
Fair value pay - floating swaps (hedging liabilities)	**assets**	123	145
Fair value pay - floating swaps (hedging liabilities)	**liabilities**	(10)	-
		113	**145**

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		2015	2014
Fair value receive - fixed swaps	**assets**	42	42
Fair value receive - fixed swaps	**liabilities**	(1)	-
		41	**42**
Fair value receive - floating swaps	**assets**	-	-
Fair value receive - floating swaps	**liabilities**	-	-
		-	**-**

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

IN EUR MILLIONS		2015	2014
Fair value pay swaps	**assets**	126	145
Fair value receive swaps	**assets**	42	42
		168	**187**
Fair value pay swaps	**liabilities**	(44)	(37)
Fair value receive swaps	**liabilities**	(1)	-
		(45)	**(37)**

The average remaining maturity (in which the related cash flows are expected to enter into the determination of profit or loss) is four years (2014: five 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 2015 was EUR 18 million debit (2014: EUR 22 million debit). The losses on the hedging instruments were EUR 3 million (2014: gain of EUR 7 million). The gains on the hedged items attributable to the hedged risk were EUR 3 million (2014: loss of EUR 7 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Portfolio fair value hedge of fixed rate retail deposits

According to NIBC's Hedging Policy, NIBC should not be exposed to interest rate risk from its fixed rate retail deposit activities above certain limits prescribed by the ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate funding. To mitigate any accounting mismatches, NIBC has defined a portfolio fair value hedge for the retail deposits with a contractual duration longer than two years and the 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 2015 was EUR 49 million debit (2014: EUR 73 million debit). The losses on the hedging instruments were EUR 14 million (2014: gain of EUR 19 million). The gains on the hedged items attributable to the hedged risk were EUR 14 million (2014: loss of EUR 20 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Portfolio fair value hedge of fixed rate mortgages

According to NIBC's Hedging Policy, NIBC should not be exposed to interest rate risk from its fixed rate mortgages activities above certain limits prescribed by the ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate mortgages. To mitigate any accounting mismatches, NIBC has defined a portfolio fair value hedge for the mortgages with a contractual duration longer than three months and the 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 2015 was EUR 18 million credit (2014: EUR 18 million credit). The gains on the hedging instruments were EUR 6 million (2014: loss of EUR 19 million). The losses on the hedged items attributable to the hedged risk were EUR 7 million (2014: gain of EUR 12 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness and pipeline hedging.

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 2015 was EUR 42 million debit (2014: EUR 45 million debit). The losses on the hedging instruments were EUR 8 million (2014: gain of EUR 21 million). The gains on the hedged items attributable to the hedged risk were EUR 8 million (2014: loss of EUR 20 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 2015 was EUR 10 million credit (2014: EUR 13 million credit). Gains on the hedging instruments were EUR 2 million (2014: loss of EUR 8 million). The losses on the hedged items attributable to the hedged risk were EUR 3 million (2014: gain of EUR 2 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Micro fair value hedge of the Liquidity portfolio debt investments

According to NIBC's hedging policy, NIBC should not be exposed to fair value interest rate risk from its fixed rate debt investments held in the Liquidity portfolios above certain limits prescribed by ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate debt investments. To mitigate any accounting mismatches, NIBC has defined a micro fair value hedge for fixed rate debt investments and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2015 was nil (2014: EUR 1 million credit). The gains on the hedging instruments were EUR 1 million (2014: gain of EUR 1 million). The losses on the hedged items attributable to the hedged risk were nil (2014: loss of EUR 1 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 corporate loans as loans and receivable at amortised cost. 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 reported 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 41 million debit (2014: EUR 42 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 2015 the ineffectiveness recognised in the income statement that arose from cash flow hedges was a loss of EUR 6 million (2014: gain of EUR 1 million).

Some macro cash flow hedging relationships ceased to exist during 2011 and therefore the related cumulative hedge adjustment as from that date is being amortised over the remaining contractual maturity of the hedged item.

The amount that was recognised in equity for the year 2015 was EUR 3 million credit (2014: EUR 36 million credit). The amount that was transferred from equity to the income statement in 2015 was a gain of EUR 23 million net of tax (2014: gain of EUR 22 million).

Net investment hedge

In 2015 the net investment hedge was terminated as a consequence of the disposal of NIBC Services Ltd. Until termination of the net investment hedge, NIBC Holding hedged part of the currency translation risk arising on its net investments in foreign operations by using foreign currency debt as a hedging instrument. In 2015 and 2014 no ineffectiveness was recognised in the income statement arising from hedges of net investments in foreign operations.

28 Investments in associates (equity method)

IN EUR MILLIONS	2015	2014
Investments in associates	7	6
	7	**6**
THE MOVEMENT IN INVESTMENTS IN ASSOCIATES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**6**	**8**
Purchases and additional payments	-	-
Disposals	-	(3)
Share in result of associates	1	1
BALANCE AT 31 DECEMBER	**7**	**6**

At the end of 2015 and 2014, all investments in associates were unlisted.

There is no unrecognised share of losses of an associate, either for the period or cumulatively.

The cumulative impairment losses amounted to nil for 2015 and 2014.

Other disclosure requirements for associates which are equity accounted are included in note 55 Principal subsidiaries and associates.

29 Intangible assets

IN EUR MILLIONS	2015	2014
Intangible assets	-	43
	-	**43**
INTANGIBLE ASSETS RELATED TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION MAY BE SUMMARISED AS FOLLOWS:		
Cost	-	64
Accumulated amortisation	-	(21)
	-	**43**

IN EUR MILLIONS	Goodwill	Trademarks and licenses	Customer relationships	Other intangibles	Total
THE MOVEMENT IN INTANGIBLE ASSETS RELATED TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION MAY BE SUMMARISED AS FOLLOWS:					
BALANCE AT 1 JANUARY 2014	**32**	**6**	**6**	**3**	**47**
Additions	-	-	-	-	-
Amortisation	-	(1)	(2)	(1)	(4)
BALANCE AT 31 DECEMBER 2014	**32**	**5**	**4**	**2**	**43**

IN EUR MILLIONS	Goodwill	Trademarks and licenses	Customer relationships	Other intangibles	Total
THE MOVEMENT IN INTANGIBLE ASSETS RELATED TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION MAY BE SUMMARISED AS FOLLOWS:					
BALANCE AT 1 JANUARY 2015	**32**	**5**	**4**	**2**	**43**
Additions	-	-	-	1	1
Impairment losses	(17)	-	(3)	-	(20)
Amortisation	-	(1)	(1)	(1)	(3)
Transfer assets held for sale	(15)	(4)	-	(2)	(21)
BALANCE AT 31 DECEMBER 2015	**-**	**-**	**-**	**-**	**-**

In 2015 and 2014 all presented intangible assets are related to the non-financial company *Olympia Nederland Holding B.V.* (**Olympia**) which was reclassified to disposal group held for sale on 30 September 2015 (see notes 33 Disposal group held for sale and discontinued operations).

Amortisation until reclassification to assets held for sale.
Until reclassification to disposal group held for sale, trademarks and licenses and other intangibles were amortised. The remaining carrying amount of EUR 6.6 million was transferred to assets held for sale.

Impairments
Prior to the reclassification of Olympia to held for sale, goodwill was impaired for an amount of EUR 17 million in 2015 as the non-financial company Olympia is expected to be sold below its carrying value. Also prior to the reclassification to disposal group held for sale, customer relationships were fully impaired in 2015 due to change in market conditions and related client focus.

No impairments were recorded in 2014 on intangible assets.

IN EUR MILLIONS	2015	2014
GOODWILL HAS BEEN ALLOCATED TO THE GROUP OF CASH GENERATING UNITS AS FOLLOWS:		
Non-financial companies included in the consolidation	-	32
	-	**32**

30 Property, plant and equipment

IN EUR MILLIONS	2015	2014
Land and buildings	43	37
Other fixed assets	6	5
	49	**42**
THE MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**42**	**45**
Additions	13	2
Revaluation	-	1
Depreciation	(6)	(6)
BALANCE AT 31 DECEMBER	**49**	**42**

IN EUR MILLIONS	2015	2014
THE ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT CAN BE CATEGORISED AS FOLLOWS		
Land and buildings	53	50
Other fixed assets	18	18
	71	**68**

The additions of EUR 13 million in 2015 are related to building renovation of EUR 9 million and investments in equipment of EUR 4 million.

NIBC's land and buildings in own use were revalued as of 31 December 2014 based on an external appraisal.

Buildings in use by NIBC are insured for EUR 72 million (2014: EUR 71 million). Other fixed assets are insured for EUR 36 million (2014: EUR 37 million).

31 Current tax

IN EUR MILLIONS	2015	2014
Current tax assets	-	2
	-	**2**

IN EUR MILLIONS	2015	2014
Current tax liabilities	-	-
	-	**-**

The current tax was settled in 2015.

32 Other assets

IN EUR MILLIONS	2015	2014
Accrued interest	-	1
Other accruals and receivables	44	60
Other assets related to non-financial companies included in the consolidation	-	48
	44	**109**

The fair value of this balance sheet item does not materially differ from its face value, due to the short-term nature of its related assets.

Other assets related to non-financial companies included in the consolidation which has been transferred to disposal group held for sale and discontinued operations pledged as collateral for liabilities were EUR 50 million (2014: EUR 47 million).

IN EUR MILLIONS	2015	2014
OTHER ASSETS RELATED TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION CAN BE CATEGORISED AS FOLLOWS:		
Trade receivables (less provisions for doubtful debts)	-	48
	-	**48**

33 Disposal group held for sale and discontinued operations

Disposal group held for sale

In the fourth quarter of 2015, NIBC committed to a plan to sell its non-financial company Olympia. The sale is based upon a strategic decision to place greater focus on NIBC's key financial services competencies.

Due to remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell, an impairment amount of EUR 17 million (relating to goodwill) is included in 'impairments of non-financial assets' (see note 11).

As at 31 December 2015, there was no further remeasurement required.

Assets and liabilities of disposal group held for sale

At 31 December 2015, the disposal group, solely consists of Olympia, was stated at fair value less costs to sell and comprised the following assets and liabilities.

Assets held for sale

IN EUR MILLIONS	2015	2014
Intangible assets	21	-
Other assets	50	-
	71	**-**

Liabilities held for sale

IN EUR MILLIONS	2015	2014
Due to other banks	-	-
Other liabilities[1]	42	-
	42	**-**

[1] Excluding an intercompany loan of EUR 15 million as at 31 December 2015.

Other

There are no cumulative income or expenses included in OCI relating to the disposal group.

The non-recurring fair value measurement for the disposal group of EUR 29 million has been categorised as a level 3.

Discontinued operations

Subsidiary acquired from unrelated third party exclusively with a view to resale to a group company

On 22 May 2015, NIBC Bank, a wholly owned subsidiary of NIBC Holding, purchased a call option for a consideration of EUR 9.49 on 94.9% of the equity of Vijlma B.V. (formerly named: Promontoria Holding 44 B.V.) from an unrelated third party.

Before the acquisition of Vijlma B.V., NIBC Bank co-financed Vijlma B.V. as part of the restructuring process of the debt exposure to Vijlma B.V., NIBC Holding obtained control of Vijlma B.V. managing the underlying real estate portfolio. The acquisition price of EUR 9.49 is in line with the total net assets of Vijlma B.V.

Vijlma B.V. holds interests in approximately 75 real estate portfolio companies in Germany. Due to the purchase of the call option, NIBC Bank N.V. obtained control over Vijlma B.V. on this date. Vijlma B.V. was obtained with a view to resale it to NIBC Investments N.V., a related party, upon exercise of the call option.

On 30 June 2015 NIBC Bank N.V. exercised the option and Vijlma B.V. was sold to NIBC Investments N.V. for EUR 9.49. NIBC Bank N.V. retained the loans provided to Vijlma B.V. for a total carrying amount of EUR 244 million. No result was recognised on the transaction in the financial statements of NIBC Bank N.V.

The net result from discontinued operations between the acquisition date and the resale-date is close to nil. This net result from discontinued operations consists of revenues, expenses, and the pre-tax result of discontinued operations and related income tax expense of Vijlma B.V.

34 Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a nominal tax rate of 25.0% (2014: 25.0%).
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	2015	2014
Deferred tax assets	-	3
Deferred tax liabilities	1	-
	1	**3**
THE AMOUNTS OF DEFERRED INCOME TAX ASSETS, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, WERE AS FOLLOWS:		
Debt investments (available-for-sale)	2	-
Tax losses carried forward	20	30
	22	**30**
THE AMOUNTS OF DEFERRED INCOME TAX LIABILITIES, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, WERE AS FOLLOWS:		
Equity investments (available-for-sale)	3	3
Cash flow hedges	16	20
Property, plant and equipment	4	4
	23	**27**
	(1)	**3**

IN EUR MILLIONS	2015	2014
THE GROSS MOVEMENT ON THE DEFERRED INCOME TAX ACCOUNT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**3**	**5**
EMPLOYEE BENEFITS:		
Charged/(credited) to the remeasurements of defined-benefit plans	-	(3)
DEBT INVESTMENTS (REPORTED AS AVAILABLE-FOR-SALE):		
Fair value remeasurement charged/(credited) to revaluation reserve	2	(2)
PROPERTY, PLANT AND EQUIPMENT (REPORTED AT FAIR VALUE):		
Fair value remeasurement charged/(credited) to revaluation reserve	-	2
EQUITY INVESTMENTS (REPORTED AS AVAILABLE-FOR-SALE):		
Fair value remeasurement charged/(credited) to revaluation reserve	-	(1)
CASH FLOW HEDGES:		
Fair value remeasurement charged/(credited) to hedging reserve	4	(5)
NET INVESTMENT HEDGE:		
Fair value remeasurement charged/(credited) to currency revaluation reserve	-	2
Tax losses carried forward	(10)	5
BALANCE AT 31 DECEMBER	**(1)**	**3**

35 Due to other banks (amortised cost)

IN EUR MILLIONS	2015	2014
Due to other banks	588	918
Due to central banks	241	241
	829	**1,159**
DUE TO OTHER BANKS CAN BE CATEGORISED AS FOLLOWS:		
Payable on demand	75	27
Not payable on demand	754	1,132
	829	**1,159**
THE LEGAL MATURITY ANALYSIS OF DUE TO OTHER BANKS NOT PAYABLE ON DEMAND IS AS FOLLOWS:		
Three months or less	287	655
Longer than three months but not longer than one year	9	2
Longer than one year but not longer than five years	242	248
Longer than five years	216	227
	754	**1,132**

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 note 49 Repurchase and resale agreements and transferred financial assets.

At 31 December 2015, an amount of EUR 188 million (2014: EUR 268 million) related to cash collateral received from third parties.

Amounts attracting under *Targeted Long Term Refinancing Operation* (**TLTRO**) is EUR 241 million (2014: EUR 241 million).

36 Deposits from customers (amortised cost)

IN EUR MILLIONS	2015	2014
Retail deposits	10,080	9,013
Institutional/corporate deposits	1,506	1,169
	11,586	**10,182**
DEPOSITS FROM CUSTOMERS CAN BE CATEGORISED AS FOLLOWS:		
On demand	4,552	4,667
Term deposits	7,034	5,515
	11,586	**10,182**
THE LEGAL MATURITY ANALYSIS OF TERM DEPOSITS IS AS FOLLOWS:		
Three months or less	965	1,161
Longer than three months but not longer than one year	2,963	1,354
Longer than one year but not longer than five years	2,386	2,345
Longer than five years	720	655
	7,034	**5,515**

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	2015	2014
Bonds and notes issued	3,050	2,064
	3,050	**2,064**
THE LEGAL MATURITY ANALYSIS OF OWN DEBT SECURITIES IN ISSUE IS AS FOLLOWS:		
Three months or less	67	5
Longer than three months but not longer than one year	285	28
Longer than one year but not longer than five years	1,589	1,411
Longer than five years	1,109	620
	3,050	**2,064**

In the first quarter of 2015 NIBC launched a senior unsecured bond in the instutional market of EUR 500 million. In the second quarter of 2015 a seven years Pass Through Covered Bond was issued of EUR 500 million.

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

IN EUR MILLIONS	2015	2014
Bonds and notes issued	2,062	3,348
	2,062	**3,348**

THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IN ISSUE RELATED TO SECURITISED MORTGAGES IS AS FOLLOWS:

	2015	2014
Three months or less	3	18
Longer than three months but not longer than one year	-	20
Longer than one year but not longer than five years	49	24
Longer than five years	2,010	3,286
	2,062	**3,348**

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

IN EUR MILLIONS	2015	2014
Bonds and notes issued	36	35
	36	**35**

THE LEGAL MATURITY ANALYSIS OF OWN DEBT SECURITIES IN ISSUE IS AS FOLLOWS:

	2015	2014
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	36	-
Longer than five years	-	35
	36	**35**

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

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 32 million at 31 December 2015 (2014: EUR 31 million).

The portion of fair value changes attributable to the movement in credit spreads amounted to nil during 2015 (2014: EUR 1 million credit).

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

IN EUR MILLIONS	2015	2014
Bonds and notes issued	704	823
	704	**823**

THE LEGAL MATURITY ANALYSIS OF OWN DEBT SECURITIES IN ISSUE STRUCTURED IS AS FOLLOWS:

	2015	2014
Three months or less	-	11
Longer than three months but not longer than one year	53	40
Longer than one year but not longer than five years	82	143
Longer than five years	569	629
	704	**823**

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

The portion of fair value changes during 2015 attributable to the movement in credit spreads amounted to 9 million credit (2014: EUR 31 million credit). In 2015, no results (2014: gains of EUR 1 million) were realised on the repurchase of liabilities with respect to this balance sheet item.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 744 million at 31 December 2015 (2014: EUR 802 million).

41 Other liabilities

IN EUR MILLIONS	2015	2014
Other accruals	21	28
Payables	71	91
Other liabilities related to payables of the non-financial companies	-	42
	92	**161**

42 Employee benefits

IN EUR MILLIONS	2015	2014
Employee benefits	4	3
Employee benefits related to non-financial companies	-	1
	4	**4**
THE MOVEMENT IN EMPLOYEE BENEFITS RECOGNISED IN THE BALANCE SHEET MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**3**	**3**
Increase	1	-
BALANCE AT 31 DECEMBER	**4**	**3**

Employee benefit obligations of EUR 4 million at 31 December 2015 are related to payments to be made in respect of other leave obligations (2014: EUR 3 million). These obligations are short-term in nature and therefore valued at nominal value.

Pension benefit obligations

Obligations and expense under pension plans as of 1 January 2015

On 29 September 2014 NIBC reached an agreement with the Employees' Council and the Pensioners Association on the new pension plan which qualifies as a *Collective Defined Contribution* (**CDC**) plan. Consequently, as of 1 January 2015 the pension scheme changes under IFRS from a defined-benefit pension plan to a defined-contribution plan.

IN EUR MILLIONS	2015	2014
THE AMOUNTS OF PENSION CHARGES RECOGNISED IN PERSONNEL EXPENSES IN THE INCOME STATEMENT WERE AS FOLLOWS:		
Collective Defined Contribution plans (effective as of 1 January 2015)		
Employer's contribution	10	-
Participants' contributions	(1)	-
Administrative expenses	1	-
Defined Benefit- and Contribution plans (effective until 31 December 2014)		
Current service cost	-	9
Past-service cost (plan amendment of 29 September 2014)	-	(20)
Net interest cost	-	-
Administrative expenses	-	1
One-off contribution (including catch-up for indexation)	-	15
	10	**5**

Employer's contributions of EUR 10 million in 2015 includes EUR 1 million intended to compensate for the pension gap that arose as a result of changed tax rules that became effective as of 1 January 2015.

Obligations and expense under pension plans as of 1 January 2015

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.

For defined-contribution plans, NIBC pays contributions directly into the member's scheme. NIBC has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The new CDC-plan is based on an average salary plan. The retirement age is set at 67 years. The contribution payable by participants in the CDC-plan is maximised at 4% per annum. Under the new CDC-plan the annual pension contributions are calculated according to a fixed contribution calculation mechanism. The annual pension contribution of NIBC is maximised at 26% of the pensionable salary (salary minus a social security deductible). By paying the agreed fixed annual contribution NIBC is released from all its obligations.

Obligations and expense under pension plans before 1 January 2015

Until 1 January 2015 NIBC operated a number of pension plans covering substantially all employees. The schemes were generally funded through payments to insurance companies, on the basis of contractually agreed tariff rates, or separate trustee-administered funds, determined by periodic actuarial calculations. NIBC had both defined-benefit and defined-contribution plans.

As a result of the CDC agreement, there was a plan amendment on 29 September 2014 and a settlement as of 31 December 2014, due to the lump-sum contribution commitment. The gain on the plan amendment date 29 September 2014 of EUR 4 million is recognised under pension expenses and other post-retirement charges in the 2014 income statement. The result on the settlement date was nil.

This change eliminates all further legal or constructive obligations of NIBC for all the benefits provided under the pension plan. As a result of a settlement at 31 December 2014, NIBC has no employee benefit liability on the balance sheet at 31 December 2014.

The liability recognised in the balance sheet in respect of defined-benefit pension plans was the present value of the defined-benefit obligation at the balance sheet date less the fair value of plan assets. The defined-benefit obligation was calculated annually by independent actuaries using the projected unit credit method. The latest actuarial valuation was carried out at 30 September 2014. The present value of the defined-benefit obligation was 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. The assets of the funded plans were held independently of NIBC's assets in separate trustee administered funds.

Actuarial gains and losses arise from the difference between the actual and expected return on plan assets for a period, from experience adjustments on liabilities or from changes in the actuarial assumptions used to determine the defined-benefit obligation. Actuarial gains or losses are recognised in other comprehensive income and will not be reclassified subsequently to the income statement. They are recognised in retained earnings.

43 Subordinated liabilities - amortised cost

IN EUR MILLIONS	2015	2014
Subordinated loans other	120	67
	120	**67**
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS AS FOLLOWS:		
One year or less	-	-
Longer than one year but not longer than five years	2	3
Longer than five years but not longer than ten years	50	2
Longer than ten years	68	62
	120	**67**

All of the above loans are subordinated to the other liabilities of NIBC. With respect to the new CRR/CRDIV requirements regarding additional Tier-1 capital instruments, non-qualifying subordinated loans amounted to EUR 56 million (2014: EUR 50 million). Interest expense of EUR 4 million was recognised on subordinated liabilities during the year 2015 (2014: EUR 2 million). In 2015 and 2014, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

44 Subordinated liabilities - designated at fair value through profit or loss

IN EUR MILLIONS	2015	2014
Non-qualifying as grandfathered additional Tier-1 capital	172	152
Subordinated loans other	108	101
	280	**253**
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS AS FOLLOWS:		
One year or less	17	-
Longer than one year but not longer than five years	1	16
Longer than five years but not longer than ten years	-	-
Longer than ten years	262	237
	280	**253**

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

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 411 million at 31 December 2015 (2014: EUR 385 million).

The portion of fair value changes during 2015 attributable to the movement in credit spreads amounted to nil (2014: nil). All of the above loans are subordinated to the other liabilities of NIBC. The non-qualifying as grandfathered additional Tier-I capital consists of perpetual securities and may be redeemed by NIBC only with the prior approval of the DNB. Interest expense of EUR 17 million was recognised on subordinated liabilities during the year 2015 (2014: EUR 18 million). In 2015 and 2014, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

NIBC has not had any defaults of principal, interest or redemption amounts on its liabilities during 2015 or 2014.

45 Shareholder's equity

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

Share capital

IN EUR MILLIONS	2015	2014
Paid-up capital	80	80
	80	**80**

	2015	2014
THE NUMBER OF AUTHORISED SHARES IS SPECIFIED AS FOLLOWS:		
Number of authorised shares[1]	183,597,500	183,597,500
Number of shares issued and fully paid[2]	62,586,794	62,586,794
Par value per A-share	1.28	1.28
Par value per preference share (B,C,D, E1-E3)	1.00	1.00
Par value per preference share (E4)	5.00	5.00

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

2 The shares issued and fully paid consist of A-shares.

Other reserves

IN EUR MILLIONS	2015	2014
OTHER RESERVES ARE AS FOLLOWS:		
Share premium	238	238
Hedging reserve	49	61
Revaluation reserve - equity investments (available-for-sale)	9	7
Revaluation reserve - debt investments (available-for-sale)	(6)	(1)
Revaluation reserve - property, plant and equipment	8	13
	298	**318**

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserves	Remeasure-ments of defined-benefit plans	Total
BALANCE AT 1 JANUARY 2014	**238**	**45**	**12**	**(9)**	**286**
Net result on hedging instruments	-	16	-	-	16
Revaluation/remeasurement (net of tax)	-	-	12	(8)	4
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	**-**	**16**	**12**	**(8)**	**20**
Transfer to retained earnings	-	-	(5)	17	12
BALANCE AT 31 DECEMBER 2014	**238**	**61**	**19**	**-**	**318**

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserves	Remeasure-ments of defined-benefit plans	Total
BALANCE AT 1 JANUARY 2015	**238**	**61**	**19**	**-**	**318**
Net result on hedging instruments	-	(12)	-	-	(12)
Revaluation/remeasurement (net of tax)	-	-	(3)	-	(3)
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	**-**	**(12)**	**(3)**	**-**	**(15)**
Transfer to retained earnings	-	-	(5)	-	(5)
BALANCE AT 31 DECEMBER 2015	**238**	**49**	**11**	**-**	**298**

Share premium

The proceeds from rights issues and options exercised received net of any directly attributable transaction costs and less the nominal value are credited to share premium.

Hedging reserve

This reserve comprises the portion of the gains or losses on hedging instruments in a cash flow hedge that is determined to be an effective hedge (net of tax).

Revaluation reserve - loans (available-for-sale)

This reserve comprises changes in fair value of available-for-sale loans (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).

Revaluation reserve - debt investments (available-for-sale)

Nil result was recognised in the revaluation reserve in equity related to financial assets reclassified out of the available-for-sale category into the loans and receivables category related to debt investments reclassified as per 1 July 2008.

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.

46 Fair value of financial instruments

IFRS 7 requires specific disclosures for financial instruments that are measured at fair value in the balance sheet. The disclosure of each class of financial assets and liabilities within a three-level hierarchy, referring to the respective basis of fair value measurement is 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, see the determination of fair value of financial instruments section in the Accounting policies.

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

Fair value of financial instruments at 31 December 2015

IN EUR MILLIONS	Level 1	Level 2	Level 3	2015
FINANCIAL ASSETS AVAILABLE-FOR-SALE				
Loans	-	-	18	18
Equity investments (unlisted)	-	-	48	48
Debt investments	-	1,052	12	1,064
	-	**1,052**	**78**	**1,130**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Loans	-	302	14	316
Residential mortgages own book	-	-	3,954	3,954
Securitised residential mortgages	-	-	2,236	2,236
Debt investments	-	19	-	19
Equity investments (including investments in associates)	-	-	222	222
Derivative financial assets	-	2,151	-	2,151
	-	**2,472**	**6,426**	**8,898**
	-	**3,524**	**6,504**	**10,028**

IN EUR MILLIONS	Level 1	Level 2	Level 3	2015
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Own debt securities in issue	-	36	-	36
Debt securities in issue structured	-	704	-	704
Derivative financial liabilities	-	2,350	-	2,350
Subordinated liabilities	-	280	-	280
	-	**3,370**	**-**	**3,370**

Fair value of financial instruments at 31 December 2014

IN EUR MILLIONS	Level 1	Level 2	Level 3	2014
FINANCIAL ASSETS AVAILABLE-FOR-SALE				
Equity investments (unlisted)	-	-	53	53
Debt investments	-	930	15	945
	-	**930**	**68**	**998**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Loans	-	374	-	374
Residential mortgages own book	-	-	3,342	3,342
Securitised residential mortgages	-	-	3,638	3,638
Debt investments	-	37	-	37
Equity investments (including investments in associates)	-	-	276	276
Derivative financial assets	-	2,851	-	2,851
	-	**3,262**	**7,256**	**10,518**
	-	**4,192**	**7,324**	**11,516**

IN EUR MILLIONS	Level 1	Level 2	Level 3	2014
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Own debt securities in issue	-	35	-	35
Debt securities in issue structured	-	823	-	823
Derivative financial liabilities	-	3.217	-	3.217
Subordinated liabilities	-	253	-	253
	-	**4.328**	**-**	**4.328**

Financial instruments 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 interpretation of valuation assumptions (qualitative) that a market participant would consider when valuing the instruments.

Financial assets available-for-sale

Debt investments - level 2

For the determination of fair value at 31 December 2015, NIBC used market-observable prices (including broker quotes), interest rates and credit spreads derived from market-verifiable data. NIBC has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Loans - Level 3

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

Debt investments - level 3

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

Equity investments (unlisted) - level 3

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

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

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

Financial assets at 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 whenever possible.

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

Debt investments - level 2

For the determination of fair value at 31 December 2015, NIBC applied market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Derivatives financial assets and liabilities (held for trading and used for hedging) - level 2

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

Loans - Level 3

For the level 3 loans clasified at fair value through profit or los, NIBC determines the fair value based on unobservable sales pricings from external parties and on an internal developed valuation model.

Residential mortgages (own book and securitised) - level 3

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

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

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

Equity investments (including investments in associates) - level 3

For the valuation method, reference is made to the section on equity investments (unlisted) at available-for-sale.

Transfers between levels 1 and 2

In 2015 and 2014 there were no significant transfers between levels 1 and 2.

Transfers between levels 1 and 2 into level 3

In 2015, loans classified at fair value through profit or loss for an amount of EUR 14 million have been transferred from level 2 to level 3. The level 3 classification in the fair value hierarchy better reflects the underlying valuation methodology.

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 line-items:

- 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 in issue structured, 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.

Level 3 fair value measurements

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

IN EUR MILLIONS	At 1 January 2014	Total gains/ (losses) recorded in the income statement[1]	Total gains/ (losses) recorded in equity	Purchases	Sales	Settle-ments	Transfers from level 1 and level 2	At 31 December 2014
AVAILABLE-FOR-SALE FINANCIAL ASSETS								
Equity investments	47	4	6	-	(4)	-	-	53
Debt investments	18	(2)	(1)	-	-	-	-	15
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)								
Residential mortgages own book	-	-	-	-	-	-	3,342	3,342
Securitised residential mortgages and lease receivables	-	-	-	-	-	-	3,638	3,638
Equity investments (including investments in associates)	257	18	-	16	(15)	-	-	276
	322	20	5	16	(19)	-	6,980	7,324

IN EUR MILLIONS	At 1 January 2015	Total gains/ (losses) recorded in the income statement[1]	Total gains/ (losses) recorded in equity	Purchases	Sales	Settle-ments	Transfers from level 1 and level 2	At 31 December 2015
AVAILABLE-FOR-SALE FINANCIAL ASSETS								
Loans	-	-	-	18	-	-	-	18
Equity investments	53	5	2	-	(12)	-	-	48
Debt investments	15	-	-	-	(3)	-	-	12
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)								
Loans	-	-	-	-	-	-	14	14
Residential mortgages own book	3,342	30	-	1,009	(427)	-	-	3,954
Securitised residential mortgages and lease receivables	3,638	(121)	-	-	(1,281)	-	-	2,236
Equity investments (including investments in associates)	276	24	-	27	(105)	-	-	222
	7,324	(62)	2	1,054	(1,828)	-	14	6,504

[1] Including FX movements and dividend

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

	For the period ended 31 December 2015	
IN EUR MILLIONS	Gains less losses from financial assets recognised in the income statement	Revaluation of equity investments included in the other comprehensive income
AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Equity investments (unlisted)	2	2
Debt investments	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)		
Equity investments (including investments in associates)	20	-
	22	2

The unrealised gains or (losses) included in the profit or loss of equity investments (unlisted) categorised on level 3 amounted to EUR 31 million (2014: EUR 11 million).

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			
	2015		2014	
IN EUR MILLIONS	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Loans	18	-	-	-
Equity investments (unlisted)	48	2	53	3
Debt investments	12	1	15	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Loans	14	-	-	-
Residential mortgages own book	3,954	12	3,342	11
Securitised residential mortgages and lease receivables	2,236	6	3,638	11
Equity investments (including investments in associates)	222	11	276	14

In order to determine the reasonably possible alternative assumptions, NIBC adjusted key unobservable valuation technique inputs as follows:

- For equity investments, the material unobservable input parameters, such as capitalisation multiple, that are applied to the maintainable earnings to determine fair value are adjusted by 5%;
- For the debt investments, NIBC adjusted the weighted average calculated model price by 100 basis points as a reasonably possible alternative outcome. The primary unobservable input in the calculated model price is the applicable credit spread; and
- For the residential mortgages classified at fair value through profit or loss (both those NIBC holds on its own book and those NIBC has securitised), NIBC adjusted the discount spread with 10bp as a reasonably possible alternative outcome.

In 2015, there were no significant changes in the business or economic circumstances that affect the fair value of NIBC's financial assets and liabilities.

Fair value information on financial instruments not measured at fair value

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

	For the period ended 31 December 2015				
IN EUR MILLIONS	Level 1	Level 2	Level 3	Carrying value	Fair value
FINANCIAL ASSETS AT AMORTISED COST[1]					
Loans	-	7,668	-	7,668	7,737
Debt investments	-	294	-	294	276
Residential mortgages own book	-	-	2,390	2,390	2,552
FINANCIAL LIABILITIES AT AMORTISED COST					
Own debt securities in issue	-	3,050	-	3.050	2.884
Debt securities in issue related to securitised mortgages and lease receivables	-	-	2,062	2,062	2,072
Subordinated liabilities	-	120	-	120	82

	For the period ended 31 December 2014				
IN EUR MILLIONS	Level 1	Level 2	Level 3	Carrying value	Fair value
FINANCIAL ASSETS AT AMORTISED COST[1]					
Loans	-	7,226	-	7,226	7,248
Debt investments	-	359	-	359	341
Residential mortgages own book	-	-	1,078	1,078	1,172
FINANCIAL LIABILITIES AT AMORTISED COST					
Own debt securities in issue	-	2,064	-	2,064	1,963
Debt securities in issue related to securitised mortgages and lease receivables	-	-	3,348	3,348	3,371
Subordinated liabilities	-	67	-	67	34

[1] The fair value reflects movements due to both interest rate changes and credit spread changes. NIBC hedges its interest rate risk from these assets.

Financial instruments for which carrying value approximates fair value

Certain financial instruments that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These financial instruments include cash and balances with central banks, due from other banks, due to other banks, deposits from customers and other financial liabilities. These financial instruments are not included in the previous table.

Non-financial assets valued at fair value

NIBC's land and buildings are valued at fair value. The carrying amount of NIBC's land and buildings (level 3) as of 31 December 2015 was EUR 43 million. The land and buildings were last revalued as of 31 December 2014 based on an external appraisal.

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

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

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

Impact reclassification financial assets on comprehensive income

	For the period ended 31 December			
	2015		2014	
IN EUR MILLIONS	After reclassification	Before reclassification	After reclassification	Before reclassification
Net interest income	23	22	27	25
Net trading income	(1)	(1)	(4)	17
Impairment of financial assets	(8)	(6)	(9)	(9)

Impact reclassification financial assets

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

	Loan portfolio reclassified from:	Debt investments reclassified from:		
IN EUR MILLIONS	Available-for-sale category to AC	Held for trading category to AC	Available-for-sale category to AC	Held for trading category to AFS
Fair value on date of reclassification	778	176	33	22
Carrying amount as per 31 December 2015	804	107	32	1
Fair value as per 31 December 2015	762	95	31	1
Range of effective interest rates at the date of reclassification[1]	5% - 9%	6% - 17%	5% - 8%	13% - 25%
Contractual expected undiscounted cash flows in EUR	829	302	53	49

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

Revaluation reserve financial assets reclassified into available-for-sale category

In 2015 and 2014, no transfers to impairment expense with a fair value loss were recognised in the revaluation reserve in shareholder's equity on financial assets reclassified out of trading into the available-for-sale category.

NIBC chose to reclassify (as of 1 July 2008) certain financial assets that were no longer held for the purpose of selling in the near term as permitted by the amendment to IAS 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, no tax gain (2014: net of tax gain of EUR 14 million) would have been recognised in the income statement and an incremental net of tax gain of EUR 4 million (2014: net of tax gain of EUR 6 million) would have been recognised in the revaluation reserve in equity in 2015 due to changes in fair value.

48 Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	At 31 December 2015					
				Related amounts not set off in the balance sheet		
IN EUR MILLIONS	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Financial instruments collateral	Cash collateral received	Net amount
ASSETS						
Derivative financial assets[1]	2,151	-	**2,151**	-	188	**1,963**
Reverse repurchase agreements	400	(400)	**-**	-	-	**-**
	2,551	**(400)**	**2,151**	**-**	**188**	**1,963**

	At 31 December 2015					
				Related amounts not set off in the balance sheet		
IN EUR MILLIONS	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Financial instruments collateral	Cash collateral pledged	Net amount
LIABILITIES						
Derivative financial liabilities[1]	2,350	-	**2,350**	-	1,128	**1,222**
Repurchase agreements	496	(400)	**96**	141	-	**(45)**
	2,846	**(400)**	**2,446**	**141**	**1,128**	**1,177**

1 See note 58 Credit risk.

IN EUR MILLIONS	At 31 December 2014					
	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments collateral	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
ASSETS						
Derivative financial assets[1]	2,851	-	**2,851**	-	268	**2,583**
Reverse repurchase agreements	400	(400)	**-**	-	-	**-**
	3,251	**(400)**	**2,851**	**-**	**268**	**2,583**

IN EUR MILLIONS	At 31 December 2014					
	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments collateral	Related amounts not set off in the balance sheet: Cash collateral pledged	Net amount
LIABILITIES						
Derivative financial liabilities[1]	3,217	-	**3,217**	-	1,623	**1,594**
Repurchase agreements	784	(400)	**384**	415	-	**(31)**
	4,001	**(400)**	**3,601**	**415**	**1,623**	**1,563**

[1] See note 58 Credit risk.

Related amounts which cannot be set off in the balance sheet are amounts which are part of ISDA netting agreements. The related amounts are reported on the asset side and the liability side of the balance sheet as the ISDA agreements do not meet all requirements for offsetting in IAS 32.

49 Repurchase and resale agreements and transferred financial assets

NIBC has a programme to borrow and lend securities and to sell securities under agreements to repurchase ('repos') and to purchase securities under agreements to resell ('reverse repos'). The securities lent or sold under agreements to repurchase are transferred to a third party and the bank receives cash, or other financial assets in exchange. The counterparty is allowed to sell or repledge those securities lent or sold under repurchase agreements in the absence of default by the bank, but has an obligation to return the securities at the maturity of the contract. These transactions are conducted under terms based on the applicable ISDA Collateral Guidelines. If the securities increase or decrease in value, the bank may in certain circumstances, require, or be required, to pay additional cash collateral. NIBC has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

Similarly NIBC may sell or repledge any securities borrowed or purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently the securities are not recognised by the bank, which instead records a separate asset for the cash collateral given.

NIBC transacted several repurchase transactions with third parties, in which notes amounting to a notional of EUR 96 million (with a fair value at 31 December 2015 of EUR 141 million) were transferred from NIBC to third parties at 31 December 2015 in exchange for deposits of EUR 96 million advanced to NIBC at 31 December 2015 for periods ranging from six months up to four years.

NIBC conducts these transactions under terms agreed in Global Master Repurchase Agreements.

Assets not derecognised in their entirety

In prior years, NIBC transferred certain financial assets to securitisation vehicles it did not control. NIBC has determined that not substantially all risks and rewards were transferred as a consequence of providing clean-up calls (call options to purchase the loans if the principal outstanding of all notes in the securitisation vehicles is less than 10% of the original principal amount). Consequently NIBC continues to recognise these financial assets and related liabilities to the extent of its continuing involvement. For further details see the following table:

IN EUR MILLIONS	For the period ended 31 December 2015 Carrying amount asset	Carrying amount related liability
Loans at fair value through profit or loss	49	-
Debt securities in issue related to securitised mortgages (amortised costs)	-	49

IN EUR MILLIONS	For the period ended 31 December 2015 Carrying amount of assets before transfer
Loans at fair value through profit or loss	49

IN EUR MILLIONS	For the period ended 31 December 2014 Carrying amount asset	Carrying amount related liability
Loans at fair value through profit or loss	49	-
Debt securities in issue related to securitised mortgages (amortised costs)	-	49

IN EUR MILLIONS	For the period ended 31 December 2014 Carrying amount of assets before transfer
Loans at fair value through profit or loss	49

50 Commitments and contingent assets and liabilities

At any time, NIBC has outstanding commitments to extend credit. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months. Commitments extended to customers related to mortgages at fixed interest rates or fixed spreads are hedged with interest rate swaps recorded at fair value.

NIBC provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. Expirations are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. In the 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	2015	2014
CONTRACT AMOUNT		
Committed facilities with respect to corporate loans	1,416	1,537
Committed facilities with respect to residential mortgages	407	373
Capital commitments with respect to equity investments	25	18
Guarantees granted	41	95
Irrevocable letters of credit	12	3
	1,901	**2,026**

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 58 Credit risk.

Legal proceedings

There were a number of legal proceedings outstanding against NIBC as at 31 December 2015. No material provision has been made as at 31 December 2015, as legal advice indicates that, on the basis of the facts known at present, it is unlikely that any significant loss will arise.

51 Assets transferred or pledged as collateral

IN EUR MILLIONS	2015	2014
ASSETS HAVE BEEN PLEDGED AS COLLATERAL IN RESPECT OF THE FOLLOWING LIABILITIES AND CONTINGENT LIABILITIES:		
LIABILITIES		
Due to other banks/Own debt securities in issue	1,865	1,621
Debt securities in issue related to securitised loans and mortgages	2,802	3,934
Derivative financial liabilities	1,128	1,620
	5,795	**7,175**
DETAILS OF THE CARRYING AMOUNTS OF ASSETS PLEDGED AS COLLATERAL ARE AS FOLLOWS:		
ASSETS PLEDGED		
Debt investments/Residential mortgages own book	1,902	1,596
Securitised loans and mortgages	3,619	4,833
Cash collateral (due from other banks)	1,128	1,620
	6,649	**8,049**

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.

The asset encumbrance ratio at year end 2015 was 29% (2014: 35%).

52 Assets under management

NIBC provides collateral management services, whereby it holds and manages assets or invests funds received in various financial instruments on behalf of customers. NIBC receives fee income for providing these services. Assets under management are not recognised in the consolidated balance sheet. NIBC is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

IN EUR MILLIONS	2015	2014
Assets held and managed by NIBC on behalf of customers	1,703	1,732
	1,703	**1,732**

Assets under management consist of the following activities:

- NIBC Leveraged Finance Markets (LFM) manages external investors' funds invested in sub-investment grade secured and unsecured debt. LFM focuses predominantly on European leveraged loans, infrastructure debt and high yield bonds.
- NIBC's European Infrastructure Fund was established for institutional clients, and in addition acts directly for pension fund investors, assisting them with the acquisition and on-going management of infrastructure investments. Core sectors, reflecting the expertise and experience of the NIBC team, include PPP projects, waste management projects, energy storage and distribution assets, and renewable energy projects in the wind, solar and waste to energy sectors; and
- NIBC's sustainability policy framework, including applicable sector policies, is also applicable to the investments made under these programmes.

For more information please see NIBC's website.

53 Business combinations

Announcement of acquisition of SNS Securities N.V.

On 18 December 2015 NIBC announced the acquisition of SNS Securities N.V. from SNS Bank N.V. The transaction, for an undisclosed amount, is expected to close in the first half of 2016 subject to approval of regulatory authorities and work councils.

Acquisitions in 2015

In 2015 there were no business combinations.

Acquisitions in 2014

Acquisition of Gallinat-Bank AG

On 12 April 2014, NIBC obtained control of Gallinat-Bank AG, a bank located in Hamburg, by acquiring 100% of the share capital and voting interests in the company. Gallinat-Bank AG offers financing and leasing products to German medium-sized companies. The acquisition of Gallinat-Bank AG –approved by the appropriate regulatory authorities- directly increases NIBC's presence in one of its domestic markets. In 2014 Gallinat-Bank AG changed its name into NIBC Bank Deutschland AG.

Acquisition-related costs

Acquisition related costs of EUR 2 million have been charged to other operating expenses in the consolidated income statement for the period ended 31 December 2014.

The following table summarises the amounts of the assets acquired and liabilities assumed at the acquisition date:

IN EUR MILLION	**Fair value recognised on acquisition**
Assets	
Cash and cash equivalents	3
Loans	504
Other Assets	1
	508
Liabilities	
Deposits from customers	403
Debt securities in issue related to securitised receivables	86
Other liabilities	4
	493
Total net assets	**15**

EUR 50 thousand was recognised as badwill (income) on the acquisition of Gallinat-Bank AG.

Acquired receivables
The fair value of acquired receivables is EUR 504 million. The gross contractual amount for the loans due is EUR 564 million, of which EUR 28 million is expected to be uncollectable.

Intangible assets and contingent liabilities
There are no material intangible assets identified and contingent liabilities related to the acquisition of Gallinat-Bank AG.

Revenue and profit contribution
From the date of acquisition to 31 December 2014 Gallinat-Bank AG contributed a net profit of EUR 4 million to NIBC's results. If this acquisition had occurred on 1 January 2014, management estimates that the result from this financial company included in the consolidation would have been EUR 3 million profit.

54 Related party transactions

Transactions involving NIBC's shareholders
Significant related party transactions executed in 2015 and 2014 are the following:

At 31 December 2015, NIBC had EUR 392 million of net exposure (assets less liabilities) to its parent and to entities controlled by its parent entity (2014: EUR 208 million). The interest received and paid on this exposure was at arm's length.

In December 2015 and in June 2009, NIBC made two commitments of each USD 10 million to 'Flowers Fund IV' and 'Flowers Fund III' two investment funds managed by an affiliate of J.C. Flowers & Co. At 31 December 2015, the remaining undrawn commitments in these facilities were USD 13 million. Fees paid to NIBC related to these asset management activities were nil for both 2015 and 2014.

Transactions related to associates
As at 31 December 2015, NIBC had EUR 87 million of loans advanced to its associates (2014: EUR 112 million). Apart from arm's length net interest income on these loans, NIBC did not earn fees from these associates in 2015 and 2014.

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 mainly in Western Europe. NIBC reported a gain from its investment in the fund in 2015 of EUR 15 million (2014: gain of EUR 9 million) and earned fees of EUR 3 million (2014: EUR 3 million). In NIBC's financial statements, this fund is classified as an associate at fair value through profit or loss.

In 2015 and 2014, NIBC did not earn advisory fees for services to J.C. Flowers & Co.

Transactions within group
In May 2015 NIBC obtained control of Vijlma B.V. with a view to resell to NIBC Investments N.V., a 100% subsidiary of NIBC Holding N.V. Subsequently Vijlma B.V. was sold to NIBC Holding on 30 June 2015. NIBC's exposure on the various debt instruments to Vijlma B.V. at 31 December 2015 amounts to EUR 173 million. Consequently these debt instruments were (re)classified into loans and receivables amortised cost to group companies and loans at available-for-sale to group companies. See also note 33 Disposal group held for sale and discontinued operations.

Transactions related to key employees
All transactions with key employees are reported in the tables in note 57 Remuneration of Statutory Board members and Supervisory Board members.

55 Principal subsidiaries and associates

INFORMATION ON SUBSIDIARIES

Composition of NIBC
NIBC is the direct or indirect holding company for NIBC's subsidiaries.

NIBC consists of 58 (2014: 79) consolidated entities, including 13 (2014: 15) consolidated structured entities (for further details see note 56). 46 (2014: 64) of the entities controlled by NIBC are directly or indirectly held by NIBC at 100% of the ownership interests (share of capital). Third parties also hold ownership interests in 12 (2014: 15) of the consolidated entities (non-controlling interests). As of 31 December 2015 and 2014, the non-controlling interests were in aggregate not material to NIBC.

Accounting for investment in subsidiaries
In the company financial statements of NIBC, investments in subsidiaries are stated at cost less impairment.

Principal subsidiaries

NIBC's principal subsidiaries are set out below. This includes those subsidiaries that are most significant in the context of NIBC's business, results or financial position.

	Principal place of business	Country	Nature of relationship	Percentage of voting rights held
SUBSIDIARIES OF NIBC BANK N.V.				
NIBC Bank Deutschland AG	Frankfurt	Germany	Banking	100%
Parnib Holding N.V.	The Hague	Netherlands	Financing	100%
Counting House B.V.	The Hague	Netherlands	Financing	100%
B.V. NIBC Mortgage-Backed Assets	The Hague	Netherlands	Financing	100%
NIBC Principal Investments B.V.	The Hague	Netherlands	Financing	100%
NIBC Financing N.V.	The Hague	Netherlands	Financing	100%

Significant judgements and assumptions used to determine the scope of the consolidation

Determining whether NIBC has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances this determination will involve significant judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgement may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether NIBC, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

There is also often considerable judgement involved in the ongoing assessment of control over structured entities. In this regard, where market conditions have deteriorated such that the other investors' exposures to the structure's variable returns have been substantively eliminated, NIBC may conclude that the managers of the structured entity are acting as its agent and therefore NIBC will consolidate the structured entity.

An interest in equity voting rights exceeding 50% (or in certain circumstances large minority shareholding) would typically indicate that NIBC has control of an entity. However certain entities are excluded from consolidation because NIBC does not have exposure to their variable returns and/or are managed by external parties and consequently are not controlled by NIBC. Where appropriate, interests relating to these entities are included in Note 56 Structured entities.

See the basis of consolidation section of the Accounting policies for further information on other factors affecting consolidation of an entity.

Significant restrictions to access or use NIBC's assets

Legal, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of NIBC to access and transfer assets freely to or from other entities within NIBC and to settle liabilities of NIBC.

Since NIBC did not have any material non-controlling interests at the balance sheet date, any protective rights associated with these did not give rise to significant restrictions.

Restrictions impacting NIBC's ability to use assets:

- NIBC has pledged assets to collateralise its obligations under repurchase agreements, securities financing transactions, collateralised loan obligations and for margining purposes of OTC derivative liabilities;
- The assets of consolidated structured entities are held for the benefit of the parties that have bought the notes issued by these entities; and
- Regulatory and central bank requirements or local corporate legislation may restrict NIBC's ability to transfer assets to or from other entities within NIBC in certain jurisdictions.

Carrying amounts of restricted assets

	At 31 December 2015		At 31 December 2014	
IN EUR MILLIONS	Total assets	Restricted assets	Total assets	Restricted assets
FINANCIAL ASSETS AT AMORTISED COST				
Due from other banks	1,745	1,468	2,286	1,969
Loans	7,668	759	7,226	795
Mortgages own book	2,390	698	1,078	301
FINANCIAL ASSETS AT AVAILABLE-FOR-SALE				
Equity investments	48	35	53	40
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Loans (FVtPL)	316	155	374	150
Residential mortgages own book	3,954	2,294	3,342	2,333
Securitised residential mortgages	2,236	2,236	3,638	3,638
Debt investments	19	-	37	-
Investments in associates	222	189	276	243
Investments in associates (equity method)	7	6	6	4
	18,605	**7,840**	**18,316**	**9,473**

Previous table excludes assets that are not encumbered at an individual entity level but which may be subject to restrictions in terms of their transferability within NIBC. Such restrictions may be based on local connected lending requirements or similar regulatory restrictions. In this situation, it is not feasible to identify individual balance sheet items that cannot be transferred. This is also the case for regulatory minimum liquidity requirements. NIBC identifies the volume of liquidity reserves in excess of local stress liquidity outflows. The aggregate amount of such liquidity reserves that are considered restricted for this purpose is EUR 126 million and EUR 98 million as per 31 December 2015 and 31 December 2014, respectively.

A list of participating interests and companies for which a statement of liability have been issued has been filed at the Chamber of Commerce in The Hague.

INFORMATION ON ASSOCIATES

NIBC holds interests in 37 (2014: 38) associates. Three associates are considered to be material to NIBC, based on the carrying value of the investment and NIBC's income from these investees. There are no joint arrangements which are considered individually significant.

Accounting classification and carrying value

IN EUR MILLIONS	2015	2014
Investments in associates (fair value through profit or loss)	172	225
Investments in associates (equity method)	7	6
	179	**231**

Significant associates[1]

NIBC's interests in significant associates are classified as associates fair value through profit or loss and are all unlisted. The following tables illustrate the summarised financial information of NIBC's investments in associates material to NIBC.

	Principal place of business	Country	Nature of relationship	NIBC's interest
NAME OF THE ASSOCIATE				
MBF Equity 1B	The Hague	The Netherlands	Investment company	53%
NEIF	The Hague	The Netherlands	Investment company	29%
GCF II	The Hague	The Netherlands	Investment company	11%

The amounts shown in the following table are of the investees[1], not just NIBC's share for the year ended 31 December 2015. These associates are highly leveraged by equity.

IN EUR MILLIONS	Assets	Liabilities	Operating income	Other comprehensive income	Total comprehensive income
MBF Equity 1B	363	-	60	-	60
NEIF	357	-	45	8	53
GCF II	103	-	(3)	-	(3)

1 The figures are based on the latest publicly available financial information of the investee as of 30 September 2015.

NIBC received no dividends from above significant associates in 2015 and 2014.

Investments in associates (equity method)

Summarised financial information for NIBC's investments in associates (equity method) is set out below. The amounts shown are the net income of the investees, not just NIBC's share for the year ended 31 December 2015 with the exception of associates for which the amounts are based on financial information made up to dates not earlier than three months before the balance sheet date.

Associates

IN EUR MILLIONS	2015	2014
Profit or loss from continuing operations	(2)	1
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss)	**(2)**	**1**

Aggregated carrying amount of associates that are individually immaterial to NIBC

IN EUR MILLIONS	2015	2014
Aggregated amount of NIBC's share of profit (loss) from continuing operations	2	(1)
Aggregated amount of NIBC's share of post-tax profit (loss) from discontinued operations	-	1
Aggregated amount of NIBC's share of other comprehensive income	-	-
Aggregated amount of NIBC's share of total comprehensive income	**2**	**-**

Unrecognised share of the losses of individually immaterial associates was nil in 2015 and 2014.

OTHER INFORMATION ON ASSOCIATES

NIBC's associates are subject to statutory requirements such that they cannot make remittances of dividends or make loan repayments to NIBC without agreement from the external parties.

NIBC's share of contingent liabilities or capital commitments of its associates was nil in 2015 and 2014.

56 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

The principal use of structured entities is to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitising financial assets. Structured entities may be established as corporations, trusts or partnerships. Structured entities generally finance the purchase of assets by issuing notes that are collateralised by and/or indexed to the assets held by the structured entities. The notes issued by structured entities may include tranches with varying levels of subordination.

Structured entities are consolidated when the substance of the relationship between NIBC and the structured entities indicate that the structured entities are controlled by NIBC, as discussed in the Accounting policies section Basis of consolidation. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

CONSOLIDATED STRUCTURED ENTITIES

Nature, purpose and extent of NIBC's interests in consolidated structured entities

Securitisation vehicles

NIBC primarily has contractual arrangements for securitisation vehicles which may require it to provide financial support. NIBC uses securitisation as a source of financing and a means of risk transfer. At 31 December 2015, there were no significant outstanding loan commitments to these entities.

Financial support provided or to be provided to consolidated structured entities

NIBC has not provided any non-contractual financial support during 2015 and does not anticipate providing non-contractual support to consolidated structured entities in the future.

UNCONSOLIDATED STRUCTURED ENTITIES

Nature, purpose and extent of NIBC's interests in unconsolidated structured entities

The structured entities covered by this section are not consolidated since NIBC does not has control them through voting rights, contract, funding agreements and/or other means. The extent of NIBC's interests in unconsolidated structured entities will vary depending on the type of structured entity. Examples of interests in unconsolidated structured entities include debt or equity investments, liquidity facilities, guarantees and certain derivative instruments in which NIBC is absorbing variability of returns from the structured entities.

Below is a description of NIBC's involvements in unconsolidated structured entities by type.

Securitisation vehicles

NIBC establishes securitisation vehicles which purchase diversified pools of assets, including fixed-income securities, corporate loans, and asset-backed securities (predominantly commercial, residential and mortgage-backed assets). The securitisation vehicles fund these purchases by issuing multiple tranches of notes.

NIBC transfers assets to these securitisation vehicles and provide financial support to these entities in the form of liquidity facilities.

Third-party fund entities

NIBC provides funding to structured entities that hold a variety of assets. These entities may take the form of funding entities, trusts and private investment companies. The funding is collateralised by the asset in the structured entities. NIBC's involvement involves predominantly equity investments.

Income derived from involvement with unconsolidated structured entities

NIBC earns management fees and, occasionally, performance-based fees for its investment management services in relation to funds. Interest income is recognised on the funding provided to structured entities. Movements in the value of different types of notes held by NIBC in structured entities are recognised in net trading income.

Maximum exposure to unconsolidated structured entities

The maximum exposure to loss is determined by considering the nature of the interest in the unconsolidated structured entity. The maximum exposure for loans and trading instruments is reflected in their carrying amounts in the consolidated balance sheet. The maximum exposure for off-balance sheet instruments such as guarantees, liquidity facilities and loan commitments under IFRS 12, as interpreted by NIBC, is reflected by the notional amounts. Such amounts do not reflect the economic risks faced by NIBC because they do not take into account the effects of collateral or hedges nor the probability of such losses being incurred.

At 31 December 2015 off-balance sheet instruments amounts to EUR 17 million. There were no derivatives linked to structured entities.

Size of structured entities

NIBC provides a different measure for the size of structured entities depending on their type. The following measures have been considered as appropriate indicators for evaluating the size of structured entities:

- Securitisations – notional of notes in issue when NIBC derives its interests through notes its holds and notional of derivatives when NIBC's interests is in the form of derivatives; and
- Third party fund entities – total assets in entities. For third party fund entities, size information is based on the latest available investor reports and financial statements.

Summary of interests in unconsolidated structured entities

The following table shows, by type of unconsolidated structured entity, the carrying amounts of NIBC's interests recognised in the consolidated statement of financial position as well as the maximum exposure to loss resulting from these interests. It also provides an indication of the size of the structured entities. The carrying amounts presented below do not reflect the true variability of returns faced by NIBC because they do not take into account the effects of collateral or hedges.

IN EUR MILLIONS	Securitisations	Third party fund entities	Total
FINANCIAL ASSETS AT AMORTISED COST			
Loans	-	70	70
Debt investments	129	-	129
FINANCIAL ASSETS AT AVAILABLE-FOR-SALE			
Equity investments	-	35	35
Debt investments	50	-	50
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)			
Equity investments (including investments in associates)	-	218	218
TOTAL ASSETS	**179**	**323**	**502**
OFF-BALANCE SHEET EXPOSURE	**-**	**17**	**17**
TOTAL MAXIMUM EXPOSURE TO LOSS	**179**	**340**	**519**
SIZE OF STRUCTURED ENTITIES	**2,861**	**3,672**	**6,533**

Loans of EUR 70 million consist of investments in securitisation tranches and financing to third party fund entities. NIBC's financing to third party fund entities is collateralised by the assets in those structured entities.

Debt investments of EUR 50 million are collateralised by the assets contained in these entities.

Equity investments of EUR 253 million primarily consist of investments in associates of EUR 38 million, EUR 106 million and EUR 20 million in NIBC MBF Equity IB B.V., NIBC European Infrastructure Fund I C.V. and VCST Holdco Lux SA respectively.

Exposure to losses

NIBC's exposure to losses related to securitisations depends on the level of subordination of the interest which indicates the extent to which other parties are obliged to absorb credit losses before NIBC. This is summarised in the following table. There is no significant level of subordination relating to third-party funding.

IN EUR MILLIONS	Subordinated interests	Mezzanine interests	Senior interests	Most senior interests	Total
SECURITISATIONS					
I) Maximum exposure to loss	-	72	-	107	179
II) Potential losses held by other investors	49	451	-	2,181	2,681

Income from interests in unconsolidated structured entities

The following table presents NIBC's total income received from its interests in unconsolidated structured entities:

IN EUR MILLIONS	Securitisations	Third party fund entities	Total
NET INCOME UNCONSOLIDATED STRUCTURED ENTITIES			
Net interest income	1	14	15
Net fee and commission income	-	12	12
Dividend income	-	1	1
Gains less losses from financial assets	-	44	44
	1	**71**	**72**

Financial support provided or to be provided to unconsolidated structured entities

NIBC has not provided any non-contractual financial support during the period and does not intend to provide non-contractual support to unconsolidated structured entities in the future.

Sponsored unconsolidated structured entities

As a sponsor, NIBC is involved in the legal structure and marketing of the entity and supports the entity in different ways, namely:

- Transferring assets to the entities; and
- Providing operational support to ensure the entity's continued operation.

NIBC is also deemed a sponsor for a structured entity if market participants would reasonably associate the entity with NIBC. Additionally, the use of the NIBC name for the structured entity indicates that NIBC has acted as a sponsor.

Income from sponsored unconsolidated structured entities in which NIBC did not hold an interest as per 31 December 2015 comprised a EUR 1 million (31 December 2014: EUR 1 million) interest earned from bonds recognised within interest income.

Assets transferred to unconsolidated sponsored structured entities

The carrying amounts of assets transferred to sponsored unconsolidated structured entities during the period were nil.

57 Remuneration of the Statutory Board members and Supervisory Board members

Remuneration of the Statutory Board members

The Supervisory Board reviewed and amended NIBC's Remuneration Policy in 2015. The review took account of all relevant laws, regulations and guidelines: the Dutch Corporate Governance Code, the Dutch Banking Code, the *DNB Principles on Sound Remuneration Policies* (**DNB Principles**), including additional DNB guidance on the implementation of the DNB Principles and the *Committee of European Banking Supervisors Guidelines on Remuneration Policies and Practices* (**CEBS Guidelines**) and CRD IV and the Dutch *remuneration legislation for Financial Service Companies* (**Wet beloning Financiële ondernemingen - Wbfo**).

Regular annual remuneration

In 2015, the average number of members of the Statutory Board appointed under the articles of association was 4.0 (2014: 4.3). For the total regular annual remuneration costs (including pension costs) for members and former members of the Statutory Board, appointed under the articles of association, reference is made to note 8 Personnel expenses and share-based payments. During 2015 there were no changes in the Statutory Board.

Base salary and short-term incentive compensation (cash bonus)

In 2015, the base salary for the Chairman remained at EUR 775,000 gross per year, whilst the base salary for members of the Statutory Board remained at EUR 500,000 gross per year. As of 1 January 2015, in light of the legislation on remuneration for Financial Service Companies and the social context, the long-term incentive arrangement (40% to 70% of base salary) was revoked by the Supervisory Board and replaced by a short-term variable income component at target of 15% of base salary (with a maximum of 20%). The variable compensation is delivered in a pre-defined mix: 30% in cash, 20% in deferred cash, 30% in Phantom Share Units and 20% in Restricted Phantom Share Units.

Over 2015 the following incentive compensation of base salary was granted: The Chief Executive Officer 17%, The Chief Client Officer 17%, The Chief Financial Officer 17% and the Chief Risk Officer 17%.

Table 1

IN EUR	2015	2014
THE BREAKDOWN OF THE AMOUNTS OF COMPENSATION AWARDS IN CASH PER MEMBER AND FORMER MEMBER OF THE STATUTORY BOARD IS AS FOLLOWS:		
MR. PAULUS DE WILT, CHIEF EXECUTIVE OFFICER, CHAIRMAN[1]		
Base salary	775,000	581,250
Sign-on compensation (50% cash and 50% deferred cash)	-	700,000
One-off compensation for cancellation of long-term incentive arrangement	-	155,000
Short-term incentive compensation (cash bonus)	39,525	-
	814,525	**1,436,250**
MR. HERMAN DIJKHUIZEN, CHIEF FINANCIAL OFFICER		
Base salary	500,000	500,000
One-off compensation for cancellation of long-term incentive arrangement	-	100,000
Short-term incentive compensation (cash bonus)	25,500	-
	525,500	**600,000**
MR. ROB TEN HEGGELER, CHIEF CLIENT OFFICER		
Base salary	500,000	500,000
One-off compensation for cancellation of long-term incentive arrangement	-	100,000
Short-term incentive compensation (cash bonus)	25,500	-
	525,500	**600,000**
MS. PETRA VAN HOEKEN, CHIEF RISK OFFICER		
Base salary	500,000	500,000
One-off compensation for cancellation of long-term incentive arrangement	-	100,000
Short-term incentive compensation (cash bonus)	25,500	-
	525,500	**600,000**
MR. JEROEN DROST, FORMER CHIEF EXECUTIVE OFFICER AND CHAIRMAN[2]		
Base salary	-	466,667
	-	**466,667**
TOTAL CASH COMPENSATION	**2,391,025**	**3,702,917**

[1] Mr. de Wilt joined NIBC on 1 April 2014 and was appointed as Chief Executive Officer and Chairman of the Statutory Board on 7 April 2014.

[2] Mr. Drost stepped down as Chief Executive Officer of the Statutory Board on 7 April 2014 and his employment ended on 31 July 2014. Base salary 2014 relates to the period up to the end of his employment.

Short-term incentive compensation (Deferred cash bonus, Phantom Share Units and Restricted Phantom Share Units)

As of 1 January 2015 the Statutory Board is eligible for a short-term variable income component of 15% of base salary (with a maximum of 20%). The variable compensation is delivered in a pre-defined mix: 30% in cash, 20% in deferred cash, 30% in Phantom Share Units and 20% in Restricted Phantom Share Units.

Table 2

IN EUR	2015	2014
THE BREAKDOWN OF THE AMOUNTS OF DEFERRED SHORT-TERM INCENTIVE COMPENSATION AWARDS IN CASH PER MEMBER OF THE STATUTORY BOARD IS AS FOLLOWS:		
Mr. Paulus de Wilt	26,350	-
Mr. Herman Dijkhuizen	17,000	-
Mr. Rob ten Heggeler	17,000	-
Ms. Petra van Hoeken	17,000	-
TOTAL SHORT-TERM DEFERRED CASH COMPENSATION	**77,350**	**-**

Table 3

IN EUR	2015	2014
THE BREAKDOWN OF THE AMOUNTS OF SHORT-TERM COMPENSATION SHARE-RELATED AWARDS ((RESTRICTED) PHANTOM SHARE UNITS) PER MEMBER OF THE STATUTORY BOARD IS AS FOLLOWS:		
MR. PAULUS DE WILT		
Number of phantom share units	4,471	-
Number of restricted phantom share units	2,981	-
Fair value of short-term incentive at date of grant (in EUR)	65,875	-
MR. HERMAN DIJKHUIZEN		
Number of phantom share units	2,885	-
Number of restricted phantom share units	1,923	-
Fair value of short-term incentive at date of grant (in EUR)	42,500	-
MR. ROB TEN HEGGELER		
Number of phantom share units	2,885	-
Number of restricted phantom share units	1,923	-
Fair value of short-term incentive at date of grant (in EUR)	42,500	-
MS. PETRA VAN HOEKEN		
Number of phantom share units	2,885	-
Number of restricted phantom share units	1,923	-
Fair value of short-term incentive at date of grant (in EUR)	42,500	-
TOTAL SHORT-TERM SHARE RELATED COMPENSATION	**193,375**	**-**

Other remuneration elements

The other elements of the Statutory Board members' remuneration consist of car allowances, mortgage subsidy and other emoluments.

Table 4

IN EUR	2015	2014
THE BREAKDOWN OF THE AMOUNTS OF OTHER REMUNERATION ELEMENTS PER MEMBER AND FORMER MEMBER OF THE STATUTORY BOARD IS AS FOLLOWS:		
Mr. Paulus de Wilt	52,844	39,837
Mr. Herman Dijkhuizen	52,521	55,488
Mr. Rob ten Heggeler	70,035	71,977
Ms. Petra van Hoeken	60,588	61,818
Mr. Jeroen Drost, former Chief Executive Officer and Chairman	-	47,873
TOTAL OTHER REMUNERATION ELEMENTS	**235,988**	**276,993**

Pension costs

Table 5

IN EUR	2015	2014
THE AMOUNTS OF PENSION COSTS PER MEMBER AND FORMER MEMBER OF THE STATUTORY BOARD WERE AS FOLLOWS:		
Mr. Paulus de Wilt	142,866	76,560
Mr. Herman Dijkhuizen	95,566	68,755
Mr. Rob ten Heggeler	95,667	68,850
Ms. Petra van Hoeken	95,566	68,755
Mr. Jeroen Drost, former Chief Executive Officer and Chairman	-	61,344
TOTAL PENSION COSTS	**429,665**	**344,264**

As at 31 December 2015 and 31 December 2014, no loans, advance payments or guarantees had been provided to Statutory Board members.

Remuneration of the Supervisory Board members

The remuneration of the (former) Supervisory Board members relates to their position within NIBC Holding and NIBC Bank.

Table 6

IN EUR	2015	2014
MEMBERS		
Mr. W.M. van den Goorbergh[1]	96,500	96,500
Mr. D.R. Morgan	71,500	71,500
Mr. A.A.G. Bergen[1/2]	-	33,250
Mr. M.J. Christner	55,000	55,000
Mr. J.C. Flowers	40,000	40,000
Mr. N.W. Hoek[1/3]	16,250	65,000
Mr. A. de Jong[1]	51,500	51,500
Ms. S.A. Rocker	50,000	50,000
Mr. D.M. Sluimers[1/4]	-	-
Ms. K.M.C.Z. Steel[1/5]	66,500	27,708
Mr. A.H.A. Veenhof[1]	50,000	50,000
TOTAL REMUNERATION	**497,250**	**540,458**

1 In line with Dutch tax regulations, 21% VAT is payable on the total remuneration payable to the relevant Supervisory Board member. The amounts mentioned are without VAT.

2 Mr A.A.G. Bergen stepped down as a member of the Supervisory Board on 16 May 2014.

3 Mr. N.W. Hoek stepped down as a member of the Supervisory Board on 30 March 2015.

4 Mr D.M. Sluimers was appointed as a member of the Supervisory Board as from 1 January 2016 in the Extraordinary Meeting of Shareholders on 14 December 2015.

5 Ms. K.M.C.Z. Steel was appointed as a member of the Supervisory Board in the Extraordinary Meeting of Shareholders on 19 August 2014.

The remuneration of the Supervisory Board members consists of annual fixed fees and committee fees. As at 31 December 2015 and 31 December 2014, no loans, advance payments or guarantees had been provided to Supervisory Board members.

Depositary receipts

Common Depositary Receipts

The following tables show the holdings by current and former members of the Statutory Board:

NUMBER OF COMMON DEPOSITARY RECEIPTS (INVESTMENT FROM OWN FUNDS)	2015	2014
Mr. Paulus de Wilt	47,198	47,198
Mr. Herman Dijkhuizen	23,590	23,590
Mr. Rob ten Heggeler	48,826	48,826
Ms. Petra van Hoeken	24,638	24,638
Mr. Jeroen Drost, former Chief Executive Officer and Chairman	57,891	68,108
TOTAL NUMBER OF COMMON DEPOSITARY RECEIPTS (INVESTMENT FROM OWN FUNDS)	**202,143**	**212,360**

On 7 April 2014, Mr. Jeroen Drost stepped down from the Statutory Board. After this date Mr. Drost had the same opportunity as other employees to participate in the one-off offer to sell up to 15% of his CDR holdings in 2015 (10% in 2014).

Conditional Common Depositary Receipts

The following tables show the holdings by members of the Statutory Board:

NUMBER OF CONDITIONAL COMMON DEPOSITARY RECEIPTS (VESTED ONE-OFF MATCHING SHARES)	2015	2014
Mr. Paulus de Wilt	9,637	-
Mr. Herman Dijkhuizen	4,502	-
Mr. Rob ten Heggeler	43,244	43,244
Ms. Petra van Hoeken	12,932	8,622
Mr. Jeroen Drost, former Chief Executive Officer and Chairman	75,676	75,676
TOTAL NUMBER OF CONDITIONAL COMMON DEPOSITARY RECEIPTS (VESTED ONE-OFF MATCHING SHARES	**145,991**	**127,542**

NUMBER OF CONDITIONAL COMMON DEPOSITARY RECEIPTS (LTI)	2015	2014
Mr. Rob ten Heggeler	9,173	9,173
Mr. Jeroen Drost, former Chief Executive Officer and Chairman	16,054	16,054
TOTAL NUMBER OF CONDITIONAL COMMON DEPOSITARY RECEIPTS (LTI)	**25,227**	**25,227**

As of 1 January 2015 the long-term incentive arrangement (40% to 70% of base salary) was revoked by the Supervisory Board and replaced by a short-term variable income component, therefore no new CRDRs were granted under this programme.

Conditional Restricted Depositary Receipts

Co-investment programme

As a result of personal investments by the Statutory Board members in 2009 and 2012 matching shares were granted to the Statutory Board members in 2009 and in 2012, in the form of CRDRs with an after-tax value equal to the value of the personal investment made. In addition to the matching shares, the Statutory Board members can earn performance shares (CRDRs), subject to a service condition (continuous employment) and the realisation of predetermined performance conditions.

NIBC has the discretion to offer new members of the Statutory Board the opportunity to participate in this co-investment programme under the same conditions, except for the ability to earn performance shares, as this feature is presumed no longer to be in line with current DNB Principles.

This offer was made to Mr. Dijkhuizen and Mr. de Wilt when they joined the Statutory Board.

In December 2014 the Supervisory Board awarded the Statutory Board members a one-off compensation of 20% of their base salary to compensate for the cancellation of the long-term incentive arrangement as of 1 January 2015. The net proceedings were subsequently invested by the Statutory Board members in CDRs under the co-investment programme at a price of EUR 8.60 per CDR being the fair value at 31 December 2014. For their long-term commitment they received matching shares (CRDRs) with a four-year vesting period of which the first tranche will vest on 1 January 2016.

The following table shows the holdings by members of the Statutory Board:

NUMBER OF CONDITIONAL RESTRICTED DEPOSITARY RECEIPTS (ONE-OFF MATCHING SHARES)	2015	2014
Mr. Paulus de Wilt	37,561	47,198
Mr. Herman Dijkhuizen	19,088	23,590
Mr. Rob ten Heggeler	5,582	5,582
Ms. Petra van Hoeken	9,892	14,202
TOTAL NUMBER OF CONDITIONAL RESTRICTED DEPOSITARY RECEIPTS (ONE-OFF MATCHING SHARES	**72,123**	**90,572**

The matching shares are subject to four-year vesting with one quarter vesting each year on 1 January, but they will immediately vest upon a change of control of NIBC Holding, in which case they (i) will become fully unconditional and (ii) be legally transferred.

The 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. The number of performance shares contained in this 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 reporting purposes, the number of performance shares expected to vest for the eligible Statutory Board members is estimated at nil CRDRs, based on NIBC's long-term forecast and taking into account price-to-book ratios observed in the market. 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.

Phantom Share Units

Phantom Share Units

In 2010, a new equity-linked reward instrument was introduced as part of the STI plan. The short-term compensation in share-related awards consists of PSUs and/or RPSUs.
RPSU awards are subject to a three-year vesting with one third vesting each year on 1 April. The PSUs, whether vested or restricted, held by the members of the Statutory Board are subject to a five-year retention period as measured from the date of vesting. This short-term compensation can be converted into cash immediately after the retention period.

The following table shows the holdings by members of the Statutory Board:

NUMBER OF PHANTOM SHARE UNITS	2015	2014
Mr. Paulus de Wilt	4,471	-
Mr. Herman Dijkhuizen	2,885	-
Mr. Rob ten Heggeler	2,885	-
Ms. Petra van Hoeken	2,885	-
TOTAL NUMBER OF PHANTOM SHARE UNITS	**13,126**	**-**

Restricted Phantom Share Units

The following table shows the holdings by members of the Statutory Board:

NUMBER OF RESTRICTED PHANTOM SHARE UNITS	2015	2014
Mr. Paulus de Wilt	2,981	-
Mr. Herman Dijkhuizen	1,923	-
Mr. Rob ten Heggeler	1,923	-
Ms. Petra van Hoeken	1,923	-
TOTAL NUMBER OF RESTRICTED PHANTOM SHARE UNITS	**8,750**	**-**

58 Credit risk

This section includes all financial assets subject to credit risk. Non-credit obligations fall under other risk types, such as market risk, and equity is subject to investment risk. Figures may not always add up due to rounding. The following portfolios that contain credit risk have been identified:

- Corporate/Investment Loans;
- Lease receivables;
- Residential Mortgages;
- Debt Investments;
- Cash Management; and
- Derivatives.

58-1 Credit risk exposure breakdown per portfolio

IN EUR MILLIONS	31 december 2015	31 december 2014
CORPORATE/ INVESTMENT LOANS	9,392	8,943
Corporate loans	9,232	8,789
Investment loans	161	154
LEASE RECEIVABLES	221	361
RESIDENTIAL MORTGAGES	8,580	8,058
EQUITY INVESTMENTS	285	358
DEBT INVESTMENTS	1,296	1,190
Debt from financial institutions and corporate entities	482	402
Securitisations	814	788
CASH MANAGEMENT	1,382	1,212
DERIVATIVES [1]	2,151	2,851
TOTAL	**23,308**	**22,973**

1 Positive replacement values.

Table 58-1 presents the maximum credit risk exposure per portfolio, without taking collateral or any other credit risk reduction into consideration. For all portfolios except derivatives and equity investments, this is generally the total commitment of NIBC, which also includes off-balance sheet commitments such as guarantees and undrawn credit lines. Only the positive replacement values for derivatives are shown, without netting and without any potential future exposure add-on.

The figures in table 58-1 are not directly comparable to the figures on the balance sheet. Corporate and investment loans include off-balance sheet exposures and exclude exposures from NIBC Bank to NIBC Holding. Residential mortgages are recognised on the balance sheet under residential mortgages own book and securitised residential mortgages. Debt investments (securitisations) differ from the figure on the balance sheet due to off-balance sheet exposures as disclosed in the Risk Management notes and due to partial offsetting of risk exposure with liabilities to the same counterparties. The main difference in the cash figures is due to collateral posting on credit risk differences for derivatives/repos.

NIBC employs an internally-developed methodology under the Advanced Internal Ratings Based (AIRB) approach for quantifying the credit quality of corporate and bank counterparties. The AIRB methodology for corporate counterparties was approved by NIBC's regulatory authority, the DNB, in 2008. In 2014, NIBC also received approval from the DNB to use the AIRB methodology for bank counterparties.

CORPORATE LOANS

Corporate loan distribution

The industry sectors shown in tables 58-2 and 58-3 are based on NACE classification and as such, do not strictly follow the internal NIBC sector organisation that is presented in the risk management chapter, although there is a large overlap.

NACE is the *Statistical Classification of Economic Activities in the European Community* (in French: *Nomenclature Statistique des Activités Économiques dans la Communauté Européenne*), an EU industry standard classification system specifying eleven industry sectors. The overview mapping NACE codes with NIBC reporting sectors on NIBC's website contains a detailed breakdown of the NACE codes allocated to NIBC's exposures.

Tables 58-2 and 58-3 display a breakdown of the Corporate Loan portfolio among regions and industry sectors, at year-end 2015 and 2014. The Corporate Loan portfolio increased by EUR 443 million in 2015 to EUR 9,232 million mainly due to the exposure increase in the industry sectors technology, media & services, shipping and industries & manufacturing. The relative weight of NIBC's core growth market the Netherlands increased, while the share of Germany slightly decreased and the weight of the United Kingdom decreased. The corporate loan portfolio in the Netherlands increased slightly to 32% of the total exposure at 31 December 2015 (31 December 2014: 29%).

58-2 Corporate loan exposure per industry sector and region, 31 December 2015

IN %	Infra-structure	Shipping	Commer-cial Real Estate	Oil & Gas	Manu-facturing	Financial Services	Services	Wholesale/ Retail/ Leisure	Agri-culture & Food	TMT[1]	Other	TOTAL	TOTAL (in EUR millions)
Netherlands	3	3	9	2	4	4	3	2	2	-	-	32	2,946
Germany	4	1	5	-	3	2	2	2	1	1	-	22	2,007
United Kingdom	13	1	-	2	-	-	1	-	-	1	-	18	1,679
Rest of Europe	2	4	-	4	1	2	-	-	-	-	-	13	1,218
Asia / Pacific	-	3	-	3	-	-	-	-	-	-	-	7	634
North America	-	3	-	2	-	-	-	-	-	-	-	5	475
Other	-	1	-	1	-	1	-	-	-	-	-	3	272
TOTAL (IN%)	**22**	**17**	**14**	**14**	**7**	**9**	**6**	**5**	**4**	**3**	**-**	**100**	**9,232**
TOTAL (in EUR millions)	**2,035**	**1,562**	**1,277**	**1,276**	**691**	**819**	**519**	**458**	**350**	**241**	**4**	**-**	**9,232**

[1] Telecommunication, Media and Technology.

58-3 Corporate loan exposure per industry sector and region, 31 December 2014

IN %	Infra-structure	Shipping	Commer-cial Real Estate	Oil & Gas	Manu-facturing	Financial Services	Services	Wholesale/ Retail/ Leisure	Agri-culture & Food	TMT[1]	Other	TOTAL	TOTAL (in EUR millions)
Netherlands	3	2	8	2	4	3	3	3	1	1	-	29	2,559
Germany	5	1	7	-	3	2	1	2	1	1	-	22	1,932
United Kingdom	14	1	-	2	-	1	1	-	-	-	1	20	1,765
Rest of Europe	2	5	-	4	1	-	1	1	-	-	-	14	1,227
Asia / Pacific	-	3	-	3	-	-	-	-	-	-	-	6	523
North America	-	2	-	3	-	-	-	-	-	-	-	6	494
Other	-	1	-	1	-	1	-	-	-	-	-	3	290
TOTAL (IN%)	**24**	**15**	**15**	**15**	**8**	**7**	**6**	**6**	**2**	**2**	**1**	**100**	**8,789**
TOTAL (in EUR millions)	**2,112**	**1,387**	**1,294**	**1,244**	**650**	**607**	**483**	**453**	**289**	**172**	**98**	**-**	**8,789**

[1] Telecommunication, Media and Technology.

CRR/CRD IV and credit approval process

NIBC employs an internally-developed methodology under *Advanced Internal Ratings Based* (**AIRB**) approach for quantifying the credit quality of its Corporate Loan portfolio. In line with CRR/CRD IV regulations, the methodology consists of three elements:

- *Countrparty Credith Rating* (**CCR**), reflecting the *Propability of Default* (**PD**) of the borrower. The default definition is in line with the CRR/CRD IV definition[1];
- *Loss Given Default* (**LGD**), defined as an anticipated loss element that expresses the potential loss in the event of default, which takes into account the presence and the value of collateral; and
- *Exposure at Default* (**EAD**), which is the amount that is expected to be outstanding at the moment a counterparty defaults.

[1] According to the CRR/CRD IV definition, a default is determined at the borrower level. A default is indicated by using a 9 or 10 rating in NIBC's internal rating scale. A default is considered to have occurred with respect to a particular obligor when either or both of the two following events have taken place: i) the bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the bank to actions such as realising security (if held); ii) the obligor is past due more than 90 days on any material credit obligation to the banking group.

The PDs, LGDs and EADs that are calculated through NIBC's internal models are used for the calculation of *expected loss* (**EL**) and CRR/CRD IV/Pillar 1 *regulatory capital* (**RC**). *Economic capital* (**EC**), *risk-adjusted return on capital* (**RAROC**), limit setting and stress testing are additional areas which make use of these parameters, although the values and methodologies for both EC and stress testing differ from those employed in Pillar 1. PDs, LGDs and EADs are also used in the CRR/CRD IV solvency report to the regulator.
Annual backtests of the internal rating framework are carried out to assess the quality and the performance of the models. The internal CCRs and LGDs are also benchmarked periodically with the scales of external rating agencies.

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

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

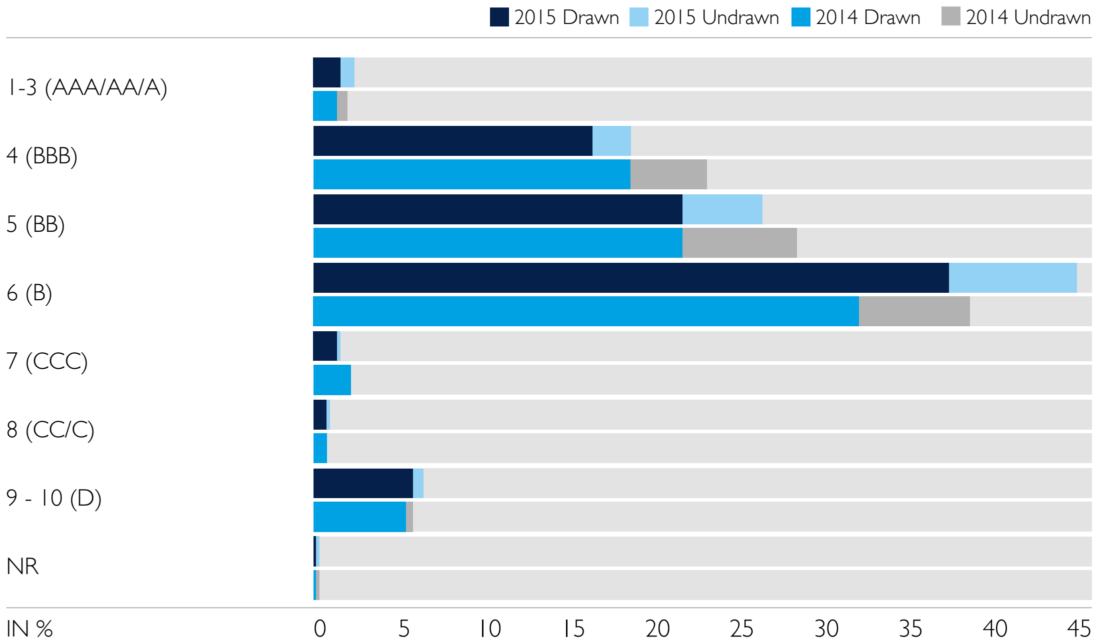
Credit ratings

NIBC uses an internal through-the-cycle CCR rating scale which consists of 10 grades (1-10) and a total of 22 notches. The CCRs 9 and 10 are assigned to counterparties that have already defaulted and therefore carry a PD of 100%.

The weighted average CCR of the non-defaulted clients deteriorated slightly during 2015 to 6+ with an average PD of 2.3% at 31 December 2015 (31 December 2014: 2.2%). The credit quality in terms of CCRs remained concentrated in the sub-investment grade categories 5 and 6 (BB and B categories in external rating agencies' scales).

Graph 58-4 shows the distribution of the drawn and undrawn corporate loan exposure per CCR. The numbers on the horizontal axis refer to NIBC's internal rating scale, whereas the letters in parentheses refer to the equivalent rating scale of Standard & Poor's. NR stands for not rateable, which was a negligible portion of the corporate loans (0.2% at 31 December 2015; 0.3% at 31 December 2014). NR is assigned to entities for which NIBC's corporate rating tools were not suitable at the time of rating.

58-4 Drawn and undrawn corporate loan exposure per CCR rating



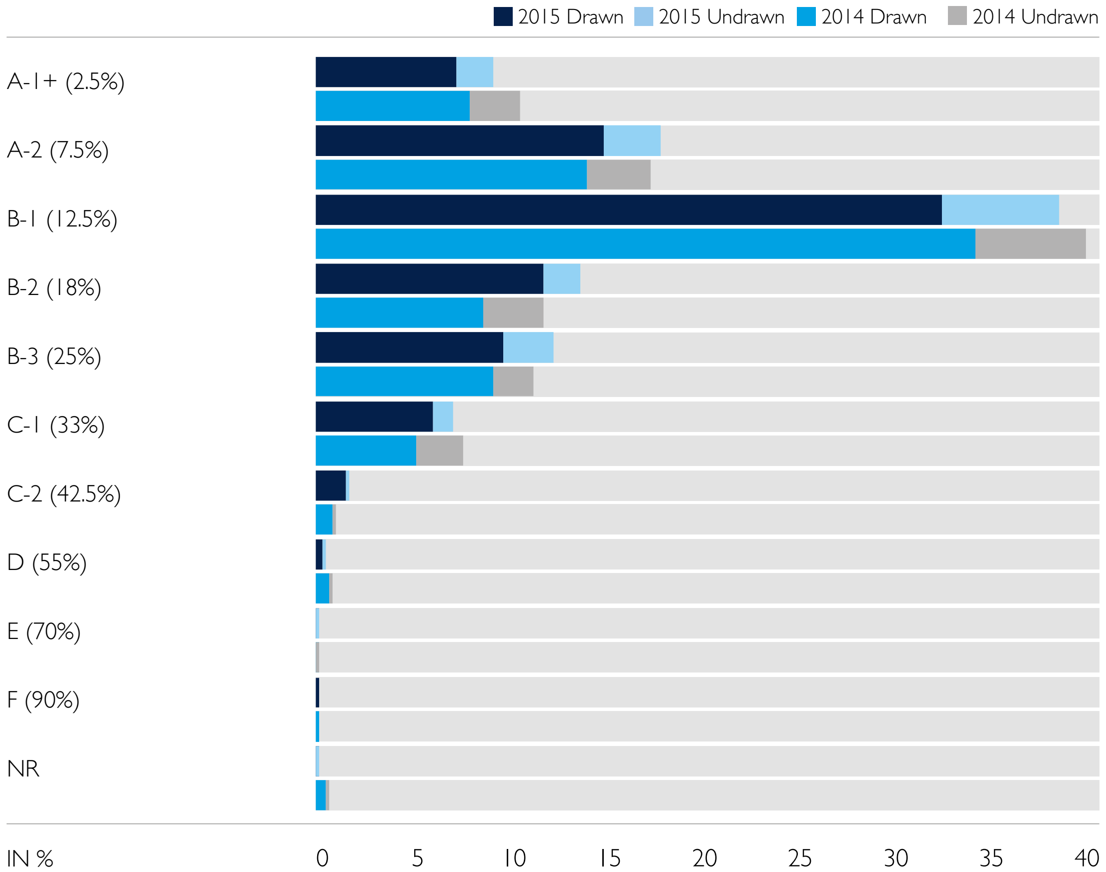
Collateral and LGD

NIBC's internal LGD scale consists of 7 grades (A-F) and 10 notches, each of which represents a different degree of recovery prospects and loss expectations. LGD ratings are facility-specific. The weighted average LGD remained stable at B-2 with an average LGD of 15.4% at 31 December 2015 (31 December 2014: 16.4%). The weighted average is calculated for non-defaulted loans. Nearly all facilities within NIBC have some form of collateralisation, resulting in LGDs concentrated in those LGD categories which correspond to high recoveries in the range of 80% and 90%.

Graph 58-5 shows the distribution of drawn and undrawn corporate loan exposures per LGD. The letters on the horizontal axis refer to NIBC's LGD grades and notches, whereas the numbers in parentheses refer to the loss percentage assigned to each LGD rating. NR was negligible (0.2% of corporate loans at 31 December 2015; 0.7% at 31 December 2014).

Note that the corporate loan exposure of graph 58-5 refers to non-defaulted exposure as the LGD is a measure of anticipated loss for facilities of a non-defaulted counterparty. Once a counterparty enters default, the impairment amount becomes a more meaningful measure of the loss.

58-5 Drawn and undrawn non-defaulted corporate loan exposure per LGD rating



The most significant types of collateral securing the loan and derivative portfolios are tangible assets, such as real estate, vessels, rigs and equipment. Exposures in the shipping and oil & gas sectors are primarily secured by movable assets such as vessels and drilling vessels. The commercial real estate portfolio is primarily collateralised by mortgages on financed properties. Collateral value is estimated using third-party appraisers, whenever possible, or valuation techniques based on common market practice. For example, loan-to-value ratios are regularly tested and vessels are appraised semi-annually by external parties. Other commercial exposures are, to a large extent, collateralised by assets such as inventory, debtors, lease and other receivables and third-party credit protection (e.g. guarantees).

Arrears

The total arrears in the Corporate Loan portfolio to the total exposure reduced slightly to 0.74% at 31 December 2015 (31 December 2014: 0.9%). An overview of the amounts in arrear per arrear bucket is provided in tables 58-6 and 58-7. The exposure amounts refer to drawn and undrawn amounts of those facilities with an arrear, whereas the outstanding amounts refer to the drawn amounts only. The amounts in arrear are the actual amounts overdue at 31 December 2015 and 31 December 2014. The column labelled 'Impairment Amount' includes on-balance sheet impairment amounts only (31 December 2015: EUR 161 million; 31 December 2014: EUR 166 million). The inclusion of *Incurred but not Reported* (**IBNR**) impairment amounts on the line with 'No payment in arrear' brings the total impairment amount for 31 December 2015 to EUR 170 million (31 December 2014: EUR 170 million). Tables 58-11 and 58-12 provide more information on impairment amounts.

58-6 Corporate loan amounts in arrear, 31 December 2015

	Exposure		Outstanding		Amount in arrear		
IN EUR MILLIONS	TOTAL	% of Exposure	TOTAL	% of On-Balance	TOTAL	% of On-Balance	Impairment Amount
AGE OF PAYMENT IN ARREAR							
1 - 5 days	47	0.5%	35	0.4%	7	0.1%	3
6 - 30 days	-	-	-	-	-	-	-
31 - 60 days	56	0.6%	55	0.7%	12	0.2%	7
61 - 90 days	-	-	-	-	-	-	-
SUBTOTAL LESS THAN 90 DAYS	**103**	**1.1%**	**90**	**1.2%**	**20**	**0.3%**	**10**
Over 90 days	61	0.7%	61	0.8%	38	0.5%	32
No payment in arrear	9,068	98.2%	7,601	98.1%	-	0.0%	128
TOTAL	**9,232**	**100%**	**7,751**	**100%**	**57**	**0.7%**	**170**

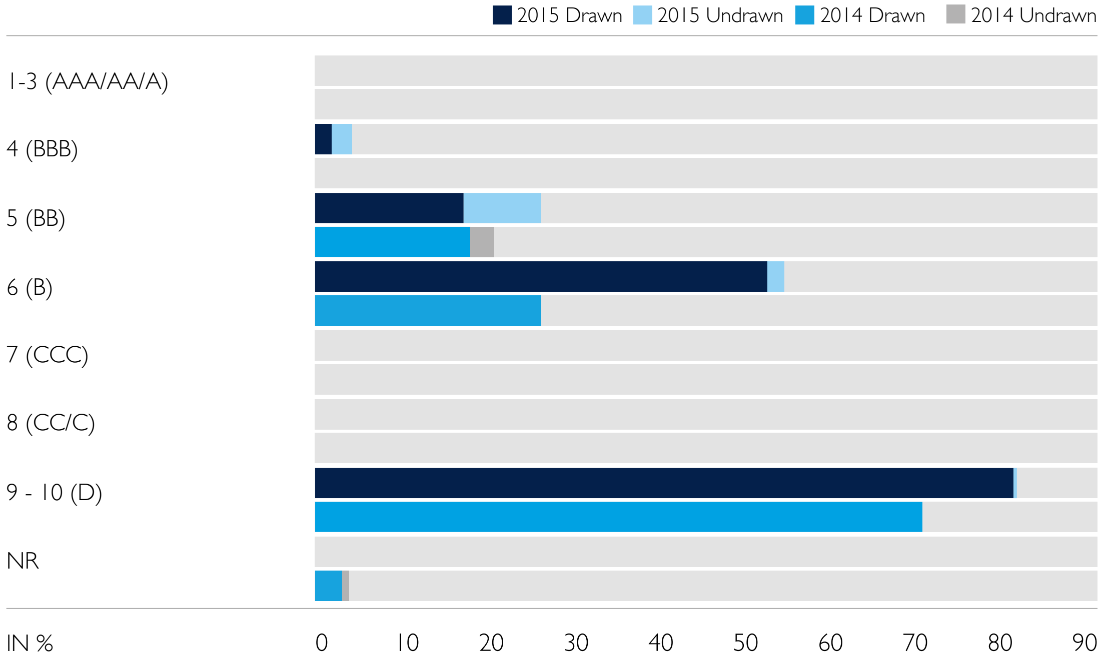
58-7 Corporate loan amounts in arrear, 31 December 2014

	Exposure		Outstanding		Amount in arrear		
IN EUR MILLIONS	TOTAL	% of Exposure	TOTAL	% of On-Balance	TOTAL	% of On-Balance	Impairment Amount
AGE OF PAYMENT IN ARREAR							
1 - 5 days	30	0.3%	29	0.4%	2.4	0.0%	-
6 - 30 days	20	0.2%	18	0.3%	0.2	0.0%	-
31 - 60 days	-	-	-	-	-	-	-
61 - 90 days	-	-	-	-	0.2	0.0%	-
SUBTOTAL LESS THAN 90 DAYS	**50**	**0.5%**	**47**	**0.7%**	**3**	**0.0%**	**-**
Over 90 days	70	0.8%	70	1.0%	64	0.9%	43
No payment in arrear	8,668	98.7%	7,041	98.3%	-	-	127
TOTAL	**8,789**	**100%**	**7,158**	**100%**	**67**	**0.9%**	**170**

NIBC applies a threshold for determining whether a loan carries a non-material arrear. If the total arrear on facility level is lower than EUR 25,000 per facility, the age of the payment in arrear is below 30 days and the counterparty has not defaulted, then the arrear is considered insignificant. If arrears fall within the threshold, the exposure is placed on the 'no payment in arrear' line on tables 58-6 and 58-7. The application of this threshold does not influence the total arrears, which amounted to EUR 57 million at 31 December 2015 (31 December 2014: EUR 67 million).

Graph 58-8 displays the rating distribution of the exposure amounts (expressed as the sum of drawn and undrawn amounts) of all loans with an amount in arrear. The total exposure amount at 31 December 2015 was EUR 164 million (31 December 2014: EUR 121 million) and the total drawn amount at 31 December 2015 was EUR 151 million (31 December 2014: EUR 117 million). Of the total exposure EUR 42 million resolved in early 2016.

58-8 Distribution of drawn and undrawn amounts with an arrear per rating category



Forbearance and non-performing Corporate Loans

In 2014, NIBC developed a new Forbearance policy. NIBC considers a client to be forborne if:

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

Financial difficulties are defined as a debtor facing or about to face difficulties meeting financial obligations.

Concession refers to one of the following (per facility):

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

Examples of forbearance agreements are:

- Providing a maturity date extension of a loan facility in order to give the borrower more time to deliver or enable a possible refinancing;
- Changing an amortizing loan facility into a bullet repayment at the maturity date in order to avoid the default of a borrower;
- A release of a material security interest without receiving appropriate value by way of repayment or alternative security offered;
- Amendment of a material covenant breach impacting the borrower's ability to repay; and
- Payment-in-kind of interest and/or principal payments for the purpose of maintaining the debt status as performing.

Individual cases where amendments are made in the original terms and conditions of the loan contract, which are not the result of financial difficulty of the borrower or which are within NIBC's current standard market terms and conditions, are not considered to be forborne.

All loan facilities are also subject to NIBC's impairment policy and are assessed when relevant impairment triggers have been met. 'Significant financial difficulty of the borrower' is one of the impairment triggers within NIBC. Forbearance is objective evidence of impairment and therefore an impairment test is considered for each forborne loan facility. Details of NIBC's impairment policy can be found in the *Accounting policies* section.

Facility will no longer be considered forborne once all the following requirements are met:
- The obligor is performing;
- Probation period of at least two years has passed since the obligor is considered performing;
- None of the exposures to the obligor is more than 30 days past due; and
- Regular payments (principal and interest) of significant aggregate amount have been made during at least half of the probation period.

Facility (obligor) is considered performing at the moment the forbearance measures are extended if the latter do not result in non-performing classification and the obligor was considered performing before the concessions.

Tables 58-9 and 58-10 provide the total forborne outstanding in NIBC's Corporate Loan portfolio per industry sector and per region as at 31 December 2015. The forborne outstanding is divided in performing and non-performing outstanding. NIBC considers a client non-performing if that client is in default, or if a performing forborne facility under probation is extended additional forbearance measures, or becomes more than 30 days past due. At the end of December 2015, EUR 4 million non-performing outstanding was not forborne. Comparable figures for 2014 can be seen in Tables 58-11 and 58-12.

Impairments of forborne facilities (excluding IBNR) amounted to EUR 160 million at 31 December 2015, which represented 21% of the total forborne balances. The total impairments of the Corporate Loan portfolio amounted to EUR 170 million at 31 December 2015, which represented 1.8% of the total Corporate Loan portfolio of EUR 9.2 billion.

Table 58-9 Forborne exposure per industry sector, 31 December 2015

	Exposure		**Total Exposure**	**Impairment Amount**
IN EUR MILLIONS	**Non-performing**	**Performing**		
Infrastructure	73	36	109	18
Shipping	36	-	36	2
Commercial Real Estate	381	-	381	89
Oil & Gas	49	54	102	23
Manufacturing	12	24	36	7
Financial Services	-	9	9	-
Services	29	47	76	14
Wholesale/Retail/Leisure	11	-	11	7
Agriculture & Food	-	-	-	-
TMT	7	-	7	-
Other	-	-	-	-
IBNR Corporate Loans				9
TOTAL	**599**	**169**	**768**	**169**

Table 58-10 Forborne exposure per region, 31 December 2015

	Exposure		**Total Exposure**	**Impairment Amount**
IN EUR MILLIONS	**Non-performing**	**Performing**		
Netherlands	40	87	127	23
Germany	451	40	491	104
United Kingdom	35	-	35	19
Rest of Europe	31	-	31	8
Asia / Pacific	43	15	58	6
North America	-	-	-	-
Other	-	27	27	-
IBNR Corporate Loans				9
TOTAL	**599**	**169**	**768**	**169**

Table 58-11 Forborne exposure per industry sector, 31 December 2014

	Exposure		Total Exposure	Impairment Amount
IN EUR MILLIONS	Non-performing	Performing		
Infrastructure	52	61	113	10
Shipping	48	46	95	36
Commercial Real Estate	332	482	814	102
Oil & Gas	-	-	-	-
Manufacturing	28	35	63	5
Financial Services	-	-	-	-
Services	25	37	61	6
Wholesale/Retail/Leisure	11	8	19	6
Agriculture & Food	-	-	-	-
TMT	8	-	8	-
Other	-	-	-	-
IBNR Corporate Loans				4
TOTAL	**504**	**669**	**1,173**	**169**

Table 58-12 Forborne exposure per region, 31 December 2014

	Exposure		Total Exposure	Impairment Amount
IN EUR MILLIONS	Non-performing	Performing		
Netherlands	68	214	282	18
Germany	364	384	748	105
United Kingdom	8	17	25	-
Rest of Europe	40	28	68	30
Asia / Pacific	-	-	-	-
North America	24	27	51	12
Other	-	-	-	-
IBNR Corporate Loans				4
TOTAL	**504**	**669**	**1,173**	**169**

Impairment amounts

The Corporate Loan portfolio is reviewed by credit officers and risk management who monitor the quality of counterparties and the related collateral. Formal assessment of the entire portfolio takes place on a quarterly basis. All existing impairments are also reviewed. NIBC calculates an impairment amount by taking various factors into account, particularly the available collateral securing the loan and the corporate derivative exposure, if present. The loss amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If collateral is present, then the present value of the future cash flows reflects the foreclosure of collateral. More information on the method impairments are calculated is included in the Accounting Policies section.

NIBC determines a default at counterparty level, whereas an impairment amount is taken at facility level. When a default occurs, the entire exposure and outstanding amount of the borrower are classified as defaulted. If, however, an impairment amount is taken on a facility, only the exposure amount of that particular facility is classified as impaired.

In 2015, the total write-offs (EUR 51 million) increased compared to 2014 (EUR 20 million), mainly in the industrial products and shipping sectors. The stock of impairments remained the same and amounted to EUR 170 million at year-end 2015 (year-end 2014: EUR 170 million).

Tables 58-13 and 58-14 display an overview of the impairments at 31 December 2015 and 31 December 2014, subdivided in industry sectors and regions, respectively. The column labelled 'Exposure' includes both drawn and undrawn amounts.

58-13 Impairment per industry sector

	31 december 2015				31 december 2014			
IN EUR MILLIONS	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
Infrastructure	2,035	59	18	-	2,112	45	10	2
Shipping	1,562	10	2	33	1,387	48	36	11
Commercial Real Estate	1,277	336	90	-	1,294	304	102	-
Oil & Gas	1,276	49	23	-	1,244	-	-	-
Manufacturing	691	12	7	17	650	28	5	-
Financial Services	819	3	1	-	607	5	1	-
Services	519	23	14	-	483	15	6	7
Wholesale/Retail/Leisure	458	11	7	-	453	10	6	-
Agriculture & Food	350	-	-	-	289	-	-	-
TMT	241	-	-	-	172	-	-	-
Other	4	-	-	-	98	-	-	-
IBNR Corporate Loans			9				4	
TOTAL	**9,232**	**503**	**170**	**51**	**8,789**	**454**	**170**	**20**

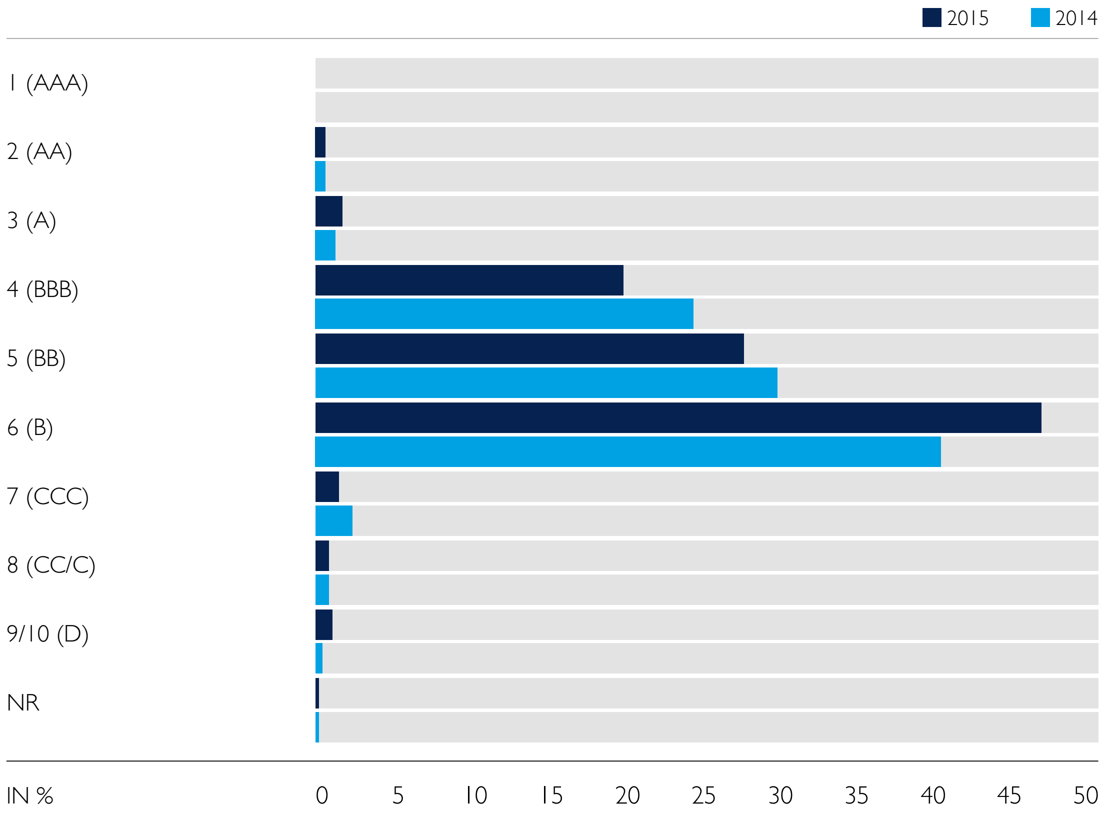
58-14 Impairment per region

	31 december 15				31 december 14			
IN EUR MILLIONS	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
Netherlands	2,946	33	24	17	2,559	46	19	7
Germany	2,007	398	105	-	1,932	345	105	-
United Kingdom	1,679	27	19	-	1,765	-	-	2
Rest of Europe	1,218	14	8	21	1,227	39	30	-
Asia / Pacific	634	31	6	-	494	-	-	11
North America	475	-	-	13	523	24	12	-
Other	272	-	-	-	289	-	-	-
IBNR Corporate Loans			9				4	
TOTAL	**9,232**	**503**	**170**	**51**	**8,789**	**454**	**170**	**20**

Corporate loans without impairments or arrears

At 31 December 2015, the size of the corporate loan exposure carrying neither impairments nor arrears equalled EUR 8,613 million or 93% of the total Corporate Loan portfolio (31 December 2014: EUR 8,280 million or 94%). Graph 58-15 displays the distribution of exposure amounts without impairments or arrears, at 31 December 2015 and 31 December 2014. Of this exposure 94% is rated in CCR categories 4, 5 and 6 (BBB, BB and B categories in external rating agencies' scales). NR represents a negligible part of the portfolio (31 December 2015: 0.2% of all loans without impairments or amounts in arrear; 31 December 2014: 0.2%).

58-15 Distribution of exposure amount without impairments or arrears per rating category



Country risk

Country risk is the likelihood that a country will not service its external debt obligations and reflects the risk that a country will not honour its external liabilities due to political, social, economic or financial turmoil. Country risk can potentially be an important cause of increased counterparty default risk since a large number of individual debtors could default at the same time. NIBC did not experience any counterparty defaults from this risk in 2015.

Investment loans

Investment loans are originated and monitored separately from the Corporate Loan portfolio. Investment loans are typically unsecured subordinated loans that contain equity characteristics such as attached warrants or conversion features. As such, investment loans typically carry a higher risk profile than corporate loans. Examples of these loans include mezzanine loans, convertible loans and shareholder loans.

The investment loan can be divided into indirect investments and direct investments. Indirect investments are investments made through *funds* (**NIBC Funds**). Direct investments are all other investments.

Direct investments are approved by the *Investment Committee* (**IC**) of NIBC. Indirect investments 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 Investment Loan portfolio is assessed for impairment. All existing impairments are reviewed.

Impairments of indirect investments are determined by the manager of the NIBC Fund. All impairments are reviewed and approved by the IC.

The total size of investment loans at 31 December 2015 was EUR 161 million (31 December 2014: EUR 154 million), of which 89% had been drawn (31 December 2014: 94%). In line with the characteristics of the asset class, investment loans typically carry riskier internal CCRs and often a higher LGD than corporate loans. At 31 December 2015, the weighted average counterparty credit rating of non-defaulted investment loans remained stable at an internal rating 6 (31 December 2014: 6) on NIBC's internal rating scale (equivalent to B on external rating agencies' scales).

Tables 58-16 and 58-17 display a breakdown of investment loans per region and industry sector at 31 December 2015 and 31 December 2014.

58-16 Breakdown of investment loans per region

	31 december 2015		31 december 2014	
IN EUR MILLIONS	Exposure	%	Exposure	%
Netherlands	143	89%	120	78%
United Kingdom	8	5%	11	7%
Rest of Europe	-	-	23	15%
North America	9	6%	-	-
TOTAL	**161**	**100%**	**154**	**100%**

58-17 Breakdown of investment loans per industry sector

	31 december 2015		31 december 2014	
IN EUR MILLIONS	Exposure	%	Exposure	%
Infrastructure	4	2%	-	-
Oil & Gas	16	10%	-	-
Manufacturing	17	11%	18	12%
Financial Services	54	34%	111	72%
Services	19	12%	-	-
Wholesale/Retail/Leisure	24	15%	11	7%
Agriculture & Food	18	11%	8	5%
Other	9	6%	-	-
TMT	-	-	6	4%
TOTAL	**161**	**100%**	**154**	**100%**

Arrears

The amounts in arrear as a percentage of exposure decreased for the investment loans from 2.8% at year-end 2014 to 0% at year-end 2015.

58-18 Investment loan amounts in arrear, 31 December 2015

	Exposure		Outstanding		Amount in arrear		
IN EUR MILLIONS	TOTAL	% of Exposure	TOTAL	% of On-Balance	TOTAL	% of On-Balance	Impairment Amount
AGE OF PAYMENT IN ARREAR							
1 - 5 days	20	12,3%	18	13%	-	-	-
no payment arrear	141	87,7%	125	87%	-	-	1
TOTAL	**161**	**100%**	**142**	**100%**	**-**	**-**	**1**

58-19 Investment loan amounts in arrear, 31 December 2014

	Exposure		Outstanding		Amount in arrear		
IN EUR MILLIONS	TOTAL	% of Exposure	TOTAL	% of On-Balance	TOTAL	% of On-Balance	Impairment Amount
AGE OF PAYMENT IN ARREAR							
6 - 30 days	4	2,8%	4	2,8	4	2,8%	1
no payment arrear	150	97,2%	141	97,2%	-	-	-
TOTAL	**154**	**100,0%**	**145**	**100,0%**	**4**	**2,8%**	**1**

Impairment amounts

At 31 December 2015, impairments on investment loans amounted to EUR 1 million (31 December 2014: EUR 1 million). Table 58-20 shows the breakdown of impairments and write-offs in industry sectors at 31 December 2015 and 31 December 2014. The column labelled 'Exposure' includes both drawn and undrawn amounts, and the column labelled 'Impairment Amount' refers to drawn amounts of impaired facilities. In 2015, no write-offs occurred on investment loans.

58-20 Impairment per industry sector

	31 december 15				31 december 14			
IN EUR MILLIONS	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
Infrastructure	4	-	-	-	-	-	-	-
Oil & Gas	16	-	-	-	-	-	-	-
Manufacturing	17	-	-	-	18	-	-	-
Financial Services	54	4	1	-	111	4	1	-
Services	19	-	-	-	-	-	-	-
Wholesale/Retail/Leisure	24	-	-	-	11	-	-	-
Agriculture & Food	18	-	-	-	8	-	-	-
TMT	-	-	-	-	6	-	-	2
Other	9	-	-	-	-	-	-	-
TOTAL	**161**	**4**	**1**	**-**	**154**	**4**	**1**	**2**

At 31 December 2015, the investment loans that carried neither impairments nor past-due amounts equalled EUR 155 million or 97% of total (31 December 2014: EUR 150 million or 94% of total).

Lease receivables

In 2014, NIBC obtained a leasing portfolio as a result of the acquisition of Gallinat-Bank AG in Germany. Strict criteria are in place to determine the eligibility of lease contracts for this programme and they entered into with German lessees to finance movable objects such as trucks and trailers. The contracts are to commercial clients in the German SME market and consist of hire purchase contracts, partially amortising and fully amortising lease contracts. The servicing of this portfolio remains with the leasing company. At the end of December 2015, the leasing portfolio decreased from EUR 361 million to EUR 221 million.

Residential mortgages

The composition of the Residential Mortgage portfolio at year-end 2015 and at year-end 2014 is displayed in Table 58-21.

58-21 Breakdown of Residential Mortgage portfolio

IN EUR MILLIONS	31 december 2015	31 december 2014
Dutch Own Book portfolio	6,227	4,254
Dutch Securitised portfolio	2,236	3,637
German Own Book portfolio	117	167
TOTAL	**8,580**	**8,058**

Dutch Residential Mortgage portfolio

The Dutch Residential Mortgage portfolio largely consists of owner occupied mortgages. These contain NIBC Direct loans originated by business partners since 2013, as well as white label mortgage loans that were also originated by business partners till 2009. Buy-to-let mortgages (NIBC Vastgoed Hypotheek) mortgages for investors were started in January 2015. This niche currently comprises less than 2% of the total mortgage portfolio. Servicing and administration of the mortgage portfolio is outsourced to third-party servicers and special servicing is performed in-house.

At 31 December 2015, 37% of the Residential Mortgage portfolio (31 December 2014: 34%) had 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 part of the Dutch Residential Mortgage portfolio has been securitised to obtain funding. In most cases, NIBC has retained the junior notes and other positions related to these securitisation programmes. As a result the securitisation programmes are consolidated on NIBC's balance sheet. The total amount of the retained positions at 31 December 2015 was EUR 184 million (31 December 2014: EUR 247 million).

Risk governance Dutch Residential Mortgages

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

- Conformity with the Code of Conduct on Mortgage Credits of the Dutch Bankers Association where applicable;
- A check of an applicant's credit history with the *Dutch National Credit Register (Bureau Krediet Registratie* or **BKR**), a central credit agency used by financial institutions in the Netherlands, which records five years of financial commitments and negative credit events;
- Mortgage loans are secured by first-ranking mortgage rights;
- Other criteria, such as type of property, maximum *Loan-to-Market Value* (**LTMV**), maximum *Loan-to-Income* (**LTI**) and minimum *Debt Service Coverage Ratio* (**DSCR**); 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.

Since 2013, major amendments in legislation have taken place. In 2015, the following amendments were implemented as well:

- Maximum NHG guaranteed loan amount decreased to EUR 245 thousand as per 1 July 2015; and
- Maximum Loan-to-Value decreased to 103% in 2015 for owner occupied mortgages. For buy-to-let mortgages, maximum LTMV is currently 70% (not regulated by law).

Management of loans in arrears Dutch Residential Mortgages

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

The special servicing at NIBC is focused on intensive contact with its mortgage clients and tailor-made solutions. When amounts in arrears occur, the borrower receives a letter after the first day of arrears. Within two weeks, the client is contacted by phone. Depending on the outcome of these contacts, a customer-specific approach is formulated on a case-by-case basis. Customer visits are made if arrears reach two months.

In case of defaults, the Special Servicing team has to submit the file to the Arrears Management Committee for approval of the strategy to be followed. The Arrears Management Committee includes members from Risk Management, Operations, Portfolio Management and the Special Servicing team. NIBC bids for own foreclosed properties at auctions to ensure the proceeds are at arm's length. If need be, NIBC acquires these properties.

NIBC is investigating to introduce a programme under which customers who may face potential financial difficulties are approached pro-actively with the intention of identifying and resolving difficulties before actual arrears arise.

Table 58-22 shows the arrears overview of the total Dutch Residential Mortgage portfolio at 31 December 2015 and 31 December 2014. Overall, the amount of loans in arrear decreased compared to year-end 2014.

58-22 Arrears overview, Dutch Residential Mortgage portfolio

IN %	31 december 2015	31 december 2014
No payment in arrear	97.5	97.1
0 - 30 days	1.2	1.3
31 - 60 days	0.5	0.4
61 - 90 days	0.2	0.3
Over 90 days	0.7	1.0
TOTAL	**100**	**100**
TOTAL (IN EUR MILLION)	**8,463**	**7,891**

Forbearance Dutch Residential Mortgages

NIBC has developed a forbearance policy for mortgage clients experiencing financial difficulties and who consequently are unable to meet the original terms and conditions of the contract. The forbearance policy is defined, formalized and implemented in the standard working routines and processes and is similar to the policy applied for the corporate loan portfolio.

NIBC has been providing a forbearance programme to its mortgagers who are experiencing financial difficulties since May 2013. The Client Retention team of Special Servicing department has the responsibility of assessing the nature and the expected duration of a client's financial distress, and will determine necessity of providing forbearance measures to that client and the conditions that should apply. The team considers forbearance solutions for clients who do not fully meet their financial obligations to NIBC. Forbearance solutions are also submitted to the Arrears Management Committee for further approval. In 2015, NIBC further enhanced the definition of forbearance reflecting only the cases where actual forbearance measures have been applied by our Client Retention team. This replaces the broader definition used in 2014, where all clients with a payment arrear older than 90 days occurs were reported as forbearance. Under the broader definition of 2014, EUR 151 million was reported as forborne at 31 December 2014. At 31 December 2015, EUR 27 million is forborne of which EUR 21 million is performing and EUR 6 million non-performing.

Risk measurement Dutch Residential Mortgages

NIBC's rating methodology for residential mortgages has been used for determining regulatory capital requirements since 2008. The calculation of PD, LGD and EAD for owner-occupied mortgages is performed by an internally-developed CRR/CRD IV AIRB model[1].

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

[1] For buy-to-let mortgages, Basel standardized approach for credit risk is used

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 sale or foreclosure 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 an NHG guarantee, in which case 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 annually. 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 functions correctly in a changing economic environment. Moreover, NIBC is closely following recent regulatory proposals regarding to adjust capital requirements under standardized approach and introducing capital floors.

Table 58-23 shows the PD distribution of the Dutch Residential Mortgage portfolio at 31 December 2015 and 31 December 2014. A PD of 100% means that a borrower is close to or more than 90 days in arrears. Mortgages without amounts in arrear all carry PDs below 2%.

58-23 PD allocation of Dutch residential mortgages

	Rating class allocation of residential mortgages			
	Own book Dutch mortgages[1]		Securitised Dutch mortgages	
IN %	31 December 2015	31 December 2014	31 December 2015	31 December 2014
PROBABILITY OF DEFAULT				
<= 1%	97.1	95.8	95.8	95.7
1%> <=2%	0.6	1.3	0.3	1.3
2%> <=5%	0.2	0.2	0.3	0.1
5%> <100%	1.3	1.4	2.1	1.6
100%	0.8	1.3	1.5	1.3
TOTAL (%)	**100**	**100**	**100**	**100**

[1] Excluding buy-to-let mortgages

Risk mitigation and collateral management Dutch Residential Mortgages

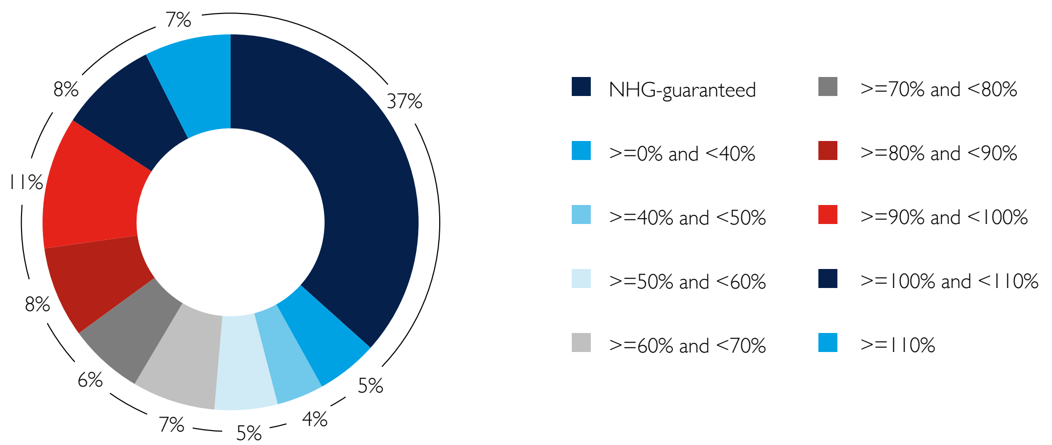
Credit losses are mitigated in a number of ways:

- The underlying property is pledged as collateral;
- 48% of the Dutch Own Book portfolio and 3% of the Securitised portfolio are covered by the NHG programme; and
- For the part of the Dutch portfolio that has been securitised, credit losses higher than the retained positions, excess spread and reserve accounts are attributable to investors in the securitisation programmes.

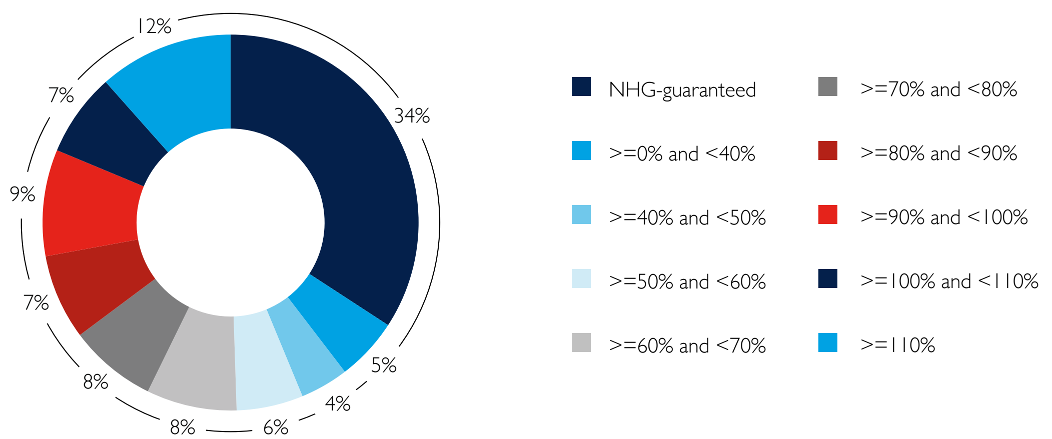
For the portfolio not covered by the NHG programme, the underlying property is the primary collateral for any mortgage loan granted, though savings, life insurance and investment deposits may also serve as additional collateral.
An indicator for potential losses, taking into account indexation of house prices and seasoning, is the *Loan-to-Indexed-Market-Value* (**LTIMV**). The indexation is made by using the CBS/Kadaster index, which is

based on market observables. The Kadaster (national property register) is a public government register of real estate and their vested rights (e.g. ownership and mortgages). This register contains transaction data as well as CBS (Statistics Netherlands) data, which are used to construct a pricing index. Graphs 58-24 and 58-25 show a breakdown of the LTIMV for the total Dutch Residential Mortgage portfolio at 31 December 2015 and 31 December 2014. The average seasoning of the total portfolio is approximately 10 years. The increase in the NHG guaranteed category is due to new origination of NIBC Direct mortgages. 16% of the total portfolio has an LTIMV above 100%. For the remainder of the portfolio, the indexed collateral value is less than or equal to the nominal loan balance outstanding or is a NHG mortgage.

58-24 LTIMV of Dutch Residential Mortgage portfolio (EUR 8,463 million), 31 December 2015



58-25 LTIMV of Dutch Residential Mortgage portfolio (EUR 7,891 million), 31 December 2014



German Residential Mortgage portfolio

The German Residential Mortgage portfolio amounted to EUR 117 million at 31 December 2015 (31 December 2014: EUR 167 million). The majority of this portfolio was acquired from third parties via two portfolio purchases. The purchased portfolios contain highly seasoned loans with low LTMV.

The German Residential Mortgage portfolio was designated in 2011 as a legacy portfolio; therefore no new origination has taken place since 2011. In order to manage the credit risk of the German Residential Mortgage portfolio, NIBC has standardised procedures to manage all loan amounts in arrears which is outsourced to NIBC Deutschland AG. The arrear process starts directly by means of countered direct debits, i.e. when a direct withdrawal from the borrower's account fails. The Arrears Management team contacts the customer and claims the outstanding amount in letters sent every two weeks. If the standard dunning procedure is ineffective and no contact can be established with the client, individual reminders will follow to get insight into the reason for being in arrears. In case of private insolvency or payment in arrear beyond 90 days, responsibility is taken over by a special servicer (a legal firm specialised in handling arrears and foreclosures).

Table 58-26 displays an overview of the payments in arrear at 31 December 2015 and 31 December 2014 for the German Residential Mortgage portfolio. It is market practice in Germany to start the foreclosure procedure after being more than six months in arrear (180 days) and the foreclosure procedure takes, on average, around two years. Special Servicing Cancelled Loans are loans for which the contract has been legally terminated by the lender and are being handled by the special servicer. At 31 December 2015, only 44 loans (4.1% of the total exposure) had been transferred to special servicing and cancelled, from a total portfolio of 1,512 mortgages.

58-26 Arrears overview, German Residential Mortgage portfolio

IN %	31 december 2015	31 december 2014
No payment in arrear	90.6	89.2
0 - 30 days	1.7	2.7
31 - 60 days	1.9	2.0
61 - 90 days	0.7	0.6
Over 90 days	1.0	1.2
Special Servicing Cancelled Loans	4.1	4.3
TOTAL	**100**	**100**
TOTAL (IN EUR MILLION)	**117**	**167**

As is the case in the Netherlands, the underlying property is the primary collateral for the granted mortgage loan. The majority of mortgage loans in Germany contain an annuity debt profile, leading to a lower outstanding balance during the lifetime of the loan.

Debt investments

NIBC defines credit risk in debt investments as issuer risk, which is the credit risk of losing the principal amount on products such as bonds. Issuer risk is calculated based on the book value.

Risk monitoring and measurement

Risk is controlled by setting single issuer limits and, in some cases, programme limits. All single issuer limits are approved by the TC or by delegated authority to the *Financial Markets Credit Risk* (**FMCR**) department. Apart from single issuer limits, risk is also monitored by assessing credit spread risk. Both sensitivity analysis (*basis point values*, **BPVs**) and *Value at Risk* (**VaR**) numbers are used.

Note 59 on Market Risk contain more information on these variables.
In the remainder of this section, the exposure has been divided into the following two sub-portfolios:

- Debt from financial institutions, corporate entities and sovereigns; and
- Securitisations.

Debt from financial institutions and corporate entities

A portion of NIBC's liquidity is invested in debt (bonds) issued by financial institutions and corporate entities. The size of this sub-portfolio increased in the course of 2015 to EUR 482 million at 31 December 2015 (31 December 2014: EUR 402 million). Of the total exposure, 38% (31 December 2014: 41%) were covered bonds. The remaining 62% (31 December 2014: 59%) was senior unsecured debt.

In 2014, NIBC began to use internal ratings to assess the creditworthiness of a financial institution. In general debt investments are rated more conservatively by NIBC than by the external rating agencies.

The amount of EUR 482 million at 31 December 2015 represents the maximum credit risk exposure, without taking into account the presence of any collateral that could be repossessed in case of default. The portfolio did not contain any *credit default swap* (**CDS**) exposures.

58-27 Debt of financial institutions and corporate entities, 31 December 2015

IN EUR MILLIONS	AAA	AA	A	BBB	BB	<= B	NR	Total
Financial institutions	183	-	159	21	-	7	-	370
Corporate entities	14	-	9	18	20	7	-	68
Sovereigns	23	21	-	-	-	-	-	44
TOTAL	**219**	**21**	**168**	**39**	**20**	**14**	**-**	**482**

58-28 Debt of financial institutions and corporate entities, 31 December 2014

IN EUR MILLIONS	AAA	AA	A	BBB	BB	<= BBB	NR	Total
Financial institutions	177	-	157	52	-	6	-	392
Corporate entities	-	-	-	10	-	-	-	10
TOTAL	**177**	**-**	**157**	**62**	**-**	**6**	**-**	**402**

At both 31 December 2015 and 31 December 2014, the portfolio of debt from financial institutions and corporate entities had no impairments and contained no arrears.

Securitisations

NIBC has been an active participant on the securitisation market in the past decade, both as an originator and investor in securitisations.

Tables 58-29 and 58-30 present an overview of NIBC's total securitisation exposure resulting from its activities as investor in securitisations. The exposure relating to NIBC's activities as an originator can be split into exposures related to consolidated and non-consolidated securitisations. If a securitisation programme is consolidated on NIBC's balance sheet, the exposure to the underlying collateral is excluded from the securitisation exposure and included in the total exposures presented in note 58 on credit risk in the corporate loans or residential mortgages sections. NIBC's total exposure as an originator to consolidated securitisations was EUR 299 million at 31 December 2015 (31 December 2014: EUR 349 million).

NIBC distinguishes two Securitisation sub-portfolios: the portfolio of Western European Securitisations and the Liquidity Investments portfolio.

NIBC's total securitisation exposure (investor and non-consolidated originator) increased to EUR 814 million at 31 December 2015 (31 December 2014: EUR 788 million), mainly due to an increase of the Liquidity Investments portfolio.

The portfolio of investments in Western European securitisations contains NIBC's investor securitisations in Western Europe as well as all investments in NIBC's own non-consolidated securitisations. All investments in NIBC's own securitisations are subject to approval from both Risk Management and Finance. The total amount of the portfolio of investments in Western Europe decreased to EUR 299 million at 31 December 2015 (31 December 2014: EUR 381 million). The Liquidity Investments portfolio was set up to invest part of NIBC's excess liquidity in the securitisation market. Investments are limited to AAA rated RMBS transactions backed by Dutch collateral or European ABS and are eligible to be pledged as collateral with the *European Central Bank* (**ECB**). Apart from the strict mandate, each investment is pre-approved by Risk Management. Exposure in this portfolio increased to EUR 515 million at 31 December 2015 (31 December 2014: EUR 407 million).

58-29 Exposure to securitised products, 31 December 2015

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Total
EU - ABS	-	-	-	-	-	1	1
EU - CDO	15	20	5	5	11	15	71
EU - CMBS	-	-	2	-	2	142	146
EU - RMBS	6	25	33	5	-	12	81
TOTAL WESTERN EUROPEAN SECURITISATIONS	**21**	**45**	**40**	**11**	**13**	**170**	**299**
NL - RMBS AAA Liquidity portfolio	375	-	-	-	-	-	375
EU- ABS AAA Liquidity portfolio	140	-	-	-	-	-	140
TOTAL SECURITISATION EXPOSURE	**536**	**45**	**40**	**11**	**13**	**170**	**814**

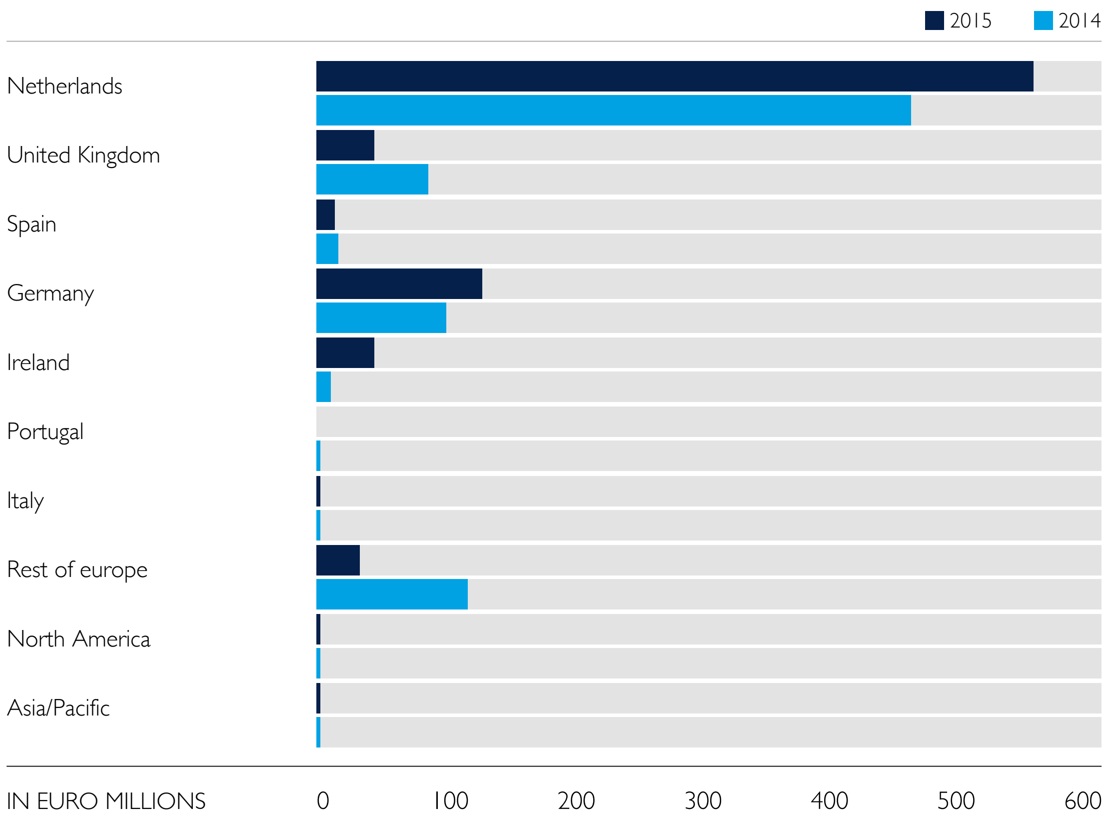
58-30 Exposure to securitised products, 31 December 2014

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Total
EU - ABS	-	-	-	-	-	1	1
EU - CDO	-	21	19	7	17	36	100
EU - CMBS	-	8	7	-	72	91	178
EU - RMBS	6	9	58	16	-	13	102
TOTAL WESTERN EUROPEAN SECURITISATIONS	**6**	**38**	**84**	**23**	**89**	**141**	**381**
NL - RMBS AAA Liquidity portfolio	300	-	-	-	-	-	300
EU- ABS AAA Liquidity portfolio	107	-	-	-	-	-	107
TOTAL SECURITISATION EXPOSURE	**413**	**38**	**84**	**23**	**89**	**141**	**788**

Geographic distribution of securitisations

Graph 58-31 presents the distribution of the Securitisations portfolio by geographic region at 31 December 2015 and 31 December 2014. NIBC allocates exposure to a region based on the geographic location in which the cash flows are generated. The geographic distribution illustrates that the majority of these assets are located in Western Europe, mainly in the Netherlands (67%), Germany (16%) and the United Kingdom (5%). NIBC's exposure in Ireland, Italy, Spain and Portugal is limited and had decreased to EUR 13 million at 31 December 2015 (31 December 2014: EUR 33 million). Approximately 77% of this exposure is investment grade exposure. NIBC had no exposure in Greece at 31 December 2015 or 2014.

58-31 Distribution of securitisations per region, 31 December 2015 (EUR 814 million) and 31 December 2014 (EUR 788 million)



Impairments on securitisations

The majority of the Securitisations portfolio is reported at amortised cost or available for sale for accounting purposes and the respective assets are subject to a quarterly impairment analysis. The stock of impairments increased slightly to EUR 57 million at 31 December 2015 (31 December 2014: EUR 45 million).

Securitisations without impairments

Table 58-32 presents the rating breakdown of securitisation exposure that did not carry an impairment amount at 31 December 2015 (EUR 791 million). The total amount of securitisations without impairments at 31 December 2014 was EUR 778 million.

58-32 Distribution of securitisation exposure without impairments per rating category, 31 December 2015

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Total
SECURITISATION EXPOSURE WITHOUT IMPAIRMENTS	**536**	**45**	**39**	**7**	**13**	**151**	**791**

58-33 Distribution of securitisation exposure without impairments per rating category, 31 December 2014

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Total
SECURITISATION EXPOSURE WITHOUT IMPAIRMENTS	**413**	**38**	**84**	**23**	**89**	**131**	**778**

Cash management

NIBC is exposed to credit risk as a result of cash management activities. In 2015, NIBC's risk management framework for cash management continued its conservative approach, taking into account the vulnerable financial markets.

Risk monitoring and measurement

NIBC places its excess cash with the DNB/Dutch State Treasury Agency and with a selected number of investment-grade financial institutions. A monitoring process is in place within the FMCR department for the approved financial institutions. Cash management exposures can be collateralised through reverse repo transactions or unsecured through interbank deposits and current accounts.

Correspondent banking and third-party account providers

Apart from the exposure in cash management, NIBC holds foreign currency accounts at correspondent banks and also utilises third-party account providers for internal securitisations.

Exposures

At 31 December 2015, NIBC's total cash amounted EUR 1,382 million (31 December 2014: EUR 1,212 million). EUR 746 million of the cash was held at DNB and Deutsche Bundesbank, EUR 622 million at financial institutions and the remaining EUR 14 million at corporate entities (securitisation-related liquidity facilities).

58-34 Cash, 31 December 2015

IN EUR MILLIONS	AAA	AA	A	≤BBB	Total
Cash and balances with central banks	746	-	-	-	746
Financial institutions	-	-	575	47	622
Corporate entities	4	-	10	-	14
TOTAL	**750**	**-**	**585**	**47**	**1,382**

58-35 Cash, 31 December 2014

IN EUR MILLIONS	AAA	AA	A	≤BBB	Total
Cash and balances with central banks	474	-	3	-	478
Financial institutions	-	-	688	18	706
Corporate entities	13	4	10	-	28
TOTAL	**488**	**4**	**701**	**18**	**1,212**

At year-end 2015, EUR 1,128 million cash collateral has been excluded from the cash management exposure (year-end 2014: EUR 1,579 million) as this amount is restricted cash that relates to derivatives with a negative fair value and can be netted with these negative exposures. At both 31 December 2015 and 31 December 2014, this portfolio carried no impairments and no arrears.

Credit risk in derivatives

Credit risk in derivatives is the risk of having to replace the counterparty in derivative contracts. NIBC's credit risk in derivatives can be split into exposures to financial institutions and corporate entities. NIBC's policy is to minimise this risk. NIBC only enters into OTC contracts with central clearing counterparties and financial institutions that are investment grade or with corporate entities where the exposure is secured by some form of collateral.

Risk monitoring and measurement

Credit risk in derivatives is based on the marked-to-market value and *Potential Future Exposure* (**PFE**) of the derivative. The PFE reflects a potential future change in marked-to-market value during the remaining lifetime of the derivative contract. For financial institutions, separate limits for credit risk are in place, based on the external rating. For corporate clients, NIBC enters into a derivative transaction as part of its overall relationship with the client. The credit approval process for these derivatives is closely linked with the credit approval process of the loan. Limit-setting proposals for both financial institutions and corporate counterparties are reviewed in the TC. For financial institutions, collateral postings under a CSA are taken into account. In 2015, EUR 835 million of NIBC's derivative portfolio excluding netting, collateral and PFE has been centrally cleared. For corporate counterparties, both the loan and derivative are treated as a single package whereby the derivative often benefits from the security/collateral supporting the loan exposure.

Exposures

Tables 58-36 and 58-37 display NIBC's exposures from credit risk in derivatives allocated across the rating class of the underlying counterparty. Exposure is the sum of the positive marked-to-market value of derivative contracts, excluding the effect of netting and collateral exchange. Due to amortisation and limit origination, the total derivative exposure excluding netting and collateral decreased in 2015 to EUR 2,151 million at 31 December 2015 (31 December 2014: EUR 2,851 million).

58-36 Derivative exposure excluding netting and collateral, 31 December 2015

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	-	-	1,261	228	-	-	-	-	-	36	1,525
Corporate entities	-	-	6	352	35	188	-	-	45	-	626
TOTAL	**-**	**-**	**1,267**	**580**	**35**	**188**	**-**	**-**	**45**	**36**	**2,151**

58-37 Derivative exposure excluding netting and collateral, 31 December 2014

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	-	33	1,649	414	-	-	-	-	-	3	2,099
Corporate entities	26	-	6	386	41	211	57	-	25	-	752
TOTAL	**26**	**33**	**1,655**	**800**	**41**	**211**	**57**	**-**	**25**	**3**	**2,851**

Collateral

To the extent possible, NIBC attempts to limit credit risk arising from derivatives. NIBC enters into bilateral collateral agreements with financial institutions to mitigate credit risk in OTC derivatives by means of *CSAs*. Positive marked-to-market values can be netted with negative marked-to-market values and the remaining exposure is mitigated through bilateral collateral settlements. Accepted collateral is mainly cash collateral, which is usually exchanged on a daily basis. The primary counterparties in these CSAs are large international banks with ratings of A or higher. NIBC generally carries out daily cash collateral exchanges to account for changes in the market value of the contracts included in the CSA.

Terms and conditions of these CSAs are in line with general *International Swaps* and *Derivatives Association* (**ISDA**) credit support documents. Collateral from CSAs significantly decreases the credit exposure on derivatives, as presented in table 58-38 at 31 December 2015 and in table 58-39 at December 2014.

58-38 Derivative exposure including netting and collateral, 31 December 2015

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	-	-	95	8	-	-	-	-	-	1	103
Corporate entities	-	-	6	339	35	187	-	-	45	-	612
TOTAL	**-**	**-**	**101**	**347**	**35**	**187**	**-**	**-**	**45**	**1**	**715**

58-39 Derivative exposure including netting and collateral, 31 December 2014

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	-	1	127	10	-	-	-	-	-	2	140
Corporate entities	26	-	6	386	41	211	57	-	25	-	752
TOTAL	**26**	**1**	**133**	**396**	**41**	**211**	**57**	**-**	**25**	**2**	**892**

Valuation of corporate derivatives (credit and debt value adjustments)

CVA and DVA are incorporated into derivative valuations to reflect the risk of default of the counterparty as well as the own default risk of NIBC. The adjustments are applied to all OTC derivative contracts, except for those that benefit from a solid collateral agreement where cash collateral is regularly exchanged, mitigating the credit risk. In practice, this means that CVA and DVA are only applied to OTC derivative contracts that generate credit risk on corporate (i.e. non-financial) counterparties.

Arrears

NIBC applies a threshold for determining whether a derivative carries a non-material arrear. The criteria for this threshold are the same as for the portfolio of corporate loans. If amounts in arrear fall below the threshold, they are considered insignificant and are therefore excluded. The application of the threshold does not influence the total arrears for 2015 and 2014. For both years, the total arrears that are considered insignificant are below EUR 100,000.

Table 58-40 displays an overview of the arrears for corporate derivatives at 31 December 2015 and 31 December 2014 as well as the exposures (marked-to-market values) these arrears refer to. There were no amounts in arrear for derivatives with financial institutions. As shown in Table 58-40, at 31 December 2015, a marked-to-market exposure of less than EUR 1 million carried an arrear of EUR 1 million (31 December 2014: exposure of EUR 27 million with an arrear of EUR 6 million).

58-40 Arrears overview, corporate derivative exposure

	2015		2014	
IN %	Exposure (MtM)[1]	Amount in arrear	Exposure (MtM)[1]	Amount in arrear
AGE OF PAYMENT IN ARREAR				
1 - 5 days	-	1	21	1
6 - 30 days	-	-	-	-
31 - 60 days	-	-	-	-
61 - 90 days	-	-	-	-
SUBTOTAL LESS THAN 90 DAYS	-	1	21	1
Over 90 days	-	-	6	5
No payment in arrear	626	-	725	
TOTAL	**626**	**1**	**752**	**6**

[1] MtM: Marked-to-Market value

59 Market risk

NIBC defines market risk as the current and prospective volatility in 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 curves. The predominant market risk drivers for NIBC are interest rate risk and credit spread risk.

Risk appetite

For interest rate risk purposes the activities of NIBC can be divided in 3 books:

- The Trading book contains interest rate positions, which are mostly customer driven;
- The Mismatch book contains the long-term strategic interest rate position of the bank. Positions are limited to currencies in which NIBC has lending activities, i.e. EUR, GBP and USD; and
- All other portfolios, jointly referred to as the Banking book, do not contain material interest rate risk, as it is the policy of the bank to concentrate the interest rate risk in either the Trading book or Mismatch book.

Risk monitoring and measurement

Interest Basis Point Value (**BPV**), credit BPV, interest (VaR), credit VaR and total VaR measures are calculated on a daily basis and reviewed by the Market Risk department:

- Interest and credit BPV measure the sensitivity of the market value to a change of one basis point in each time bucket of the interest rate curve and credit spread curve, respectively. The BPV as displayed in the tables below represents the sensitivity of the market value to a one-basis-point, parallel upward shift of the underlying curve. A negative amount represents a loss, a positive amount represents a gain;
- 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 on four years of historical data for weekly changes in interest rates, credit spreads and both simultaneously. For the Trading book, additional VaR scenarios based upon daily historical market data are used, both for limit-setting as well as for the calculation of the capital requirement. VaR as displayed in the tables below is always represented as a positive number, indicating a potential loss; 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 immediately. The income statement for the Trading book is also monitored daily.

Exposures

Interest rate risk in the Trading book

The Trading book only consists of books which, from a regulatory perspective, fall under the market risk treatment. These books only contain interest rate derivatives (swaps, futures and interest rate options). The overall market risk in this book is limited, as is evidenced by the actual level of the VaR. For the whole book a VaR limit of EUR 2.25 million applies. The VaR limit was not exceeded at any time during 2015.

59-1 Key risk statistics of the Trading book

	2015		2014	
IN EUR THOUSANDS	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max[1]	-65	631	-75	578
Average	-1	288	-10	316
Min[2]	-	89	-	111
YEAR-END	**37**	**133**	**49**	**462**

[1] Max: value farthest from zero

[2] Min: value closest to zero

The book is primarily used for facilitating derivative transactions with corporate clients. Furthermore activities also comprise position taking in short-term interest rates, money market and bond futures. Basis risk, cross currency spread risk and interest rate spread risk between positions in swaps and bond futures are also taken into account in the VaR.

Interest rate risk in the Mismatch book

NIBC concentrates the strategic interest rate risk position of NIBC in the Mismatch book. This book exclusively contains swap positions with which a view on future interest rate developments is taken. In 2013, NIBC opened a new mismatch position in GBP. In 2014 new EUR and USD mismatch positions were opened while the GBP mismatch position was increased. In 2015 the EUR, GBP and USD positions were further enlarged.

59-2 Key risk statistics of the Mismatch book

	2015		2014	
IN EUR THOUSANDS	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max[1]	-362	2,586	-292	2,438
Average	-334	2,335	-192	1,862
Min[2]	-293	1,940	-109	1,351
YEAR-END	**-350**	**2,519**	**-292**	**1,935**

[1] Max: value farthest from zero

[2] Min: value closest to zero

At year-end of 2015, 42% of the mismatch position was held in EUR, 35% in GBP and 23% in USD.

Interest rate risk in the Banking book

Apart from the Trading book and the Mismatch book, interest rate risk is also present in the following books (henceforth collectively referred to as 'Banking book'):

- Corporate Treasury Book;
- Debt Investments book; and
- Residential Mortgage book.

The Corporate Treasury Book contains the funding activities of NIBC and the Corporate and Investment loan books. The Debt Investments book consists of a legacy structured credits book and retained notes in own securitisations, both with negligible interest rate risk. The residential mortgage book consists of two portfolios:

- The mortgage portfolio originated before 2013, EUR 6.2 billion of which EUR 117 million in Germany. This portfolio is accounted on fair value. The hedging strategy of this book is based upon the interest rate sensitivity, including a discount spread; and
- In 2013 NIBC started originating mortgages under the NIBC Direct label and this portfolio grew significantly in 2014 and 2015. At year-end 2015 this portfolio's size was EUR 2.4 billion. This portfolio is accounted on amortised cost. The hedging strategy of this book is based upon notional amounts, i.e. excluding a credit spread.

The interest rate sensitivity of both books is measured identically, i.e. by taking into account a credit spread.

The current interest rate sensitivity in the banking book is nearly fully related to the sensitivity of the AC mortgage book, due to a different hedging strategy for this portfolio.

Tables 59-3 and 59-4 illustrate in EUR the interest rate sensitivity for EUR, USD and GBP in the Trading, Mismatch and Banking books at year-end 2015 and 2014. For other currencies, the interest rate risk is minimal.

59-3 Interest rate statistics, 31 December 2015

	BPV			
IN EUR THOUSANDS	Trading	Mismatch	Banking	Total
EUR	30	-147	130	14
USD	4	-80	8	-67
GBP	3	-124	7	-114
Other	-	-	3	3
TOTAL	**37**	**-350**	**148**	**-165**

59-4 Interest rate statistics, 31 December 2014

	BPV			
IN EUR THOUSANDS	Trading	Mismatch	Banking	Total
EUR	-1	-130	219	88
USD	49	-43	11	17
GBP	1	-118	1	-116
Other	-	-	-	-
TOTAL	**49**	**-291**	**231**	**-11**

Currency risk

NIBC manages its overall currency position based on the currency positions in the monthly balance sheets. The main exposures in foreign currencies for NIBC are USD and GBP. NIBC uses matched funding and other measures to apply its policy of not taking any currency positions. Any currency position which does show at month end is caused by movements in the fair value of assets or liabilities or interest income in foreign currencies and is hedged by entering into FX spot transactions. The total open foreign currency position, by nominal amount, was EUR 50 million at year-end 2015. This currency position is the position prior to hedging, which is always done shortly after month-end.

60 Liquidity risk

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

Maintaining a sound liquidity and funding profile is one of NIBC's most important risk management objectives. NIBC analyses its funding profile by mapping all assets and liabilities into time buckets that correspond to their maturities. Based on projections prepared by the business units and reviewed by Risk Management, and the current asset and liability maturity profiles, several liquidity stress tests are prepared and presented once every two weeks to the ALCO, in order to create continuous monitoring of the liquidity position.

Assumptions

One of the stress scenarios, the market-wide stress test, assumes a world-wide liquidity shortage in which no new market funding can be attracted by NIBC. Furthermore, it is assumed that assets cannot be sold, but that they can only be made liquid by making them eligible for collateralised and ECB funding. In addition, the following assumptions are made:

- In order to maintain NIBC's business franchise, it is assumed that new corporate loan production continues at a level where the current books are maintained constant;
- Conservative assumptions with respect to for example collateral cash outflows (payments from CSAs) and drawdowns of undrawn commitments are made; and
- A one notch downgrade is assumed.

The projection of NIBC's liquidity in this way is necessarily a subjective process and requires management to make assumptions about, for example, the fair value of eligible collateral and potential outflow of cash collateral placed by NIBC with derivative counterparties.

In light of these projections, NIBC is confident that sufficient liquidity is available to meet maturing obligations over the next 12 months.

Maturity calendar consolidated balance sheet

The following tables present the cash flows payable by NIBC in respect of non-derivative financial liabilities 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 assets relevant for managing liquidity risk are based on the fair value (discounted cash flows) for those assets which are classified at fair value through profit or loss or available-for-sale.

The differences between the table and the stress scenario are caused mainly by the following items that are included in the stress scenario analysis but not in the maturity calendar of the consolidated balance sheet:

- New asset production;
- Collateralised funding capacity of internal securitisations and individual bonds; and
- Conservative assumptions with respect to possible cash outflows (e.g. CSA collateral, callable funding).

60-1 Liquidity maturity calendar, 31 December 2015

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	-	75	287	9	242	216	829
Deposits from customers	-	4,552	965	2,963	2,386	720	11,586
Own debt securities in issue	-	-	67	285	1,589	1,109	3,050
Debt securities in issue related to securitised mortgages	-	-	3	-	49	2,010	2,062
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)							
Own debt securities in issue	-	-	-	-	1	-	1
Debt securities in issue structured	-	-	2	5	30	179	216
OTHER FINANCIAL LIABILITIES							
Other liabilities	-	-	-	92	-	-	92
Current tax	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	1	-	1
Employee benefits	-	-	-	-	-	4	4
SUBORDINATED LIABILITIES							
Amortised cost	-	-	-	-	2	118	120
Fair value through profit or loss	-	-	2	7	38	378	425
OTHER							
Liabilities held for sale	42	-	-	-	-	-	42
TOTAL LIABILITIES (excluding derivatives)	**42**	**4,627**	**1,326**	**3,361**	**4,338**	**4,734**	**18,428**
Estimated contractual interest cash flows	-	-	57	144	464	1,203	1,868
TOTAL LIABILITIES (excluding derivatives, including estimated contractual interest rate cash flows)	**42**	**4,627**	**1,383**	**3,505**	**4,802**	**5,937**	**20,296**
TOTAL ASSETS RELEVANT FOR MANAGING LIQUIDITY RISK AT FAIR VALUE (excluding derivatives and interest cash flows)	**1,537**	**1,356**	**355**	**859**	**4,909**	**11,875**	**20,891**

60-2 Liquidity maturity calendar, 31 December 2014

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	-	27	655	2	248	227	1,159
Deposits from customers	-	4,667	1,161	1,354	2,345	655	10,182
Own debt securities in issue	-	-	5	28	1,411	620	2,064
Debt securities in issue related to securitised mortgages	-	-	18	20	24	3,286	3,348
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)							
Own debt securities in issue	-	-	-	-	-	30	30
Debt securities in issue structured	-	-	7	40	139	608	794
OTHER FINANCIAL LIABILITIES							
Other liabilities	-	-	-	161	-	-	161
Current tax	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	4	4
SUBORDINATED LIABILITIES							
Amortised cost	-	-	-	-	3	64	67
Fair value through profit or loss	-	-	-	-	17	359	376
TOTAL LIABILITIES							
(excluding derivatives)	**-**	**4,694**	**1,846**	**1,605**	**4,187**	**5,853**	**18,185**
Estimated contractual interest cash flows	-	-	60	158	653	2,104	2,975
TOTAL LIABILITIES							
(excluding derivatives, including estimated contractual interest rate cash flows)	**-**	**4,694**	**1,906**	**1,763**	**4,840**	**7,957**	**21,160**
TOTAL ASSETS RELEVANT FOR MANAGING LIQUIDITY RISK AT FAIR VALUE (excluding derivatives and interest cash flows)	**2,028**	**1,122**	**407**	**970**	**4,230**	**11,490**	**20,247**

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 2015 and 2014. The amounts disclosed in the tables are the contractual undiscounted cash flows.

60-3 Liquidity maturity calendar of derivatives, 31 December 2015

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	457	1,295	3,112	1,463	6,327
Outflow	(483)	(1,301)	(2,950)	(1,000)	(5,734)
DERIVATIVES USED FOR HEDGING					
Interest rate derivatives (net settled)					
Inflow	14	61	82	6	163
Outflow	(8)	(48)	(102)	(7)	(165)
TOTAL INFLOW	**471**	**1,356**	**3,194**	**1,469**	**6,490**
TOTAL OUTFLOW	**(491)**	**(1,349)**	**(3,052)**	**(1,007)**	**(5,899)**

60-4 Liquidity maturity calendar of derivatives, 31 December 2014

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	265	521	1,533	1,542	3,861
Outflow	(285)	(532)	(1,535)	(1,088)	(3,440)
DERIVATIVES USED FOR HEDGING					
Interest rate derivatives (net settled)					
Inflow	16	63	128	19	226
Outflow	(9)	(48)	(130)	(14)	(201)
TOTAL INFLOW	**281**	**584**	**1,661**	**1,561**	**4,087**
TOTAL OUTFLOW	**(294)**	**(580)**	**(1,665)**	**(1,102)**	**(3,641)**

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.

60-5 Liquidity maturity calendar off-balance sheet, 31 December 2015

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	1,416	-	-	-	1,416
Committed facilities with respect to residential mortgages financing	407	-	-	-	407
Capital commitments	25	-	-	-	25
Guarantees granted	41	-	-	-	41
Irrevocable letters of credit	12	-	-	-	12
	1,901	**-**	**-**	**-**	**1,901**

60-6 Liquidity maturity calendar off-balance sheet, 31 December 2014

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	1,537	-	-	-	1,537
Committed facilities with respect to residential mortgages financing	373	-	-	-	373
Capital commitments	18	-	-	-	18
Guarantees granted	95	-	-	-	95
Irrevocable letters of credit	3	-	-	-	3
	2,026	**-**	**-**	**-**	**2,026**

61 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 EC approach. EC is the amount of capital which NIBC allocates as a buffer against potential losses from business activities, based upon its assessment of risks. The EC that NIBC allocates to each business is based on the assessment of risk of its activities. It differs from the CRR/CRDIV capital requirements, i.e. regulatory capital, as in certain cases NIBC assesses the specific risk characteristics of its business activities in a different way than the CRR/CRDIV method. Total regulatory capital however, in combination with a minimum benchmark Tier-1 ratio, does form a limit to the maximum amount of EC that can be allocated to the business.

Comparing the risk-based EC of each business to its profit delivers a RAROC for each business. EC and RAROC are key tools in NIBC's capital allocation and usage process, assisting in allocating shareholder's equity as efficiently as possible, based on expectations of both risks and return. Usage of EC is assessed once every two weeks in the ALCO. The ALCO resets the maximum allocation level of EC to and within each business, taking into account business expectations, NIBC's desired risk profile and the regulatory requirements.

Methodology

NIBC uses the business model of each activity as the basis for determining the EC 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 EC usage. A business model based on 'buy-to-hold' or investing to maturity leads to a credit risk approach being applied, based upon estimations of PD and LGD. Add-ons for operational risk and country risk are also calculated. Furthermore, NIBC allocates EC for business risk, reputation risk and model risk on a group-wide level.

The EC approach differs from the CRR/CRDIV approach in which only the trading books are assigned a market risk approach. In the CRR/CRDIV framework, activities that are not trading but have a business model based on distribution or investment for a limited period are often assigned a credit risk approach, following CRR/CRDIV regulations or regulatory industry practice, whereas in the EC framework NIBC applies a market risk approach similar to that of the trading activities. Risks and EC are monitored accordingly.

The main differences between the EC capital and CRR/CRDIV framework come from the Residential Mortgage portfolio, the Securitisations portfolio and NIBC's interest rate mismatch position. EC is determined by a market risk approach for these activities. The CRR/CRDIV approach is either a credit risk approach (residential mortgages and securitisations) or is not part of the CRR/CRD IV Pillar 1 at all (mismatch position).

Capital allocation

NIBC allocates EC to all its business activities in the form of limits set by the ALCO and calculates the amount of EC usage of each business based on the risk of its activities:

- For the Corporate Loan portfolio, NIBC calculates EC usage by means of a credit risk approach largely based upon the CRR regulatory capital formula and an add-on for concentration risk;
- For the Debt Investments and Trading portfolios, the Residential Mortgage portfolio and the interest rate mismatch position, NIBC uses a market risk approach to determine EC usage. EC usage for these portfolios is calculated using VaR, calculated with four years of historical data and scaled to a one-year horizon; and
- For the Investment loans, NIBC calculates EC usage by applying a credit approach based upon the CRR regulatory capital formula. NIBC uses fixed percentages for the equity investments.

CRR/CRDIV regulatory capital

The objective of CRR/CRDIV is to enhance the capital adequacy of the banking industry by making it more responsive to risk. CRR/CRDIV is structured on three pillars:

- Pillar 1 describes the capital adequacy requirements for three risk types; credit risk, market risk and operational risk;
- Pillar 2 describes the additional *supervisory review and evaluation process* (**SREP**), where regulators analyse the *internal capital adequacy assessment process* (**ICAAP**) of the individual banks. Since the end of 2011, Dutch Central Bank also analyses the *internal liquidity adequacy assessment process* (**ILAAP**); and
- In Pillar 3 the required risk reporting standards are displayed, supporting additional market discipline in the international capital markets.

Under CRR/CRDIV and subject to approval from the regulator, banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from 'standardised' to 'advanced'.

For credit risk, NIBC adopted the AIRB approach as further specified in CRR/CRDIV for its corporate, retail and institutional exposure classes. NIBC started using the AIRB approach at 1 January 2008. A small residue of exposures is measured on the standardised approach.

For market risk, NIBC adopted an internal model VaR approach.

For measuring operational risk, NIBC adopted the standardised approach, which is based on prescribed business-line activities.

The basis for Pillar 2 is NIBC's ICAAP, which is NIBC's self-assessment of risks not captured by Pillar 1, i.e. the link between NIBC's risk profile, its risk management and risk mitigation, and NIBC's capital planning.

Under Pillar 3, NIBC publishes its regulatory disclosures regarding its capital structure, capital adequacy, liquidity risk, risk management objectives/policies and risk-weighted assets each year.

The following table displays the composition of regulatory capital as at 31 December 2015 and 31 December 2014. The regulatory capital is based on the CRR/CRDIV scope of consolidation, calculated for NIBC Bank consolidated on a fully loaded base and including the full year net profit of the year. The full year net profit is included without permission of DNB. NIBC Bank complies with the CRR/CRDIV capital requirements, which formally requires a minimum Common Equity Tier-1 ratio (incl. capital buffer) of 7% and a Total Capital ratio (incl. capital buffer) of 10.5%.

IN EUR MILLIONS	**2015**	**2014**
TIER-1		
Called-up share capital	80	80
Share premium	237	237
Eligible reserves	1,519	1,452
Regulatory adjustments	(259)	(274)
COMMON EQUITY TIER-1 CAPITAL	**1,577**	**1,495**
Additional Tier-1 capital	-	-
TOTAL TIER-1 CAPITAL	**1,577**	**1,495**
TIER-2		
Qualifying subordinated liabilities	449	370
TOTAL TIER-2 CAPITAL	**449**	**370**
TOTAL BIS-CAPITAL	**2,026**	**1,865**

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COMPANY FINANCIAL STATEMENTS

Notes to the company financial statements

Company income statement

for the year ended 31 December

IN EUR MILLIONS	NOTE	2015	2014
Results of participating interests after tax	6	89	107
Other results after tax		(18)	(83)
NET PROFIT FOR THE YEAR		**71**	**24**

Company statement of comprehensive income

for the year ended 31 December

	2015			2014		
IN EUR MILLIONS	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
PROFIT FOR THE YEAR	**78**	**7**	**71**	**30**	**6**	**24**
OTHER COMPREHENSIVE INCOME						
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS						
Remeasurements of defined-benefit plans	-	-	-	(10)	(2)	(8)
Revaluation of property, plant and equipment	-	-	-	-	-	-
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS						
Net result on cash flow hedging instruments	(16)	(4)	(12)	19	2	17
Revaluation of equity investments	2	-	2	6	1	5
Revaluation of debt investments	(7)	(2)	(5)	9	3	6
TOTAL OTHER COMPREHENSIVE INCOME	**(21)**	**(6)**	**(15)**	**24**	**4**	**20**
TOTAL COMPREHENSIVE INCOME	**57**	**1**	**56**	**54**	**10**	**44**

Company balance sheet

before profit appropriation, at 31 December

IN EUR MILLIONS	NOTE	2015	2014
Assets			
Cash and balances with central banks	1	660	426
Due from other banks	2	1,446	1,965
Loans and receivables	3	19,488	14,274
Interest-bearing securities	4	1,334	1,297
Equity investments	5	-	2
Participating interests in group companies	6	1,074	986
Property, plant and equipment	7	32	24
Assets held under financial lease	8	-	-
Derivative financial instruments	9	2,635	3,445
Prepayments and accrued income	10	66	76
TOTAL ASSETS		**26,735**	**22,495**

IN EUR MILLIONS	NOTE	2015	2014
Liabilities and equity			
Due to other banks	11	843	1,202
Deposits from customers	12	17,273	12,787
Debt securities	13	3,839	2,971
Other liabilities	14	50	55
Derivative financial instruments	9	2,425	3,308
Provisions	15	20	25
SUBORDINATED LIABILITIES			
Amortised cost	16	119	63
Fair value through profit or loss	17	280	253
TOTAL LIABILITIES		**24,849**	**20,664**
SHAREHOLDER'S EQUITY			
Share capital	18	80	80
OTHER RESERVES			
Share premium	18	238	238
Hedging reserve	18	49	61
Revaluation reserve	18	11	19
Retained earnings		1,437	1,409
Net profit		71	24
TOTAL PARENT SHAREHOLDER'S EQUITY		**1,886**	**1,831**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**26,735**	**22,495**
Contingent liabilities	20	39	97
Irrevocable facilities	20	1,358	1,341

Company statement of changes in shareholder's equity

IN EUR MILLIONS	Attributable to parent shareholder						
	Share capital	Other reserves[1]	Retained earnings	Remeasurements of defined-benefit plans	Net profit	Distribution charged to profit	Total shareholder's equity
BALANCE AT 1 JANUARY 2014	**80**	**294**	**1,417**	**(9)**	**22**	**(16)**	**1,788**
Transfer of net profit 2013 to retained earnings	-	-	6	-	(22)	16	-
Total comprehensive income for the year ended 31 December 2014	-	28	-	(8)	24	-	44
Net investment hedge foreign currency	-	-	(2)	-	-	-	(2)
Transfer of defined benefit plans	-	-	(17)	17	-	-	-
Transfer of realised depreciation revalued Property, plant and equipment	-	(4)	5	-	-	-	1
BALANCE AT 31 DECEMBER 2014	**80**	**318**	**1,409**	**-**	**24**	**-**	**1,831**

IN EUR MILLIONS	Attributable to parent shareholder						
	Share capital	Other reserves[1]	Retained earnings	Remeasurements of defined-benefit plans	Net profit	Distribution charged to profit	Total shareholder's equity
BALANCE AT 1 JANUARY 2015	**80**	**318**	**1,409**	**-**	**24**	**-**	**1,831**
Transfer of net profit 2014 to retained earnings	-	-	24	-	(24)	-	-
Total comprehensive income for the year ended 31 December 2015	-	(15)	-		71	-	56
Transfer of realised depreciation revalued Property, plant and equipment	-	(5)	5	-	-	-	-
Other	-	-	(1)	-	-	-	(1)
BALANCE AT 31 DECEMBER 2015	**80**	**298**	**1,437**	**-**	**71**	**-**	**1,886**

[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 of
Book 2 of the Netherlands Civil Code. NIBC applies the provisions in Section 362, paragraph 8, Title 9 of Book 2 of the Netherlands Civil Code that make it possible to prepare the company financial statements in accordance with the accounting policies (including those for the presentation of financial instruments as equity or liability) used in its consolidated financial statements.

The company financial statements are presented in euros rounded to the nearest million. The euro is the functional and presentation currency of NIBC. Under Section 402 of Title 9 of 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 Subsidiaries section in the basis of consolidation in the notes to the consolidated financial statements, are measured at net asset value. Net asset value is determined by measuring the assets, provisions, liabilities and income based on the accounting policies used in the consolidated financial statements. The company's share of its 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 amount of the interest in the group company (including separately presented goodwill, if any, and including other unsecured receivables), further losses are not recognised unless the company has incurred obligations or made payments on behalf of the group company to satisfy obligations of the group company. In such a situation, NIBC recognises a provision up to the extent of its obligation.

NOTES

to the company financial statements

1 Cash and balances with central banks

IN EUR MILLIONS	2015	2014
Cash and balances with central banks	660	426
	660	**426**
CASH AND BALANCES WITH CENTRAL BANKS CAN BE CATEGORISED AS FOLLOWS:		
Receivable on demand	527	329
Not receivable on demand	133	97
	660	**426**
THE LEGAL MATURITY ANALYSIS OF CASH AND BALANCES WITH CENTRAL BANKS NOT RECEIVABLE ON DEMAND IS AS FOLLOWS:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	7	5
Longer than five years	-	-
Assets with central banks due to mandatory reserve deposits	126	92
	133	**97**

Cash and balances with central banks included EUR 608 million on the current account balance held with Dutch Central Bank (2014: EUR 383 million).

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	2015	2014
Current accounts	230	279
Deposits with other banks	1,137	1,634
Due from group companies	79	52
	1,446	**1,965**
DUE FROM OTHER BANKS CAN BE CATEGORISED AS FOLLOWS:		
Receivable on demand	312	331
Cash collateral placements posted under CSA agreements	1,128	1,620
Not receivable on demand	6	14
	1,446	**1,965**
THE LEGAL MATURITY ANALYSIS OF DUE FROM OTHER BANKS NOT RECEIVABLE ON DEMAND IS AS FOLLOWS:		
Three months or less	-	1
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	3	9
Longer than five years	3	4
	6	**14**

There were no subordinated loans outstanding due from other banks in 2015 and 2014.

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 2015 and 2014 on the amounts due from other banks.

NIBC transacted several reverse repurchase transactions with third parties. The related disclosures are included in note 49 Repurchase and resale agreements and transferred financial assets of the consolidated financial statements.

3 Loans and receivables

IN EUR MILLIONS	2015	2014
Loans - amortised cost	5,860	5,691
Loans - fair value through profit or loss	433	541
Group companies - amortised cost	13,195	8,042
	19,488	**14,274**
THE LEGAL MATURITY ANALYSIS OF LOANS AND RECEIVABLES IS AS FOLLOWS:		
Three months or less	4,269	2,255
Longer than three months but not longer than one year	967	781
Longer than one year but not longer than five years	8,004	4,522
Longer than five years	6,248	6,716
	19,488	**14,274**
THE MOVEMENT IN IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	159	97
Additional allowances	78	100
Write-offs / disposals	(51)	(20)
Amounts released	(26)	(9)
Unwinding of discount adjustment	(5)	(10)
Other (including exchange differences)	3	1
BALANCE AT 31 DECEMBER	**158**	**159**

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 was reclassified to the loans category at amortised cost as at 1 July 2008. The impairments at 31 December 2015, related to the available-for-sale loans reclassified to the loans category at amortised cost on 1 July 2008, amounted to EUR 14 million (31 December 2014: EUR 28 million).

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 2015, then the carrying amount would have changed at the balance sheet date by EUR 55 million (2014: nil) excluding group companies. 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 7,298 million (2014: EUR 7,031 million), excluding the group companies.

As per 31 December 2015, EUR 10 million (2014: EUR 12 million) was guaranteed by the Dutch State.

The total amount of subordinated loans in this item was EUR 63 million in 2015 (2014: EUR 53 million), of which nothing was guaranteed by the Dutch State in 2015 and 2014. No subordinated loans are included with respect to group companies.

For the impact of the reclassifications following 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 2015 of NIBC.

Impairment losses of loans at amortised cost are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

As a policy, NIBC does not provide loans to its executives.

4 Interest-bearing securities

IN EUR MILLIONS	2015	2014
Amortised cost	278	315
Available-for-sale	1,037	945
Fair value through profit or loss	7	6
Held for trading	12	31
	1,334	**1,297**

The previous table 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	2015	2014
INTEREST-BEARING SECURITIES AT AMORTISED COST, AVAILABLE-FOR-SALE AND DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS CAN BE CATEGORISED AS FOLLOWS:		
Listed	1,178	1,147
Unlisted	144	119
	1,322	**1,266**
THE LEGAL MATURITY ANALYSIS OF INTEREST-BEARING SECURITIES AT AMORTISED COST, AVAILABLE-FOR-SALE AND DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS IS AS FOLLOWS:		
Three months or less	20	17
Longer than three months but not longer than one year	80	29
Longer than one year but not longer than five years	408	349
Longer than five years	814	871
	1,322	**1,266**
THE MOVEMENT IN INTEREST-BEARING SECURITIES AT AMORTISED COST, AVAILABLE-FOR-SALE AND DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**1,266**	**1,873**
Additions	656	545
Disposals (sale and/or redemption)	(602)	(1,177)
Impairments and changes in fair value	(19)	3
Exchange differences	21	22
BALANCE AT 31 DECEMBER	**1,322**	**1,266**

Subordinated assets included in interest-bearing securities amounted to EUR 19 million (2014: EUR 22 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 2015 included in the balance sheet amount (designated at fair value through profit or loss) at 31 December 2015 relating to the movement in credit spreads amounted to EUR 1 million (2014: EUR 1 million credit).

If NIBC had fair valued the interest bearing securities classified as amortised cost, then the balance sheet amount would have decreased at the balance sheet date by EUR 1 million (2014: EUR 17 million). This decrease reflects both changes due to interest rates and credit spreads.
In 2015, impairments on interest bearing assets amounted to EUR 16 million (2014: EUR 2 million).
As at 1 July 2008, certain debt investments from the available-for-sale and held for trading category were reclassified to debt investments at amortised cost.

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 the notes to the consolidated financial statements of NIBC.

5 Equity investments

IN EUR MILLIONS	2015	2014
Available-for-sale	-	2
Fair value through profit or loss	-	-
	-	**2**
EQUITY INVESTMENTS CAN BE CATEGORISED AS FOLLOWS:		
Listed	-	-
Unlisted	-	2
	-	**2**
THE MOVEMENT IN EQUITY INVESTMENTS AT AVAILABLE-FOR-SALE MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**2**	**2**
Disposals (sale and/or capital repayments)	(4)	(1)
Gains/(losses) from changes in fair value	2	1
BALANCE AT 31 DECEMBER	**-**	**2**
THE MOVEMENT IN IMPAIRMENT LOSSES ON EQUITY INVESTMENTS AT AVAILABLE-FOR-SALE:		
BALANCE AT 1 JANUARY	**-**	**-**
Write-offs	-	-
BALANCE AT 31 DECEMBER	**-**	**-**
THE MOVEMENT IN EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**-**	**-**
Additions	-	1
Disposals (sale and/or capital repayments)	-	(2)
Gains/(losses) from changes in fair value	-	1
BALANCE AT 31 DECEMBER	**-**	**-**

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	2015	2014
Participating interests in group companies	1,074	986
	1,074	**986**
THE MOVEMENT IN PARTICIPATING INTERESTS IN GROUP COMPANIES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**986**	**695**
Purchases and investments	-	182
Disposals	(4)	-
Revaluation	3	4
Results of group companies	89	107
Exchange differences	-	(2)
BALANCE AT 31 DECEMBER	**1,074**	**986**

The group companies are unlisted. Participating interests in group companies are measured at net asset value.

7 Property, plant and equipment

IN EUR MILLIONS	2015	2014
Land and buildings (in own use) / lease hold improvements	27	20
Other fixed assets	5	4
	32	**24**
THE MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**24**	**12**
Additions	13	2
Revaluations	-	1
Transferred from assets held under financial lease	-	14
Depreciation	(5)	(5)
BALANCE AT 31 DECEMBER	**32**	**24**
THE ACCUMULATED DEPRECATION IN PROPERTY, PLANT AND EQUIPMENT CAN BE CATEGORISED AS FOLLOWS:		
Land and buildings (in own use)/leasehold improvements	34	32
Other fixed assets	18	15
	52	**47**

For information about insurance of property, plant and equipment please see note 30 of the consolidated financial statements.

The additions of EUR 13 million in 2015 are related to building renovation of EUR 9 million and investments in equipment of EUR 4 million.

There is no property, plant and equipment pledged as security for liabilities.

There were no contractual commitments for the acquisition of property, plant and equipment at 31 December 2015 and 31 December 2014.

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 2015 based on an external appraisal carried out in December 2014.

8 Assets held under financial lease

IN EUR MILLIONS	2015	2014
Assets held under financial lease	-	-
	-	**-**
THE MOVEMENT IN ASSETS HELD UNDER FINANCIAL LEASE MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**-**	**14**
Transferred to property, plant and equipment	-	(14)
Depreciation	-	-
BALANCE AT 31 DECEMBER	**-**	**-**

9 Derivative financial instruments

IN EUR MILLIONS	2015	2014
DERIVATIVE FINANCIAL ASSETS		
Derivative financial assets used for hedge accounting	168	187
Derivative financial assets - other	2,467	3,258
	2,635	**3,445**
DERIVATIVE FINANCIAL LIABILITIES		
Derivative financial liabilities used for hedge accounting	45	37
Derivative financial liabilities - other	2,380	3,271
	2,425	**3,308**

Derivative financial assets and liabilities used for hedge accounting are derivatives designated in hedge accounting relationships as defined in IAS 39.

The derivatives financial assets and liabilities in the category "other" are classified as held for trading according to IAS 39.

The derivatives in this category consist of:

- Interest rate swaps to hedge the interest rate risk of the mortgage portfolio;
- Interest rate swaps to transform fixed rate funding into floating rate funding;
- FX and cross-currency swaps to fund the non-euro loans to customers or to transform non-euro funding into euros;
- Client-driven derivative transactions and hedges resulting from this activity; and
- Limited money market trading.

Economically all these derivatives, with the exception of the limited proprietary trading, are used to hedge interest rate or FX risk. The limited proprietary trading is controlled by a small facilitating VAR limit of EUR 2.25 million. For further details see note 59 Market risk of the consolidated financial statements.

Derivative financial instruments used for hedge accounting at 31 December 2015

	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**
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE HEDGES OF INTEREST RATE RISK						
OTC PRODUCTS:						
Interest rate swaps	20	4,898	2,115	7,033	120	44
Interest currency rate swaps	-	-	17	17	6	-
	20	**4,898**	**2,132**	**7,050**	**126**	**44**
DERIVATIVES ACCOUNTED FOR AS CASH FLOW HEDGES OF INTEREST RATE RISK						
OTC PRODUCTS:						
Interest rate swaps	25	1,142	976	2,143	42	1
	25	**1,142**	**976**	**2,143**	**42**	**1**
TOTAL DERIVATIVES USED FOR HEDGE ACCOUNTING	**45**	**6,040**	**3,108**	**9,193**	**168**	**45**

Derivative financial instruments used for hedge accounting at 31 December 2014

	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**
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE HEDGES OF INTEREST RATE RISK						
OTC PRODUCTS:						
Interest rate swaps	86	247	3,636	3,969	139	37
Interest currency rate swaps	-	6	17	23	6	-
	86	**253**	**3,653**	**3,992**	**145**	**37**
DERIVATIVES ACCOUNTED FOR AS CASH FLOW HEDGES OF INTEREST RATE RISK						
OTC PRODUCTS:						
Interest rate swaps	-	-	1,639	1,639	42	-
	-	**-**	**1,639**	**1,639**	**42**	**-**
TOTAL DERIVATIVES USED FOR HEDGE ACCOUNTING	**86**	**253**	**5,292**	**5,631**	**187**	**37**

Derivative financial instruments - other at 31 December 2015

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	3,978	44,756	19,547	68,281	2,369	2,301
Interest rate options (purchase)	-	414	45	459	2	-
Interest rate options (sale)	-	620	54	674	-	2
	3,978	**45,790**	**19,646**	**69,414**	**2,371**	**2,303**
CURRENCY DERIVATIVES						
OTC PRODUCTS:						
Interest currency rate swaps	207	2,776	32	3,015	75	55
Currency/cross-currency swaps	203	-	-	203	6	1
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)	**410**	**2,776**	**32**	**3,218**	**81**	**56**
OTC PRODUCTS:						
Credit default guarantees given	14	-	-	14	-	1
Credit default guarantees received	10	-	-	10	-	-
Other swaps	28	-	37	65	15	20
	52	**-**	**3**	**89**	**15**	**21**
TOTAL DERIVATIVES - OTHER	**4,440**	**48,566**	**19,681**	**72,721**	**2,467**	**2,380**

Derivative financial instruments - other at 31 December 2014

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	3,755	11,482	60,673	75,910	3,227	3,079
Interest rate options (purchase)	-	-	257	257	2	-
Interest rate options (sale)	10	11	246	267	-	2
	3,765	**11,493**	**61,176**	**76,434**	**3,229**	**3,081**
CURRENCY DERIVATIVES						
OTC PRODUCTS:						
Interest currency rate swaps	188	644	1,974	2,806	11	169
Currency/cross-currency swaps	110	-	-	110	7	-
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)	**298**	**644**	**1,974**	**2,916**	**18**	**169**
OTC PRODUCTS:						
Credit default guarantees given	19	-	-	19	-	1
Credit default guarantees received	24	-	-	24	-	-
Other swaps	-	-	36	36	11	20
Other OTC	-	1	-	1	-	-
	43	**1**	**36**	**80**	**11**	**21**
TOTAL DERIVATIVES - OTHER	**4,106**	**12,138**	**63,186**	**79,430**	**3,258**	**3,271**

Fair value hedges of interest rate risk

The interest rate risk of financial assets with a fixed interest rate classified at available-for-sale or at amortised costs are hedged with interest rate swaps under which NIBC pays a fixed rate and receives floating rates. Fair value hedge accounting is applied to these hedge relationships.

Interest rate swaps under which NIBC pays a floating rate and receives a fixed rate are used in fair value hedges of fixed-interest rate liabilities (as far as not held for trading purposes or designated at fair value through profit or loss).

The following table discloses the fair value of the swaps designated in fair value hedging relationships:

IN EUR MILLIONS		2015	2014
Fair value pay - fixed swaps (hedging assets)	**assets**	3	-
Fair value pay - fixed swaps (hedging assets)	**liabilities**	(34)	(37)
		(31)	**(37)**
Fair value pay - floating swaps (hedging liabilities)	**assets**	123	145
Fair value pay - floating swaps (hedging liabilities)	**liabilities**	(10)	-
		113	**145**

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		2015	2014
Fair value receive - fixed swaps	**assets**	42	42
Fair value receive - fixed swaps	**liabilities**	-	-
		42	**42**
Fair value receive - floating swaps	**assets**	-	-
Fair value receive - floating swaps	**liabilities**	-	-
		-	**-**

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

IN EUR MILLIONS		2015	2014
Fair value pay swaps	**assets**	126	145
Fair value receive swaps	**assets**	42	42
		168	**187**
Fair value pay swaps	**liabilities**	(44)	(37)
Fair value receive swaps	**liabilities**	-	-
		(44)	**(37)**

The average remaining maturity (within which the related cash flows are expected to enter into the determination of profit and loss) is four years (2014: five years).

10 Prepayments and accrued income

IN EUR MILLIONS	2015	2014
Accrued interest	-	1
Current tax	-	2
Deferred tax assets	23	24
Accrued income and prepayments	43	49
	66	**76**

IN EUR MILLIONS	2015	2014
Deferred tax assets	23	24
Deferred tax liabilities[1]	(17)	(22)
	6	**2**

[1] Deferred tax liabilities as disclosed in note 15 Provisions.

IN EUR MILLIONS	2015	2014
THE AMOUNTS OF DEFERRED INCOME TAX ASSETS, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, WERE AS FOLLOWS:		
Debt securities	2	-
Remeasurements of defined-benefit plans	-	-
Tax losses carried forward	23	24
	25	**24**
THE AMOUNTS OF DEFERRED INCOME TAX LIABILITIES, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, WERE AS FOLLOWS:		
Equity investments	-	-
Cash flow hedges	17	20
Property, plant and equipment	2	2
Net investment hedge foreign currency	-	-
	19	**22**
	6	**2**

IN EUR MILLIONS	2015	2014
THE GROSS MOVEMENT ON THE DEFERRED INCOME TAX ACCOUNT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**2**	**10**
EMPLOYEE BENEFIT OBLIGATIONS:		
Charged/(credited) to the remeasurements of defined-benefit plans	-	(3)
DEBT INVESTMENTS (REPORTED AS AVAILABLE-FOR-SALE):		
Fair value remeasurement charged/(credited) to revaluation reserve	2	(2)
PROPERTY, PLANT AND EQUIPMENT (REPORTED AT FAIR VALUE):		
Fair value remeasurement (charged)/credited to revaluation reserve	-	1
CASH FLOW HEDGES:		
Fair value remeasurement charged/(credited) to hedging reserve	3	(4)
NET INVESTMENT HEDGE		
Fair value remeasurement charged/(credited) to currency revaluation reserve	-	2
Tax losses carried forward	(1)	(2)
BALANCE AT 31 DECEMBER	**6**	**2**

The deferred tax asset is recognised to the extent that taxable profit will be available against which the temporray difference can be utilised.

11 Due to other banks

IN EUR MILLIONS	2015	2014
Due to other banks	843	1,202
	843	**1,202**
DUE TO OTHER BANKS CAN BE CATEGORISED AS FOLLOWS:		
Payable on demand	67	74
Not payable on demand	776	1,128
	843	**1,202**
THE LEGAL MATURITY ANALYSIS OF DUE TO OTHER BANKS NOT PAYABLE ON DEMAND IS AS FOLLOWS:		
Three months or less	314	655
Longer than three months but not longer than one year	5	-
Longer than one year but not longer than five years	241	246
Longer than five years	216	227
	776	**1,128**

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 note 19 Repurchase and resale agreements and transferred financial assets.

At 31 December 2015, an amount of EUR 188 million (2014: EUR 268 million) related to cash collateral received from third parties.

12 Deposits from customers

IN EUR MILLIONS	2015	2014
Deposits from customers	17,273	12,787
	17,273	**12,787**
DEPOSITS FROM CUSTOMERS CAN BE CATEGORISED AS FOLLOWS:		
Certificates of deposits	4,600	4,658
Due to customers	12,673	8,129
	17,273	**12,787**
DEPOSITS FROM CUSTOMERS CAN BE CATEGORISED AS FOLLOWS:		
Payable on demand	4,550	4,658
Not payable on demand	12,723	8,129
	17,273	**12,787**
THE LEGAL MATURITY ANALYSIS OF DEPOSITS FROM CUSTOMERS NOT PAYABLE ON DEMAND IS AS FOLLOWS:		
Three months or less	4,438	2,861
Longer than three months but not longer than one year	3,285	1,428
Longer than one year but not longer than five years	3,877	2,941
Longer than five years	1,123	899
	12,723	**8,129**

Interest is recognised in interest expense and similar charges on an effective interest basis.

The balance sheet item included EUR 6,901 million (2014: EUR 3,653 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.

13 Debt securities

IN EUR MILLIONS	2015	2014
Bonds and notes issued - amortised costs	3,052	2,055
Bonds and notes issued - fair value through profit or loss	739	858
Fair value hedge adjustment on amortised cost bonds and notes issued	48	58
	3,839	**2,971**
THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IS AS FOLLOWS:		
Three months or less	68	16
Longer than three months but not longer than one year	338	68
Longer than one year but not longer than five years	1,755	1,604
Longer than five years	1,678	1,283
	3,839	**2,971**

The balance sheet item includes debentures and other negotiable fixed-income debt investments, other than subordinated items.

14 Other liabilities

IN EUR MILLIONS	2015	2014
Interest	6	6
Accruals	19	24
Payables	25	25
	50	**55**

15 Provisions

IN EUR MILLIONS	2015	2014
Deferred tax liabilities	17	22
Employee benefits	3	3
	20	**25**

The movement in deferred tax is disclosed in note 10 Prepayments and accrued income.

16 Subordinated liabilities - amortised cost

IN EUR MILLIONS	2015	2014
Subordinated loans	119	63
	119	**63**
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS AS FOLLOWS:		
One year or less	-	-
Longer than one year but not longer than five years	-	1
Longer than five years but not longer than ten years	51	-
Longer than ten years	68	62
	119	**63**

All of the above loans are subordinated to the other liabilities of NIBC. Due to new CRR/CRDIV requirements regarding additional Tier-1 capital instruments, non-qualifying subordinated loans amounted to EUR 56 million (2014: EUR 50 million). Interest expense of EUR 4 million was recognised on subordinated liabilities during the year 2015 (2014: EUR 2 million). In 2015, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item (2014: nil).

The subordinated liabilities reflect five transactions (2014: four transactions), of which the largest three total EUR 118 million (2014 largest three: EUR 62 million).

17 Subordinated liabilities - designated at fair value through profit or loss

IN EUR MILLIONS	2015	2014
Non-qualifying as grandfathered additional Tier-1 capital	172	152
Subordinated loans other	108	101
	280	**253**
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS AS FOLLOWS:		
One year or less	17	-
Longer than one year but not longer than five years	1	16
Longer than five years but not longer than ten years	-	-
Longer than ten years	262	237
	280	**253**

The non-qualifying and grandfathered additional Tier-1 capital consists of perpetial securities and may be redeemed by NIBC only with the prior approval of the DNB. Interest expense of EUR 17 million was recognised on subordinated liabilities during the year 2015 (2014: EUR 18 million). In 2015, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item (2014: nil).

The subordinated liabilities reflect eight transactions (2014: eight transactions), of which the largest three total EUR 196 million (2014 largest three: EUR 175 million).

18 Shareholder's equity

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

Share capital

IN EUR MILLIONS	2015	2014
Paid-up capital	80	80
	80	**80**

	2015	2014
THE NUMBER OF AUTHORISED SHARES IS SPECIFIED AS FOLLOWS:		
Number of authorised shares[1]	183,597,500	183,597,500
Number of shares issued and fully paid[2]	62,586,794	62,586,794
Par value per A-share	1.28	1.28
Par value per (B,C,D,E1-E3) preference share	1.00	1.00
Par value per (E4) preference share	5.00	5.00

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

2 The shares issued and fully paid consist of A-shares.

Other reserves

IN EUR MILLIONS	2015	2014
OTHER RESERVES ARE COMPRISED OF:		
Share premium	238	238
Hedging reserve - cash flow hedges	49	61
Revaluation reserve - equity investments (available-for-sale)	9	7
Revaluation reserve - debt securities (available-for-sale)	(6)	(1)
Revaluation reserve - property, plant and equipment	8	13
	298	**318**

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserves	Remeasurements of defined-benefit plans	Total
BALANCE AT 1 JANUARY 2014	**238**	**44**	**12**	**(9)**	**285**
Net result on cash flow hedging instruments	-	17	-	-	17
Revaluation of equity investments (net of tax)	-	-	6	-	6
Revaluation of debt securities (net of tax)	-	-	6	-	6
Revaluation of property, plant and equipment (net of tax)	-	-	-	-	-
Remeasurements of defined-benefit plans	-	-	-	(8)	(8)
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	**-**	**17**	**12**	**(8)**	**21**
Transfer to retained earnings	-	-	(5)	17	12
BALANCE AT 31 DECEMBER 2014	**238**	**61**	**19**	**-**	**318**

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserves	Remeasurements of defined-benefit plans	Total
BALANCE AT 1 JANUARY 2015	**238**	**61**	**19**	**-**	**318**
Net result on cash flow hedging instruments	-	(12)	-	-	(12)
Revaluation of equity investments (net of tax)	-	-	2	-	2
Revaluation of debt securities (net of tax)	-	-	(5)	-	(5)
Revaluation of property, plant and equipment (net of tax)	-	-	-	-	-
Remeasurements of defined-benefit plans	-	-	-	-	-
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	**-**	**(12)**	**(3)**	**-**	**(15)**
Transfer to retained earnings	-	-	(5)	-	(5)
BALANCE AT 31 DECEMBER 2015	**238**	**49**	**11**	**-**	**298**

If NIBC had not reclassified financial assets in 2008, additional fair value gains recognised for the year 2015 in the income statement and additional gains recognised in the revaluation reserve in shareholder's equity would have amounted to nil (2014: net of tax gain of EUR 14 million) and a net tax gain of EUR 4 million (2014: net of tax gain of EUR 6 million) respectively. Impairment charges would have amounted to nil for these assets that were reclassified out of available-for-sale into loans and receivables. For more information, see note 47 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 2015, retained earnings and net profit attributable to the parent shareholder included unrealised fair value changes on residential mortgages (own book and securitised), certain non-listed trading assets, derivatives related to residential mortgages (own book and securitised) and these non-listed trading assets, and on associates designated at fair value through profit or loss and liabilities designated at fair value through profit or loss. With respect to unrealised fair value gains arising on these instruments, a statutory reserve of EUR 217 million (2014: EUR 247 million) has been established and included in other reserves. At the balance sheet date, no further statutory reserve had been established for 2015 or 2014 for associates measured using the net equity method. At the reporting date, the statutory reserve for currency translation differences was nil for both 2015 and 2014.

Including the revaluation and hedging reserves displayed in note 45 of the consolidated financial statements, total legal reserves at 31 December 2015 amount to EUR 284 million (2014: EUR 328 million).

19 Repurchase and resale agreements and transferred financial assets

For a specification of the Repurchase and resale agreements and transferred financial assets, see note 49 of the consolidated financial statements.

20 Commitments and contingent assets and liabilities

At any time, NIBC has outstanding commitments to extend credit. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months. Commitments extended to customers relating 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 residential 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	2015	2014
CONTRACT AMOUNT:		
Undrawn facilities and capital commitments	1,358	1,341
Guarantees and letters of credit	39	97
	1,397	**1,438**

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 50 of the consolidated financial statements.

Guarantees within the meaning of Section 403 Title 9 of Book 2, of the Netherlands Civil Code have been given on behalf of De Nationale Maatschappij voor Industriële Financieringen B.V., Parnib Holding N.V. and B.V. NIBC Mortgage Backed Assets. A complete list of the companies on behalf of which NIBC has given guarantees within the meaning of Section 403 Title 9 of Book 2, of the Netherlands Civil Code has been filed with the Chamber of Commerce in The Hague.

NIBC is, together with other group companies and participating interests, a member of one fiscal entity NIBC Holding N.V. Besides NIBC Bank N.V. and NIBC Holding N.V., the principal other members are B.V. NIBC Mortgage Backed Assets, Parnib Holding N.V., Vredezicht 's-Gravenhage 110 B.V. and NIBC Principal Investments Mezzanine B.V.

21 Assets pledged as security

For a specification of the assets pledged as security, please see note 51 of the consolidated financial statements.

22 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 2015, the total assets held by NIBC on behalf of customers were EUR 1,703 million (2014: EUR 1,732 million).

23 Related party transactions

For a specification of the related party transactions, see note 54 of the consolidated financial statements.

24 Principal subsidiaries and associates

For a specification of the principal subsidiaries and associates, see note 55 of the consolidated financial statements.

25 Financial risk management

Please see notes 58 to 60 of the consolidated financial statements, for NIBC's risk management policies.

26 Number of employees

The number of FTEs increased from 548 at 31 December 2014 to 556 at 31 December 2015.

27 Remuneration

For the remuneration of the Statutory Board members and Supervisory Board members, see notes 8 and 57 of the consolidated financial statements.

At 31 December 2015 and 31 December 2014, there were no receivables outstanding with current and former members of the Statutory Board and Supervisory Board.

28 Profit appropriation

List of Principal Participating Interests of NIBC

NIBC Bank Deutschland AG, Frankfurt	100%
Parnib Holding N.V., The Hague	100%
Counting House B.V., The Hague	100%
B.V. NIBC Mortgage Backed Assets, The Hague	100%
NIBC Principal Investments B.V., The Hague	100%
NIBC Financing N.V., The Hague	100%

Profit appropriation

IN EUR MILLIONS	**2015**
Result available for shareholder's distribution	71
	71

IN EUR MILLIONS	**2015**
Interim dividend paid 2015	-
Proposed final dividend 2015	-
Transferred to retained earnings	71
	71

29 Subsequent events

Disposal of subsidiaries (non-financial companies)

On 17 February 2016 NIBC has reached conditional agreement on the sale of Olympia Nederland Holding B.V., classified under Disposal group held for sale as from 30 September 2015, to a third party. The sale is subject to a number of conditions precedent which have not been fulfilled yet.

The Hague, 8 March 2016

Managing Board

Paulus de Wilt, *Chief Executive Officer, Chairman*
Herman Dijkhuizen, *Chief Financial Officer*
Rob ten Heggeler, *Chief Client Officer*
Petra van Hoeken, *Chief Risk Officer*

Supervisory Board

Mr. W.M. van den Goorbergh, Chairman
Mr. D.R. Morgan, Vice-Chairman
Mr. M.J. Christner
Mr. J.C. Flowers
Mr. D.M. Sluimers
Mr. A. de Jong
Ms. S.A. Rocker
Ms. K.M.C.Z. Steel
Mr. A.H.A. Veenhof

OTHER INFORMATION

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AUDITOR'S REPORT

Independent auditor's report

To: the general meeting and supervisory board of NIBC Bank N.V.

Report on the financial statements 2015

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of NIBC Bank N.V. as at 31 December 2015 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of NIBC Bank N.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of NIBC Bank N.V., The Hague ('the company'). The financial statements include the consolidated financial statements of NIBC Bank N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2015;
- the following statements for 2015: the consolidated income statement and the consolidated statements of comprehensive income, changes in shareholder's equity and cash flows; 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 2015;
- the company profit and loss account for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

Ref.: e0374759

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The basis for our opinion

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

We are independent of NIBC Bank N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Our audit approach

Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management that may represent a risk of material misstatement due to fraud.

In our audit we considered the areas that are relevant in the audit of a bank. On this basis, we focussed on the main activities of the bank, which comprise of the corporate banking and consumer banking activities, treasury, asset liability management, risk management and the IT environment.
We ensured that the audit teams, both at group and at component levels, included the appropriate skills and competences which are needed for the audit of such operations. We, therefore, included valuation experts, IT specialists, share-based payments experts, real estate experts, tax experts and regulatory specialists in our audit team.

Materiality

- Overall materiality: €3.9 million which represents 5% of profit before tax.

Audit scope

- We conducted audit work at three entities, being NIBC Bank N.V., NIBC Bank Deutschland AG and Olympia Nederland Holding B.V. Visits were conducted twice to the NIBC Bank Deutschland AG and once to the Olympia Nederland Holding B.V. component audit teams.

Key audit matters

- Impairment of corporate loans.
- Valuation of residential mortgages.
- Valuation of own liabilities.

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Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibility for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€3.9 million (2014: €2.5 million).
How we determined it	5% of profit before tax. In last year's audit the materiality level was determined at 5% of the average profit over the last three years (due to volatility of profits in prior years). Considering the increased and stabilising profits, we reassessed our approach and determined that profit before tax of the year is an appropriate benchmark.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that profit before tax is an important metric for the financial performance of the company.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €2.5 million and €3.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €190,000 (2014: €125,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

NIBC Bank N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of NIBC Bank N.V.

The group audit focussed on the significant components of the company. These are NIBC Bank N.V., NIBC Bank Deutschland AG. and Olympia Nederland Holding B.V. In our view, due to their significance and/or risk characteristics, each of these components required an audit of their complete financial information. For NIBC Bank N.V. and the entities in the group for which accounting is performed at NIBC Bank N.V., the group engagement team performed the audit work. In doing so, the group audit team selected group entities or specific balances within NIBC Bank N.V. for which an audit or review of financial information was considered necessary. Due to this integrated approach, most of the consolidated financial statement line items and transactions were in scope of our audit.

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For NIBC Bank Deutschland AG and Olympia Nederland Holding B.V. we engaged component auditors from PwC Germany and another audit firm who are familiar with the local laws and regulations to perform this audit work.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The group engagement team visits the component teams on a regular basis. In the current year, the group engagement team visited the NIBC Bank Deutschland AG component audit team twice and Olympia Nederland Holding B.V. once.

The group consolidation, financial statement disclosures and a number of complex items are audited by the group engagement team. These include share-based payments, fair value of financial instruments, impairment of debt investments and securitisations and special purpose entities.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Compared to prior year our key audit matters remained unchanged except that the acquisition of NIBC Bank Deutschland AG is no longer a key audit matter in this year's audit.

Key audit matter	*How our audit addressed the matter*
Impairment of corporate loans *See the accounting policies "financial assets reported at amortised cost", the critical accounting estimates and judgements "impairment of corporate loans", note 11 "impairment of financial assets" and note 16 "loans (amortised cost)".* Corporate loans classified as loans and receivables at amortised cost amount to €7,668 million as at 31 December 2015. The company assesses whether there is an indication of impairment of corporate loans classified as loans and receivables at amortised cost for individually significant items. As required by EU-IFRS, impairments are based on incurred losses at balance sheet date. When an impairment trigger is identified,	Our audit included testing of the company's credit management procedures, with a focus on internal controls to ensure the timely recognition and measurement of impairments for corporate loan losses. We examined a selection of individual loan exposures in detail, and challenged management's assessment and calculations of the recoverable amount. This assessment comprises, on a loan by loan basis, an evaluation of management's assessment of expected future cash flows, the financial condition of the counterparty and the value of available collateral. In selecting the loan exposures for our detailed inspection, we applied professional judgement with an emphasis on exposures to sectors that pose an

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Key audit matter	*How our audit addressed the matter*
an impairment assessment is performed which includes subjective elements such as the determination of expected future cash flows and their timing, the financial condition of the counterparty and the market value of available collateral. The company's judgements may change in time as new information becomes available, or as recovery strategies evolve, resulting in frequent revisions of scenario's and to individual impairments, on a case-by-case basis. The company has controls in place by which the company regularly revises 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 experiences. For corporate loans that are individually not impaired, the company assesses on a collective basis whether further impairment losses are present in the portfolio of accumulated loans with a similar risk. Through the use of models, the company estimates and accounts for incurred but not reported impairment losses based on the emergence period and historical loss and recovery rates. Given the subjectivity in the identification of impairment triggers, determination of expected future cash flows and the market value of collateral, we determined this to be a significant item for our audit.	increased uncertainty for recovery in the current market circumstances. On this basis, we focussed in particular on loan exposures in shipping, oil & gas, commercial real estate and leveraged finance due to, for instance, pressure on oil prices, real estate valuations and macro-economic conditions. We tested the models used for determining and calculating the provision for impairment losses that are already incurred, however, have not been reported. Also, we validated the inputs into these models relating to the loss emergence period and historical loss estimates and experiences. Finally, we assessed the completeness and accuracy of the disclosures relating to corporate loans classified as loans and receivables to assess compliance with disclosure requirements included in EU-IFRS.
Valuation of residential mortgages *See the accounting policies "financial instruments designated upon initial recognition as fair value through profit or loss", the critical accounting estimates and judgements 'residential mortgages', note 5 "net trading income", note 23 residential mortgages own book (designated at fair value through profit or loss), and note 24 "securitised residential mortgages (designated at fair value though profit or loss)".* At 31 December 2015, residential mortgages own book and securitised residential mortgages, designated at fair value through profit or loss, amount to €3,954 million and €2,236 million respectively. For residential mortgages (residential mortgages own book and securitised mortgages) at fair value through profit or loss movements, together with the gains and losses on the derivatives used to hedge interest rate risk arising on the portfolio, are presented in net trading income. On the balance sheet, residential mortgages are reported as either securitised or own book. The valuation of residential mortgages is determined through a valuation model in which the expected cash flows (including a prepayment rate to reflect early redemptions in the portfolio) are discounted to present value using interbank zero-coupon rates and a	Our audit included testing of the company's internal controls throughout the valuation process and the process of analysis of analytical reviews conducted by the company to validate the output from the valuation model. In testing the valuation of residential mortgages at 31 December 2015, we validated the appropriateness of the methodology and the model used by the company to determine the valuation. Also, we evaluated documentation prepared by the company in the valuation process, including minutes of internal meetings and analysis of assumptions. Furthermore, we tested and challenged the underlying assumptions used in the valuation with external data sources and historic prepayment information. These key assumptions in the valuation include the RMBS spread (based on observable RMBS transactions, adjusted for the impact of ECB measures) and the prepayment rate. Finally, we assessed the completeness and accuracy of the disclosures relating to valuation of residential mortgages designated at fair value through profit or loss to assess compliance with disclosure requirements included in EU-IFRS.

Key audit matter	How our audit addressed the matter
discount spread that includes a cost of fund component and estimates for other risk and cost elements. The company analyses both observed offered mortgage rates and observable residential mortgage backed securities (RMBS) transactions as the basis to estimate the cost of fund component of the discount spread. At 31 December 2015, the company applied the RMBS spread, as the company concluded that the observable primary RMBS transactions provide the best basis to estimate the discount spread. In addition, the company made an adjustment to the discount spread to reflect that ECB measures had a significant impact on RMBS spreads during 2015. Given the subjectivity in the determination of the discount spread and the prepayment rate, we determined this to be a significant item for our audit.	
Valuation of own liabilities *See the accounting policies "financial instruments at fair value through profit or loss", the critical accounting estimates and judgements "own liabilities designated at fair value through profit or loss", note 5 "net trading income", note 39 "own debt securities in issue (designated at fair value through profit or loss)", note 40 "debt securities in issue structured (designated at fair value through profit or loss)" and note 44 "subordinated liabilities (designated at fair value through profit or loss)".* At 31 December 2015, own debt securities in issue, debt securities in issue structured and subordinated liabilities designated at fair value through profit or loss amount to €36 million, €704 million and €280 million respectively as at 31 December 2015. The company values own liabilities (own debt securities in issue, debt securities in issue structured and subordinated liabilities) designated at fair value through profit or loss, using models through which the value of each individual financial liability in the portfolio is determined. These liabilities consist of notes issued with embedded derivatives for which the valuation is determined using valuation models. For each class of financial liabilities at fair value through profit or loss, the expected cash flows are discounted to present value using a risk free rate and an estimate for the own credit spread. Since the market for cash and synthetic funding and protection of the company is inactive and/or infrequent, management also identified a number of observable data points to substantiate its own credit spread. These data points include primary unsecured issuances by the company, primary unsecured and subordinated issuances by other financial institutions, the company's CDS spread, actual transactions in paper of the company and industry index developments.	Our audit included testing of the company's internal controls throughout the valuation process and the process of analysis of analytical reviews conducted by the company to substantiate the output from the valuation models. In addition, we assessed the appropriateness of the methodology and the model used by NIBC to determine the valuation. Also, we evaluated analysis and documentation prepared by the company in the valuation process, including analysis and support for available data points to determine the own credit spread of the company. Furthermore, we tested and challenged the appropriateness of these data points used in the determination of the own credit spread, which included reconciliation of data to supporting evidence and further analysis of available benchmark data. We also tested any adjustments made by the company to reflect its credit rating and the characteristics of the portfolio in the applied data points. We reconstructed the range of data points to conclude whether management's estimate of its own credit spread falls within the acceptable range. In addition, we reperformed on a sample basis the valuation performed by the company. Finally, we assessed the completeness and accuracy of the disclosures relating to the valuation of own liabilities designated at fair value through profit or loss to assess compliance with disclosure requirements included in EU-IFRS.

Key audit matter	How our audit addressed the matter
Where applicable, observed data inputs have been adjusted to reflect the company's credit rating and the characteristics of the portfolio. This analysis results in a range of data points in which the applied credit spread at 31 December 2015 falls. Given the subjectivity in the determination of the own credit spread, we determined this to be a significant item for our audit.	

Responsibilities of the managing board and the supervisory board

The managing board is responsible for:

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

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

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

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Report on other legal and regulatory requirements

Our report on the report of the managing board and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the report of the managing board and other information):

- We have no deficiencies to report as a result of our examination whether the report of the managing board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the report of the managing board, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of NIBC Bank N.V. on 10 April 2015 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 10 April 2015 and has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 15 years.

Amsterdam, 8 March 2016
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA

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Appendix to our auditor's report on the financial statements 2015 of NIBC Bank N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing board.
- Concluding on the appropriateness of the management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

NIBC Bank N.V. – Ref.: e0374759

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CONTACT INFORMATION

Our website, www.nibc.com, offers a wide range of information about NIBC, financial information, corporate information, corporate calendar, press releases and sustainability information. The information is available on our English, Dutch and German website. Financial information (annual reports, full-year and half-year results releases and trading updates) is available in English.
To receive press releases and other NIBC news, please subscribe to our e-mail service by sending an e-mail to info@nibc.com.

Questions and remarks

We invite all stakeholders to ask their questions and share their remarks.

- General questions and remarks can be addressed to Corporate Communications, telephone +31 70 342 56 25 / e-mail info@nibc.com;
- Questions and remarks related to bond investments can be addressed to Debt Investor Relations, Toine Teulings, telephone +31 70 342 98 36 / e-mail toine.teulings@nibc.com;
- Questions and remarks related to CSR can be addressed to the CSR department, e-mail csr@nibc.com;
- You can find NIBC's complaints procedures here. For NIBC Direct in the Netherlands you can find our complaints procedures here, for NIBC Direct Germany here, and for NIBC Direct Belgium you can find our complaints procedure here (Dutch) or here (French).

PRINCIPAL SUBSIDIARIES AND OFFICES

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CORPORATE RESPONSIBILITY REPORTING SCOPE

This Annual Report is an integrated report. We have chosen to combine all our financial, economic, social and environmental information into one document because all these factors are integral to NIBC's strategy and operations. By providing this additional information we aim to increase transparency for all of our stakeholders, and to allow them to make a more informed assessment of NIBC and how we are creating and sustaining value.

The non-financial key figures for this report were confirmed by the departments that are responsible for the data, through a template that includes definitions, reporting considerations, analytics and relevant controls. The reported non-financial key figures were subject to Internal Audit's audit procedures.

Scope

Unless specified otherwise, this report includes figures and information for NIBC Bank N.V. (including all international offices and wholly-owned subsidiaries established by NIBC for our business purposes). In the Key Figures section, the absenteeism rate relates to our office in The Hague only. Employee figures reflect the situation on 31 December 2015.

NIBC continues to be a signatory to the UN Global Compact. This report contains details of our progress as regards the 10 Global Compact principles.

Criteria

The contents of this Annual Report and the selection of non-financial key figures are based on the following criteria:

- Assessment of materiality. We report on NIBC's strategy and the elements that we have identified as most relevant for us as a company and for our stakeholders. Please see our Materiality Assessment report and materiality matrix for an overview of these elements; and
- Legal and regulatory requirements. For NIBC, the principal regulatory requirements are contained in the Dutch Corporate Governance Code and the Banking Code. Please see the Corporate Governance sector for more details.

Accountability and reporting standards

Our non-financial key figures are prepared in accordance with the reporting criteria and guidelines of the GRI G4 'core' option. We have applied the GRI G4 guidelines and the Financial Services Sector Supplement, with no exceptions. The GRI matrix and glossary of definitions can be found in the appendices available on our website.

The methodology used for the calculation of indicators for 2015 is the same as for 2014.

Materiality Assessment

We engaged with various stakeholders to verify the focus of our sustainability strategy and materiality in reporting. This Materiality Assessment process and the outcomes are described here and form the basis for our Annual Report.

Stakeholder consultation mainly confirmed our chosen sustainability strategy but will also help us to better focus our efforts. Going forward, we will continue putting our stakeholders' interests first by offering clear and sustainable solutions.

We will focus further on identifying and understanding sustainability developments and opportunities to help our clients achieve their goals.

Assurance

Non-financial key figures are as relevant to NIBC as financial data. For this reason, we have engaged PwC to provide reasonable assurance on the non-financial key figures in our Key Figures overview (see page 4-7). PwC has not performed review procedures on any other non-financial information in this report.

These non-financial key figures were determined through a materiality analysis of the indicators that are the most relevant for NIBC and its stakeholders. We therefore decided to ask PwC to provide assurance on these specific data.

Such an external assessment is a logical step on our path towards ever greater transparency. At the same time, we have opted for a gradual phased approach that takes account of the time and cost impact on our organisation. PwC's assurance work is performed in accordance with the COS 3000 standard.

NIBC's Internal Audit department plays an important role in the assurance of our data. This department applies an ongoing risk-based approach to audit NIBC's operational processes as part of our 'three lines of defence' risk management model. For more information, please see the Risk Management section.

DEFINITIONS

The following definitions have been used for the Non Financial Key Figures presented in NIBC's annual report and website.

NPS

Outcome of NPS survey with corporate clients, who executed a deal/deals with NIBC Corporate Banking during the reporting period, and for existing portfolio clients of NIBC. The NPS methodology is a widely used methodology in which scores from 0 to 6 are classified as 'detractor', scores. 7 or 8 are classified as 'passive' and only those scores that are 9 or 10 are classified as 'promotors'. The result is calculated by the percentage of promoters minus the percentage of detractors, giving the NPS. The NPS can therefore range from -100% to +100%.

NIBC Direct Customer Survey Score

The results of the latest *Customer Satisfaction Survey* (**CSS**) for the bank's retail clients, i.e. Mortgages and NIBC Direct Savings Netherlands (NL), Belgium (BE) and Germany (DE), also including Brokerage clients), that was completed in the reporting period.

% of new Corporate Clients screened against sustainability policy framework

New (potential) clients/transactions which have been screened on social and environmental standards by means of the sustainability toolkit during the reporting period (Sustainability framework).

Number of New clients/transactions with increased sustainability risk assessment

Number of new (potential) clients/transactions for which an increased sustainability risk assessment was performed. This does not include monitoring of existing client files with sustainability risks nor clients for which the increased risk assessment has not (yet) been completed as the transaction is still in an early stage or was aborted in an early stage.

This metric is linked to GRI FS10. Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues).

Number of project finance transactions closed in line with Equator Principles
Number of new projects/clients which have been screened against the Equator Principles during the reporting period. NIBC applies the Equator Principles III guidelines and reports the number of transactions that fall in scope of EP and that reached financial close in the reporting period.

Fines or sanctions for non-compliance with laws and regulations
Number of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations. The definition is limited to fines from a regulator. Significant: values of fine > EUR 10.000 (in line with category 2 and 3 fines of AFM). For added transparency to our stakeholders, NIBC includes non-punitive fines agreed as part of settlement of regular tax audits within this definition, though it is not necessarily common practice to do so under GRI S08.

Number of FTE's end of year
Number of FTE's of NIBC worldwide at the end of the year. Only employees on NIBC's payroll and having an 'internal' position are accounted for. NIBC Bank N.V. includes all its international offices as well as NIBC Deutschland AG, though excludes minor participations of the bank.

Employee Engagement
The (revised) 'Sustainable' Employee Engagement score is based on the responses of NIBC employees on 9 pre-defined questions in NIBC's annual *Employee Engagement Survey* (**EES**), as compared to the 8 pre-defined questions in NIBC's 'Employee Engagement' survey of 2013 and earlier.

Absenteeism
Number of work days lost due to illness (leave) in percentage of the total number of potential work days. Percentage presents the average percentage of days employees in the Netherlands are sick: # total sick days / # total available working days for all employees, corrected for part time employees.

Male/female ratio
Percentage of number of male and female for NIBC worldwide, at the end of the year. The number of males and females is based upon HR's monthly headcount reporting, on which the end of year FTE number is also based. Consequently, the same definition and reporting considerations apply.

Male/female ratio top management
Percentage of number of male and female for NIBC worldwide, at the end of the year. Top management consists of management with corporate title 'Director' and 'Managing Director'

Training expenses per employee (EUR)
Total of training and education expenses, incurred in the current year based on headcount.

Employees turnover (employees started & left)
Employees turnover consists of inflow of new employees ('joiners') and outflow of existing employees ('leavers').

Joiners: The number of employees that joined NIBC worldwide throughout the current calendar year, including possible joiners on 31 December, divided by total number of employees at the end of the year.

Leavers: The number of employees that left NIBC worldwide throughout the calendar year divided by the total number of employees end of year.

End of year numbers do not include contracted employees that will start in the new year.

Further, employees with contract end date on 31 December are considered 'in service' throughout the current year, accordingly accounted for as leaver in the following year.

CORPORATE RESPONSIBILITY ASSURANCE REPORT

Independent assurance report

To: the managing board of NIBC Bank N.V.

The managing board of NIBC Bank N.V. ('NIBC'), The Hague, engaged us to provide reasonable assurance on the 2015 Non Financial Key Figures in the annual report 2015 on page 7 ('the report').

1.1. Qualified opinion

Based on the procedures we have performed and the evidence we have obtained, in our opinion, except for the possible effects of the matter described in the 'basis for our qualified opinion' paragraph, the 2015 Non Financial Key Figures for the year ended 31 December 2015 on page 7 of the annual report 2015 have been prepared, in all material respects, in accordance with NIBC's reporting criteria.

This opinion is to be read in the context of the remainder of this report.

1.2. What we are assuring

We have assured the 2015 Non Financial Key Figures included on page 7 of the annual report for the year 2015, with the exception of the Non Financial Key Figure 'NPS score' as mentioned in the paragraph 'The basis for our qualified opinion'.

The basis for our qualified opinion

1.3. Findings that caused us to issue a qualified opinion

NIBC sent out surveys to 42% of its Corporate Banking clients to determine the NPS score. NIBC uses the responses to calculate the reported NPS score. We were not able to assess if the selection for the surveys sent, made by NIBC is complete. This because the process to determine Corporate Banking clients not receiving surveys, could not be validated. We are therefore not able to provide assurance on the NPS score.

Professional and ethical standards applied

We conducted our assurance engagement on the Non Financial Key Figures ('NFK Figures') in accordance with Dutch law, including Assurance Standard 3000 'Assurance engagements other than audits or reviews of historical financial information' (hereafter 'Standard 3000'). Our responsibilities under this standard are further described in the "Our responsibilities" section of this assurance report.

We are independent of NIBC in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA) and other relevant regulations.

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All other information in the annual report 2015 was not subject to this engagement and we do not report and do not opine on this information.

The disclosures made by management with respect of the scope of the NFK figures are included in the section 'Corporate responsibility reporting scope'.

Limitations in our scope

The auditor is not expected to, and cannot, reduce the assurance risk to zero and cannot therefore obtain absolute assurance that the NFK figures are free from material misstatement due to fraud or error. This is because there are inherent limitations of an assurance engagement, which result in most of the assurance evidence on which the auditor bases the auditor's opinion being persuasive rather than conclusive.

Reporting criteria

The reporting criteria used in this engagement on the NFK figures are disclosed in the section 'Corporate responsibility reporting scope' starting on the page 287.

Our assurance approach

Materiality

We set thresholds for materiality at the planning stage and reassessed them during the engagement. These helped us to determine the nature, timing and extent of our procedures and to evaluate the effect of identified misstatements on the information presented, both individually and in aggregate. Based on our professional judgement, we determined specific materiality levels for each element of the NFK figures. When determining our materiality thresholds, we considered the relevance of information for both the stakeholders and the company based on the materiality assessment of NIBC.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the NFK Figures.

Our main procedures included the following:

- assessing the acceptability of the reporting criteria and consistent application of this, such as assessment of the reasonableness of estimates made by management;
- evaluating the systems and processes for data gathering, internal controls and processing of information, such as the aggregation process of data to the information as presented in the NFK figures table;
- corroborating internal and external documentation to determine whether the NFK figures are adequately substantiated;
- evaluating the consistency of disclosures regarding the NFK figures and the information in the annual report 2015 not in scope for this assurance report.

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

NIBC Bank N.V., Ref.: e0375998

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Responsibilities

The managing board's responsibilities

The managing board of NIBC is responsible for the preparation of the report in accordance with NIBC's reporting criteria. Furthermore, the managing board is responsible for such internal control as the managing board determines is necessary to enable the preparation of a report that is free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express an opinion on NFK figures based on our assurance engagement in accordance with Standard 3000. This requires that we comply with ethical requirements and that we plan and perform our work to obtain reasonable assurance about whether the NFK figures are free from material misstatement.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the NFK figures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the NFK figures in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NIBC's internal control. An assurance engagement aimed on providing reasonable assurance also includes evaluating the appropriateness of the reporting framework used.

Amsterdam, 22 March 2016
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA

NIBC Bank N.V., Ref.: e0375998

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ABBREVIATIONS

AC	Audit Committee
AFM	Authority for the Financial Markets
AIRB	Advanced Internal Ratings Based
ALCO	Asset & Liability Committee
BKR	Bureau Krediet Registratie (Dutch National Credit Register)
BPVs	Basis Point Value
CCDRs	Conditional Common Depositary Receipts
CCR	Counterparty Credit Rating
CDC	Collective Defined Contribution
CDC arrangement	Collective defined-benefit pension arrangement
CDO	Collateralised Debt Obligation
CDRs	Common Depositary Receipts
CDS	Credit Default Swaps
CEBS Guidelines	Committee of European Banking Supervisors Guidelines
CEO	Chief Executive Officer
CET-I	Common Equity Tier-I ratio
CFO	Chief Financial Officer
CGUs	Cash-Generating Units
Code	Dutch Banking Code
CRDRs	Conditional Restricted Depositary Receipts
CRE	Commercial Real Estate
CRO	Chief Risk Officer
CSA	Credit Support Annexes
CSS	Customer Satisfaction Survey
CVAs and DVAs	Credit Valuation Adjustments & Debit Valuation Adjustments
DACB	Dutch Association of Covered Bond Issuers
DNB	Dutch Central Bank
DNB Principles	DNB Principles on Sound Remuneration Policies
DRs	Depositary Receipts
DSA	Dutch Securitisation Association
EAD	Exposure at Default
EBA	European Banking Authority
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EC	Economic Capital
EC	Engagement Committee
ECB	European Central Bank
EES	Employee Engagement Survey
EL	Expected loss
EP	Equator Principles

ESF	Einlagensicherungsfonds
FAR & Health	Food, Agri, Retail & Health
FMCR	Financial Markets Credit Risk
FTEs	Full-Time Equivalents
FVtPL	Fair value through profit or loss
Grexit	Exit of Greece from the Eurozone
GRI	Global Reporting Initiative
I&M	Industries & Manufacturing
I&R	Infrastructure & Renewables
IASB	International Accounting Standards Board
IBNR	Incurred But Not Reported
IC	Investment Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Fincancial Reporting Standards
IFRS 15	IFRS 15 'Revenue from Contract with Customers'
IFRS 9	IFRS 9 'Financial instruments'
IFRS-EU	International Financial Reporting Standards as adopted by the European Union
ILAAP	Internal Liquidity Adequacy Assessment Process
IPO	Initial public offering
ISDA	International Swaps and Derivatives Association
LEP	Loss Emergency Period
LGD	Loss Given Default
LGD	loss-given-defaults
LTI	Loan-to-Income
LTI	Long-Term Incentive plan
LTIMV	Loan-to-Indexed-Market-Value
LTMV	Loan-to-Market Value
LVR	Leverage ratio
MinAG	Mineralbrunnen Überkingen-Teinach AG
Money Week	Week van het Geld
MtM	Marked-to-Market value
NACE	Statistical Classification of Economic Activities in the European Community
NHG	National Mortgage Guarantee
NHG Guarantee	Dutch government guarantee
NIBC	NIBC Bank N.V.
NIBC Funds	Funds set up and managed by NIBC
NIBC Holding	NIBC Holding N.V.
NPAP	New Product Approval Process
NPS	Net Promoter Score
NVB	Dutch Banking Association
O&G	Oil & Gas Services
OTC	Over The Counter
PD	Probability of Default
PFE	Potential Future Exposure
PPI	Premium Pension Institution
PSUs	Phantom Share Units
RAROC	Risk-adjusted return on capital
RC	Regulatory capital
RCSA	Risk and control self-assesment
RDRs	Restricted Depositary Receipts
Repos	Securities sold subject to repurchase agreements
Reverse repos	Securities purchased under agreements to resell
RMBS	Residential Mortgage-Backed Securities
RMC	Risk Management Committee
RNC	Remuneration and Nominating Committee
RPCC	Risk Policy & Compliance Committee
RPSUs	Restricted Phantom Share Units
RPTC	Related Party Transactions Committee
RWA	Risk Weighted Assets
S&I	Shipping & Intermodal
S&P	Standard & Poor's
SCAP	Significant Change Approval Process
SPE	Special Purpose Entities
SREP	Supervisory review and evaluation process
STI	Short-Term Incentive
TC	Transaction Committee
The Council	Employees' Council
The Foundation	Stichting Administratiekantoor NIBC Holding
The Lab	NIBC Innovation Lab
The Option Plan	Option Plan
TLTRO	Targeted Longer Term Refinancing Operation
TMS	Technology, Media & Services
VaR	Value at Risk
Wbfo	Wet beloning financiële ondernemingen
WEW	Stichting Waarborgfonds Eigen Woningen (Social Housing Guarantee Fund)

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DISCLAIMER

Presentation of information

This annual report (**Annual Report**) of NIBC Bank N.V. (**NIBC**) has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (**IFRS-EU**) and with Title 9 of Book 2 of the Netherlands Civil Code.

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Certain statements in this Annual Report are not historical facts and are 'forward-looking' statements that relate to, among other things, NIBC's business, result of operation, financial condition, plans, objectives, goals, strategies, future events, future revenues and/or performance, capital expenditures, financing needs, plans or intentions, as well as assumptions thereof. These statements are based on NIBC's current view with respect to future events and financial performance. Words such as 'believe', 'anticipate', 'estimate', 'expect', 'intend', 'predict', 'project', 'could', 'may', 'will', 'plan', 'forecast', 'target' and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve uncertainties and are subject to certain risks, including, but not limited to (i) general economic conditions, in particular in NIBC's core and niche markets, (ii) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness (iii) performance of financial markets, including developing markets, (iv) interest rate levels, (v) credit spread levels, (vi) currency exchange rates, (vii) general competitive factors, (viii) general changes in the valuation of assets (ix) changes in law and regulations, including taxes (x) changes in policies of governments and/or regulatory authorities, (xi) the results of our strategy and investment policies and objectives, and (xii) the risks and uncertainties as addressed in this Annual Report, the occurrence of which could cause NIBC's actual results and/or performance to differ from those predicted in such forward-looking statements and from past results.

The forward-looking statements speak only as of the date hereof. NIBC does not undertake any obligation to update or revise forward-looking statements contained in this Annual Report, whether as a result of new information, future events or otherwise. Neither do NIBC nor any of its directors, officers or employees make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.


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