NIBC HOLDING N.V.

(a public company with limited liability (naamloze vennootschap) incorporated under the laws of the Netherlands, with its statutory seat in The Hague, the Netherlands)

Initial public offering of up to *43,892,643* ordinary shares and admission to listing and trading on Euronext Amsterdam

The price of the Offer Shares (the "Offer Price") is expected to be in the range of €8.75 to €10.25 (inclusive) per Offer Share (the "Offer Price Range")

New NIB Partners LP, New NIB Partners II LP, NIB Special Investors LP, NIB Special Investors II LP, NIB Special Investor III LP, NIB Special Investor IV-A LP, NIB Special Investor IV-B LP and NIB Special Investor V LP (the "**Selling Shareholders**") are offering up to 43,892,643 existing ordinary shares (the "**Offer Shares**", which includes, unless the context indicates otherwise, the Additional Shares (as defined below)), in the share capital of NIBC Holding N.V. (the "**Company**" and together with its subsidiaries "**NIBC**") with a nominal value of €1.00 each (the "**Ordinary Shares**"). Assuming no exercise of the Over-Allotment Option (as defined below), the Offer Shares represent approximately 26.1 per cent of the Company's issued and outstanding share capital. See "*The Offering*".

The offering of the Offer Shares (the "**Offering**") consists of: (i) a public offering to institutional and retail investors in the Netherlands; and (ii) a private placement to certain institutional investors in various other jurisdictions. The Offer Shares are being: (i) offered and sold within the United States of America (the "**United States**") solely to persons reasonably believed to be "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the US Securities Act of 1933, as amended (the "**US Securities Act**"), pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws; and (ii) offered and sold outside the United States in accordance with Regulation S under the US Securities Act ("**Regulation S**").

Prior to the Offering, there has been no public market for the Ordinary Shares. Application has been made to admit all Ordinary Shares to listing and trading on Euronext Amsterdam ("**Euronext Amsterdam**"), a regulated market operated by Euronext Amsterdam N.V., under the symbol "NIBC". Subject to acceleration or extension of the timetable for the Offering, trading on an "as-if-and-when-delivered" basis in the Ordinary Shares on Euronext Amsterdam is expected to commence on or about 23 March 2018 (the "**First Trading Date**").

Subject to acceleration or extension of the timetable for the Offering, payment (in euro) for, and delivery of, the Offer Shares ("**Settlement**") is expected to take place on 27 March 2018 (the "**Settlement Date**") through the book-entry systems of the Netherlands Central Institute for Giro Securities Transactions (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*) trading as Euroclear Nederland ("**Euroclear Nederland**"), in accordance with its normal settlement procedures applicable to equity securities.

If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for Offer Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation and transactions in the Offer Shares on Euronext Amsterdam may be annulled. Any dealings in Offer Shares prior to Settlement are at the sole risk of the parties concerned. The Company, the Selling Shareholders, the Underwriters and Euronext Amsterdam do not accept any responsibility or liability towards any person as a result of the withdrawal of the Offering or the (related) annulment of any transactions in Offer Shares.

The Company will not receive any proceeds from the sale of the Offer Shares and the Additional Shares (as defined below), if any, the net amounts of which will be received by the Selling Shareholders.

Investing in the Offer Shares involves certain risks. See "Risk Factors" for a description of the risk factors that should be carefully considered before investing in the Offer Shares.

The Offering will take place during the period commencing at 9.00 Central European Time ("**CET**") on 12 March 2018 and ending at 13.00 CET on 22 March 2018 for prospective institutional investors and during the period commencing at 9.00 CET on 12 March 2018 and ending at 17.30 CET on 21 March 2018 for prospective Dutch retail investors (the "**Offer Period**"), subject to acceleration or extension of the timetable for the Offering. The Offer Price Range is indicative. The Offer Price and the exact number of Offer Shares offered in the Offering will be determined after the end of the Offer Period on the basis of the quoted share price and the results of the bookbuilding process and taking into account market conditions, a qualitative assessment of demand for the Offer Shares and other factors deemed appropriate. Prior to allocation of the Offer Shares ("**Allocation**"), the maximum number of Offer Shares can be increased or decreased and the Offer Price Range can be amended. Any increase at the top end of the Offer Price Range on the last day of the Offer Period or the determination of an Offer Price above the Offer Price Range will result in the Offer Period being extended by at least two business days; any increase at the top end of the Offer Price Range on the day prior to the last day of the Offer Period will result in the Offer Period being extended by at least one business day. In this case, if the Offer Period for Dutch retail investors would already have closed, the Offer Period for Dutch retail investors would be reopened. Accordingly, all investors, including Dutch retail investors, will have at least two business days to reconsider their subscriptions. Any such change in the number of Offer Shares and/or the Offer Price Range will be announced in a press release on the Company's website. The Offer Price and the exact number of Offer Shares will be set out in a pricing statement (the "**Pricing Statement**") that will be filed with the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the "**AFM**") and published through a press release on the Company's website.

There will be a preferential allocation of Offer Shares to eligible retail investors in the Netherlands (the "**Preferential Retail Allocation**"). Each eligible retail investor in the Netherlands (each a "**Dutch Retail Investor**") will, in principle, be allocated the first 500 (or fewer) Offer Shares for which such investor applies, provided that if the total number of Offer Shares subscribed for by Dutch Retail Investors under the Preferential Retail Allocation would exceed 10 per cent of the total number of Offer Shares, assuming full exercise of the Over-Allotment Option (as defined below), the preferential allocation to each Dutch Retail Investor may be reduced *pro rata* in respect of the first 500 (or fewer) Offer Shares for which such investor applies. As a result, Dutch Retail Investors may not be allocated all of the first 500 (or fewer) Offer Shares that they apply for. The exact number of Offer Shares allocated to Dutch Retail Investors will be determined after the Offer Period has ended. To be eligible for the Preferential Retail Allocation, Dutch Retail Investors must place their subscriptions during the period commencing on 12 March 2018 at 9.00 CET and ending on 21 March 2018 at 17.30 CET through financial intermediaries.

Citigroup Global Markets Limited, Deutsche Bank AG, London Branch and Morgan Stanley & Co. International plc are acting as joint global coordinators for the Offering (in such and any other capacity, the "**Joint Global Coordinators**") and together with ABN AMRO Bank N.V. and ING Bank N.V. as joint bookrunners for the Offering (the "**Joint Bookrunners**" and the Joint Global Coordinators and the Joint Bookrunners, in their respective capacities, are together also referred to herein as the "**Underwriters**"). NIBC Bank N.V. is acting as the lead manager for the Offering (the "**Lead Manager**").

The Selling Shareholders have granted the Joint Global Coordinators, on behalf of the Underwriters, an option (the "**Over-Allotment Option**"), exercisable within 30 calendar days after the date of the First Trading Date, pursuant to which the Joint Global Coordinators, on behalf of the Underwriters, may require the Selling Shareholders to sell at the Offer Price such number of additional existing Ordinary Shares held by them, equalling up to 15 per cent of the total number of Offer Shares (the "**Additional Shares**"), to cover short positions resulting from any over-allotments made in connection with the Offering or stabilisation transactions, if any.

The Offering is only made in those jurisdictions in which, and only to those persons to whom, offers and sales of the Offer Shares may lawfully be made. The distribution of this prospectus (the "**Prospectus**") and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves and observe any restrictions. Prospective investors in the Offer Shares should carefully read the restrictions described under "*Important Information—Notice To Investors*" and "*Selling And Transfer Restrictions*". The Company is not taking any action to permit a public offering of the Offer Shares in any jurisdiction outside the Netherlands.

The Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the Offer Shares are registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. The Offer Shares are being offered and sold in the United States only to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and outside the United States in reliance on Regulation S under the US Securities Act. There will be no public offer of the Offer Shares in the United States. Prospective purchasers are hereby notified that the Company and the Selling Shareholders may be relying on an exemption from the registration requirements of Section 5 of the US Securities Act, which may include Rule 144A or Regulation S thereunder.

Citigroup Global Markets Limited, Deutsche Bank AG, London Branch and Morgan Stanley & Co. International plc are each authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom. The Underwriters are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective customers in relation to the Offering and will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to their respective customers or for giving advice in relation to, respectively, the Offering or any transaction or arrangement referred to herein.

This Prospectus constitutes a prospectus for the purposes of Article 3 of the Directive 2003/71/EC and any amendments thereto, including those resulting from Directive 2010/73/EU (the "**Prospectus Directive**") and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder (the "**Dutch Financial Supervision Act**"). This Prospectus has been filed with and approved by the AFM.

Joint Global Coordinators and Joint Bookrunners

Citigroup **Deutsche Bank** **Morgan Stanley**

Joint Bookrunners

ABN AMRO **ING**

Lead Manager

NIBC Bank

This Prospectus is dated 12 March 2018.

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SUMMARY

Summaries are made up of disclosure requirements known as "**Elements**". The Elements are numbered in Sections A—E (A.1—E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Section A—Introduction and Warnings		
A.1	**General disclaimer regarding the summary**	This summary should be read as an introduction to the prospectus (the "**Prospectus**") relating to the offering (the "**Offering**") by New NIB Partners LP, New NIB Partners II LP, NIB Special Investors LP, NIB Special Investors II LP, NIB Special Investor III LP, NIB Special Investor IV-A LP, NIB Special Investor IV-B LP and NIB Special Investor V LP (the "**Selling Shareholders**") of up to 43,892,643 existing ordinary shares (the "**Offer Shares**"), in the share capital of NIBC Holding N.V. (the "**Company**"), and the admission to listing and trading of the ordinary shares with a nominal value of €1.00 each (the "**Ordinary Shares**") on Euronext Amsterdam ("**Euronext Amsterdam**"), a regulated market operated by Euronext Amsterdam N.V.
A.2	**Consent of the Company**	Not applicable. The Company does not consent to the use of the Prospectus for subsequent resale or final placement of Offer Shares by financial intermediaries.

Section B—Company		
B.1	**Legal and commercial name**	NIBC Holding N.V.
B.2	**Domicile, legal form, legislation and country of incorporation**	The Company is a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands. The Company has its statutory seat in The Hague, the Netherlands.
B.3	**Current operations and principal activities**	The Company and its subsidiaries ("**NIBC**") operate a mid-size Dutch head-quartered bank offering selected corporate and retail banking products and services. NIBC's primary operational segments are its mid-market Corporate Client Offering segment (the "**Corporate Client Offering**") and its Retail Client Offering segment (the "**Retail Client Offering**"). NIBC's Corporate Client Offering offers its mid-market corporate clients specific products across a broad spectrum of advising, structuring, financing and co-investing across debt and equity through a dedicated sector approach. The Retail Client Offering is an offering that primarily consists of mortgage lending in the Netherlands and online retail savings products and services in the Netherlands, Germany and Belgium via the NIBC Direct brand. NIBC operates predominantly in the Northwest European market with a focus on the Netherlands and Germany. These markets are characterised by sound fundamentals and a stable macro-economic performance. NIBC also provides retail savings in Belgium and has operations in the United Kingdom supporting NIBC's Northwest European Corporate Client Offering.

Section B—Company		
		NIBC believes that its entrepreneurial culture allows it to quickly anticipate and adapt to a fast-changing competitive landscape and provide opportunities to meet its clients' changing needs. As a mid-size financial services franchise with short management reporting lines, NIBC works closely with its clients, such that it can adapt swiftly to new trends and demands and develop an in-depth understanding of its clients' businesses and the challenges those businesses face. In that way, NIBC seeks to serve as a "private bank" for its mid-market corporate clients, which it believes enables it to offer more value and a higher service level than its competitors. NIBC seeks to nurture a culture that is professional, entrepreneurial and inventive, in which its employees can create tailored products and services for its clients. Effective risk management is at the core of NIBC's strategy for sustainable growth, and therefore fully integrated into the planning and control cycle and day-to-day business activities. The focus is on the first line of defence and risk ownership in the organisation with disciplined origination and cooperation between the business operations and risk management supported by an integrated risk management approach for the activities of the Corporate Client Offering and Retail Client Offering. NIBC has an experienced and professional risk team and the executive committee of the Company (the "**Executive Committee**") has oversight over the various operational committees. As at 31 December 2017, NIBC had a Common Equity Tier 1 ("**CET1**") ratio (fully loaded) of 19.3 per cent (2016: 15.1 per cent; 2015: 13.9 per cent) and, BIS ratio (fully loaded) of 22.2 per cent (2016: 18.0 per cent; 2015: 16.7 per cent) and leverage ratio (fully loaded) of 7.7 per cent (2016: 6.5 per cent; 2015: 6.1 per cent). NIBC's capital ratios as at 31 December 2017 are well above the regulatory minimum requirements. NIBC believes that its strong liquidity position is maintained through the diversification of funding sources in terms of instruments and markets as well as a well spread maturity profile of outstanding wholesale funding. NIBC believes that its funding sources comprise a sustainable balance between wholesale (secured and unsecured), retail and German institutional *Einlagensicherungsfonds* ("**ESF**") funding, which comprised 39 per cent, 44 per cent and 6 per cent respectively of NIBC's funding base as at 31 December 2017. NIBC has an experienced management team which comprise the management board of the company (*raad van bestuur*) (the "**Managing Board**") and the heads of NIBC's Corporate Client Offering and Retail Client Offering as part of an Executive Committee. The members of the Executive Committee members have on average more than 20 years of banking industry experience, enabling NIBC to continue to safeguard and strengthen its commercial and client focus, which is a pivotal element of NIBC's strategy. The Executive Committee has successfully led NIBC to develop a solid and diversified funding base and solid capital position that has secured a positive development in its ratings between 2013 to 2017, and NIBC's management team is supported by key long-term shareholders. ***Corporate Client Offering*** NIBC's Corporate Client Offering offers its mid-market corporate clients specific products across a broad spectrum of advising, structuring, financing and co-investing across debt and equity through a dedicated sector approach, with a focus on chosen sub-sectors and products in Northwest Europe with a focus on the Netherlands and Germany. NIBC also provides solutions to institutional investors and financial sponsors (including private equity investors). These clients are often confronted with questions around

Section B—Company

financing or growth for their businesses and appreciate NIBC's entrepreneurial and inventive approach.

NIBC positions itself to facilitate growth for its clients at decisive moments, particularly for the selected sectors and sub-sectors which are its focus: Food, Agriculture, Retail & Health, Industries & Manufacturing, Telecom, Media, Technology & Services, Commercial Real Estate, Infrastructure & Renewables, Offshore Energy and Shipping & Intermodal.

NIBC's key product categories are as follows:

Leveraged Finance: product offering is primarily provided in connection with financing acquisitions by private equity funds of midcap companies in Northwest Europe, with enterprise values typically in the range of €50 million to €500 million. NIBC's Leveraged Finance offering services clients in particular in the Food, Agriculture, Retail & Health, Industries & Manufacturing and Telecom, Media, Technology & Services sectors.

Receivables Finance: product offering includes providing portfolio lease financing, off-and-on-balance trade receivables financing, reverse factoring, vendor lease programmes and other solutions based on contracted cash flows. NIBC's Receivables Finance offering services clients in particular in the Industries & Manufacturing and Telecom, Media, Technology & Services sectors.

Mezzanine and Equity Solutions: product offering is aimed at supporting entrepreneurs and their shareholders in decisive moments by providing investments in their businesses in the form of flexible risk bearing solutions, including minority equity participations and mezzanine solutions. NIBC's Mezzanine and Equity Solutions offering invests in clients in particular in the Food, Agriculture, Retail & Health, Industries & Manufacturing, Telecom, Media, Technology & Services, Commercial Real Estate and Infrastructure & Renewables sectors.

Capital Markets: product offering of capital markets solutions, equity research and sales and trading solutions to investor clients and corporate clients. NIBC's Capital Markets offering services clients in particular in the Food, Agriculture, Retail & Health, Industries & Manufacturing and Telecom, Media, Technology & Services sectors.

Corporate Finance: product offering includes advising on both buy-side and sell-side mergers and acquisitions by public and private companies, management teams and private equity investors, initial public offerings, public takeovers and management buy-outs. NIBC's Corporate Finance offering services clients in particular in the Food, Agriculture, Retail & Health, Industries & Manufacturing, Telecom, Media and Technology & Services sectors.

Corporate Lending: product offering provides a broad spectrum of lending solutions to help clients realise their strategic goals. Corporate Lending is a sector focused offering that is primarily targeted at mid-market and family-owned companies. NIBC's Corporate Lending offering services clients in particular in the Food, Agriculture, Retail & Health, Industries & Manufacturing, Telecom, Media, Technology & Services sectors.

Asset and Cash Flow Finance: product offering provides financing products based on corporate client's cash flows together with collateral value, combining both project and corporate financing elements. NIBC's Corporate Lending offering services clients in particular in the Commercial Real Estate, Infrastructure & Renewables, Offshore Energy and Shipping & Intermodal sectors.

Section B—Company		
		Retail Client Offering The Retail Client Offering segment services retail clients in the Netherlands, Germany and Belgium and offer a product range consisting of owner-occupied mortgages, buy-to-let mortgages and an originate-to-manage mortgage offering and online savings accounts. The Retail Client Offering operates through a direct model for its savings products and a broker model for its mortgages. NIBC's key product categories are as follows: *Owner-occupied mortgage:* offering in the Netherlands comprises mortgages that are sold under the NIBC Direct label as well as a portfolio of white label mortgages that were originated before 2008 via mortgage advisers and part of the portfolios that were acquired by NIBC in the Netherlands and Germany. *Buy-to-let mortgage:* offering provides financing for buy-to-let investors in Dutch residential real estate, ranging from a single apartment to larger portfolios *Originate-to-manage:* offering allows institutional investors to invest directly in the Dutch residential mortgage market without the operational burden of ongoing management of the mortgage. NIBC originates owner-occupied mortgages which match specific criteria and sells the receivables to institutional investors who pay an upfront fee and ongoing fees to NIBC for management and servicing of the mortgages. *Retail savings:* offers a range of retail customer online savings products under the brand name NIBC Direct in the Netherlands, Germany and Belgium, including on-demand and long-term deposits ranging from three months to up to ten years. ***Strategy*** NIBC believes that its entrepreneurial culture and its agility allow it to quickly anticipate and adapt to a fast-changing world and provide opportunities to meet its clients' changing needs. During recent years, NIBC fine-tuned its business model and operations and invested in the future. NIBC has identified six strategic priorities to further develop as a profitable and sustainable bank with a solid capital position: Strategic Priority 1: Continuous evolution of client franchises, expertise and propositions. Strategic Priority 2: Focus on growth of asset portfolio in core markets. Strategic Priority 3: Diversification of income. Strategic Priority 4: Building on an existing agile and effective organisation. Strategic Priority 5: Ongoing investment in people, culture and innovation. Strategic Priority 6: Further optimisation of capital structure and diversification of funding. NIBC has set the following medium-term objectives, which it aims to achieve by executing its strategy (as described above): • *Return on equity for the Company*: between 10 per cent and 12 per cent, with a sustainable return on equity ratio above 10 per cent; • *Cost-to-income ratio for NIBC Bank*: structurally below 45 per cent; • *CET1 ratio for the Company*: robust capital with a CET1 ratio above 14 per cent, based on current regulation;

<table>
<tr><th colspan="3">Section B—Company</th></tr>
<tr><td></td><td></td><td>• Dividend pay-out ratio for the Company: at least 50 per cent of net profit available for distribution to ordinary shareholders; and
• Credit rating for NIBC Bank: from current BBB to BBB+.

NIBC has not defined, and does not intend to define, “medium-term”. These medium-term financial objectives should not be read as forecasts or projections for any particular year, but are merely objectives that result from NIBC’s pursuit of its strategy. The Company can provide no assurances that these objectives can be met or that its strategy can be implemented, and the actual results could differ materially. Further, these objectives have been set on the basis of certain assumptions in respect of the future impact on NIBC’s capital position from the implementation of Basel III reforms (“Basel III Reforms”) and other regulatory developments, considering in particular the anticipated capital requirements which may arise, and taking into account NIBC’s current dividend policy. The objectives have been determined based on trends, data, assumptions and estimates that the Company considers reasonable as at the date of this Prospectus, including but not limited to, the continued low interest rate environment, a positive economic outlook, organic growth of the loan portfolio, continued access to funding through retail saving accounts and wholesale markets, and in general a further gradual tightening of credit spreads on both the asset and liability side of the balance sheet. However, the trends, data and assumptions which NIBC has relied on to determine the objectives may change as a result of uncertainties related to its economic, financial or competitive environment and as a result of future business decisions, as well as the occurrence of certain factors, including but not limited to, those described in “Important Information—Information Regarding Forward-Looking Statements”, “Risk Factors—NIBC may fail to achieve its strategic goals or its medium-term objectives.” and “Risk Factors”. Investors are urged not to place undue reliance on any of the statements set out above.</td></tr>
<tr><td>B.4a</td><td>Significant recent trends and (other) known trends affecting NIBC and industries in which it operates</td><td>NIBC believes that the following non-exhaustive selection of key trends may significantly affect NIBC’s core segments (Corporate Client Offering and Retail Client Offering) in the future:
• European and Dutch macroeconomic trends and environments, including interest rates and inflation;
• The cyclical nature and current ongoing recovery of the corporate lending market;
• The cyclical nature of the Dutch housing and mortgage market;
• The increasing demand for buy-to-let mortgages; and
• Changes in savings and investment trends in the Netherlands and Germany.</td></tr>
<tr><td>B.5</td><td>Description of NIBC and the Company’s position within NIBC</td><td>The Company is a holding company without material direct business operations. The principal assets of the Company are the equity interests it directly or indirectly holds in its subsidiaries.</td></tr>
<tr><td>B.6</td><td>Shareholders of the Company</td><td>As at the date of this Prospectus, 97.95 per cent of the Ordinary Shares are held by the Selling Shareholders and the remainder of the Ordinary Shares are held by: (i) Stichting Administratiekantoor NIBC Holding (the “STAK”), which issued depositary (the “Depositary Receipts”) receipts to certain current and former employees of NIBC under variable</td></tr>
</table>

Section B—Company

remuneration plans in exchange for the delivery of Ordinary Shares, and (ii) and members of the Managing Board.

Different voting rights

Each Ordinary Share gives the right to cast one vote at the general meeting of the Company (the "**General Meeting**"). All holders of Shares (each, a "**Shareholder**") have the same voting rights.

Direct and indirect ownership of or control over the Company and nature of such control

The following table sets forth information with respect to the beneficial ownership of each Shareholder as at the date of the Prospectus.

Shareholder	Number of Ordinary Shares	% of issued and outstanding Ordinary Shares
New NIB Partners LP	106,602,979	72.86
New NIB Partners II LP	11,727,797	8.02
NIB Special Investors LP	3,548,483	2.43
NIB Special Investors II LP	9,308,154	6.36
NIB Special Investors III LP	1,910,166	1.31
NIB Special Investors IV-A LP	4,491,098	3.07
NIB Special Investors IV-B LP	1,424,722	0.97
NIB Special Investors V LP	4,289,136	2.93
(together, the "**Selling Shareholders**")		
Stichting Administratiekantoor NIBC Holding(1)	2,403,949	1.64
Members of the Managing Board(2)	602,326	0.42
	146,308,810	**100**

(1) Stichting Administratiekantoor NIBC Holding holds such shares in connection with the share based incentive scheme (see "*Management, Employees and Corporate Governance—Variable Remuneration*" for further details on the share based incentive scheme).

(2) See *"Shareholder Structure and Related Party Transactions—Related Party Transaction—Key management personnel"* for further details.

The Selling Shareholders are the only holders of Ordinary Shares that hold a (direct or indirect) substantial interest (*substantiële deelneming*, i.e., a holding of at least 3 per cent of the share capital or voting rights as defined in the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) in the Company as at the date of the Prospectus.

Each Ordinary Share gives the right to cast one vote at the General Meeting. All Shareholders have the same voting rights.

Anti-Takeover Measure

Stichting Continuiteit NIBC (the "**Foundation**") objects are to protect the interests of the Company, the business maintained by the Company and the entities with which the Company forms a group and all persons involved therein. The Foundation shall pursue its objects, inter alia, by acquiring and holding preference shares (the "**Preference Shares**") and by enforcing the rights, in particular the voting rights, attached to those Preference Shares, as well as by exercising (whether or not in legal proceedings) rights attributed to it pursuant to Dutch law, the Articles of Association (defined below) or any agreement which the Company and Foundation may enter into from time to time.

The Foundation will be granted a call option by the Company. The Foundation may not exercise the call option without the prior approval of the Selling Shareholders for so long as the Selling Shareholders' (direct or indirect) holding of Ordinary Shares represents 20 per cent or more of the issued Shares (excluding Preference Shares). On each exercise of the call option, the Foundation is entitled to acquire Preference Shares from the Company up to a maximum corresponding with 100 per cent of the issued share capital of the Company excluding the Preference Shares as outstanding immediately prior to the exercise of the call option, less one Share, from which maximum any Preference Shares already placed with the Foundation at the time of the exercise of the call option shall be deducted. See "*Description of Share Capital and Corporate Structure—Anti-Takeover Measure; Preference Share*" for further information.

B.7 **Selected consolidated financial information**

This summary section below contains selected consolidated financial information of NIBC as at and for the years ended 31 December 2017, 2016 and 2015, which has been derived from the audited annual consolidated financial statements of the Company as at and for the years ended 31 December 2017, 2016 and 2015 (the "**Financial Statements**") as included in this Prospectus or incorporated by reference. Certain financial information for the year ended 31 December 2015 has been derived from the comparative information as included in the annual audited consolidated financial statements as at and for the year ended 31 December 2016, due to certain reclassifications in the presentation of financial information which were applied to the comparative financial information as included in the 31 December 2016 consolidated financial statements. See "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*".

Selected Consolidated Income Statement

	Year ended 31 December		
	2017	**2016**	**2015**(1)
	(audited, in € millions)		
Interest and similar income	534	539	557
Interest expense and similar charges	192	246	283
Net interest income	**342**	**293**	**274**
Fee and commission income	54	32	37
Fee and commission expense	—	—	1
Net fee and commission income	**54**	**32**	**36**
Investment income	67	23	24
Net trading income	98	34	—
Other operating income	(2)	31	20
Operating income	**559**	**413**	**354**
Personnel expenses and share-based payments	111	102	97
Other operating expenses	102	82	84
Depreciation and amortisation	6	7	8
Regulatory charges and levies	14	15	4
Operating expenses	**233**	**206**	**193**
Impairments of financial assets	56	82	63
Impairments of non-financial assets	—	2	20
Total expenses	**289**	**290**	**276**
Profit before tax	**270**	**123**	**78**
Tax	54	19	8
Profit after tax	**216**	**104**	**70**
Attributable to:			
Shareholders of the company	213	104	70
Holders of capital securities (non-controlling interest)	3	—	—
Other non-controlling interests	—	—	—

(1) Certain financial information for the year ended 31 December 2015 has been derived from the comparative information as included in the annual audited consolidated financial statements as at and for the year ended 31 December 2016, due to certain reclassifications in the presentation of financial information. See "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*".

Selected Consolidated Balance Sheet

	As at 31 December		
	2017	2016	2015[(1)]
	(audited, in € millions)		
Assets			
Financial assets at amortised cost			
Cash and balances with central banks	1,604	918	746
Due from other banks	965	1,468	1,766
Loans and receivables			
Loans	7,473	7,844	7,294
Residential mortgages own book	4,412	3,346	2,390
Debt investments	59	287	294
Financial assets available-for-sale			
Equity investments	36	41	48
Debt investments	823	1,028	1,064
Financial assets at fair value through profit or loss (including trading)			
Loans	181	210	316
Residential mortgages own book	4,581	4,124	4,111
Securitised residential mortgages	338	1,550	2,266
Equity investments (including investments in associates)	287	204	222
Debt investments	31	60	19
Derivative financial assets	1,021	1,811	2,141
Other			
Investments in associates (equity method)	10	7	7
Intangible assets	3	3	—
Property, plant and equipment	62	50	49
Investment property	—	271	251
Current tax	1	—	—
Deferred tax	38	46	51
Other assets	62	227	47
Assets held for sale	161	—	71
Total assets	**22,148**	**23,495**	**23,153**
Liabilities and equity			
Financial liabilities at amortised cost			
Due to other banks	1,834	1,290	829
Deposits from customers	11,510	11,802	11,746
Own debt securities in issue	4,392	3,855	3,050
Debt securities in issue related to securitised mortgages and lease receivables	267	1,337	2,062
Financial liabilities at fair value through profit or loss (including trading)			
Borrowings	—	49	77
Own debt securities in issue	38	37	36
Debt securities in issue structured	616	620	704
Derivative financial liabilities	863	2,006	2,356
Other			
Other liabilities	113	275	110
Current tax	1	—	1
Deferred tax	4	3	1
Employee benefits	3	3	4
Liabilities held for sale	104	—	42
Subordinated liabilities			
Amortised cost	115	122	120
Fair value through profit or loss	167	276	280
Total liabilities	**20,027**	**21,675**	**21,418**
Equity			
Share capital	148	148	1,408
Share premium	1,138	2,279	525
Revaluation reserve	93	153	60
Retained earnings including profit for period	536	(763)	258
Equity attributable to the parent company	**1,915**	**1,817**	**1,735**
Capital securities (non-controlling interest)	203	—	—
Equity attributable to other non-controlling interest	3	3	—
Total equity	**2,121**	**1,820**	**1,735**
Total liabilities and shareholders' equity	**22,148**	**23,495**	**23,153**

(1) Certain financial information for the year ended 31 December 2015 has been derived from the comparative information as included in the annual audited consolidated financial statements as at and for the year ended 31 December 2016, due to certain reclassifications in the presentation of financial information. See "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*".

Selected Consolidated Statement of Cash Flows

	Year ended 31 December		
	2017	2016	2015[3]
	(audited, in € millions)		
Operating activities			
Net profit for the year	216	104	70
Adjustments for non-cash items			
Depreciation, amortisation and impairment losses	(66)	78	91
Changes in employee benefits	—	(1)	—
Share in result of associates	—	—	(1)
Changes in operating assets and liabilities			
Derivative financial instruments	(353)	(20)	(151)
Operating assets[1]	1,101	(935)	(486)
Operating liabilities (including deposits from customers)[2]	188	806	1,250
Cash flows from operating activities	**1,086**	**32**	**773**
Investing activities			
Acquisition of subsidiaries, associates and joint ventures	(3)	—	—
Disposal of subsidiaries, associates and joint ventures	—	—	—
Acquisition of property, plant and equipment	(15)	(8)	(13)
Divestment of investment property	174	—	—
Acquisition of investment property	—	—	(251)
Proceeds from financial assets	—	(22)	(22)
Repayments of financial assets	(67)	—	—
Non-controlling interest	—	3	—
Cash flows from investing activities	**(89)**	**(27)**	**(286)**
Financing activities			
(Decrease) / increase in borrowings	(49)	(29)	77
Proceeds from the issuance of own debt securities	716	1,324	1,100
Repayment of issued own debt securities	(178)	(518)	(113)
Proceeds from the issuance of subordinated liabilities	(22)	4	94
Repayment of issued subordinated liabilities	(125)	(4)	(14)
Proceeds from the issuance of debt securities structured	11	70	109
Repayment of issued debt securities structured	(29)	(147)	(228)
Repayment of issued debt securities related to securitised mortgages and lease receivables	(1,070)	(725)	(1,286)
Proceeds from issued shares	—	—	(3)
Final and interim distribution	(56)	—	
Proceeds from capital securities	200	—	—
Cash flows from financing activities	**(602)**	**(25)**	**(264)**
Cash and cash equivalents at start of period	**1,215**	**1,244**	**1,021**
Net foreign exchange difference	(6)	(9)	—
Net increase/(decrease) in cash and cash equivalents	573	(20)	223
Cash and cash equivalents at end of period	**1,782**	**1,215**	**1,244**
Reconciliation of cash and cash equivalents:			
Cash and balances with central banks (maturity three months or less)	1,445	777	613
Due from other banks (maturity three months or less)	337	438	631
	1,782	**1,215**	**1,244**
Supplementary disclosure of operating cash flow information:			
Interest paid	192	260	283
Interest received	572	534	573

(1) Includes all assets, excluding derivatives, intangible assets and current tax.

(2) Includes all liabilities, excluding derivatives.

(3) Certain financial information for the year ended 31 December 2015 has been derived from the comparative information as included in the annual audited consolidated financial statements as at and for the year ended 31 December 2016, due to certain reclassifications in the presentation of financial information. See "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*".

Section B—Company

Selected Non-IFRS Financial Measures, APMs and Capital Metrics

	As at or for the year ended 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
Net interest margin for NIBC Holding(1) (in %)	1.60	1.47	1.34
Dividend payout ratio for NIBC Holding(2) (in %)	45	25	0
Underlying cost-to-income ratio of NIBC Bank(3) (in %)	44	51	56
Return on equity for NIBC Holding(4) (in %)	11.9	6.0	4.2
Total corporate and investment loans (drawn and undrawn)	9,200	9,473	9,122
Total corporate banking assets (drawn and undrawn)	9,825	10,243	9,894
Total retail banking assets(11)	9,146	8,831	8,580
Cost of risk for NIBC Holding(5) (in %)	0.62	0.74	0.73
Cost of risk for NIBC Bank(6) (in %)	0.38	0.61	0.71
Impairment ratio for NIBC Bank(7) (in %)	0.20	0.34	0.39
NPL ratio for NIBC Holding(8) (in %)	2.6	2.7	2.7
Impairment coverage ratio for NIBC Bank(9) (in %)	46	33	34
Loan-to-deposit ratio for NIBC Holding(10) (in %)	148	145	139
Total number of FTEs as of the end of the relevant period for NIBC	689	716	644

(1) Net interest income, expressed as a percentage of twelve-month average interest bearing assets.

(2) Dividends declared in relation to a given period, expressed as a percentage of net profit attributable to parent shareholders for the period.

(3) Underlying operating expenses, expressed as a percentage of underlying operating income.

(4) Net profit attributable to parent shareholders, expressed as a percentage of total shareholders' equity at the beginning of the relevant period, post- proposed dividend.

(5) Ratio of (i) the sum of the Company's impairments and the credit losses on the fair of value residential mortgages and loans (which are recognised in NIBC's net trading income) to (ii) the total risk weighted assets averaged over the reporting period.

(6) Ratio of (i) the sum of NIBC Bank's impairments and the credit losses on the fair value of residential mortgages and loans (which are recognised in NIBC Bank's net trading income) to (ii) NIBC Bank's total risk weighted assets averaged over the reporting period.

(7) Ratio of (i) NIBC Bank's underlying impairments of financial assets to (ii) the average carrying value of various asset items constituting NIBC's loans and residential mortgages.

(8) Total non-performing exposure for all corporate loans and residential mortgages, divided by the total exposure for corporate and investment loans (drawn and undrawn) and residential mortgages.

(9) Impairment amounts recognised on corporate and retail exposures divided by impaired corporate and retail exposures. Impairment amount include amounts recognised as incurred but not reported ("**IBNR**").

(10) Ratio of NIBC's total loans and residential mortgages (both own book and securitised) to total deposits from customers.

(11) Total retail banking assets include effect of netting savings values.

Section B—Company		

In addition, NIBC presents certain measures which are capital metrics and risk exposures reported under the Basel framework, and have been disclosed in the Financial Statements.

	As at or for the year ended 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
Risk-weighted assets[(1)]	8,584	9,930	9,848
Leverage ratio (fully loaded)[(2)] (in %)	7.7	6.5	6.1
CET1 ratio (fully loaded)[(3)] (in %)	19.3	15.1	13.9
Tier 1 ratio (fully loaded)[(4)] (in %)	20.4	15.1	13.9
BIS ratio (fully loaded)[(5)] (in %)	22.2	18.0	16.7
Liquidity coverage ratio[(6)] (in %)	196	124	201
Net stable funding ratio[(7)] (in %)	117	112	113

(1) Assets after being adjusted by a prescribed risk-weighting factor that reflects the relative risk attached to the relevant classes of assets. Risk-weighted assets ("**RWA**") are used to calculate the minimum amount of capital NIBC is required to hold.

(2) Tier 1 capital (fully loaded) expressed as a percentage of the aggregate of all of NIBC's exposure values of its assets and certain off-balance sheet items, calculated in accordance with the principles set out in the CRR and CRD IV. Tier 1 capital is calculated on the basis of full applicability of the relevant Basel III/CRD IV capital requirements ("**fully loaded**"), and includes share capital, share premium, retained earnings, accumulated other comprehensive income and other reserves and issued and paid up AT1 instruments, adjusted for certain deductions set out in the CRR/CRD IV, such as goodwill, shortfall, repurchased own shares and other eligible items.

(3) CET1 capital (fully loaded) expressed as a percentage of NIBC's total RWA. CET1 capital is calculated on a fully loaded basis.

(4) Tier 1 capital (fully loaded) expressed as a percentage of the total of NIBC's RWA. Tier 1 capital is calculated on a fully loaded basis and includes share capital, share premium, retained earnings, accumulated other comprehensive income and other reserves and issued and paid up AT1 instruments, adjusted for certain deductions set out in the CRR/CRD IV, such as goodwill, shortfall, repurchased own shares and other eligible items.

(5) NIBC's BIS ratio (fully loaded) is NIBC's total capital expressed as a percentage of NIBC's total RWA.

(6) The ratio of high quality liquid assets to the balance of anticipated cash outflows and cash inflows over a 30 calendar day stress period, calculated according to the Commission Delegated Regulation (EU) No 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions.

(7) The amount of available stable funding relative to the amount of required stable funding, based on NIBC's interpretation of the current Basel Committee guidelines, which may change in the future. This ratio should be equal to at least 100 per cent on an on-going basis. "Available stable funding" is defined as the portion of capital and liabilities expected to be available over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance-sheet exposures.

Section B—Company

Selected Internal Management Information—*Reconciliation of Reported to Underlying Results*

	Year ended 31 December 2017								
	NIBC Holding Reported Results(1)	Reconciliation Items Holding(2)	NIBC Bank	Reconciliation Items(3)	Special Items(4)	Underlying Results(5)	Corporate Client Offering	Retail Client Offering	Treasury & Group Functions
	(audited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	(in € millions)								
Net interest income	342	24	366	—	—	366	204	127	35
Net fee and commission income	54	0	54	—	—	54	50	4	0
Investment income	67	0	67	—	—	67	66	—	1
Net trading income	98	(74)	25	—	—	25	37	(2)	(10)
Other operating income	(2)	3	0	—	—	0	0	0	0
Operating income	**559**	**(47)**	**512**	—	—	**512**	**357**	**130**	**25**
Operating Expenses	**233**	**(10)**	**223**	—	—	**223**	**121**	**63**	**39**
Impairments of financial assets	56	(21)	34	—	—	34	34	0	0
Profit before tax	**270**	**(16)**	**255**	—	—	**255**	**201**	**67**	**(13)**
Tax	54	(12)	42	—	—	42	35	16	(10)
Profit after tax	**216**	**(4)**	**213**	—	—	**213**	**166**	**50**	**(4)**
Result attributable to non-controlling interests	—	0	—	—	—	0	0	0	0
Net profit attributable to:	**216**	**3**	**213**	—	—	**213**	**166**	**50**	**(4)**
Shareholders of the company	213	3	210						
Holders of capital securities	3	—	3						
Non-controlling interests	—	—	—						

(1) Results of the Company together with its consolidated subsidiaries.

(2) Reconciliation Items Holding between NIBC and NIBC Bank consist of the income statement contributions of NIBC Investment Management N.V., NIBC Investments N.V. and BEEQUIP B.V., which are all direct subsidiaries of the Company, and are hence not included in the results of NIBC Bank.

(3) Reconciliation Items between NIBC Bank and Underlying Results consist of income and expenses in respect of certain investments in non-financial companies over which NIBC has control, and which IFRS requires NIBC to consolidate. There were no Reconciliation Items related to non-financial companies in 2017, as the last of these investments was exited in 2015.

(4) Special Items between NIBC Bank and Underlying Results are material and non-recurring items which NIBC's management view as exceptional. There were no Special Items in 2017.

(5) Underlying results are referred to as "Internal Management Report" items in the financial statements of NIBC and NIBC Bank.

Section B—Company

	Year ended 31 December 2016								
	NIBC Holding Reported Results[(1)]	Reconciliation Items Holding[(2)]	NIBC Bank	Reconciliation Items[(3)]	Special items[(4)]	Underlying Results[(5)]	Corporate Client Offering	Retail Client Offering	Treasury & Group Functions
	(audited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
				(in € millions)					
Net interest income	293	14	306	—	—	306	162	117	27
Net fee and commission income	32	0	32	—	—	32	32	0	(1)
Investment income	23	0	23	—	8	31	33	—	(2)
Net trading income	34	(22)	12	—	—	12	16	(4)	(1)
Other operating income	31	(9)	22	—	(22)	0	0	0	1
Operating income	**413**	**(17)**	**395**	—	**(14)**	**381**	**244**	**114**	**24**
Operating Expenses	**206**	**(3)**	**203**	—	**(9)**	**194**	**118**	**57**	**20**
Impairments of financial assets	84	(12)	72	—	(14)	57	57	1	0
Profit before tax	**123**	**(3)**	**120**	—	**9**	**129**	**69**	**56**	**4**
Tax	19	(1)	18	—	7	25	12	14	0
Profit after tax	**104**	**(2)**	**102**	—	**2**	**104**	**58**	**42**	**4**
Result attributable to non-controlling interests	0	0	0	—	—	0	0	0	0
Net profit before special items	**104**	**(2)**	**102**	—	**2**	**104**	**58**	**42**	**4**
Special items[(4)] net of tax	—	—	—	—	—	(2)	(18)	—	16
Net profit attributable to:	**104**	**(2)**	**102**	—	—	**102**	**39**	**42**	**20**
Shareholders of the company	104	(2)	102						
Holders of capital securities	—	—	—						
Non-controlling interest	—	—	—						

(1) Results of the Company together with its consolidated subsidiaries.

(2) Reconciliation Items Holding between NIBC and NIBC Bank consist of the income statement contributions of NIBC Investment Management N.V., NIBC Investments N.V. and BEEQUIP B.V., which are all direct subsidiaries of the Company, and are hence not included in the results of NIBC Bank.

(3) Reconciliation Items between NIBC Bank and Underlying Results consist of income and expenses in respect of certain investments in non-financial companies over which NIBC has control, and which IFRS requires NIBC to consolidate. There were no Reconciliation Items related to non-financial companies in 2016, as the last of these investments was exited in 2015.

(4) Special Items between NIBC Bank and Underlying Results are material and non-recurring items which NIBC's management view as exceptional. The income statement contributions of these Special Items have been excluded from NIBC's underlying results in order to provide additional understanding of the financial performance of NIBC. For the year ended 31 December 2016, such Special Items included the after tax contribution of badwill (negative goodwill) from the acquisition of SNS Securities (subsequently renamed NIBC Markets) of €22 million, an after tax credit loss of €18 million resolving certain pre-financial crisis retail client exposures (consisting of the before-tax impact of a €14 million impairment of financial assets on these exposures, plus the additional before-tax impact of €8 million from the write-down of the equity value of these exposures) and a one-off after-tax expense of €6 million relating to outsourcing of NIBC's technical IT-environment and the integration of NIBC Markets. Compared with the underlying net profit, the combined effect of these Special Items was a decrease in net profit of €2 million for the year ended 31 December 2016.

(5) Underlying results are referred to as "Internal Management Report" items in the financial statements of NIBC and NIBC Bank.

Section B—Company

	Year ended 31 December 2015								
	NIBC Holding Reported Results(1)	Reconciliation Items Holding(2)	NIBC Bank	Reconciliation Items(3)	Special Items(4)	Underlying Results(5)	Corporate Client Offering	Retail Client Offering	Treasury & Group Functions
	(audited)	(unaudited)	(audited)	(unaudited)	(unaudited) (in € millions)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net interest income	274	12	286	—	—	286	149	114	22
Net fee and commission income	36	0	36	—	—	36	36	—	—
Investment income	24	—	24	(20)	—	4	3	—	1
Net trading income	0	(11)	(11)	—	—	(11)	7	(8)	(11)
Other operating income	20	(3)	17	(15)	—	2	—	—	1
Operating income	**354**	**(2)**	**352**	**(36)**	—	**316**	**197**	**106**	**13**
Operating Expenses	**193**	**(2)**	**191**	**(15)**	—	**176**	**104**	**48**	**25**
Impairments of financial assets	63	—	63	—	—	63	60	1	2
Impairments of non-financial assets	20	—	20	(20)	—	—	—	—	—
Profit before tax	**78**	**0**	**78**	**(1)**	—	**77**	**33**	**58**	**(14)**
Tax	8	(1)	7	(1)	—	6	0	14	(8)
Profit after tax	**70**	**1**	**71**	**0**	—	**71**	**34**	**43**	**(7)**
Result attributable to non-controlling interests	—	—	0	—	—	0	0	0	—
Net profit before special items	**70**	**1**	**71**	**0**	—	**71**	**34**	**44**	**(7)**
Special items(4) net of tax	—	—	—	—	—	—	—	—	0
Net profit attributable to:	**70**	**1**	**71**	**—**	—	**71**	**34**	**44**	**(7)**
Shareholders of the company	70	1	71						
Holders of capital securities	—	—	—						
Non-controlling interest	—	—	—						

(1) Results of the Company together with its consolidated subsidiaries.

(2) Reconciliation Items Holding between NIBC and NIBC Bank consist of the income statement contributions of NIBC Investment Management N.V., NIBC Investments N.V. and BEEQUIP B.V., which are all direct subsidiaries of the Company, and are hence not included in the results of NIBC Bank.

(3) Reconciliation Items between NIBC Bank and Underlying Results consist of income and expenses in respect of certain investments in non-financial companies over which NIBC has control, and which IFRS requires NIBC to consolidate. NIBC's management considers these investments to be non-strategic and the activities of these entities are non-financial. Accordingly, NIBC has exited these investments and the last investment of this type was exited during the financial year ended 31 December 2015. The combined effect of these Reconciliation Items did not result in any increase or decrease in underlying profit after tax during the year ended 31 December 2015.

(4) Special Items between NIBC Bank and Underlying Results are material and non-recurring items which NIBC's management view as exceptional. There were no Special Items in 2015.

(5) Underlying results are referred to as "Internal Management Report" items in the financial statements of NIBC and NIBC Bank.

B.8	**Pro forma financial information**	Not applicable. No pro forma financial information has been included in the Prospectus.
B.9	**Profit forecast or estimate**	Not applicable. The Company has not issued a profit forecast.
B.10	**Historical audit report qualification**	Not applicable. There are no qualifications.
B.11	**Working capital**	In the opinion of NIBC, its working capital is sufficient for its present requirements for at least 12 months following the date of the Prospectus. NIBC's current own funds are sufficient to comply with the own funds requirements, as set out in the CRR. NIBC's current liquidity position is sufficient to comply with the liquidity requirements, as set out in the CRR.

Section C—Securities		
C.1	**Type, class, and security codes of the Offer Shares**	The Ordinary Shares are ordinary shares in the issued and outstanding share capital of the Company with a nominal value of €1.00 each. Application has been made to list all Ordinary Shares under the symbol "NIBC" on Euronext Amsterdam under ISIN Code: NL0012756316.
C.2	**Currency of the Offer Shares**	The Offer Shares are denominated in euro.
C.3	**Number of Shares and value**	On the date of the Prospectus, a total of 147,513,369 Ordinary Shares are issued with a nominal value of €1.00 each and no Preference Shares are on issue. As at the moment of execution of the notarial deed pursuant to which the articles of association (statuten) of the Company will be amended and will become effective on the Settlement Date (the "**Articles of Association**"), the Company's authorised share capital will amount to €700,000,000 and will be divided into 350,000,000 Ordinary Shares, each with a nominal value of €1.00 and 350,000,000 Preference Shares, each with a nominal value of €1.00.
C.4	**Rights attached to the Ordinary Shares**	The Ordinary Shares carry dividend rights. Each Ordinary Share confers the right on the holder to cast one vote at the General Meeting. There are no restrictions on voting rights for Ordinary Shares. ***Issue of shares and pre-emptive rights*** Under the Articles of Association the General Meeting may resolve to issue Shares, or grant rights to subscribe for Shares, upon a proposal of the Managing Board which has been approved by the supervisory board (*raad van commissarissen*) of the Company ("**Supervisory Board**"). The Articles of Association provide that the General Meeting may delegate the authority to issue Shares, or grant rights to subscribe for Shares, to the Managing Board, upon a proposal of the Managing Board which has been approved by the Supervisory Board. On 9 March 2018, the General Meeting designated the Managing Board as the corporate body authorised, subject to the approval of the Supervisory Board, to issue Ordinary Shares, to grant rights to subscribe for Ordinary Shares and to exclude statutory pre-emptive rights in relation to such issuances of Ordinary Shares or granting of rights to subscribe for Ordinary Shares for a period of 18 months with effect as of the Settlement Date. The power of the Managing Board is limited to a maximum of 10 per cent of the total issued Ordinary Shares at the time the authority is used for the first time plus a further 10 per cent of the total issued Ordinary Shares in connection with or at the occasion an issue occurs as part of a merger or acquisition, or if necessary in the opinion of the Managing Board and Supervisory Board, to safeguard or conserve the capital position of the Company. Upon issue of Ordinary Shares, each Shareholder shall have a pre-emptive right in proportion to the aggregate nominal amount of his Ordinary Shares. Shareholders do not have pre-emptive rights in respect of: (i) the issue of Ordinary Shares (or the granting of rights to subscribe for Ordinary Shares) (a) against a contribution in kind, (b) to employees of the Company or (c) to persons exercising a previously granted right to subscribe for Ordinary Shares; and (ii) the issue of Preference Shares. These pre-emptive rights also apply in case of granting of rights to subscribe for Ordinary Shares. Pre-emptive rights may be limited or excluded by a resolution of the General Meeting, upon a proposal of the Managing Board which has been approved by the Supervisory Board. The General Meeting may delegate this

		authority to the Managing Board. A designation as referred to above will only be valid for a specific period of no more than five years and may from time to time be extended for a period of no more than five years (i.e. for the same period as the delegation of authority to issue shares). A resolution by the Managing Board (if so designated by the General Meeting) to limit or exclude pre-emptive rights requires the approval of the Supervisory Board. ***Relationship Agreement*** Pursuant to the relationship agreement dated 12 March 2018 between the Company and the Selling Shareholders (the "**Relationship Agreement**"), the key provisions of which will become effective as of the First Trading Date, the Selling Shareholders will have the right to designate for nomination, and propose replacements for, a certain number of positions of the Supervisory Board. Initially, the Selling Shareholders will be in a position to designate for nomination three out of eight positions on the Supervisory Board, albeit the number of Supervisory Board members will be reduced to seven positions in 2018. For as long as the Selling Shareholders (i) hold more than 50 per cent of the Ordinary Shares, the Selling Shareholders shall have the right to nominate three members to the Supervisory Board (each a "**Selling Shareholders Nominee**") for appointment by the General Meeting, (ii) cease to hold more than 50 per cent of the Ordinary Shares but hold more than 20 per cent of the Ordinary Shares, one of the Selling Shareholders Nominees shall, upon written request of the Supervisory Board, promptly resign and the Selling Shareholders shall have the right to nominate two Selling Shareholders Nominees to the Supervisory Board for appointment by the General Meeting and (iii) cease to hold more than 20 per cent of the Ordinary Shares, all Selling Shareholders Nominees shall, upon written request of the Supervisory Board, promptly resign. In the absence of a written request for resignation by the Supervisory Board, the Selling Shareholders Nominees shall complete their respective term, unless the Selling Shareholders and the Company agree otherwise. The Relationship Agreement will provide the Selling Shareholders with additional rights including in relation to any future sale of Ordinary Shares by the Selling Shareholders and access to certain financial and other information of the Company. See *"Shareholder Structure and Related Party Transactions—Related Party Transactions—Relationship Agreement"*. ***Dividends and other distributions*** The payment of dividends may be limited, restricted or prohibited, including by the competent supervisory authority, if this measure is required or deemed required to strengthen NIBC's capital in view of prudential requirements such as among other things the combined buffer requirements, additional capital requirements as a result of the Supervisory Review and Evaluation Process ("**SREP**"), the leverage ratio, the minimum requirement for own funds and eligible liabilities and total loss-absorbing capacity requirements. In addition, any payment of dividends can only be paid out of distributable items as defined in the CRR.
C.5	**Restrictions on free transferability of the Ordinary Shares**	The Ordinary Shares are in registered form. The transfer of a registered Ordinary Share or of a restricted right thereto requires a deed of transfer drawn up for that purpose and acknowledgement of the transfer by the Company in writing. The latter condition is not required in the event that the Company is party to the transfer.

Section C—Securities		
		If a registered Ordinary Share is transferred for inclusion in a collection deposit, the transfer will be accepted by the intermediary concerned. If a registered Ordinary Share is transferred for inclusion in a giro deposit, the transfer will be accepted by the central institute, being the Netherlands Central Institute for Giro Securities Transactions (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*) ("**Euroclear Nederland**"). The transfer and acceptance of Ordinary Shares in the collection deposit or giro deposit (as relevant), can be effected without the cooperation of the other participants in the collection deposit or giro deposit (as relevant). Upon issuance of a new Ordinary Share to Euroclear Nederland or to an intermediary, the transfer in order to include the Ordinary Share in the giro deposit or the collection deposit will be effected without the cooperation of the other participants in the collection deposit or the giro deposit. Ordinary Shares included in the collection depot or giro deposit can only be delivered from a collection deposit or giro deposit with due observance of the related provisions of the Dutch Securities Giro Act. The transfer by a deposit shareholder of its book-entry rights representing such Ordinary Shares shall be effected in accordance with the provisions of the Dutch Securities Giro Act. The same applies to the establishment of a right of pledge and the establishment or transfer of a usufruct on these book-entry rights.
C.6	**Listing and admission to trading of the Ordinary Shares**	Not applicable. The Ordinary Shares are not listed or admitted to trading. Application has been made to admit all Ordinary Shares to listing and trading on Euronext Amsterdam under the symbol "NIBC". Subject to acceleration or extension of the timetable for the Offering, trading on an "as-if-and-when-delivered" basis in the Ordinary Shares on Euronext Amsterdam is expected to commence on or about 23 March 2018 (the "**First Trading Date**").
C.7	**Dividend policy**	The Company's intention is to apply a dividend pay-out policy that aims to pay out at least 50 per cent of its net profit attributable to shareholders of the Company, subject to adjustment for selected one-off items (income or expenses derived from extraordinary or irregular items as determined by the Managing Board and subject to approval of the Supervisory Board) and after deduction of coupon payments on capital instruments that are treated as equity instruments for accounting purposes. For the year ended 31 December 2018, the Company targets a pay-out ratio of approximately 50 per cent. The Company's dividend policy and the intended payment of dividends are without prejudice to the absolute discretion of the Managing Board to elect not to make dividend payments or to make higher or lower dividend payments than previously indicated, and may be limited, restricted or prohibited, including by the competent supervisory authority, if this measure is required or deemed required to strengthen NIBC's capital position. Any dividend proposal will take into account considerations including capital and liquidity requirements and other regulatory requirements or constraints, future income, profits, resources available for distribution, financial conditions, growth opportunities, the outlook of NIBC's business, its short-term and long-term viability, general economic conditions and any circumstance the Managing Board may deem relevant or appropriate. There can be no assurances that in any given year a dividend will be paid. There can be no assurances that NIBC's performance will facilitate adherence to the dividend policy and, in particular, the Company's ability to pay dividends may be impaired if any of the risks described in this Prospectus were to occur.

Section C—Securities		
		The Company intends to pay dividends in two semi-annual instalments. The first payment for each year is expected to be made in the second half of that year and the remainder in the first half of the following year following approval of the General Meeting.

Section D—Risks		
D.1	**Risks relating to NIBC's business and industry**	The following is a summary of selected key risks that relate to NIBC and its business and industry. Investors should read, understand and consider all risk factors, which are material and should be read in their entirety, in "*Risk Factors*" beginning on page 75 of the Prospectus, before making an investment decision to invest in the Offer Shares. **Selected Risks Relating to NIBC's Business and Industry** *General Economy and Financial Stability* • NIBC's business, results of operations, financial condition and prospects are affected by global and European macroeconomic and political conditions as they specifically affect financial institutions and, in particular, the macroeconomic and political conditions of the Netherlands, Germany, Belgium and the United Kingdom, the countries from which NIBC's earnings are predominantly generated. In addition, NIBC's business, results of operations, financial condition and prospects are affected by the financial health of its customers, and NIBC is exposed to macroeconomic and political conditions in the countries or regions in which its customers have significant exposure. • Insolvencies in the financial sector or the default of sovereign debtors could, due to the worldwide interdependency of the financial markets, have an adverse effect on the entire financial sector, financial markets in general and NIBC's counterparties in particular. NIBC's business is therefore subject to the risk that borrowers and other contractual partners may not be able to meet their obligations to NIBC due to insolvency, the application of resolution tools by resolution authorities, a lack of liquidity, global or regional economic distress, operational failure, political developments or for other reasons. • Rising prices and price volatility in the Dutch housing market could have a significant impact on the margins earned in NIBC's mortgage business, which could have a material adverse effect on NIBC's business, financial condition, results of operations and prospects. A large part of NIBC's operating income (88 per cent as at 31 December 2017) is generated in the Netherlands and a significant portion of the loan portfolio of NIBC relates to Dutch mortgage loans. In the past, the housing market in the Netherlands has been volatile. House prices have been rising consistently since 2016, which has in the past influenced and may continue to influence the volumes and margin of the Dutch mortgage business. Furthermore, rising house prices in the Netherlands can have a significant impact on the margin of NIBC's residential mortgage portfolio and the rate of prepayments, which could have a material adverse effect on NIBC's business, financial condition, results of operations and prospects. *Credit and Concentration Risk* • NIBC does business with many counterparties, and any inability of its counterparties to meet their financial obligations could have a material

		adverse effect on its business, results of operations and financial condition. There is a risk that the third-parties that owe NIBC money, securities or other assets may not pay or perform under their obligations. These parties include issuers and guarantors (including sovereigns) of securities that NIBC holds, borrowers under mortgages and loans originated, as well as customers, trading counterparties and other banks and financial intermediaries as well as suppliers. Severe distress or defaults by one or more of these parties on their obligations to NIBC, could lead to losses for NIBC, and defaults by other institutions. In addition, NIBC is subject to significant concentration risk exposure in the Netherlands, particularly through its mortgage loan portfolio, which may have a material adverse effect on NIBC's business, financial condition and results of operations. • NIBC is exposed to potential impairment charges and to declining values on the collateral supporting residential and commercial real estate, as well as lending to the Shipping & Intermodal, Offshore Energy, and Infrastructure & Renewables sectors could have a material adverse effect on its business, results of operations, financial condition and prospects. In an economic downturn, the demand for financial services is usually adversely affected, which, in turn, could result in an adverse effect on the value of NIBC's assets, expose NIBC to the risk that its borrowers may not repay their loans according to their contractual terms or could result in the value of collateral securing the payment of these loans being less than the outstanding principal amount of such loans. NIBC has and may continue to observe adverse changes in the credit quality of its borrowers and counterparties, with increasing delinquencies, defaults and insolvencies across a range of sectors, which may lead to impairment charges on loans and other assets, higher costs and additions to loan impairment provisions. *Interest Rate Risk and Inflation* • Volatility in and the current low interest rate environment has affected in the past and may continue to materially and adversely affect NIBC's business, financial condition, results of operations and prospects. Since 2012, in response to concerns about Europe's sovereign debt crisis and slowing global economic growth, central banks around the world have maintained interest rates at historically low levels. As a result of the prolonged low interest rate environment, NIBC has not been able to fully offset the liquidity costs for its reserves maintained with the ECB against the interest paid on customer deposits, which has had a negative impact on NIBC's net interest margin. In addition, interest-earning assets (in particular residential mortgage loans) have generated lower margins, and other loans and securities held in the investment portfolio have also been generating lower levels of interest income when compared with NIBC's historical levels. There can be no assurance that central banks will start to raise interest rates or that the current historically low interest rate environment will not continue. NIBC's business, results of operations, financial condition and prospects may be materially and adversely affected by a sustained increase in inflation or significant deflation. *Liquidity Risk* • NIBC has a continuous demand for liquidity to fund its business activities and lack of liquidity is a risk to NIBC's business and may have a material adverse effect on NIBC's business, financial condition,

results of operations and prospects. In the event NIBC's available funding resources do not satisfy its needs or its existing funding resources need to be refinanced, NIBC may need to seek additional financing. The availability of additional financing will depend on a variety of factors, including market conditions, the general availability of credit, the volume of trading activities, the volume of maturing debt that needs to be refinanced, the overall availability of credit to the financial services industry and NIBC's credit ratings. There is a risk, however, that external funding sources might not be available or be available only on unfavourable terms, which in turn, may limit NIBC's ability to compensate for losses or raise funding for increased regulatory capital requirements. In extreme situations, if liquidity problems become widely known or feared (whether substantiated or not), counterparties could refuse NIBC credit or depositors could withdraw deposits.

Business Risk

- NIBC operates in highly competitive markets, including its home market and it may not be able to increase or maintain its market position, which could have a material adverse effect on its business, results of operations, financial condition and prospects. Competitors for NIBC's products and services are traditional large banks, smaller banks, insurance companies, pension funds, niche players, non-financial companies that offer credit and savings products as well as technology firms and other new entrants. Insurance companies and pension funds, for instance, are increasingly active in the mortgage market. In addition, new technologies, such as block chain, are gaining increasing interest from incumbent banks and may potentially have a disruptive effect on the financial sector. In addition, NIBC must comply with regulatory requirements that may not apply to non-banks or certain foreign competitors and which may put NIBC at a competitive disadvantage.
- NIBC may fail to achieve its strategic goals or its medium-term objectives. NIBC's ability to achieve its medium-term objectives will depend on a variety of factors which are to some degree within its control, as well as factors outside of its control, such as global economic conditions, conditions in the markets served by NIBC, interest rates and demand for certain products.
- NIBC has made various acquisitions and has divested both assets and a number of businesses. Acquisitions and divestments may be subject to unanticipated complexities and time delays, for example in terms of integrating and/or merging businesses, operations and entities, and targeted benefits may therefore not be achieved, or may be delayed. In the future, NIBC may make additional acquisitions and divestments. NIBC may encounter difficulties integrating entities it has acquired into its operations or the combination of the business may not perform as well as anticipated. Failure to complete announced business combinations or failure to successfully integrate acquired businesses could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

Operational Risk

- NIBC is exposed to operational risk arising from the complexity of its business. Operational risk could result from, among other things, inadequate or failed internal processes, human behaviour and systems

		or from external events. Operational risks include internal fraud, external fraud, compliance risk, employment practice and workplace safety and technology and infrastructure failures. Failure by NIBC to manage its operational risk exposure could potentially result in financial loss, harm to NIBC's reputation, interruptions in business operations and regulatory fines or other sanctions. • NIBC has developed risk management policies and procedures, which are designed to identify, monitor and manage risks. Although NIBC is continually updating various controls, procedures, policies, systems and compliance policies to monitor and manage risks on an ongoing basis, there can be no assurance that such controls, procedures, policies and systems will successfully identify and manage external risks to its businesses. • IT and other systems on which NIBC depends for its day-to-day operations may fail and could contribute to a breach of regulations and other obligations, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects. NIBC's technological infrastructure is critical to the operations of its business and the delivery of products and services to clients, including the ability to process and monitor a significant number of daily transactions, and the success of NIBC's business depends in part on its ability to process a large number of transactions efficiently and accurately and to manage personal financial information on behalf of its customers. Furthermore, NIBC's financial, accounting, data processing, regulatory reporting or other operating systems and facilities may fail to operate properly or may become disabled, which may have an adverse effect on NIBC's ability to process transactions, provide services or conduct its operations. • NIBC is subject to the risk that information proprietary to NIBC, its clients, its business partners, vendors or other third parties is made public unintentionally or unlawfully or is stolen as a result of cybercrime, which could result in reputational damage, claims, losses and damages and could have material adverse effect on NIBC's business, results of operations, financial condition and prospects. Improving Technological developments may lead to new and more detailed reporting and monitoring obligations for financial companies, requiring significant investments and increasing NIBC's compliance burden. In addition, NIBC and its management depend on the accuracy and completeness of "know-your-customer" ("**KYC**") information about clients and counterparties. If this information is unavailable, proves to be materially inaccurate, incomplete, obsolete or is improperly evaluated this could result in incorrect decision making, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects. • NIBC relies on third parties for certain key services, and replacements for such third parties may not be available on a timely basis or at favourable terms. NIBC uses external service providers and business process outsourcing partners for certain IT and operational services and therefore strongly depends, and could increase such dependency in the future, on the services, products and knowledge of its key third party service providers, including its IT and communications technology providers, software providers and other key service providers. There can be no assurances that the third party service providers selected by NIBC will be able to provide the functions for which they have been contracted, for example, as a result of failing to have the relevant

Section D—Risks		
		capabilities, products or services or due to changed regulatory requirements. *Reputational Risk* • The integrity of NIBC's brands and the reputation associated with its brands is critical to NIBC's ability to attract and retain customers, business and employees. NIBC's reputation could be damaged by factors such as negative publicity, poor investment performance, poor financial performance, poor advice to corporate finance and capital markets clients, litigation, regulatory action, employee misconduct, fraud, claims by former employees contesting grounds for dismissal or breach of applicable laws or regulations. The negative publicity associated with any of these and other factors could adversely impact NIBC's relationships with existing and potential clients, third-party distributors and other business partners. Damage to its brands and reputation would negatively impact NIBC's standing in the industry. **Selected Risks relating to the Regulatory Environment** • NIBC conducts its business in an environment that is highly regulated by financial services laws and regulations, and is subject to supervision by regulatory authorities that have administrative power over NIBC in the jurisdictions in which it operates. The laws and regulations to which NIBC is subject are complex and are expected to become increasingly complex. Regulators are therefore expected to exert increased scrutiny on the industry in which NIBC operates. This may place an increasing burden on NIBC's resources and employees. Regulations to which NIBC is or may become subject, may limit its activities and may negatively impact its ability to make autonomous decisions in relation to its operations and business. This in turn may limit NIBC's ability to implement its strategy and further grow its business. • Pursuant to Dutch law, financial institutions in the Netherlands owe a duty of care (*zorgplicht*) to society due to their position in Dutch society (*maatschappelijke functie*) and their specific expertise. The developments and application of the duty of care remains a complex and evolving area of law and one which could have substantial consequences for NIBC, including an increase in regulatory enforcement and related fines, reputational damage, additional claims by customers and increased costs and resources for, among other things, the conduct of large volumes of litigation. Also, it cannot be excluded that additional sector-wide measures may be imposed or expanded interpretations of existing requirements adopted by supervisory authorities, governmental authorities or the courts, as applicable, which may have an adverse effect on NIBC. • NIBC is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. If the regulatory capital requirements, liquidity restrictions or ratios applied to NIBC are increased in the future, any failure of NIBC to maintain such increased capital and liquidity ratios could result in administrative actions and/or sanctions, which may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects or require NIBC to raise new capital to meet higher regulatory capital standards.

Section D—Risks		
D.2	**Risks relating to the Offer Shares and the Offering**	The following is a summary of selected key risks that relate to the Company and its business and industry. Investors should read, understand and consider all risk factors, which are material and should be read in their entirety, in "*Risk Factors*" beginning on page 108 of the Prospectus, before making an investment decision to invest in the Offer Shares. • Immediately after Settlement, the Selling Shareholders will be in a position to exert substantial influence on the Company and the interests pursued by the Selling Shareholders could differ from the interests of the Company's other shareholders. Immediately after Settlement, the Selling Shareholders will continue to be the Company's largest shareholder and will hold approximately 71.9 per cent of the Company's issued and outstanding share capital (67.9 per cent assuming full placement of the Offer Shares and the Over-Allotment Option is exercised in full). As a result, the Selling Shareholders will continue to be able to influence substantially or control matters requiring approval by the General Meeting, being the corporate body, or where the context so requires, the physical meeting of shareholders of the Company, and may vote its Ordinary Shares in a way with which other shareholders do not agree. • Future sales or the possibility of future sales of a substantial number of Ordinary Shares by the Selling Shareholders may adversely affect the market price of the Ordinary Shares. The Selling Shareholders and the Company have agreed with the Underwriters, pursuant to an underwriting agreement entered into on 12 March 2018 (the "**Underwriting Agreement**"), to restrictions on their ability to issue, sell or transfer Ordinary Shares for a period of 180 days after the Settlement Date. The market price of the Ordinary Shares could decline if, following the Offering and after the expiration of the lock-up period, a substantial number of Ordinary Shares are sold by the Selling Shareholders in the public market or if there is a perception that such sales could occur. In addition, such sales could make it more difficult for the Company to raise capital through the issuance of equity securities in the future. • The price of the Company's Ordinary Shares may be volatile and may be affected by a number of factors, some of which are beyond NIBC's control. Investors' shareholdings in the Company may also be diluted if the Company decides to seek to raise capital by conducting equity offerings in the future. In addition, shareholders outside the Netherlands may not be able to exercise pre-emptive rights in future offerings.

Section E—the Offering		
E.1	**Net proceeds and estimated expenses**	The Selling Shareholders will receive the net proceeds from the Offering and, if the Over-Allotment Option (as defined below) is exercised, the net proceeds from the sale of the Additional Shares. The Company will not receive any proceeds from the Offering. After deducting the estimated expenses, commissions and taxes related to the Offering payable by the Selling Shareholders of approximately €6,707,941, the Selling Shareholders expect to receive approximately €355,883,461 net proceeds from the Offering (based on an Offer Price at the mid-point of the Offer Price Range (as defined below) and assuming the sale of the maximum number of Offer Shares by the Selling Shareholders

Section E—the Offering		
		and no exercise of the Over-Allotment Option (as defined below) that is to be granted by the Selling Shareholders in connection with the Offering). The expenses related to the Offering are estimated at approximately €11,707,941, of which an estimated amount of €5 million (excluding staff related costs and costs in connection with the management retention bonus) will be paid by the Company (€2 million of these costs were accounted for in the 2017 full year financial accounts), and include, among other items, the fees due to the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the "**AFM**") and the regulated market operated by Euronext Amsterdam N.V. ("**Euronext Amsterdam**") as well as legal and administrative expenses and publication costs and applicable taxes, if any. The commission for the Underwriters will be paid by the Selling Shareholders and is estimated to be an amount of €6,707,941. No expenses or taxes will be charged by the Company, the Selling Shareholders or the Underwriters to the purchasers in the Offering.
E.2a	**Reasons for the Offering and use of proceeds**	**Background and Reasons for the Offering** The Offering is being conducted by the Selling Shareholders to (i) provide the Selling Shareholders with liquidity, (ii) create the possibility for investors to participate in the future of NIBC, (iii) provide NIBC with strategic and financial flexibility to fund strategic growth and (iv) enhance NIBC's profile, supporting awareness of NIBC among issuer and investor clients and increasing opportunities to attract and retain talented employees. **Use of Proceeds** The Selling Shareholders will receive the net proceeds from the Offering and, if the Over-Allotment Option is exercised, the net proceeds from the sale of the Additional Shares. The proceeds received by the Selling Shareholders will be entirely at their disposal. NIBC will not receive any proceeds from the Offering.
E.3	**Terms and conditions of the Offering**	**Offer Shares** The Selling Shareholders are offering up to 38,167,516 Offer Shares (not including any Additional Shares). Assuming no exercise of the Over-Allotment Option, the Offer Shares represent up to approximately 26.1 per cent of the Company's issued share capital. The Offering consists of: (i) a public offering to certain institutional and retail investors in the Netherlands; and (ii) a private placement to certain institutional investors in various other jurisdictions. The Offer Shares are being offered and sold: (i) within the United States of America (the "**United States**") solely to persons reasonably believed to be "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the US Securities Act of 1933, as amended (the "**US Securities Act**") or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws; and (ii) outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act ("**Regulation S**"). The Offer Shares have not been and will not be registered under the US Securities Act. The Offering is made only in those jurisdictions in which, and only to those persons to whom, the Offering may be lawfully made. **Over-Allotment Option** The Selling Shareholders have granted the Joint Global Coordinators, on behalf of the Underwriters an option (the "**Over-Allotment Option**"),

Section E—the Offering

exercisable within 30 calendar days after the First Trading Date, pursuant to which the Joint Global Coordinators, on behalf of the Underwriters, may require the Selling Shareholders to sell at the Offer Price such number of additional existing Ordinary Shares held by them, equalling up to 15 per cent of the total number of Offer Shares (the "**Additional Shares**"), to cover short positions resulting from any over-allotments made in connection with the Offering or stabilisation transactions, if any.

Timetable

Event	Expected Date and Time	
Start of Offer Period	12 March 2018	9.00 CET
End of Offer Period for Dutch retail investors	21 March 2018	17.30 CET
End of Offer Period for institutional investors	22 March 2018	13.00 CET
Expected pricing and Allocation	On or about 22 March 2018	
First day of trading after close of the Offer Period	23 March 2018	
Settlement (payment and delivery)	27 March 2018	

Offer Period

Subject to the acceleration or extension of the timetable for the Offering, prospective institutional investors may subscribe for Offer Shares during the period commencing at 9.00 CET on 12 March 2018 and ending at 13.00 CET on 22 March 2018 and prospective Dutch retail investors may subscribe for Offer Shares during the period commencing 9.00 CET on 12 March 2018 and ending 17.30 CET on 21 March 2018. In the event of an acceleration or extension of the Offer Period, pricing, allocation, admission and first trading of the Offer Shares, as well as payment (in euro) for, and delivery of, the Offer Shares may be advanced or extended accordingly.

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus, which is capable of affecting the assessment of the Offer Shares, arises or is noted before the end of the Offer Period, a supplement to this Prospectus will be published, the Offer Period will be extended, if so required by the Directive 2010/73/EU (the "**Prospectus Directive**"), the Dutch Financial Supervision Act or the rules promulgated thereunder, and investors who have already agreed to purchase Offer Shares may withdraw their subscriptions within two business days following the publication of the supplement, provided that the new factor, material mistake or inaccuracy, arose or was noted before the end of the Offer Period.

Offer Price and the Number of Offer Shares

At the date of this Prospectus, the price of the Offer Shares (the "**Offer Price**") is expected to be in the range of €8.75 to €10.25 (inclusive) per Offer Share (the "**Offer Price Range**"). The Offer Price Range is indicative. The Offer Price, which may be higher or lower than the initial Offer Price Range, and the exact number of Offer Shares will be determined on the basis of a bookbuilding process. The Offer Price and the exact number of Offer Shares offered in the Offering will be determined by the Selling Shareholders in consultation with the Company and the Joint Global Coordinators after the Offer Period has ended, taking into account the quoted Offer Share price, prevailing market conditions, a qualitative and quantitative assessment of demand for the Offer Shares and other factors deemed appropriate.

The Offer Price and the exact number of Offer Shares offered in the Offering will be set out in the Pricing Statement that will be deposited with the AFM and published in a press release by the Company and the Selling Shareholders, which will also be posted on the Company's website. Printed copies of the Pricing Statement will be made available at the Company's registered office address. The number of Offer Shares being offered may be increased or decreased.

The Selling Shareholders, in consultation with the Joint Global Coordinators, reserves the right to decrease the number of Offer Shares being offered prior to allocation of the Offer Shares (the "**Allocation**"), and to change the Offer Price Range. Any such change in the number of Offer Shares being offered and/or the Offer Price Range will be published in a press release on the Company's website.

Subscription and Allocation

Eligible Dutch retail investors ("**Dutch Retail Investors**") who wish to subscribe for Offer Shares should submit their subscriptions through their own financial intermediary. The financial intermediary will be responsible for collecting subscriptions from eligible retail investors and for submitting their subscriptions to ABN AMRO Bank N.V. as the retail coordinator (the "**Retail Coordinator**"). The Retail Coordinator will consolidate all subscriptions submitted by Dutch Retail Investors to financial intermediaries and inform the Joint Global Coordinators, the Joint Bookrunners, the Company and the Selling Shareholders. All questions concerning the timelines, validity and form of instructions to a financial intermediary in relation to the purchase of Offer Shares will be determined by the financial intermediaries in accordance with their usual procedures or as otherwise notified to the retail investors. Neither the Company, the Selling Shareholders nor the Underwriters are liable for any action or failure to act by a financial intermediary in connection with any purchase, or purported purchase, of Offer Shares.

Subscriptions by Dutch Retail Investors for the Offer Shares can only be made on a market order (*bestens*) basis. Accordingly, Dutch Retail Investors will be bound to purchase and pay for the Offer Shares indicated in their share application, to the extent allocated to them, at the Offer Price determined in accordance with the criteria set out above, even if the Offer Price Range has been changed. Dutch Retail Investors are entitled to cancel or amend their application with the financial intermediary where their original application was submitted at any time prior to the end of the Offer Period (if applicable, as amended or extended), for any reason, including an upward amendment of the Offer Price Range. Such cancellations or amendments may be subject to the terms of the financial intermediary involved.

Allocation of the Offer Shares is expected to take place on the day of the closing of the Offer Period, expected on or about 22 March 2018, subject to acceleration or extension of the timetable for the Offering. Allocation of the Offer Shares to investors will be determined by the Underwriters in consultation with the Company and the Selling Shareholders.

Allocation to investors who subscribed for Offer Shares will be made on a systematic basis using both quantitative and qualitative measures. Nevertheless, full discretion will be exercised as to how to allocate the

Section E—the Offering		
		Offer Shares subscribed for and whether or not to do so. Investors may be allocated less than the Offer Shares which they subscribed for. There is no maximum or minimum number of Offer Shares for which prospective investors may subscribe and multiple (applications for) subscriptions are permitted. In the event that the Offering is over-subscribed, investors may receive fewer Offer Shares than they applied to subscribe for. The Company and the Selling Shareholders may, in consultation with the Joint Global Coordinators, at their own discretion and without stating the grounds therefor, reject any subscriptions wholly or partly. The Joint Global Coordinators will notify investors or the relevant financial intermediary of any allocation of Offer Shares to them on the date of, or immediately following the date of, Allocation. **Preferential Retail Allocation** There will be a preferential allocation of Offer Shares to Dutch Retail Investors (the "**Preferential Retail Allocation**") in accordance with applicable law and regulations. Each Dutch Retail Investor will, in principle, be allocated the first 500 (or fewer) Offer Shares for which such investor applies. However, if the total number of Offer Shares subscribed for by Dutch Retail Investors under the Preferential Retail Allocation would exceed 10 per cent of the total number of the Offer Shares, assuming full exercise of the Over-Allotment Option, the preferential allocation to each Dutch Retail Investor may be reduced pro rata in respect of the first 500 (or fewer) Offer Shares for which such investor applies. As a result, Dutch Retail Investors may not be allocated all of the first 500 (or fewer) Offer Shares for which they apply. The exact number of Offer Shares allocated to Dutch Retail Investors will be determined after the Offer Period has ended. The Preferential Retail Allocation will only be made in relation to Offer Shares comprising up to 10 per cent of the total number of Offer Shares, assuming full exercise of the Over-Allotment option. The Selling Shareholders, after consultation with the Company and following recommendations of the Joint Global Coordinators, have full discretion as to whether or not and how to allocate the remainder of the Offer Shares applied for, including in aggregate allocating Offer Shares to Dutch Retail Investors in excess of or less than 10 per cent of the total number of Offer Shares, assuming full exercise of the Over-Allotment Option. For the purpose of the Preferential Retail Allocation, a Dutch Retail Investor is either: (i) a natural person resident in the Netherlands; or (ii) a special investment vehicle having its seat in the Netherlands which is a legal entity established for the express and sole purpose of providing asset management and/or retirement planning services for a natural person. To be eligible for the Preferential Retail Allocation, Dutch Retail Investors must place their subscriptions during the period commencing on 12 March 2018 at 9.00 CET and ending on 21 March 2018 at 17.30 CET through financial intermediaries. Different financial intermediaries may apply deadlines before the closing time of the Offer Period. The Retail Coordinator will communicate to the financial intermediaries the aggregate number of Offer Shares allocated to their respective Dutch Retail Investors. It is up to the financial intermediaries to notify Dutch Retail Investors of their individual allocations. Although the financial intermediaries will be instructed to adhere to the subscription and allocation principles described in this Prospectus, the Retail Coordinator, the other Underwriters, the Selling Shareholder and the Company cannot control and are accordingly not responsible for adherence thereto by individual financial

		intermediaries. The definitive allocation to Dutch Retail Investors may therefore vary depending on the financial intermediary through which they apply for Offer Shares. **Payment** Payment for the Offer Shares and payment for Additional Shares pursuant to the Over-Allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date. The Offer Price must be paid in full in euro and is exclusive of any taxes and expenses, if any, which must be borne by the investor (see "*Taxation*"). Dutch Retail Investors may be charged expenses by their financial intermediary. Investors must pay the Offer Price in immediately available funds in full in euro on or before the Settlement Date (or earlier in the case of an early closing of the Offer Period and consequent acceleration of pricing, Allocation, first trading and payment and delivery). **Delivery, Clearing and Settlement** The Offer Shares are registered shares which will be entered into the collection deposit (*verzameldepot*) and giro deposit (*girodepot*) on the basis of the Dutch Securities Giro Transfers Act. The Offer Shares will be delivered in book-entry form through the facilities of Euroclear Nederland. Application has been made for the Ordinary Shares to be accepted for clearance through the book-entry facilities of Euroclear Nederland. Euroclear Nederland is located at Herengracht 459-469, 1017 BS Amsterdam, the Netherlands. Delivery of the Offer Shares and the Additional Shares pursuant to the Over-Allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date through the book-entry facilities of Euroclear Nederland, in accordance with its normal settlement procedures applicable to equity securities and against payment for the Offer Shares and, if applicable, the Additional Shares, in immediately available funds. Subject to acceleration or extension of the timetable for the Offering, the Settlement Date is expected to be 27 March 2018, the second business day following the First Trading Date (T+2). The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived or occur on or prior to such date. See "*Plan of Distribution—Underwriting Arrangements*" **Underwriting Agreement** The Selling Shareholders, the Company and the Underwriters (as defined below) entered into an underwriting agreement on or about 12 March 2018 with respect to the offer and sale of the Offer Shares (the "**Underwriting Agreement**"). After the entering into the pricing agreement between the Company, the Selling Shareholders, the Underwriters and the Lead Manager (the "**Pricing Agreement**"), which is a condition for the obligations of the Underwriters under the Underwriting Agreement, and on the terms and subject to the other conditions set forth in the Underwriting Agreement, the Underwriters have agreed severally (and not jointly or jointly and severally) to procure purchasers for the Offer Shares or, failing which, to purchase the Offer Shares themselves at the Offer Price, and the Selling Shareholders have agreed to sell the Offer Shares to purchasers procured by the Underwriters or, failing which, to the Underwriters themselves at the Offer Price.

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		Subject to the satisfaction of conditions precedent, the proportion of total Offer Shares which each Underwriter may severally but not jointly be required to purchase is indicated below.

Underwriters	Percentage of Offer Shares
Citigroup Global Markets Limited	27.08%
Deutsche Bank AG, London Branch	27.08%
Morgan Stanley & Co. International plc	25.84%
ABN AMRO Bank N.V.	10.00%
ING Bank N.V.	10.00%
Total	**100%**

In the Underwriting Agreement, the Selling Shareholders and the Company have made certain representations and warranties and given certain undertakings. In addition, the Selling Shareholders and the Company have agreed to indemnify the Underwriters against certain liabilities in connection with the Offering.

The obligations of the Underwriters under the Underwriting Agreement are subject to the fulfilment, or discretionary waiver by the Underwriters of a number of conditions for the benefit of the Underwriters, including but not limited to (i) receipt of customary opinions from legal counsel on certain legal matters, (ii) receipt of an officer's certificate from the Company, (iii) approval of this Prospectus by the AFM, (iv) compliance with the Underwriting Agreement, and (v) certain other customary closing conditions. The Underwriters have the right to waive the satisfaction of any such conditions or part thereof.

Upon the occurrence of certain events, such as any of the conditions precedent not being satisfied or waived, a breach of representation, warranty or undertaking or otherwise of the Underwriting Agreement or a statement in this Prospectus, the Pricing Statement or any amendment or supplement to this Prospectus being untrue, inaccurate or misleading, the Underwriters have the right to terminate the Underwriting Agreement.

Joint Global Coordinators and Joint Bookrunners

Citigroup Global Markets Limited, Deutsche Bank AG, London Branch and Morgan Stanley & Co. International plc are acting as joint global coordinators for the Offering (in such and any other capacity, the "**Joint Global Coordinators**") and together with ABN AMRO Bank N.V. and ING Bank N.V. as joint bookrunners for the Offering (the "**Joint Bookrunners**").

Lead Manager

NIBC Bank N.V. is acting as the lead manager for the Offering (the "**Lead Manager**").

Underwriters

The Joint Global Coordinators and the Joint Bookrunners are acting as underwriters (the "**Underwriters**").

Listing and Paying Agent

ING Bank N.V. is the Listing and Paying Agent with respect to the Offer Shares on Euronext Amsterdam.

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		Retail Coordinator ABN AMRO Bank N.V. is the Retail Coordinator with respect to the Offer Shares on Euronext Amsterdam. **Stabilisation Agent** Morgan Stanley & Co. International plc is the stabilisation agent (the "**Stabilisation Agent**") with respect to the Offer Shares on Euronext Amsterdam.
E.4	**Interests material to the Offering (including conflicts of interests)**	Certain of the Underwriters and/or their respective affiliates have in the past been engaged, and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company and/or the Selling Shareholders or any parties related to any of them, in respect of which they have received, and may in the future receive, customary fees and commissions. In connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than pursuant to any legal or regulatory obligation to do so. In addition certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares. As a result of acting in the capacities described above, the Underwriters may have interests that may not be aligned, or could potentially conflict, with investors' and the Company's interests.
E.5	**Name of entity offering the securities and lock-up arrangements**	**Company Lock-Up** In connection with the Offering, the Company has agreed that, for a period from the date of the Underwriting Agreement until 180 days from the Settlement Date, it will not, except as set forth below, without the prior written consent of the Joint Global Coordinators (acting on behalf of the Underwriters), which prior consent shall not be unreasonably withheld, (A) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of directly or indirectly, any Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Ordinary Shares or other shares of the Company or file any registration statement under the US Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Ordinary Shares or other shares of the Company, whether any such transaction is to be settled by delivery of Ordinary Shares, in cash or otherwise; (C) publicly announce such an

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		intention to effect any such transaction; or (D) submit to its shareholders, holders of Ordinary Shares or any other body of the Company a proposal to effect any of the foregoing. The foregoing shall not apply to: (i) the granting of awards in options or Ordinary Shares by the Company or the issuance of Ordinary Shares pursuant to employee incentive schemes disclosed in this Prospectus; (ii) accepting a general offer made to all the holders of the issued and allotted Ordinary Shares of the Company on terms which treat all such holders alike and which has become or been declared unconditional in all respects or been recommended for acceptance by the Supervisory Board and (iii) the acquisition of the Company's shares in accordance with applicable laws and regulations. **Selling Shareholders Lock-Up** In connection with the Offering, the Selling Shareholders have agreed that, for a period of from the date of the Underwriting Agreement until 180 days from the Settlement Date, it will not, except as set forth below, without the prior written consent of the Joint Global Coordinators (acting on behalf of the Underwriters), which prior consent shall not be unreasonably withheld, (A) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for Ordinary Shares or other shares of the Company or request or demand that the Company file any registration statement under the US Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Ordinary Shares or other shares of the Company, whether any such transaction is to be settled by delivery of Ordinary Shares or such other securities, in cash or otherwise; (C) publicly announce such an intention to effect any such transaction. The foregoing shall not apply to: (a) the sale of the Offer Shares in the Offering, including pursuant to the Share Lending Agreement, (b) any transfer of Ordinary Shares following the acceptance of a full or partial public takeover bid in respect of the Ordinary Shares or the entering into an irrevocable undertaking with a bidder in respect of such public takeover, (c) transfers of the Ordinary Shares to any entity within such Selling Shareholder's control or under common control with such Selling Shareholder or to one or more persons, whether natural or legal, who are the direct or indirect beneficial owners of such Selling Shareholder at the date of the Underwriting Agreement, provided that such transferee(s) shall continue to be bound by the foregoing restrictions for the remainder of the lock-up period, (d) any transfer, subscription or exchange in connection with a reorganisation of the Company's share capital, legal merger, split-up or similar transaction or process including a share buy-back, (e) a sale of the Ordinary Shares pursuant to any security over such Ordinary Shares existing as of the date of the Underwriting Agreement and disclosed in writing to the Joint Global Coordinators prior to the date of the Underwriting Agreement, provided that the transferees of any such shares pursuant to any enforcement of such security shall first agree in writing for the benefit of the Underwriters to be bound by the foregoing restrictions for the remainder of the lock-up period, (g) any disposal for the purposes of

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		pledging or charging any Share to or for the benefit of a Joint Global Coordinator that has entered into a Margin Loan (as defined below) as lender (a "**Margin Loan Lender**") in connection with a Margin Loan; and/or (h) any disposal for the purposes of transferring any Shares pursuant to any enforcement of security over Shares granted by any of the Selling Shareholders to or for the benefit of a Margin Loan Lender in connection with a Margin Loan, provided that any proposed transferee of such Shares pursuant to an enforcement of security shall have agreed to be bound by the foregoing restrictions for the remainder of the lock-up period in relation to such Shares transferred only as if it were the transferor by execution and delivery to the Underwriters of a deed of adherence; and/or (i) transfer as may be required pursuant to law or court order. For purposes the Underwriting Agreement, "Margin Loan" means any margin loan facility made available to any of the Selling Shareholders (or any transferee of Shares disposed of in accordance with the Underwriting Agreement, pursuant to the terms of a margin loan facility agreement entered into among any of the Selling Shareholders or a transferee of Shares disposed of in accordance with the Underwriting Agreement) (as borrower) and any Margin Loan Lender (as lender). **Managing Board Lock-Up** In connection with the Offering, each member of the Managing Board has agreed to a lock-up with the Company in respect of any Ordinary Shares currently held by members of the Managing Board or Depositary Receipts of the Company that will be granted to them under the offer linked benefit package, including the retention bonus package offered to the members of the Managing Board for a period until 360 days from the Settlement Date. The above lock-up can only be waived in the following circumstances: (a) accepting a general offer made to all of the holders of the issued and allotted Ordinary Shares of the Company on terms which treat all such holders alike and which has become or been declared unconditional in all respects or been recommended for acceptance by the Supervisory Board, (b) any transfer, subscription or exchange in connection with a reorganisation of the Company's share capital, legal merger, split-up or similar transaction or process, and (c) any transfer of Ordinary Shares to any legal successors following death or incapacity. The Depositary Receipts granted as part of the retention bonus package and held by the members of the Executive Committee are subject to a lock-up for a period of five years from the date of award, being either the Settlement Date or the first anniversary thereof. The lock-up period cannot be waived and the retention bonus package arrangement does not provide for any circumstances which may result in automatic waiver of the lock-up period.
E.6	**Dilution**	The voting interest of the Selling Shareholders will be diluted as a result of the issuance of Ordinary Shares in connection with the retention bonus package offered to members of the Executive Committee. The maximum dilution for the Selling Shareholders pursuant to the granting of Ordinary Shares in connection with the retention bonus package offered to members of the Executive Committee would be 0.17 per cent, assuming that 253,633 Ordinary Shares are granted to the members of the Executive Committee at the mid-point of the Offer Price Range. See "*Management, Employees and Corporate Governance—Equity Holdings—Offer linked benefit packages—Retention bonuis package*".

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E.7	**Estimated expenses charged to the investor by the Company or Selling Shareholders**	Not applicable. No expenses have been or will be charged to the investors by the Company or the Selling Shareholder in relation to the Offering.

SAMENVATTING

Dit hoofdstuk bevat een Nederlandse vertaling van de Engelstalige samenvatting van het prospectus gedateerd 12 maart 2018 (het "**Prospectus**"). In geval van een mogelijke discrepantie in uitleg van begrippen als gevolg van de vertaling prevaleert de Engelstalige samenvatting van het Prospectus.

Samenvattingen bestaan uit informatievereisten die "**Elementen**" worden genoemd. Deze Elementen zijn genummerd in Onderdelen A–E (A.1–E.7). Deze samenvatting bevat alle Elementen die moeten worden opgenomen in een samenvatting voor dit soort effecten en de uitgevende instelling. Omdat sommige Elementen niet verplicht zijn, kan de nummering van de elementen soms verschillen.

Hoewel bepaalde Elementen mogelijk op grond van het soort effecten en de uitgevende instelling wel in de samenvatting moeten worden opgenomen, kan het zijn dat er geen relevante informatie over dergelijke Elementen kan worden gegeven. In dat geval is er een korte omschrijving van het Element opgenomen in de samenvatting met de vermelding 'niet van toepassing'.

Onderdeel A—Introductie en Waarschuwingen		
A.1	**Inleiding en waarschuwingen**	Deze samenvatting dient te worden gelezen als een inleiding op het prospectus (het "**Prospectus**") met betrekking tot de aanbieding (de "**Aanbieding**") door New NIB Partners LP, New NIB Partners II LP, NIB Special Investors LP, NIB Special Investors II LP, NIB Special Investor III LP, NIB Special Investor IV-A LP, NIB Special Investor IV-B LP and NIB Special Investor V LP (de "**Verkopende Aandeelhouder**") van ten hoogste 43.892.643 bestaande gewone aandelen (de "**Aangeboden Aandelen**"), in het aandelenkapitaal van NIBC Holding N.V. (de "**Vennootschap**") met een nominale waarde van elk €1,00 (de "**Gewone Aandelen**"), en de toelating tot de notering van en handel in de Gewone Aandelen aan Euronext in Amsterdam ("**Euronext Amsterdam**"), een gereglementeerde markt van Euronext Amsterdam N.V.
A.2	**Toestemming van de Vennootschap**	Niet van toepassing. De Vennootschap geeft geen toestemming voor het gebruik van het Prospectus voor de verdere wederverkoop of definitieve plaatsing van Aangeboden Aandelen door financiële tussenpersonen.

Onderdeel B—Vennootschap		
B.1	**Statutaire - en handelsnaam**	NIBC Holding N.V.
B.2	**Zetel, rechtsvorm, wetgeving en land van oprichting**	De Vennootschap is een naamloze vennootschap met beperkte aansprakelijkheid, die naar Nederlands recht is opgericht en in Nederland is gevestigd. De Vennootschap heeft haar statutaire zetel in Den Haag.
B.3	**Huidige bedrijfsvoering en hoofdactiviteiten**	De Vennootschap en haar dochtermaatschappijen ("**NIBC**") exploiteren een middelgrote bank met haar hoofdkantoor in Nederland, en biedt geselecteerde zakelijke en retail bankproducten en diensten aan. NIBC's belangrijkste operationele segmenten zijn haar aanbod voor zakelijke klanten ("**Corporate Klanten**") en retail klanten ("**Retail Klanten**"). NIBC's Corporate Klanten segment biedt middelgrote zakelijke klanten specifieke producten over een breed spectrum aan, waaronder advies, structureringen, financieringen, co-investeringen variërend van leningen tot en met eigen vermogen financiering toegepast met een onderliggende toegewijde en specifieke sector aanpak. Het Retail Klanten segment richt zich hoofdzakelijk op het aanbieden van

hypothecaire leningen in Nederland en particuliere spaarproducten en diensten in Nederland, Duitsland en België via het merk NIBC Direct.

NIBC is voornamelijk actief in Noordwest-Europa met een focus op Nederland en Duitsland. Deze markten worden gekenmerkt door een sterke economische basis en stabiele macro-economische omstandigheden. NIBC biedt ook particuliere spaarproducten aan in België en heeft operationele activiteiten in het Verenigd Koninkrijk die haar Noordwest-Europese activiteiten voor Corporate Klanten ondersteunt.

NIBC is van mening dat haar ondernemende bedrijfscultuur haar in staat stelt om snel te anticiperen op en zich aan te passen aan een snel veranderende en competitieve omgeving en om oplossingen te bieden die inspelen op de steeds veranderende behoeften van klanten. Als een middelgrote financiële dienstverlener met korte rapportagelijnen werkt NIBC nauw samen met haar klanten, zodat zij zich snel kan aanpassen aan nieuwe trends en behoeften van klanten. Hierdoor is NIBC in staat om een goed begrip te ontwikkelen van haar klanten, hun bedrijf en de uitdagingen die zij tegen komen. Dit stelt NIBC in staat om als "private bank" op te treden voor haar middelgrote zakelijke klanten. NIBC is van mening dat zij hierdoor in staat is om meer waarde toe te voegen en een hoger niveau van dienstverlening aan haar klanten kan leveren dan haar concurrenten. NIBC streeft naar een bedrijfscultuur die professioneel, ondernemend en innovatief is, waarin haar medewerkers op maat gemaakte producten en diensten kunnen realiseren voor NIBC's klanten. Effectief risicomanagement is van essentieel belang voor NIBC om haar duurzame groeistrategie te waarborgen en is daarom volledig geïntegreerd in de planning- en controlecycli en dagelijkse operationele activiteiten. De focus ligt op de eerstelijnsverdediging en het nemen van verantwoordelijkheid voor risicomanagement binnen de organisatie door middel van een gedisciplineerde samenwerking tussen de bedrijfsvoering en het risicomanagement, ondersteund door een geïntegreerde risico-aanpak voor de activiteiten binnen de segmenten Corporate Klanten en Retail Klanten. NIBC heeft een ervaren en professioneel risicomanagementteam en de Executive Committee van de Vennootschap (de "**ExCo**") houdt toezicht op de verschillende operationele commissies.

Op 31 december 2017 had NIBC een Common Equity Tier 1 ("**CET1**") ratio (fully loaded) van 19,3 procent (2016: 15,1 procent; 2015: 13,9 procent) en een BIS ratio (fully loaded) van 22,2 procent (2016: 18,0 procent; 2015: 16,7 procent) en een leverage ratio (fully loaded) van 7,7 procent (2016: 6,5 procent; 2015: 6,1 procent). NIBC's kapitaalratio's op 31 december 2017 zijn boven de wettelijke minimum vereisten. NIBC is van mening dat haar sterke liquiditeitspositie behouden kan worden door de diversificatie van haar financieringsbronnen, zowel met betrekking tot de gebruikte instrumenten en markten alsmede de spreiding in de looptijd van haar wholesale financiering. NIBC is van mening dat haar financieringsbronnen bestaan uit een duurzame combinatie van wholesale (gedekte en ongedekte) financiering, particuliere financiering en Duitse institutionele *Eeinlagensicherungsfonds* ("**ESF**") financiering, bestaande uit 39 procent, 44 procent en 6 procent van NIBC's financieringsbasis op 31 december 2017.

NIBC heeft een ervaren managementteam dat bestaat uit de raad van bestuur (de "**Raad van Bestuur**") en de hoofden van de Corporate

Onderdeel B—Vennootschap		
		Klanten en Retail Klanten segmenten, die gezamenlijk de Executive Committee vormen. De leden van de Executive Committee hebben gemiddeld meer dan 20 jaar ervaring in de bancaire sector. Dit stelt hen in staat om NIBC's commerciële en klantgeoriënteerde focus die centraal staat in haar strategie te waarborgen en versterken,. De Executive Committee heeft een solide en gediversifieerde financieringsbasis en kapitaalpositie ontwikkeld, wat heeft geleid tot een positieve ontwikkeling in haar kredietbeoordelingen tussen 2013 en 2017. Het managementteam wordt gesteund door de belangrijkste lange termijn aandeelhouders. ***Corporate Klanten segment*** Het Corporate Klanten segment biedt middelgrote zakelijke klanten biedt specifieke producten over een breed spectrum aan, waaronder advies, structureringen, financieringen, co-investeringen variërend van leningen tot en met eigen vermogen financiering toegepast met een onderliggende toegewijde en selectieve sector aanpak, met een focus op specieke sectoren en subsectoren in Noordwest-Europa, met een focus op Nederland en Duitsland. Daarnaast biedt NIBC diensten aan institutionele investeerders en financiële sponsoren (inclusief private equity investeerders). Deze klanten worden vaak geconfronteerd met vraagstukken rondom de financiering en groei hun van operationele activiteiten en waarderen NIBC's ondernemende en inventieve aanpak. NIBC richt zich op het faciliteren van de groei van haar klanten in specifiek geselecteerde sectoren en subsectoren op beslissende momenten. Deze sectoren zijn: Food, Agriculture, Retail & Health, Industries & Manufacturing, Telecom, Media, Technology & Services, Commercial Real Estate, Infrastructure & Renewables, Offshore Energy en Shipping & Intermodal. NIBC's belangrijkste productcategorieën zijn als volgt: *Leveraged Finance:* deze producten worden hoofdzakelijk aangeboden in combinatie met de financiering van acquisities door private equity fondsen van middelgrote bedrijven in Noordwest-Europa waarvan de ondernemingswaarde doorgaans tussen de €50 miljoen en €500 miljoen ligt. NIBC's Leveraged Finance aanbod bedient hoofdzakelijk klanten in de Food, Agriculture, Retail & Health, Industries & Manufacturing en Telecom, Media, Technologie & Services sectoren. *Receivables Finance:* onder de aangeboden producten vallen het verstrekken van portfolio lease financiering, financiering van on- en off-balance handelsvorderingen, omgekeerde factorering (reverse factoring), vendor lease programma's en andere op kasstromen gebaseerde financieringsoplossingen. NIBC's Receivables Finance aanbod bedient hoofdzakelijk klanten in de Industries & Manufacturing en Telecom, Media, Technology & Services sectoren. *Mezzanine and Equity Solutions:* de aangeboden producten richten zich hoofdzakelijk op het bieden van ondersteuning aan ondernemers en aandeelhouders op doorslaggevende momenten door te investeren in hun ondernemingen door middel van flexibele risicodragende oplossingen, waaronder minderheidsdeelnemingen in vermogen en mezzanine oplossingen. NIBC's Mezzanine en Equity Solutions aanbod investeert hoofdzakelijk klanten in de Food, Agriculture, Retail & Health, Industries & Manufacturing, Telecom, Media, Technology & Services, Commercial Real Estate en Infrastructure & Renewables sectoren.

Onderdeel B—Vennootschap		
		Capital Markets: onder de aangeboden producten vallen kapitaalmarkt oplossingen, equity research en sales- en handelsoplossingen voor investeerders en zakelijke klanten. NIBC's Capital Markets aanbod bedient hoofdzakelijk klanten in de volgende sectoren: Food, Agriculture, Retail & Health, Industries & Manufacturing en Telecom, Media, Technology & Services. *Corporate Finance:* onder de aangeboden producten vallen onder andere het adviseren bij fusies en overnames van de aankopende of de verkopende partij door zowel publieke als private ondernemingen, managementteams en private equity partijen, beursgangen, publieke overnames en management buy-outs. NIBC's Corporate Finance aanbod bedient hoofdzakelijk klanten in de Food, Agriculture, Retail & Health, Industries & Manufacturing, Telecom, Media, Technology & Services sectoren. *Corporate Lending:* onder de aangeboden producten vallen een breed spectrum aan leningen die klanten helpen om hun strategische doelen te behalen. Corporate Lending richt zich met name op het middensegment en familiebedrijven. NIBC's Corporate Lending aanbod bedient hoofdzakelijk klanten in de volgende sectoren: Food, Agriculture, Retail & Health, Industries & Manufacturing, Telecom, Media, Technology & Services. *Asset and Cash Flow Finance:* onder de aangeboden producten vallen financieringsproducten op basis van de kasstromen van zakelijke klanten in combinatie met de waarde van onderpanden. Hiermee worden elementen van projectfinanciering en van bedrijfsfinanciering gecombineerd. NIBC's Corporate Lending aanbod, biedt klanten voornamelijk diensten aan in de volgende sectoren: Commercial Real Estate, Infrastructure & Renewables, Offshore Energy en Shipping & Intermodal. ***Retail Klanten segment*** Het Retail Klanten segment richt zich voornamelijk op klanten in Nederland, Duitsland en België en biedt vooral producten aan zoals hypotheken voor woonhuizen, buy-to-let hypotheken, originate-to-manage hypotheken en online spaarrekeningen. Retail Klanten opereert met een direct model voor haar spaarproducten en via een intermediarssmodel voor haar hypotheken. NIBC's belangrijkste productcategorieën zijn: *Koopwoninghypotheken:* dit aanbod in Nederland bestaat uit hypotheken die worden verkocht onder het label NIBC Direct en een portfolio van white label hypotheken die zijn verkocht vóór 2008. Deze white label hypotheken zijn verkocht door hypotheekadviseurs en zijn onderdeel van portfolio's die zijn aangekocht door NIBC in Nederland en Duitsland. *Buy-to-let hypotheken:* dit aanbod betreft financieringen voor buy-to-let investeerders in Nederlands vastgoed variërend van een enkel appartement tot grotere portfolio's. *Originate-to-manage:* dit aanbod stelt institutionele investeerders in staat om direct te investeren in de Nederlandse particuliere hypotheekmarkt, zonder de operationele bijkomstigheden te ervaren die ontstaan bij het managen van een hypotheek. NIBC geeft hypotheken uit voor koopwoningen die aan bepaalde criteria voldoen en verkoopt deze hypotheken door aan institutionele investeerders die

Onderdeel B—Vennootschap		
		een vooruitbetaling doen en commissie betalen aan NIBC voor het managen van de hypotheken. *Particulier sparen*: dit aanbod bestaat uit verschillende online spaarproducten die verkocht zijn onder de naam van NIBC Direct in Nederland, Duitsland en België. Hieronder vallen flexibele en lange termijn deposito's variërend van drie maanden tot tien jaar. ***Strategie*** NIBC is van mening dat haar ondernemende bedrijfscultuur en wendbaarheid haar in staat stelt om snel te anticiperen en zich aan te passen aan een snel veranderende en competitieve omgeving en om oplossingen te bieden die aansluiten bij de steeds veranderende behoeften van klanten. NIBC heeft de afgelopen jaren haar operationele model en bedrijfsvoering verfijnd en heeft geïnvesteerd in de toekomst. NIBC heeft zes strategische prioriteiten geïdentificeerd om zich verder te ontwikkelen als winstgevende en duurzame bank met een solide kapitaalpositie. Strategische Prioriteit 1: Continue ontwikkeling van de klantfranchise, expertise en proposities. Strategische Prioriteit 2: Focus op groei van de activaportfolio in kernmarkten. Strategische Prioriteit 3: Diversificatie van inkomsten. Strategische Prioriteit 4: Doorontwikkeling van de huidige wendbare en effectieve organisatie. Strategische Prioriteit 5: Voortdurend investeren in mensen, cultuur en innovatie. Strategische Prioriteit 6: Verder optimaliseren van de kapitaalstructuur en verdere diversificatie van financiering. NIBC heeft de volgende middellange termijn doelen gesteld die het door middel van het uitvoeren van haar strategie wil behalen (zoals hierboven omschreven): • *Rendement op eigen vermogen*: tussen de 10 procent en 12 procent, met een duurzaam rendement op eigen vermogen van boven de 10 procent; • *Efficiëntieratio van NIBC Bank*: structureel onder de 45 procent; • *CET1 ratio*: robuust kapitaal met een CET1 ratio boven de 14 procent, gebaseerd op de huidige regelgeving; • *Dividend uitbetalingsratio*: tenminste 50 procent van de nettowinst beschikbaar stellen voor uitkering aan gewone aandeelhouders; en • *Kredietwaardigheid van NIBC Bank*: verbetering van de huidige BBB naar BBB+. NIBC heeft de term "middellange termijn" niet gedefinieerd en is niet voornemens deze te definiëren. De gestelde financiële middellange termijn doelen moeten niet gelezen worden als voorspellingen voor enig specifiek jaar, maar zijn enkel en alleen doelenstellingen die voortvloeien uit het nastreven van de door de NIBC gekozen strategie. De Vennootschap kan geen zekerheden geven dat deze doelenstellingen behaald worden of dat het haar strategie kan implementeren en de daadwerkelijk behaalde resultaten kunnen materieel afwijken. Aan de

Onderdeel B—Vennootschap		
		basis van deze doelen liggen een aantal assumpties, zoals het effect van de implementatie van de Basel III hervormingen ("**Basel III Hervormingen**") op de kapitaal positie van NIBC en andere regulatoire ontwikkelingen, ten grondslag. In het bijzonder een stijging van de verwachte kapitaalvereisten die gesteld kunnen worden en NIBC's huidige beleid ten aanzien van uitkering van dividend. De doelen zijn bepaald op basis van trends, gegevens, aannames en inschattingen die op de datum van het Prospectus als redelijk worden gezien door de Vennootschap, waaronder, maar niet beperkt tot, de aanhoudende lage rentestand, een positieve economische toekomst, organische groei van de leningenportfolio, blijvende toegang tot financiering door middel van spaargeld van retail klanten en de wholesale markt, en in het algemeen een verdere vermindering van de krediet-marges, aan zowel de activa als passiva kant van de balans. De trends, gegevens, en aannames waarop NIBC zich baseert om haar doelen te bepalen kunnen veranderen als gevolg van onzekerheden met betrekking tot haar economische, financiële of competitieve omgeving en als resultaat van toekomstige zakelijke beslissingen, alsmede het voordoen van bepaalde factoren, waaronder, maar niet beperkt tot, factoren als omschreven in "*Important Information—Information Regarding Forward Looking Statements", Risk Factors—NIBC may fail to achieve its strategic goals or medium-term ovjectives." en "Risk Factors"*. Investeerders wordt met klem verzocht om geen ongeoorloofd vertrouwen te hechten aan hetgeen hierboven is omschreven.
B.4a	**Belangrijke recente ontwikkelingen die van invloed zijn op NIBC en de sectoren waarin zij actief is**	NIBC is van mening dat de volgende niet uitputtende lijst van belangrijke ontwikkelingen van aanzienlijke invloed zijn op NIBC's kernsegmenten (Corporate Klanten en Retail Klanten) in de toekomst: • De Europese en Nederlands macro-economische trends en omstandigheden, waaronderde rentestanden en inflatie; • De cyclische aard en het huidige aanhoudende herstel van de markt voor bedrijfs leningen; • De cyclische aard van de Nederlandse woon- en hypotheekmarkt; • De toenemende vraag naar buy-to-let hypotheken; en, • Veranderingen in de spaar- en investeringstrends in Nederland en Duitsland.
B.5	**Beschrijving van NIBC en de positie daarin van de Vennootschap**	De Vennootschap is een houdstermaatschappij zonder eigen materiele operationele bedrijfsvoering. Tot de voornaamste activa van de Vennootschap behoren de aandelenbelangen die zij direct of indirect in werkmaatschappijen houdt.
B.6	**Aandeelhouders van de Vennootschap**	Per de datum van dit Prospectus wordt 97,95 procent van de Gewone Aandelen gehouden door de Verkopende Aandeelhouder en de resterende Gewone Aandelen worden gehouden door: (i) Stichting Administratiekantoor NIBC Holding (de "**STAK**"), die certificaten heeft uitgegeven aan bepaalde huidige en voormalig werknemers van NIBC als onderdeel van een variabele beloningsplan in ruil voor levering van Gewone Aandelen en (ii) leden van de Raad van Bestuur.

<table>
<tr><th colspan="3">Onderdeel B—Vennootschap</th></tr>
<tr><td></td><td>Verschillende stemrechten</td><td>Elk van de Gewone Aandelen geeft het recht om één stem uit te brengen in de algemene vergadering van de Vennootschap (de "Algemene Vergadering"). Alle houders van Aandelen (ieder een "Aandeelhouder") hebben dezelfde stemrechten.</td></tr>
<tr><td></td><td>Directe en indirecte eigendom in of zeggenschap over de Vennootschap en de aard van die zeggenschap</td><td>De volgende tabel geeft informatie met betrekking tot de uiteindelijke gerechtigde van elke Aandeelhouder als per datum van het Prospectus.

<table>
<tr><th>Aandeelhouder</th><th colspan="2">Gehouden aandelenkapitaal</th></tr>
<tr><th></th><th>Aantal Gewone Aandelen</th><th>Percentage van het geplaatste en uitstaande aandelenkapitaal</th></tr>
<tr><td>New NIB Partners LP . . . .</td><td>106.602.979</td><td>72,86</td></tr>
<tr><td>New NIB Partners II LP . . . .</td><td>11.727.797</td><td>8,02</td></tr>
<tr><td>NIB Special Investors LP . . . . . .</td><td>3.548.483</td><td>2,43</td></tr>
<tr><td>NIB Special Investors II LP . . . .</td><td>9.308.154</td><td>6,36</td></tr>
<tr><td>NIB Special Investors III LP . . . .</td><td>1.910.166</td><td>1,31</td></tr>
<tr><td>NIB Special Investors IV-A LP . .</td><td>4.491.098</td><td>3,07</td></tr>
<tr><td>NIB Special Investors IV-B LP . .</td><td>1.424.722</td><td>0,97</td></tr>
<tr><td>NIB Special Investors V LP (samen de "Verkopende Aandeelhouders") . . . .</td><td>4.289.136</td><td>2,93</td></tr>
<tr><td>Stichting Administratiekantoor NIBC Holding(1) . . . .</td><td>2.403.949</td><td>1,64</td></tr>
<tr><td>Leden van de Raad van Bestuur(2)</td><td>602.326</td><td>0,42</td></tr>
<tr><td></td><td>146.308.810</td><td>100</td></tr>
</table>

(1) Stichting Administratiekantoor NIBC Holding houdt deze aandelen in verband met het op aandelen gebaseerde medewerkersbeloningsprogramma (zie "Management, Employees and Corporate Governance—Variable Remuneration" voor verdere details met betrekking tot het op aandelen gebaseerde medewerkersbeloningsprogramma).
(2) Zie "Shareholder Structure and Related Party Transactions—Related Party Transactions—Key management personnel" voor verdere details.

De Verkopende Aandeelhouders zijn de enige houders van Gewone Aandelen die (direct of indirect) een substantiële deelneming (een holding van tenminste 3 procent van het aandelenkapitaal of stemrechten als gedefinieerd in de Wet op het financieel toezicht) in de Vennootschap hebben per datum van het Prospectus.

Elk van de Gewone Aandelen geeft het recht om één stem uit te brengen in de Algemene Vergadering van de Vennootschap. Alle Aandeelhouders hebben dezelfde stemrechten.</td></tr>
<tr><td></td><td>Anti-Overname Maatregel</td><td>De Stichting Continuiteit NIBC (de "Stichting") heeft als doel het beschermenen van de belangen van de Vennootschap, de bedrijfsvoering van de Vennootschap en de entiteiten met wie de Vennootschap een groep vormt en alle hierbij betrokken personen. De Stichting zal haar doelen nastreven, inter alia, door het verkrijgen en houden van preferente aandelen (de "Preferente Aandelen") en het uitoefenen van de rechten, in het bijzonder de stemrechten, die bij deze Preferente Aandelen horen alsmede door het uitoefenen (zowel tijdens als buiten het voeren van juridische procedures) van de haar toekomende rechten op basis van het Nederlandse recht, de Statuten (zoals hieronder gedefinieerd) of elke overeenkomst waarin de Vennootschap en de Stichting van tijd tot tijd intreden.

De Vennootschap zal de Stichting een call optie geven. De Stichting mag de calloptie niet uitoefenen zonder voorafgaande toestemming van de Verkopende Aandeelhouders zolang de gehouden Gewone Aandelen</td></tr>
</table>

Onderdeel B—Vennootschap		
		van de Verkopende Aandeelhouders (direct of indirect) 20 procent of meer van de uitgegeven Aandelen (exclusief Preferente Aandelen) vertegenwoordigen. Bij elke uitoefening van de calloptie is de Stichting gerechtigd Preferente Aandelen te verkrijgen van de Vennootschap tot een maximum overeenkomende met 100 procent van het uitgegeven aandelenkapitaal van de Vennootschap. Dit is exclusief de Preferente Aandelen als uitstaande direct voor het uitoefenen van de calloptie minus één aandeel waarvan maximaal elke Preferente Aandelen die reeds geplaatst zijn bij de Stichting op het moment dat de calloptie wordt uitgeoefend zal worden afgetrokken. Zie "*Description of Share Capital and Corporate Structure—Anti-Takeover Measure; Preference Share*" voor verdure informatie.
B.7	**Geselecteerde geconsolideerde financiële informatie**	De samengevatte informatie hieronder bevat de geselecteerde geconsolideerde financiële informatie van NIBC voor de jaren eindigend op 31 december 2017, 2016 en 2015, welke zijn afgeleid van de door de accountant gecontroleerde jaarlijkse geconsolideerde financiële jaarrekening van de Vennootschap als op en voor de jaren eindigend op 31 december 2017, 2016 en 2015 (de "**Financiële Overzichten**") als opgenomen of waarnaar wordt verwezen in dit Prospectus. Bepaalde financiële informatie voor het jaar eindigend op 31 december 2015 is afgeleid van de vergelijkende cijfers zoals opgenomen in de door de externe accountant gecontroleerde jaarrekening over het jaar eindigend op 31 december 2016, doordat er bepaalde reclassificaties zijn doorgevoerd in de presentatie van de financiële informatie die zijn toegepast op de vergelijkende jaarrekening als opegnomen in de geconsolideerde financiële jaarrekening van 31 december 2016. Zie "*Important Information-Presentation of Financial and Other Information—2015 Reclassifications*".

Onderdeel B—Vennootschap		
		Geselecteerde winst- en verliesrekening

	Jaareinde 31 december		
	2017	**2016**	**2015[1]**
	(Door de accountant gecontroleerd, in miljoenen euro's)		
Rente- en vergelijkbare baten	534	539	557
Rente- en vergelijkbare lasten	192	246	283
Netto rentebaten	**342**	**293**	**274**
Provisiebaten	54	32	37
Provisielasten	—	—	1
Netto provisiebaten	**54**	**32**	**36**
Opbrengsten uit deelnemingen	67	23	24
Resultaat uit financiële transacties	98	34	—
Overige operationele baten	(2)	31	20
Operationele baten	**559**	**413**	**354**
Personeelskosten en op aandelen gebaseerde betalingen	111	102	97
Overige operationele lasten	102	82	84
Afschrijvingen en amortizatie	6	7	8
Wettelijk vereiste heffingen en lasten	14	15	4
Operationele lasten	**233**	**206**	**193**
Waardevermindering financiële activa	56	82	63
Waardevermindering niet-financiële activa	—	2	20
Totaal lasten	**289**	**290**	**276**
Resultaat voor belastingen	**270**	**123**	**78**
Belastingen	54	19	8
Resultaat na belastingen	**216**	**104**	**70**
Toewijsbaar aan:			
Aandeelhouders van de vennootschap-	213	104	70
Houders van kapitaaleffecten (niet-controlerende belangen)	3	—	—
Overige niet-controlerende belangen		—	—

(1) Bepaalde financiële informatie voor het jaar eindigende op 31 December 2015 is afgeleid van de comparatieve vergelijkende informatie als weergegeven zoals opgenomen in de door de accountant gecontroleerde jaarlijkste geconsolideerde financiële jaarrekening als op en voor het jaar eindigende op 31 December 2016, dit doordat er bepaalde herklassificeringen reclassificaties zijn doorgevoerd in de presentatie van de financiële informatie. Zie "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*"

Onderdeel B—Vennootschap

Geselecteerde Geconsolideerde Balans

	Jaareinde 31 december		
	2017	2016	2015(1)
	(Door de accountant gecontroleerd, in miljoenen euro's)		
Activa			
Financiële activa opgenomen tegen geamortiseerde kostprijs			
Kasmiddelen en tegoeden bij centrale banken	1.604	918	746
Vorderingen kredietinstellingen	965	1.468	1.766
Leningen en vorderingen			
Leningen	7.473	7.844	7.294
Woninghypotheken eigen boek	4.412	3.346	2.390
Rentedragende waardepapieren	59	287	294
Voor verkoop beschikbare financiële activa			
Investeringen in deelnemingen	36	41	48
Investeringen in schuldfondsen	823	1.028	1.064
Financiële activa tegen reële waarde met waardeverandering in de winst- en verliesrekening (inclusief effecten)			
Leningen	181	210	316
Consumentenhypotheekportefeuille eigen rekening	4.581	4.124	4.111
Gesecuritiseerde woninghypotheken	338	1.550	2.266
Participaties (inclusief deelnemingen)	287	204	222
Rentedragende waardepapieren	31	60	19
Derivaten activa	1.021	1.811	2.141
Overig			
Deelnemingen (vermogensmutatiemethode)	10	7	7
Immateriële activa	3	3	—
Materiële vaste activa	62	50	49
Beleggingsactiviteiten vastgoed	—	271	251
Huidige belastingen	1	—	—
Latente belastingen	38	46	51
Overige activa	62	227	47
Activa aangehouden voor verkoop	161	—	71
Totaal activa	**22.148**	**23.495**	**23.153**

(1) Bepaalde financiële informatie voor het jaar eindigende op 31 December 2015 is afgeleid van de comperatieve vergelijkende informatie als weergegeven zoals opgenomen in de door de accountant gecontroleerde jaarlijkste geconsolideerde financiële jaarrekening als op en voor het jaar eindigende op 31 December 2016, dit doordat er bepaalde herklassificeringen reclassificaties zijn doorgevoerd in de presentatie van de financiële informatie. Zie "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*"

Onderdeel B—Vennootschap

	Jaareinde 31 december		
	2017	2016	2015
	(Door de accountant beoordeeld, in miljoenen euro's)		
Passiva			
Financiële verplichtingen gewaardeerd tegen geamortiseerde kostprijs			
Verplichtingen aan kredietinstellingen	1.834	1.290	829
Tegoeden van klanten	11.510	11.802	11.746
Uitgegeven schuldbewijzen	4.392	3.855	3.050
Uitgegeven schuldbewijzen met betrekking tot gesecuritiseerde hypotheken en leasevorderingen	267	1.337	2.062
Financiële verplichtingen opgenomen tegen reële waarde, met waardeverandering via het resultaat (incl. handelsportfeuills)			
Leningen	—	49	77
Uitgegeven schuldbewijzen	38	37	36
Uitgegeven gestructureerde schuldbewijzen	616	620	704
Derivaten	863	2,006	2,356
Overige			
Overige verplichtingen	113	275	110
Belastingen	1	—	1
Latente belastingen	4	3	1
Personeelsbeloningen	3	3	4
Passiva aangehouden voor verkoop	104	—	42
Achtergestelde schulden			
Opgenomen tegen geamortiseerde kostprijs	115	122	120
Opgenomen tegen reële waarde, met waardeverandering via het resultaat	167	276	280
Totaal verplichtingen	**20.027**	**21.675**	**21.418**
Eigen vermogen			
Aandelenkapitaal	148	148	1.408
Agio	1.138	2.279	525
Herwaarderingsreserve	93	153	60
Overgedragen resultaat inclusief winst voor de periode	536	(763)	(258)
Eigen vermogen toewijsbaar aan de moedervennootschap	**1.915**	**1.817**	**1.735**
Eigen vermogen toewijsbaar aan houders van kapitaaleffecten (niet-controlerende belangen)	203	—	—
Eigenvermogen toewijzbaar aan overige niet-controlerende belangen	3	3	—
Totaal eigen vermogen	**2.121**	**1.820**	**1.735**
Totaal passiva en eigen vermogen	**22.148**	**23.495**	**23.153**

(1) Bepaalde financiële informatie voor het jaar eindigende op 31 December 2015 is afgeleid van de comperatieve vergelijkende informatie als weergegeven zoals opgenomen in de door de accountant gecontroleerde jaarlijkste geconsolideerde financiële jaarrekening als op en voor het jaar eindigende op 31 December 2016, dit doordat er bepaalde herklassificeringen reclassificaties zijn doorgevoerd in de presentatie van de financiële informatie. Zie "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*"

Onderdeel B—Vennootschap

Geselecteerd Geconsolideerd Kasstroomoverzicht

	Jaareinde 31 december 2017	2016	2015[3]
	(Door de accountant gecontroleerd, in miljoenen euro's)		
Operationele activiteiten			
Nettowinst voor het jaar	216	104	70
Posten die geen invloed hebben op ontvangsten en uitgaven			
Afschrijvingen, amortizaties en verlies door waardeverminderingen	(66)	78	91
Veranderingen in personeelsbeloningen	—	(1)	—
Aandeel in resultaat uit deelnemingen	—	—	(1)
Veranderingen in bedrijfsmiddelen en passiva			
Derivaten	(353)	(20)	(151)
Bedrijfsmiddelen[1]	1.101	(935)	(486)
Bedrijfslasten (inclusief deposito's van klanten)[2]	188	806	1.250
Totaal kasstromen uit operationele activiteiten	**1.086**	**32**	**773**
Investeringsactiviteiten			
Aankoop van dochtermaatschappijen, meerderheidsbelangen en joint ventures	(3)	—	—
Verkoop van dochtermaatschappijen, meerderheidsbelangen en joint ventures	—	—	—
Aankoop van materiële vaste activa	(15)	(8)	(13)
Desinvestaering van vastgoedbeleggingen	174	—	—
Aankoop van vastgoedbeleggingen	—	—	(251)
Opbrengsten van financiële activa	—	(22)	(22)
Aflossingen van financiële activa	(67)	—	—
Minderheidsbelangen		3	—
Totaal kasstromen uit investeringsactiviteiten	**(89)**	**(27)**	**(286)**
Financieringsactiviteiten			
(Afname) / toename van leningen	(49)	(29)	77
Ontvangsten uit uitgegeven schuldbewijzen	716	1.324	1,100
Aflossingen op uitgegeven schuldbewijzen	(178)	(518)	(113)
Ontvangsten uit uitgegeven achtergestelde verplichtingen	(22)	4	94
Aflossingen op uitgegeven achtergestelde verplichtingen	(125)	(4)	(14)
Ontvangsten uit uitgegeven overig schuldbewijzen (gestructureerd)	11	70	109
Aflossingen op uitgegeven overig schuldbewijzen (gestructureerd)	(29)	(147)	(228)
Aflossingen op uitgegeven schuldbewijzen in verband met gesecuritiseerde hypotheken en huurvorderingen	(1,070)	(725)	(1,286)
Ontvangsten uit uitgegeven aandelen	—	—	(3)
Uiteindelijk en interim dividend	(56)	—	—
Ontvangesten van kapitaaleffecten	200	—	—
Totaal kasstromen uit financieringsactiviteiten	**(602)**	**(25)**	**(264)**
Geldmiddelen en overige liquide middelen aan het begin van de periode	1.215	1.244	1.021
Netto verschil wisselkoers	(6)	(9)	—
Netto toename/(afname) in geldmiddelen en overige liquide middelen	573	(20)	223
Geldmiddelen en overige liquide middelen aan het einde van de periode	**1.782**	**1.215**	**1.244**
Afstemming van geldmiddelen en overige liquide middelen:			
Kasgelden en saldi bij centrale banken (looptijd drie maanden of minder)	1,445	777	613
Te ontvangen van andere banken (looptijd van drie maanden of minder)	337	438	631
	1.782	1.215	1.244
Aanvullende openbaarmaking van informatie over kasstromen uit operationele activiteiten:			
Betaalde rente	192	260	283
Ontvangen rente	572	534	573

(1) Omvat alle activa, exclusief derivaten, immateriële activa en verschuldigde en verrekenbare belastingen.

(2) Omvat alle passiva exclusief derivaten.

(3) Bepaalde financiële informatie voor het jaar eindigende op 31 December 2015 is afgeleid van de comperatieve vergelijkende informatie als weergegeven zoals

opgenomen in de door de accountant gecontroleerde jaarlijkste geconsolideerde financiële jaarrekening als op en voor het jaar eindigende op 31 December 2016, dit doordat er bepaalde herklassificeringen reclassificaties zijn doorgevoerd in de presentatie van de financiële informatie. Zie "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*".

Geselecteerde niet-IFRS Financiële Maatregelen, APMs en Kapitaal Parameters

	Per of over het jaar eindigend op 31 december		
	2017	2016	2015
	(Niet door de accountant gecontroleerd, in miljoenen euro's, tenzij anders aangegeven)		
Netto rentemarge voor NIBC Holding(1) (in %)	1,60	1,47	1,34
Dividenduitkeringspercentage NIBC Holding(2) (in %)	45	25	0
Onderliggende kosten/inkomsten verhouding voor NIBC Bank(3) (in %)	44	51	56
Rendement op gemiddeld eigen vermogen NIBC Holding(4) (in %)	11,9	6,0	4,2
Totaal zakelijke en investeringskredietverlening (opgenomen en niet opgenomen)	9.200	9.473	9.122
Totaal zakelijke kredietactiva (opgenomen en niet opgenomen)	9.825	10.243	9.894
Totale activa bankdiensten voor particulieren(11)	9.146	8.831	8.580
Risicokosten voor NIBC Holding(5) (in %)	0,62	0,74	0,73
Risicokosten voor NIBC Bank(6) (in %)	0,38	0,61	0,71
Waardeverminderingsratio voor NIBC Bank(7) (in %)	0,20	0,34	0,39
Ratio slecht presterende leningen voor NIBC Holding voor NIBC Holding(8) (in %)	2,6	2,7	2,7
Waardeverminderingsdekkingsgraad(9) (in %)	46	33	34
Verhouding uitstaande leningen als percentage van het geïnde spaargeld voor NIBC Holding(10) (in %)	148	145	139
Totaal aantal FTE´s voor NIBC aan het einde van de periode	689	716	644

(1) Netto rentebaten uitgedrukt als percentage van de gemiddelde rente dragende activa over een periode van twaalf maanden.

(2) Uitgekeerd dividend in relatie tot een gegeven periode uitgedrukt als een percentage van de nettowinst toewijsbaar aan de uiteindelijke aandeelhouders over de periode.

(3) Onderliggende operationele kosten, uitgedrukt als een percentage van de onderliggende operationele baten.

Onderdeel B—Vennootschap		
		(4) Netto winst toerekenbaar aan de uiteindelijke aandeelhouders uitgedrukt als een percentage van het totale eigen vermogen aan het begin van de relevante periode, na het voorgestelde dividend. (5) Ratio van (i) de som van de Vennootschap's waardeverminderingen en kredietverliezen op de reële waarde van particuliere hypotheken en leningen (welke erkent worden in NIBC haar netto handelsresultaat) tot (ii) de totale hoeveelheid risico-gewogen activa gemiddeld genomen over de verslagperiode. (6) Ratio van (i) de som van NIBC Bank haar waardeverminderingen en kredietverliezen op de reële waarde van particuliere hypotheken en leningen (welke erkent worden in NIBC Bank haar netto handelsresultaat) tot (ii) de totale hoeveelheid risico-gewogen activa gemiddeld genomen over de verslagperiode. (7) Ratio van (i) NIBC Bank haar onderliggende waardeverminderingen van financiële activa tot (ii) de gemiddelde boekwaarde van verschillende activa posten vormden de leningen en woninghypotheken van NIBC. (8) Het totaal aan niet renderende bedrijfsmatige en particuliere hypotheken, gedeeld door de totale hoeveelheid van bedrijfsmatige en investeringsleningen en particuliere hypotheken. (9) Erkende waardeverminderingen op bedrijfsmatige en particuliere hypotheken gedeeld door de waardeverminderingen van bedrijfsmatige en particuliere hypotheken. In de waardevermindering zijn verminderingen opgenomen die al geleden zijn maar nog niet zijn gerapporteerd ("**IBNR**"). (10) Ratio van NIBC haar totaal aan leningen en particuliere hypotheken (zowel op eigen boek als gesecuriseerd) tot de totale deposito's van klanten. (11) Totale activa bankdiensten voor particulieren werdt inclusief spaarwaarden deposito's meegenaman. Daarnaast presenteert NIBC bepaalde maatregelen die kapitaalmatrics en risicoposities zijn die worden gerapporteerd onder het Basel-raamwerk en die zijn opgenomen in de financiële overzichten.

Onderdeel B—Vennootschap

	Per of over het jaar eindigend op 31 december		
	2017	2016	2015
	(Niet door de accountant gecontroleerd, in miljoenen euro's, tenzij anders aangegeven)		
Risico gewogen activa [1]	8.584	9.930	9.848
Leverage ratio (fully loaded)[2] (in %) . .	7,7	6,5	6,1
CET1 ratio (fully loaded)[3] (in %)	19,3	15,1	13,9
Tier 1 ratio (fully loaded)[4] (in %)	20,4	15,1	13,9
BIS ratio (fully loaded)[5] (in %)	22,2	18,0	16,7
Liquidity coverage ratio[6] (in %)	196	124	201
Net stable funding ratio[7] (in %)	117	112	113

(1) Activa, gecorrigeerd voor het desbetreffende risico dat aan het relatieve risico van die soortactiva is verbonden. Risico gewogen activa ("**RWA**") worden gebruikt om het minimum kapitaal dat NIBC moet houden te berekenen.

(2) Tier 1 kapitaal (fully loaded) uitgedrukt als een percentage van de geaggregeerde blootstellingen van NIBC haar activa en bepaalde niet in de balans opgenomen posten op basis van de beginselen als uitgezet in de CRR en CRD IV. Tier 1 kapitaal wordt berekend op basis van de volledige toepasbaarheid van de relevante Basel III/CRD IV kapitaal vereisten ("**fully loaded**"). Hier valt onder:het aandelenkapitaal, agio, het overgedragen resultaat, niet-gerealiseerde resultaten en andere reserves en uitgegeven en volgestorte AT1 instrumenten, aangepast voor bepaalde verminderingen op basis van de CRR/CRD IV, zoals goodwill, tekorten, inkoop van eigen aandelen en andere daarvoor in aanmerking komende posten.

(3) CET1 kapitaal (fully loaded) uitgedrukt als een percentage van NIBC haar totale risico gewogen activia ("**RWA**"). CET1 kapitaal wordt berekend op basis van de volledige toepasbaarheid van de relevante Basel III/CRD IV kapitaalvereisten.

(4) Tier 1 kapitaal (fully loaded) uitgedrukt als een percentage van NIBC haar totale RWA. Het Tier 1 kapitaal dat is berekend is fully loaded en is inclusief aandelenkapitaal, agio, uitgestelde resultaten, samengestelde inkomsten en andere reserves en uitgegeven en volgestorte AT1 instrumenten, met aanpassing gemaakt voor verminderingen als bepaald in CRR/CRD IV, zoals goodwill, tekortkomingen, inkoop van eigen aandelen en andere daarvoor in aanmerking komende posten.

(5) NIBC haar BIS ratio (fully loaded) is NIBC haar volledige kapitaal uitgedrukt als een percentage van NIBC haar totale RWA.

(6) De ratio van liquide activa die van hoge kwaliteit zijn ten opzichte van de balans van verwachte uitgaande en inkomende kasstromen over een stress periode van 30 kalenderdagen, uitgerekend op basis van de richtlijnen van de Gedelegeerde Verordening (EU) No 2015/61 van de Commissie van 10 oktober 2014 in aanvulling op Verordening (EU) No 575/2013 van het Europees Parlement en de Raad betreffende prudentiële vereisten voor kredietinstellingen en beleggingsondernemingen.

(7) De hoeveelheid beschikbare stabiele financiering relatief tot de hoeveelheid vereiste stabiele financiering, gebaseerd op NIBC's interpretatie van de huidige richtlijnen van het Basel Committee. Deze richtlijnen kunnen veranderen in de toekomst. Deze ratio dient voortdurend gelijk of hoger te zijn dan 100 procent. "Beschikbare stabiele financiering" is gedefinieerd als de proportie van het kapitaal en de verplichtingen die worden verwacht beschikbaar te zijn binnen een periode als bepaald door de NSFR, die uitstrekt tot de periode van één jaar. De hoeveelheid stabiele financiering vereist voor een specifieke instelling is het resultaat van de liquiditeitseigenschappen en resterende looptijden van de verschillende gehouden activa alsmede niet in de balans opgenomen blootstellingen.

Onderdeel B—Vennootschap

Geselecteerde Interne Management Informatie—Aansluiting van de Gerapporteerde en de Onderliggende Resultaten

	Jaareinde 31 december 2017								
	NIBC Holding Gepubliceerde resultaten(1)	Aansluitin gsposten Holding(2)	NIBC Bank	Aansluitin gposten(3)	Bijzondere Posten(4)	Onderliggende resultaten(5)	Corporate Klanten	Retail Klanten	Kas & Groep Functies
	(door de accountant gecontroleerd)	(niet door de accountant gecontroleerd)	(door de accountant gecontroleerd)	(niet door de accountant gecontroleerd)	(niet door de accountant gecontroleerd)	(niet door de accountant gecontroleerd)	(door de accountant gecontroleerd)	(door de accountant gecontroleerd)	(door de accountant gecontroleerd)
	(in miljoenen euro's)								
Netto rente baten	342	24	366	—	—	366	204	127	35
Netto provisiebaten	54	0	54	—	—	54	50	4	0
Investeringsbaten	67	0	67	—	—	67	66	—	1
Netto handelsbaten	98	(74)	25	—	—	25	37	(2)	(10)
Overige operationele baten	(2)	3	0	—	—	0	0	0	0
Operationele baten	**559**	**(47)**	**512**	—	—	**512**	**357**	**130**	**25**
Operationele kosten	**233**	**(10)**	**223**	—	—	**223**	**121**	**63**	**39**
Waardevermindering financiële activa	56	(21)	34	—	—	34	34	0	0
Resultaat voor belastingen	**270**	**(16)**	**255**	—	—	**255**	**201**	**67**	**(13)**
Belastingen	54	(12)	42	—	—	42	35	16	(10)
Resultaat na belastingentaks	**216**	**(4)**	**213**	—	—	**213**	**166**	**50**	**(4)**
Resultaat toewijsbaar aan minderheidsbelangen	—	0	—	—	—	0	0	0	0
Netto resultaat toewijsbaar aan:	**216**	**3**	**213**	—	—	**213**	**166**	**50**	**(4)**
Aandeelhouders van de vennootschap	213	3	210						
Houders van kapitaal effecten	3	—	3						
Niet-controlerende belangen	—	—	—						

(1) Resultaten van de Vennootschap met haar geconsolideerde dochtermaatschappijen.

(2) Aansluitingsposten Holding tussen NIBC en NIBC Bank bestaan uit de bijdragen aan de resultatenrekening door NIBC Investment Management N.V., NIBC Investments N.V. en BEEQUIP B.V., die directe dochtermaatschappijen van de Vennootschap zijn en daarom niet betrokken zijn in de resultaten van NIBC Bank.

(3) Aansluitingsposten tussen NIBC Bank en de Onderliggende Resultaten bestaan uit de baten en kosten met betrekking tot bepaalde investeringen in niet-financiële ondernemingen waarin NIBC een controlerend belang heeft en die op basis van de IFRS geconsolideerd dienen te worden door NIBC. Er waren geen Aansluitingsposten met betrekking tot de niet-financiële ondernemingen in 2016, dit omdat de laatste van deze investeringen in 2015 zijn afgestoten.

(4) Bijzondere Posten tussen NIBC Bank en Onderliggende Resultaten bestaan uit materiële en niet-terugkerende posten welke NIBC haar management als uitzonderlijk bestempelt. Er waren geen Bijzonder Posten in 2017.

(5) Onderliggende resultaten zijn aangeduid als "Internal Management Report"-posten in de financiële overzichten van NIBC en NIBC Bank.

Onderdeel B—Vennootschap

	Jaareinde 31 december 2016								
	NIBC Holding Gepubliceerde resultaten[(1)]	Aansluit ingsposten Holding[(2)]	NIBC Bank	Aansluitingp osten[(3)]	Bijzondere Posten[(4)]	Onderliggende resultaten[(5)]	Corporate Klanten	Retail Klanten	Kas & Groep Functies
	(door de accountant gecontroleerd)	(niet door de accountant gecontroleerd)	(door de accountant gecontroleerd)	(niet door de accountant gecontroleerd)	(niet door de accountant gecontroleerd)	(niet door de accountant gecontroleerd)	(door de accountant gecontroleerd)	(door de accountant gecontroleerd)	(door de accountant gecontroleerd)
	(in miljoenen euro's)								
Netto rente baten	293	14	306	—	—	306	162	117	27
Netto provisiebaten	32	0	32	—	—	32	32	0	(1)
Investeringsbaten	23	0	23	—	8	31	33	—	(2)
Netto handelsbaten	34	(22)	12	—	—	12	16	(4)	(1)
Overige operationele baten	31	(9)	22	—	(22)	0	0	0	1
Operationele baten	**413**	**(17)**	**395**	—	**(14)**	**381**	**244**	**114**	**24**
Operationele kosten	**206**	**(3)**	**203**	—	**(9)**	**194**	**118**	**57**	**20**
Waardevermindering financiële activa	84	(12)	72	—	(14)	57	57	1	0
Resultaat voor belastingen	**123**	**(3)**	**120**	—	**9**	**129**	**69**	**56**	**4**
Belastingen	19	(1)	18	—	7	25	12	14	0
Resultaat na belastingen	**104**	**(2)**	**102**	—	**2**	**104**	**58**	**42**	**4**
Resultaat toewijsbaar aan minderheidsbelangen	0	0	0	—	—	0	0	0	0
Netto resultaat voor bijzondere posten	**104**	**(2)**	**102**	—	**2**	**104**	**58**	**42**	**4**
Bijzondere posten[(3)] netto belastingen	—				—	(2)	(18)	—	16
Netto resultaat toewijsbaar aan:	**104**	**(2)**	**102**	—	**—**	**102**	**39**	**42**	**20**
Aandeelhouders van de vennootschap	104	(2)	102						
Houders van kapitaal effecten	—	—	—						
Niet-controlerende belangen	—	—	—						

(1) Resultaten van de Vennootschap met haar geconsolideerde dochtermaatschappijen.

(2) Aansluitingsposten Holding tussen NIBC en NIBC Bank bestaan uit de bijdragen aan de resultatenrekening door NIBC Investment Management N.V., NIBC Investments N.V. en BEEQUIP B.V., die directe dochtermaatschappijen van de Vennootschap zijn en daarom niet betrokken zijn in de resultaten van NIBC Bank.

(3) Aansluitingsposten tussen NIBC Bank en de Onderliggende Resultaten bestaan uit de baten en kosten met betrekking tot bepaalde investeringen in niet-financiële ondernemingen waarin NIBC een controlerend belang heeft en die op basis van de IFRS geconsolideerd dienen te worden door NIBC. Er waren geen Aansluitingsposten met betrekking tot de niet-financiële ondernemingen in 2016, dit omdat de laatste van deze investeringen in 2015 zijn afgestoten.

(4) Bijzondere posten tussen NIBC Bank en de Onderliggende Resultaten bestaan uit materiële en niet-terugkerende posten welke NIBC haar management als uitzonderlijk bestempelt. De bijdrage aan de resultatenrekening door deze buitengewone posten zijn buiten de onderliggende resultaten van NIBC gelaten om een beter begrip te krijgen van de financiële resultaten van NIBC. Voor het jaar eindigende op 31 december 2016 zijn deze Buitengewone Posten onder andere de bijdrage na belastingen van negatieve goodwill van de acquisitie van SNS Securities (hernoemd tot NIBC Markets) voor €22 miljoen, €18 miljoen aan kredietverliezen na belastingen veroorzaakt door het oplossen van pre-financiële crisis blootstellingen aan klanten (bestaande uit de waardevermindering van financiële activa op deze blootstellingen van €14 miljoen voor belastingen plus een additionele afschrijving op de vermogenswaarde van deze blootstellingen voor €8 miljoen voor belastingen) en een eenmalige uitgaven gerelateerd aan het uitbesteden van NIBC haar technische IT-omgeving en het integreren van NIBC Markets. Vergelijkende met de onderliggende nettowinst is het gecombineerde effect van deze Buitengewone Posten een afname van de nettowinst met €2 miljoen voor het jaar eindigend op 31 december 2016.

(5) Onderliggende resultaten zijn aangeduid als "Internal Management Report"-posten in de financiële overzichten van NIBC en NIBC Bank.

Onderdeel B—Vennootschap

	Jaareinde 31 december 2015								
	NIBC Holding Gepubliceerde resultaten[(1)]	**Aansluit ingsposten Holding[(2)]**	**NIBC Bank**	**Aansluitings posten[(3)]**	**Buitengewone Posten[(4)]**	**Onderliggende resultaten[(5)]**	**Corporate Klanten**	**Retail Klanten**	**Kas & Groep Functies**
	(door de accountant gecontroleerd)	**(niet door de accountant gecontroleerd)**	**(door de accountant gecontroleerd)**	**(niet door de accountant gecontroleerd)**	**(niet door de accountant gecontroleerd)**	**(niet door de accountant gecontroleerd)**	**(niet door de accountant gecontroleerd)**	**(niet door de accountant gecontroleerd)**	**(niet door de accountant gecontroleerd)**
					(in miljoenen euro's)				
Netto rentebaten	274	12	286	—	—	286	149	114	22
Netto provisiebaten	36	0	36	—	—	36	36	—	—
Investeringsbaten	24	—	24	(20)	—	4	3	—	1
Netto handelsbaten	0	(11)	(11)	—	—	(11)	7	(8)	(11)
Overige operationele baten	20	(3)	17	(15)	—	2	—	—	1
Operationele baten	**354**	**(2)**	**352**	**(36)**	—	**316**	**197**	**106**	**13**
Operationele kosten	193	(2)	191	(15)	—	176	104	48	25
Waardevermindering financiële activa	63	—	63	—	—	63	60	1	2
Waardevermindering niet financiële activa	20	—	20	(20)	—	—	—	—	—
Resultaat voor belastingen	**78**	**0**	**78**	**(1)**	—	**77**	**33**	**58**	**(14)**
Belastingen	8	(1)	7	(1)	—	6	0	14	(8)
Resultaat na belastingen	**70**	**1**	**71**	**0**	—	**71**	**34**	**43**	**(7)**
Resultaat toewijsbaar aan minderheidsbelangen	—	—	0	—	—	0	0	0	—
Netto resultaat voor bijzondere posten	**70**	**1**	**71**	**0**	—	**71**	**34**	**44**	**(7)**
Bijzondere posten[(3)] netto belastingen	—	—	—	—	—	—	—	—	0
Netto resultaat toewijsbaar aan:	**70**	**1**	**71**	**—**	—	**71**	**34**	**44**	**(7)**
Aandeelhouders van de vennootschap	70	1	71						
Houders van kapitaal effecten	—	—	—						
Niet-controlerende belangen	—	—	—						

(1) Resultaten van de Vennootschap met haar geconsolideerde dochtermaatschappijen.

(2) Aansluitingsposten Holding tussen NIBC en NIBC Bank bestaan uit de bijdragen aan de resultatenrekening door NIBC Investment Management N.V., NIBC Investments N.V. en BEEQUIP B.V., die directe dochtermaatschappijen van de Vennootschap zijn en daarom niet betrokken zijn in de resultaten van NIBC Bank.

(3) Aansluitingsposten tussen NIBC Bank en de Onderliggende Resultaten besteen uit bepaalde baten en lasten met betrekking tot investeringen in niet-financiële ondernemingen waarin NIBC een controlerend belang heeft en die op basis van de IFRS geconsolideerd dienen te worden door NIBC. Het management van NIBC bestempelt deze investeringen als niet-strategisch en de activiteiten van deze entiteiten als niet-financieel. Op basis hiervan heeft NIBC deze investeringen afgestoten en is de laatste van dit type investeringen afgestoten in het jaar eindigende op 31 december 2015. Het gecombineerde effect van deze Aansluitingsposten heeft niet geleid tot een toename of afname van de onderliggende resultaten na belastingen voor het jaar eindigend op 31 december 2015.

(4) Bijzondere Posten tussen NIBC Bank en Onderliggende Resultaten bestaan uit materiële en niet-terugkerende posten welke NIBC haar management als uitzonderlijk bestempelt. Er waren geen Bijzonder Posten in 2015.

(5) Onderliggende resultaten zijn aangeduid als "Internal Management Report"-posten in de financiële overzichten van NIBC en NIBC Bank.

B.8	**Pro forma financiële informatie**	Niet van toepassing. Er is geen *pro forma* financiële informatie opgenomen in het Prospectus.
B.9	**Winstverwachting**	Niet van toepassing. De Vennootschap heeft geen winstverwachting afgegeven.
B.10	**Afwijkende verklaringen in de accountantsverklaringen**	Niet van toepassing. Er zijn geen afwijkende verklaringen.
B.11	**Werkkapitaal**	NIBC is van mening dat haar werkkapitaal toereikend is om aan haar huidige verplichtingen te voldoen voor een periode van tenminste 12 maanden na de datum van het Prospectus. NIBC haar huidige eigen vermogen voldoet aan de vereisten die zijn gesteld aan het eigen vermogen in de CRR. NIBC haar huidige liquiditeitspositie voldoet aan de vereiste liquiditeitsvereisten, zoals gesteld in de CRR.

Onderdeel C—Effecten		
C.1	**Soort, klasse, en de security code van de Aangeboden Aandelen**	De Gewone Aandelen zijn gewone aandelen in het geplaatste en uitstaande aandelenkapitaal van de Vennootschap, elk met een nominale waarde van €1,00. Er is een aanvraag ingediend voor een notering van alle Gewone Aandelen onder het symbool "NIBC" op Euronext Amsterdam met ISIN Code: NL0012756316
C.2	**Valuta van de Aangeboden Aandelen**	De Aangeboden Aandelen luiden in euro's.
C.3	**Aantal Aandelen en nominale waarde per Aandeel**	Op de datum van het Prospectus zijn er 147.513.369 Gewone Aandelen uitgegeven met een nominale waarde van elk €1,00. Er zijn geen uitstaande Preferente aandelen. Vanaf op het moment van inwerkingtreding van de akte waarmee de statuten van de Vennootschap (de "**Statuten**") worden herzien en in werking zullen treden op de Afwikkelingsdatum, is het aandelenkapitaal van de Vennootschap €700.000.000 en zal worden opgedeeld in 350.000.000 Gewone Aandelen, elk met een nominale waarde van €1,00 en 350.000.000 Preferente Aandelen, elk met een nominale waarde van €1,00.
C.4	**Aan de Gewone Aandelen verbonden rechten**	Aan de Gewone Aandelen zijn dividendrechten verbonden. Ieder Gewoon Aandeel geeft de houder ervan het recht om één stem uit te brengen in de Algemene Vergadering. Er zijn geen beperkingen op de stemrechten van de Gewone Aandelen. ***Uitgifte van aandelen en voorkeursrechten*** Zoals bepaald in de Statuten, kan de Algemene Vergadering besluiten tot uitgifte van aandelen of rechten op het nemen van Aandelen, naar aanleiding van een dusdanig voorstel van de Raad van Bestuur, behoudens de goedkeuring van de raad van commissarissen van de Vennootschap (de "**Raad van Commissarissen**"). De Statuten schrijven voor dat de Algemene Vergadering deze bevoegdheid om te besluiten tot uitgifte van Aandelen, of rechten om in te schrijven op Aandelen kan delegeren, naar aanleiding van een dusdanig voorstel van de Raad van Bestuur van de Vennootschap, behoudens goedkeuring van de Raad van Commissarissen van de Vennootschap. Op 9 maart 2018 heeft de Algemene Vergadering de Raad van Bestuur aangewezen als het orgaan dat, behoudens goedkeuring van de Raad van Commissarissen, bevoegd is Gewone Aandelen uit te geven of rechten op het nemen van Gewone Gewone Aandelen te verlenen en wettelijke voorkeursrechten voor die uitgiftes van Gewone Aandelen of het verlenen van rechten tot het nemen van Gewone Aandelen uit te sluiten voor een termijn van 18 maanden vanaf de Afwikkelingsdatum. De gegeven machtiging strekt tot 10 procent van het totaal aantal geplaatste Gewone Aandelen, berekend over het totaal aantal Geplaatste Aandelen op het moment waarop deze bevoegdheid voor het eerst wordt uitgevoerd, met daarnaast een additionele 10 procent van het totale aantal geplaatste Gewone Aandelen als dit gebeurt als onderdeel van een fusie of overname, of als dit noodzakelijk wordt geacht door de Raad van Bestuur en Raad van Commissarissen om de kapitaalpositie van de Vennootschap te waarborgen. Bij de uitgifte van Gewone Aandelen heeft elke Aandeelhouder voorkeursrechten naar rato van het nominale aantal Gewone Aandelen die hij houdt. Aandeelhouders hebben geen

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		voorkeursrechten op: (i) de uitgifte van Gewone Aandelen (of het geven van rechten op het nemen van Gewone Aandelen) (a) tegen inbreng anders dan in geld, (b) aan medewerkers van de Vennootschap of (c) aan personen die een eerder gegeven recht uitwinnen op het nemen van Gewone Aandelen; en (ii) de uitgifte van Preferente Aandelen. Deze voorkeursrechten gelden tevens ten aanzien van het verlenen van rechten tot het nemen van Gewone Aandelen. Voorkeursrechten kunnen als gevolg van een besluit van de Algemene Vergadering, genomen op voordracht van de Raad van Bestuur, behoudens de goedkeuring van de Raad van Commissarissen, worden beperkt of uitgesloten. De Algemene Vergadering kan de Raad van Bestuur machtigen om de bevoegdheid uit te oefenen. Een dusdanige machtiging aan de Raad van Bestuur is maximaal vijf jaar geldig en kan met een maximale periode van vijf jaar worden verlengd (voor dezelfde periode als de delegatie van de bevoegdheid om aandelen uit te geven). Een besluit van de Raad van Bestuur (als zo aangemerkt door de Algemene Vergadering) om voorkeursrechten uit te sluiten vereist goedkeuring van de Raad van Commissarissen. ***Relatieovereenkomst*** Op grond van de relatieovereenkomst van 12 maart 2018 tussen de Vennootschap en Verkopende Aandeelhouders (de "**Relatieovereenkomst**"), waarvan de belangrijkste bepalingen in werking zullen treden op de Eerste Handelsdag, hebben de Verkopende Aandeelhouders het recht om kandidaten te nomineren en vervangers aan te wijzen voor enkele posities voor de Raad van Commissarissen. Aanvankelijk zijn de Verkopende Aandeelhouders gemachtigd om voor drie van de acht posities binnen de Raad van Commissarissen iemand te nomineren. Het aantal leden van de Raad van Commissarissen zal in 2018 worden teruggebracht naar zeven. Zolang de Verkopende Aandeelhouders (i) meer dan 50 procent van de Gewone Aandelen houdt, heeft deze het recht om drie leden voor de Raad van Commissarissen te nomineren (elk een "**Verkopende Aandeelhouders Genomineerde**") voor benoeming door de Algemene Vergadering, (ii) als de Verkopende Aandeelhouders minder dan 50 procent van de Gewone Aandelen houden maar meer dan 20 procent van de Gewone Aandelen zal een van de Verkopende Aandeelhouders Genomineerde, na ontvangst van een schriftelijk verzoek van de Raad van Commissarissen, terugtreden en hebben de Verkopende Aandeelhouders het recht om twee Verkopende Aandeelhouders Genomineerde voor de Raad van Commissarissen te nomineren voor benoeming door de Algemene Vergadering, en (iii) als de Verkopende Aandeelhouders 20 procent of minder van de Gewone Aandelen houden, zullen alle Verkopende Aandeelhouders Genomineerde, na ontvangst van een schriftelijk verzoek van de Raad van Commissarissen, terugtreden. In de afwezigheid van een dusdanig schriftelijk verzoek tot terugtreding van de Raad van Commissarissen, zullen de Verkopende Aandeelhouders Genomineerden hun respectievelijke termijn afmaken, tenzij de Verkopende Aandeelhouders en de Vennootschap anders overeenkomen. De Relatieovereenkomst zal de Verkopende Aandeelhouders van extra rechten voorzien waaronder enige toekomstige verkoop van Gewone Aandelen door de Verkopende Aandeelhouders en toegang tot bepaalde financiële en ander soortige informatie van de Vennootschap. Zie *"Shareholder Structure and*

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		Related Party Transactions—Related Party Transactions—Relationship Agreement”. ***Dividend en overige uitkeringen*** De uitkering van dividend kan worden beperkt, begrensd of verboden, ook door de bevoegde toezichthoudende autoriteit, indien deze maatregel nodig is, of nodig wordt geacht, om het kapitaal van NIBC te versterken met het oog op prudentiële vereisten zoals de gecombineerde buffervereisten, aanvullende kapitaalvereisten ten gevolge van de Supervisory Review and Evaluation Process (“**SREP**”), de leverage ratio, het minimum vereiste voor eigen middelen en in aanmerking komende passiva en vereisten met betrekking tot het totale verlies absorberend vermogen. Daarnaast kan een dividenduitkering uitsluitend plaatsvinden uit de uitkeerbare middelen zoals omschreven in de CRR.
C.5	**Beperkingen op vrije overdraagbaarheid van de Gewone Aandelen**	De Gewone Aandelen zijn op naam gesteld. De overdracht van de op naam gestelde Gewone Aandelen, of een daaraan gelieerd beperkt recht, vereist een akte van overdracht die daarvoor is opgesteld en waarin de overdracht schriftelijk wordt bevestigd door de Vennootschap. Dit laatste vereiste is niet van toepassing als de Vennootschap partij is bij de overdracht. Als een op naam gesteld Gewoon Aandeel wordt overgedragen om te worden opgenomen in een verzameldepot dan zal de overdracht worden geaccepteerd door de betrokken tussenpersoon. Als een op naam gesteld Gewoon Aandeel wordt overgedragen om te worden opgenomen in een girodepot dan zal de overdracht worden geaccepteerd door een centraal instituut, zijnde het Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (“**Euroclear Nederland**”). Overdracht en aanvaarding van de Gewone Aandelen in het verzameldepot of girodepot kan worden uitgevoerd zonder de medewerking van de andere deelnemers in het verzameldepot of girodepot. Bij de uitgifte van nieuwe Gewone Aandelen aan Euroclear Nederland of een andere tussenpersoon, zal de overdracht om de Gewone Aandelen in het girodepot of het verzameldepot in werking treden zonder de medewerking van andere deelnemers in het verzameldepot of girodepot. Gewone Aandelen die zijn opgenomen in het verzameldepot of girodepot kunnen alleen geleverd worden vanuit een verzameldepot of girodepot in lijn met de bepalingen als opgenomen in de Wet Giraal Effectenverkeer. De overdracht door een deposito aandeelhouder, of zijn in girale vorm gestelde rechten vertegenwoordigende zulke Gewone Aandelen, zullen in werking treden in lijn met de bepalingen als opgenomen in de Wet Giraal Effectenverkeer. Hetzelfde is van toepassing op het vestigen van een pandrecht of de overdracht van vruchtgebruik op deze girale rechten.
C.6	**Notering en toelating tot de handel van de Gewone Aandelen**	Niet van toepassing. De Gewone Aandelen zijn niet genoteerd of toegelaten tot de handel. Er is een aanvraag ingediend voor een notering en toelating van alle Gewone Aandelen tot de handel onder het symbool “NIBC” op Euronext Amsterdam. Behoudens een inkorting of verlenging van het tijdschema voor de Aanbieding zal de handel in de Gewone Aandelen op Euronext Amsterdam naar verwachting op of rond

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		23 maart 2018 (de "**Eerste Handelsdatum**") aanvangen op een "as-if-and-when-delivered" basis.
C.7	**Dividendbeleid**	De Vennootschap is voornemens om een dividendbeleid toe te passen dat er op is gericht om tenminste 50 procent van de behaalde netto resultaten toewijsbaar aan de aandeelhouders van de Vennootschap uit te keren, behoudens aanpassing ten gevolge van eenmalige posten (baten of lasten veroorzaakt door buitengewone of onregelmatige posten die zijn geïdentificeerd door de Raad van Bestuur, behoudens de goedkeuring van de Raad van Commissarissen) en na aftrek van couponbetalingen op kapitaalinstrumenten die als eigenvermogensinstrumenten worden behandeld wegens boekhoudkundige doeleinden. Voor het jaar eindigende op 31 december 2018 heeft de Vennootschap als doel om een uitkeringsratio van ongeveer 50 procent te realiseren. Het dividendbeleid van de Vennootschap en de voorgenomen uitkering van dividend zijn onderworpen aan de absolute discretie van de Raad van Bestuur om geen dividend uit te keren, of een hoger of lager dividend uit te keren dan eerder aangekondigd. Daarnaast is de uitkering van dividend onderworpen aan mogelijke beperkingen die er toe kunnen leiden dat de uitkering van dividend wordt beperkt, uitgesloten of verboden, op verzoek of op bevel van een bevoegde toezichthoudende autoriteit, als dat noodzakelijk wordt geacht om de kapitaalpositie van de NIBC te versterken. Bij elk voorstel tot uitkering van dividend dient rekening te worden gehouden met relevante omstandigheden waaronder kapitaal- en liquiditeitsvereisten en overige vereisten of beperkingen op grond van regelgeving, toekomstige baten, winsten, voor uitkering beschikbare middelen, financiële omstandigheden, groeimogelijkheden, de vooruitzichten voor de bedrijfsactiviteiten van NIBC, de levensvatbaarheid op de korte en lange termijn, algemene economische omstandigheden en alle overige omstandigheden die de Raad van Bestuur van belang of passend acht. Er is geen garantie dat er dividend uitgekeerd zal worden. Er is geen zekerheid dat NIBC haar prestaties haar in staat stellen om het huidige dividendbeleid in werking te stellen, en het vermogen van de Vennootschap om dividend uit te keren kan worden verhinderd als risico's als omschreven in dit Prospectus zich manifesteren. De Vennootschap is voornemens dividend in twee halfjaarlijkse termijnen uit te keren. Voor ieder jaar vindt de eerste uitkering naar verwachting plaats in het tweede halfjaar van dat jaar en het restant in het eerste halfjaar van het volgende jaar, na goedkeuring door de Algemene Vergadering.

Onderdeel D—Risico's		
D.1	**Risico's ten aanzien NIBC en de sector waarin zij actief is**	Hieronder volgt een samenvatting van een selectie van belangrijke risico's die betrekking hebben op NIBC en haar bedrijfsactiviteiten en de sector. Investeerders dienen alle risicofactoren in het Prospectus te lezen, te begrijpen en in overweging te nemen, welke materieel zijn en als geheel dienen te worden gelezen, in "*Risk Factors*" te beginnen op pagina 75 van het Prospectus alvorens een besluit te nemen om in de Aangeboden Aandelen te beleggen.

Onderdeel D—Risico's		
		Geselecteerde Risico's ten aanzien van de NIBC's Bedrijfsactiviteiten en Sector *Algemene Economische en Financiële stabiliteit* • NIBC haar bedrijfsactiviteiten, operationele resultaten, financiële positie en vooruitzichten zijn onderhevig aan de effecten van wereldwijde en Europese macro-economische en politieke omstandigheden, aangezien deze specifieke gevolgen hebben voor financiële instellingen. In het bijzonder, hebben de macro-economische en politieke omstandigheden in Nederland, Duitsland, België en het Verenigd Koninkrijk gevolgen voor NIBC omdat NIBC in deze markten het merendeel van haar inkomsten genereert. Daarnaast worden NIBC's bedrijfsactiviteiten, operationele resultaten, financiële positie en vooruitzichten bepaald door de financiële positie van haar klanten, en is NIBC afhankelijk van de macro-economische en politieke omstandigheden van de landen en regio's waar haar klanten significante operaties hebben. • Faillissementen in de financiële sector of staatsschuldproblemen kunnen, door de onderlinge afhankelijkheid in de financiële markten, een negatief effect hebben op de gehele financiële sector en financiële markten, en in het specifiek NIBC's bedrijfsvoering en NIBC's partijen met wie zij zaken doet. NIBC's bedrijfsvoering is daarom onderhevig aan het risico dat kredietnemers en andere contractuele partners niet meer in staat zijn om aan de verplichtingen te voldoen als gevolg van faillissementen, het toepassen van afwikkelingsinstrumenten door autoriteiten, een gebrek aan liquiditeit, wereldwijde of regionale economische tegenspoed, operationele problemen, politieke ontwikkelingen of op basis van andere redenen. • Stijgende prijzen en prijsvolatiliteit in de Nederlandse huizenmarkt kunnen een significante impact hebben op de marges die NIBC kan halen binnen NIBC's hypothecaire activiteiten. Dit kan een materieel nadelig effect hebben op NIBC's bedrijfsactiviteiten, financiële positie, bedrijfsresultaten en vooruitzichten. Een groot gedeelte van NIBC's operationele resultaat (ongeveer 88 procent per 31 december 2017) wordt gegenereerd in Nederland en een significant gedeelte van NIBC haar hypotheekportfolio bestaat uit Nederlandse hypothecaire leningen. In het verleden is er sprake geweest van volatiliteit in de Nederlandse woningmarkt. Huizenprijzen zijn sinds 2016 toegenomen, wat in het verleden effect heeft gehad en ook in de toekomst een effect kan hebben op de volumes en marges van de Nederlandse hypothecaire bedrijfsactiviteiten. Daarnaast kunnen stijgende huizenprijzen een significante impact hebben op de marges van NIBC's particuliere hypothecaire portfolio en de mate van prepayments, welke een negatief effect kunnen hebben op NIBC's bedrijfsactiviteiten, financiële positie, operationele resultaten en vooruitzichten.

Onderdeel D—Risico's		
		Krediet en Concentratie Risico • NIBC heeft bedrijfsmatige contacten met verschillende partijen, en het onvermogen van deze partijen om hun financiële verplichtingen te voldoen kan een materieel negatief effect hebben op NIBC haar bedrijfsactiviteiten, operationele resultaten en financiële positie. Het risico bestaat dat een derde partij die aan NIBC geld, effecten of enig andere activa schuldig is niet aan haar verplichtingen kan voldoen. Onder deze partijen vallen uitgevers en garantiestellers (inclusief garantiestellingen door staten) van effecten die NIBC houdt, kredietnemers van hypotheken en leningen, alsmede klanten, handelspartners en andere banken en financiële tussenpersonen en leveranciers (inclusief sovereigns). Ernstige nood- of betalingsproblemen bij een of meerdere van deze partijen kunnen resulteren in verliezen voor NIBC en faillissementen van andere partijen. Daarnaast is NIBC blootgesteld aan significante concentratierisico's in Nederland, met name door haar hypothecaire leningen portfolio, welke een materiele negatieve impact op NIBC's bedrijfsvoering, financiële positie en operationele resultaat kan hebben. • NIBC is blootgesteld aan potentiële waardeverminderingen en dalende waardes van onderpanden van het particuliere en commerciële vastgoed, alsmede leningen voor sectoren zoals: Shipping & Intermodal, Offshore Energy en Infrastructure & Renewables, welke een materieel negatief effect op NIBC's bedrijfsvoering, operationele resultaten, financiële positie en vooruitzichten kunnen hebben. In een economische neergang wordt de vraag naar financiële diensten doorgaans negatief beïnvloed. Dit kan resulteren in negatieve effecten op de waarde van NIBC's activa en kan NIBC blootstellen aan het risico dat haar kredietnemers hun leningen niet terug zullen betalen in lijn met de respectievelijke contractuele bepalingen of dat de gegeven zekerheden de uitstaande lening niet kunnen dekken. NIBC is en kan in de toekomst worden geconfronteerd met gebeurtenissen die de kredietwaardigheid van haar kredietnemers en wederpartijen negatief beïnvloeden, met een toenemend aantal wanbetalers, faillissementen en situaties waarin insolventie aan de orde is, in verschillende sectoren welke kunnen leiden tot waardeverminderingen van leningen en andere activa en hogere kosten en een groei van reserveringen voor waardeverminderingen van leningen. *Renterisico en Inflatie* • Volatiliteit en de lage huidige lage rentestand hebben in het verleden een materieel negatief effect gehad op, en kunnen in de toekomst effect hebben op, NIBC's bedrijfsactiviteiten, operationele resultaten, financiële positie en vooruitzichten. Als reactie op zorgen over de Europese schuldencrisis en vertragende economische groei hebben centrale banken wereldwijd sinds 2012 de rentestanden op een historisch laag niveau gebracht. Als gevolg van het lang aanhouden van deze lage rentestanden is NIBC er niet in geslaagd om de liquiditeitskosten die zij maakt om haar reserves die bij de ECB gehouden worden volledig te compenseren met de rente betaald over particuliere deposito's. Dit heeft een negatief effect op de netto rentemarge van NIBC. Daarnaast hebben de rente dragende activa (in het specifiek particuliere

		hypothecaire leningen) een lagere marge gerealiseerd. Andere leningen en effecten gehouden in de investeringsportfolio hebben minder rente-inkomsten opgebracht in vergelijking met in het verleden behaalde resultaten. Er is geen zekerheid dat de centrale banken de rentes verhogen, of dat de huidige historisch lage rentestand aan zal houden. NIBC's bedrijfsactiviteiten, operationele resultaten, financiële positie en vooruitzichten kunnen materieel en negatief worden beïnvloed door een aanhoudende toenemende inflatie of een significante deflatie. *Liquiditeitsrisico* • NIBC heeft een constante vraag naar liquiditeit om haar bedrijfsactiviteiten te financieren. Een tekort aan liquiditeit is een risico voor NIBC's bedrijfsactiviteiten en kan een materieel negatief effect hebben op NIBC's bedrijfsactiviteiten, financiële positie, operationele resultaten en vooruitzichten. Mochten de beschikbare financieringsbronnen niet voldoende zijn of indien bestaande financieringsbronnen geherfinancierd dienen te worden, dan kan NIBC genoodzaakt zijn om additionele financiering aan te trekken. De beschikbaarheid van deze additionele financiering zal afhangen van een verscheidenheid aan factoren, waaronder marktomstandigheden, de algehele beschikbaarheid van krediet, het volume van handelsactiviteiten, het volume aan aflopende schulden dat geherfinancierd dient te worden, de algehele beschikbaarheid van krediet voor financiële dienstverleners en de creditrating van NIBC. Er bestaat een risico dat externe financieringsbronnen niet beschikbaar zijn dan wel alleen beschikbaar zijn tegen ongunstige voorwaarden, die NIBC beperken verliezen te compenseren of om financiering te vinden om aan toegenomen kapitaalvereisten te voldoen. In extreme situaties kunnen liquiditeitsproblemen (al dan niet onderbouwd) er in resulteren dat wederpartijen kunnen weigeren om NIBC van krediet te voorzien of dat deposito's worden weggehaald bij NIBC. *Bedrijfsmatige risico's* • NIBC is actief in een competitieve markt, waaronder haar thuismarkt. Het kan zijn dat NIBC niet in staat is haar huidige marktpositie te behouden of te verbeteren. Dit zou een materieel negatief effect kunnen hebben op NIBC's bedrijfsactiviteiten, operationele resultaten, financiële positie en vooruitzichten. De concurrenten van NIBC voor het leveren van producten en diensten zijn traditionele grote en kleine banken, verzekeringsmaatschappijen, pensioenfondsen, nichespelers, niet-financiële bedrijven die kredietproducten en/of spaarproducten aanbieden en technologiebedrijven en andere nieuwe toetreders tot de markt. Verzekeringsmaatschappijen en pensioenfondsen zijn bijvoorbeeld steeds actiever in de hypotheekmarkt. Daarnaast krijgen nieuwe technologieën zoals blockchain meer interesse vanuit gevestigde banken en kunnen deze technologieën mogelijk een verstorend effect hebben op de financiële sector. Daarnaast is het mogelijk dat niet-banken en bepaalde buitenlandse concurrenten, in tegenstelling tot NIBC, niet onderhevig zijn aan bepaalde regelgeving en kapitaalvereisten waardoor NIBC een nadeel ondervindt ten opzichte van deze spelers.

- Het kan zijn dat NIBC haar strategische of middellange termijn doelen niet haalt. Het vermogen van NIBC om haar middellange termijn doelen te halen hangt af van een verscheidenheid aan factoren die deels binnen haar vermogen liggen en deels daarbuiten, zoals wereldwijde economische omstandigheden, omstandigheden in de markten waarin NIBC actief is, de rentestanden en de vraag naar haar producten.

- NIBC heeft verscheidene acquisities gedaan en heeft gedesinvesteerd in zowel activa als een aantal bedrijven. Acquisities en desinvesteringen kunnen overwacht complex zijn en onderhevig zijn aan onverwachte vertragingen. Bijvoorbeeld tijdens het integreren en/of samenvoegen van bedrijven, operationele activiteiten en entiteiten, waardoor de verwachte doelen niet worden gehaald of worden uitgesteld. In de toekomst kan NIBC additionele acquisities en desinvesteringen doen. NIBC kan op problemen stuiten bij het integreren van entiteiten die het heeft aangetrokken of de combinatie van operationele activiteiten kan onder verwachtingen opereren. Het niet succesvol voltooien van aangekondigde bedrijfsmatige combinaties of het niet succesvol integreren van aangetrokken activiteiten kan een materieel negatief effect hebben op NIBC's bedrijfsmatige activiteiten, operationele resultaten, financiële positie en vooruitzichten.

Operationele Risico's

- NIBC is blootgesteld aan operationele risico's die ontstaan door de complexiteit van haar bedrijfsmatige activiteiten. Operationele risico's kunnen onder andere ontstaan door ongeschikte of niet succesvolle interne processen, menselijk gedrag en systemen of externe gebeurtenissen. Onder operationele risico's vallen interne fraude, externe fraude, compliance risico, werkgeverschap, en de veiligheid op de werkvloer en problemen met technologie en de infrastructuur. Het niet adequaat optreden door NIBC om de operationele risico's te managen, kan potentieel resulteren in financiële verliezen, reputatieschade voor NIBC, storingen in NIBC haar bedrijfsvoering en regulatoire boetes en ander soortige sancties.

- NIBC heeft beleid en procedures ontwikkeld ten aanzien van risicobeheersing. Deze zijn ontworpen om risico's te identificeren, monitoren en te beheersen. Ondanks het feit dat NIBC voortdurend bezig is om de verscheidene controleprocessen, procedures, beleidslijnen, systemen en compliance beleidslijnen om risico's te monitoren en beheersen te updaten, kan het niet garanderen dat deze controleprocessen, procedures, beleidslijnen en systemen erin zullen slagen om succesvol externe risico's te identificeren en beheersen.

- IT en andere systemen die NIBC nodig heeft voor haar dagelijkse activiteiten kunnen tekortschieten en kunnen bijdragen aan een schending van regelgeving en ander soortige verplichtingen, en daardoor een materieel negatief effect hebben op NIBC haar bedrijfsactiviteiten, operationele resultaten, financiële positie en vooruitzichten. NIBC haar technologische infrastructuur is van essentieel belang voor de bedrijfsmatige activiteiten en voor het leveren van haar producten en diensten aan haar klanten, waaronder het vermogen om op dagelijkse basis een significante

		hoeveelheid transacties te verwerken en monitoren. Het succes van NIBC haar bedrijfsmatige activiteiten hangt voor een groot deel af van het vermogen om grote hoeveelheden transacties efficiënt en accuraat te verwerken en om zorg te dragen over persoonlijke financiële informatie namens haar klanten. Daarnaast bestaat de mogelijkheid dat NIBC haar financiële, accounting, dataverwerking, regulatoire rapportage of andere besturingssystemen en faciliteiten disfunctioneren of buiten werking kunnen raken, met een negatief gevolg voor NIBC haar vermogen om transacties te verwerken, diensten aan te bieden of operationele activiteiten uit te voeren. • NIBC is blootgesteld aan het risico dat vertrouwelijke informatie die gehouden wordt door NIBC, haar klanten, zakenpartners, verkopers, of andere derde partijen onopzettelijk of in strijd met de wet openbaar wordt gemaakt dan wel wordt gestolen ten gevolge van cybercrime, wat kan resulteren in reputatieschade, claims, verliezen en schade en een materieel negatief effect kan hebben op NIBC's bedrijfsactiviteiten, operationele resultaten, financiële positie en vooruitzichten. Verbeterde technologische ontwikkelingen kunnen resulteren in nieuwe en meer gedetailleerde rapportagevereisten en verdergaande verplichtingen voor financiële bedrijven op het gebied van het monitoren van activiteiten. Dit kan significante investeringen met zich meebrengen en de lasten voor NIBC met betrekking tot haar complianceverplichtingen vergroten. Daarnaast zijn NIBC en haar management afhankelijk van de volledigheid en juistheid van de "know-your-customer" ("**KYC**") informatie over klanten en wederpartijen. Als deze informatie onbeschikbaar is, materieel onjuist, onvolledig, achterhaald of verkeerd beoordeeld blijkt te zijn kan dit resulteren in foutieve besluitvorming welke een materieel negatief effect kan hebben op NIBC's bedrijfsactiviteiten, operationele resultaten, financiële positie en vooruitzichten. • NIBC is afhankelijk van derde partijen voor bepaalde essentiële diensten, en het kan zijn dat alternatieven voor deze derde partijen binnen een gewenst tijdsbestek niet beschikbaar zijn, dan wel niet beschikbaar tegen gunstige voorwaarden. NIBC maakt gebruik van externe aanbieders van diensten en outsourcing partners voor bepaalde IT en operationele diensten en is daardoor sterk afhankelijk van producten en kennis van externe dienstverleners die haar IT- en communicatietechnologie, software en andere essentiële diensten verlenen. NIBC's afhankelijkheid van deze dienstverleners kan in de toekomst toenemen. Er is geen zekerheid dat de externe dienstverleners die door NIBC zijn geselecteerd in staat zijn om in de toekomst deze diensten naar tevredenheid te leveren, door bijvoorbeeld tekortkomende vaardigheden, producten of diensten of door veranderende regulatoire vereisten. *Reputatierisico's* • De integriteit van de merken van NIBC en de hiermee geassocieerde reputatie is van essentieel belang om NIBC in staat te stellen om klanten, business en medewerkers aan te trekken en te behouden. NIBC's reputatie kan worden beschadigd door factoren zoals negatieve publiciteit, slechte beleggingsrendementen, slechte financiële prestaties, ondermaats

advies aan corporate finance en kapitaal marktklanten, juridische procedures, handhavingsactiviteiten van toezichthouders, misdragingen van medewerkers, fraude, claims van voormalige werknemers die zich verzetten tegen ontslaggronden of op grond van strijdig handelen met wettelijke verplichtingen. De negatieve publiciteit die ontstaat door deze factoren kan een negatief effect hebben op NIBC haar relaties met bestaande en potentiële klanten, externe distributeurs en andere zakelijke partners. Schade aan het merk en de reputatie van NIBC kan een negatief effect hebben op haar positie binnen de industrie.

Geselecteerde Risico's op het gebied van Wet- en Regelgeving en nalevingsrisico's

- NIBC oefent haar bedrijfsactiviteiten uit in een omgeving die sterk gereguleerd is door financiële diensten wet- en regelgeving en onder toezicht staat van toezichthouders die bestuursrechtelijke bevoegdheden hebben ten aanzien van NIBC in de jurisdicties waar zij actief is. De wet- en regelgeving die van toepassing is op NIBC is complex en naar verwachting zal deze complexiteit toenemen. Toezichthouders zullen naar verwachting meer toezicht gaan uitoefenen op de industrie waarin NIBC actief is. Dit kan resulteren in additionele lasten voor NIBC en haar bronnen en medewerkers. Regulering die van toepassing is, of kan worden, op NIBC kan haar activiteiten beperken en kan een negatief effect hebben op haar vermogen om autonoom beslissingen te nemen met betrekking tot haar bedrijfsvoering en operationele activiteiten. Dit kan tot gevolg hebben dat NIBC beperkt is in haar vermogen om haar strategie te implementeren en haar bedrijfsactiviteiten te laten groeien.
- Ingevolge de Nederlandse wetgeving hebben financiële instellingen in Nederland een zorgplicht ten opzichte van de Nederlandse maatschappij vanuit hun maatschappelijke functie en hun specifieke expertise. De ontwikkelingen en toepassing van deze zorgplicht blijft complex en is een gebied van wetgeving dat zich aan het ontwikkelen is. Dit heeft mogelijk substantiële consequenties voor NIBC, door bijvoorbeeld een toename van handhaving door regelgevende instanties en toename in gerelateerde boetes, reputatieschade, additionele claims van klanten en een toename van kosten en middelen voor het voeren van bijvoorbeeld grote aantallen juridische procedures. Het kan daarnaast niet worden uitgesloten dat er aanvullende sector-brede maatregelen worden getroffen of ruimere interpretaties gehanteerd gaan worden voor bestaande regels door toezichthoudende autoriteiten, overheidsorganen of gerechten, welke een negatief effect hebben op NIBC.
- NIBC is blootgesteld aan het risico, inherent aan alle gereguleerde financiële bedrijfsmatige activiteiten, om onvoldoende kapitaalmiddelen tot haar beschikking te hebben om te voldoen aan de minimale regulatoire vereisten. Als de regulatoire kapitaalvereisten, liquiditeitsbeperkingen of ratio's die van toepassing zijn op NIBC in de toekomst worden verhoogd, kan het onvermogen van NIBC om hieraan te voldoen resulteren in bestuursrechtelijke actie en/of sancties, welke een materieel negatief effect kunnen hebben op NIBC's bedrijfsactiviteiten, operationele resultaten, financiële positie en vooruitzichten of

Onderdeel D—Risico’s		
		NIBC verplichten om meer kapitaal binnen te halen om aan de strengere regulatoire vereisten te voldoen.
D.2	**Risico’s verbonden aan de Aangeboden Aandelen en de Aanbieding**	Hieronder volgt een samenvatting van de belangrijkste risico’s met betrekking tot de Vennootschap en haar bedrijfsactiviteiten en de sector waarin zij actief is. Investeerders dienen alle risicofactoren in het Prospectus te lezen, te begrijpen en in overweging te nemen, welke risicofactoren materieel zijn en als geheel dienen te worden gelezen in “*Risk Factors*” te beginnen op pagina 108 van het Prospectus alvorens een besluit te nemen om in de Aangeboden Aandelen te beleggen. • De Verkopende Aandeelhouders zullen zich direct na de Afwikkeling in een positie bevinden waarin aanzienlijke invloed op de Vennootschap kan worden uitgeoefend en de belangen van de Verkopende Aandeelhouder kunnen afwijken van die van de andere aandeelhouders van de Vennootschap. Direct na de Afwikkeling zullen de Verkopende Aandeelhouders de grootste aandeelhouders van de Vennootschap blijven en zullen zij ongeveer 71,9 procent van de uitgegeven en geplaatste aandelen houden 67,9 procent veronderstellende dat op alle Aangeboden Aandelen is ingeschreven en dat de Overtoewijzingsoptie volledig is uitgeoefend). Ten gevolge hiervan zullen de Verkopende Aandeelhouder in staat blijven om een substantiële invloed of controle uit te oefenen op zaken die goedkeuring van de Algemene Vergadering vereisen, zijnde het vennootschappelijke orgaan zelf, of waar noodzakelijk de fysieke bijeenkomsten van de aandeelhouders van de Vennootschap, en kan zij de stemrechten verbonden aan haar Gewone Aandelen uitoefenen in een manier waarmee de andere aandeelhouders het oneens zijn. • Toekomstige verkopen of de mogelijkheid van toekomstige verkopen van een aanzienlijk aantal Gewone Aandelen door de Verkopende Aandeelhouders kunnen een substantieel, nadelig effect hebben op de marktprijs van de Gewone Aandelen. De Verkopende Aandeelhouders en de Vennootschap zijn met de Underwriters overeengekomen, op grond van de underwritingovereenkomst van 12 maart 2018 (de “**Underwritingovereenkomst**”), om uitgifte, verkoop of overdracht van de Gewone Aandelen voor een termijn van 180 dagen te beperken volgende de Afwikkelingsdatum. De marktprijs van de Gewone Aandelen kan dalen als een substantiële hoeveelheid van de Gewone Aandelen door de Verkopende Aandeelhouder worden verkocht of als de indruk wordt gewekt dat dit zal gebeuren volgende de Aanbieding en na beëindiging van de lock-up periode. Daarnaast kan een dusdanige verkoop van Gewone Aandelen het de Vennootschap bemoeilijken om kapitaal op te halen door uitgifte van effecten in de toekomst. • De prijs van de Gewone Aandelen kan volatiel zijn en kan worden beïnvloed door een hoeveelheid aan factoren, waarvan sommige buiten machte van NIBC liggen. Het kan zijn dat gehouden aandelen in de toekomst verwateren door de uitgifte van nieuwe effecten door de Vennootschap om kapitaal op te halen. Daarnaast kan het zijn dat aandeelhouders buiten Nederland niet in staat zijn om voorkeursrechten uit te oefenen.

Onderdeel E—de Aanbieding		
E.1	**Netto-opbrengsten en geschatte kosten**	De Verkopende Aandeelhouders zullen de netto-opbrengsten van de Aanbieding en, als de Overtoewijzingsoptie (zoals hierna gedefinieerd) wordt uitgeoefend, de netto-opbrengsten van de verkoop van Additionele Aandelen. De Vennootschap zal geen opbrengsten van de Aanbieding ontvangen. De Verkopende Aandeelhouders verwachten na aftrek van de geschatte kosten, provisies en belastingen die met betrekking tot de Aanbieding van circa €6,707,941 ten laste van de Verkopende Aandeelhouders, verwachten de Verkopende Aandeelhouders circa €355.883.461 in netto opbrengsten van de Aanbieding te ontvangen (op basis van een Aanbiedingsprijs in het midden van de Bandbreedte Aanbiedingsprijs (hieronder gedefinieerd), ervan uitgaande dat het maximale aantal door de Verkopende Aandeelhouders Aangeboden Aandelen wordt verkocht en dat de Overtoewijzingsoptie (hieronder gedefinieerd) die door de Verkopende Aandeelhouders in verband met de Aanbieding is verleend, niet wordt uitgeoefend). De totale uitgaven met betrekking tot de Aanbieding bedragen naar schatting €11.707.941 miljoen, waarvan naar schatting €5 miljoen (exclusief personeelskosten en kosten in verband met management retentie bonussen) betaald zal worden door de Vennootschap (€2 miljoen van deze kosten zijn omschreven in de financiële jaarrekening van 2017). Hieronder vallen onder andere het honorarium voor de Stichting Autoriteit Financiële Market (de "**AFM**") en de gereguleerde markt beheerd door Euronext Amsterdam N.V. ("**Euronext Amsterdam**") alsmede juridische en administratie uitgaven en kosten van publicatie en de van toepassing zijnde belastingen, indien van toepassing. De commissies voor de Underwriters zijn geschat op een totaal van €6.707.941 en zullen betaald worden door de Verkopende Aandeelhouders. Er zullen geen kosten of belastingen in rekening worden gebracht door de Vennootschap, de Verkopende Aandeelhouders of de Underwriters aan de kopers in de Aanbieding.
E.2a	**Redenen voor de Aanbieding en aanwending van opbrengsten**	**Achtergrond en Redenen voor de Aanbieding** De Aanbieding wordt ondernomen door de Verkopende Aandeelhouders om (i) de Verkopende Aandeelhouders van liquiditeit te voorzien, (ii) de mogelijkheid te creëren voor investeerders om te participeren in de toekomst van NIBC, (iii) NIBC van strategische en financiële flexibiliteit te voorzien om haar strategische groei te financieren en (iv) om het profiel van NIBC te verbeteren, de bekendheid van NIBC onder uitgevende instellingen en investeerders te vergroten en de mogelijkheden voor NIBC te vergroten om getalenteerde medewerkers aan te trekken en te behouden. **Aanwending van de opbrengsten** De Verkopende Aandeelhouders ontvangen de netto opbrengsten van de Aanbieding, en als de Overtoewijzingsoptie is uitgeoefend, de netto opbrengsten van de Additionele Aandelen. De opbrengsten die de Verkopende Aandeelhouders ontvangen staan volledig aan hen ter beschikking. NIBC ontvangt geen opbrengsten van de Aanbieding.
E.3	**Voorwaarden van de Aanbieding**	**Aangeboden Aandelen** De Verkopende Aandeelhouders bieden een maximum van 38.167.516 Aangeboden Aandelen aan (exclusief enige Additionele Aandelen). Ervan uitgaande dat de Overtoewijzingsoptie niet zal

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		worden uitgeoefend zullen de Aangeboden Aandelen circa 26,1 procent van het geplaatste aandelenkapitaal vormen. De Aanbieding bestaat uit: (i) een openbare aanbieding aan institutionele en particuliere investeerders in Nederland; en (ii) een onderhandse plaatsing bij bepaalde institutionele investeerders in verschillende andere jurisdicties. De Aangeboden Aandelen worden aangeboden en verkocht: (i) binnen de Verenigde Staten van Amerika (de "**Verenigde Staten**") uitsluitend aan gekwalificeerde institutionele investeerders zoals gedefinieerd in Rule 144A ("**Rule 144A**") ingevolge de US Securities Act of 1933, zoals gewijzigd (de "**US Securities Act**") of een andere vrijstelling van, of in een transactie die niet is onderworpen aan, de registratievereisten van de US Securities Act en toepasselijke Amerikaanse effectenwetgeving van een staat, en (ii) buiten de Verenigde Staten in offshore transacties ingevolge Regulation S onder de US Securities Act ("**Regulation S**"). De Aanbieding wordt uitsluitend in die jurisdicties gedaan waar en uitsluitend aan diegenen aan wie de Aangeboden Aandelen rechtsgeldig mogen worden aangeboden en verkocht. **Overtoewijzingsoptie** De Verkopende Aandeelhouders hebben de Joint Global Coordinators,namens de Underwriters, een optie verleend (de "**Overtoewijzingsoptie**") die binnen 30 kalenderdagen na de Eerste Handelsdatum kan worden uitgeoefend, uit hoofde waarvan de Joint Global Coordinators (namens de Underwriters) van de Verkopende Aandeelhouder kunnen eisen dat deze Gewone Aandelen verkoopt tegen de Aanbiedingsprijs, bestaande uit maximaal 15% van het totale aantal Aangeboden Aandelen dat bij de Aanbieding is verkocht (de "**Additionele Aandelen**"), teneinde de overtoewijzingen af te dekken, indien van toepassing, in verband met de Aanbieding of, indien van toepassing, het tot stand brengen van stabilisatietransacties. **Tijdschema** **Gebeurtenis** — **Tijdstip en Datum** Start Aanbiedingsperiode . . . . 12 maart 2018 9.00 CET Einde Aanbiedingsperiode Nederlandse particuliere investeerders . . . . 21 maart 2018 17.30 CET Einde Aanbiedingsperiode institutionele investeerders . . . . 22 maart 2018 13.00 CET Verwachte prijsstelling en allocatie . . . Op of omstreeks 22 maart 2018 Eerste Handelsdatum na sluiting van de Aanbiedingsperiode . . . . 23 maart 2018 Afwikkelingsdatum (betaling en levering) . . . . 27 maart 2018 **Aanbiedingsperiode** Onder voorbehoud van verkorting of verlenging van het tijdschema van de Aanbieding kunnen belangstellende institutionele investeerders inschrijven op Aangeboden Aandelen tijdens de periode vanaf 9.00 CET op 12 maart 2018 tot 13.00 CET op 22 maart 2018 en kunnen belangstellende Nederlandse particuliere investeerders inschrijven op de Aangeboden Aandelen tijdens de periode vanaf 9.00 CET op 12 maart 2018 tot 17.30 CET op 21 maart 2018. In geval van verkorting of verlenging van de Aanbiedingsperiode kan de

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		prijsstelling, toewijzing, toelating en eerste verhandeling van de Aangeboden Aandelen, alsmede betaling (in euro's) voor en levering van de Aangeboden Aandelen, dienovereenkomstig worden vervroegd of verlengd. Indien een belangrijke nieuwe factor, een materiële fout of onjuistheid die verband houdt met de informatie in dit Prospectus zich voordoet of wordt opgemerkt voor het einde van de Aanbiedingsperiode die de beoordeling van de Aangeboden Aandelen kan beïnvloeden, wordt een supplement voor het Prospectus uitgegeven, wordt de Aanbiedingsperiode verlengd, als dit vereist is op basis van Richtlijn 2010/73/EU (de "**Prospectus Richtlijn**"), de Wet op het financieel toezicht en de daaronder uitgevaardigde regels, en mogen investeerders die reeds hebben toegezegd Aangeboden Aandelen te kopen hun inschrijvingen binnen twee werkdagen na publicatie van het supplement intrekken, onder voorbehoud dat de nieuwe factor, materiële fout of onjuistheid zich voordoet of wordt opgemerkt voor het einde van de Aanbiedingsperiode. **Aanbiedingsprijs en het aantal Aangeboden Aandelen** Op de datum van het Prospectus is de aanbiedingsprijs per Aangeboden Aandeel (de "**Aanbiedingsprijs**") naar verwachting tussen de €8.75 en €10.25 (inclusief) per Aangeboden Aandeel (de "**Bandbreedte Aanbiedingsprijs**"). De Bandbreedte Aanbiedingsprijs is een indicatieve bandbreedte. De Aanbiedingsprijs, die hoger of lager kan zijn dan de initiële Bandbreedte Aanbiedingsprijs en het exacte aantal Aangeboden Aandelen zal op basis van het *book building*-proces worden vastgesteld. De Aanbiedingsprijs en het exacte aantal in de Aanbieding Aangeboden Aandelen worden na het einde van de Aanbiedingsperiode vastgesteld door de Verkopende Aandeelhouder in overleg met de Vennootschap en met de Joint Global Coordinators, waarbij rekening wordt gehouden met de genoteerde Aanbiedingsprijs, heersende marktomstandigheden, een kwalitatieve en kwantitatieve beoordeling van de vraag naar de Aangeboden Aandelen en andere factoren die gepast worden geacht. De Aanbiedingsprijs en het exacte aantal in de Aanbieding Aangeboden Aandelen zullen worden genoemd in een Prijsverklaring die bij de Stichting Autoriteit Financiële Markten (de "**AFM**") zal worden gedeponeerd en middels een persbericht dat op de website van de Vennootschap zal worden gepubliceerd. Gedrukte kopieën van de Prijsverklaring zullen beschikbaar zijn op de Vennootschap haar geregistreerde adres. Het aantal Aangeboden Aandelen dat zal worden aangeboden kan worden verhoogd of verlaagd. De Verkopende Aandeelhouders, in overleg met de Joint Global Coordinators, behouden zich het recht voor het maximum aantal Aangeboden Aandelen te verlagen vóór toewijzing van de Aangeboden Aandelen (de "**Toewijzing**") en de Bandbreedte Aanbiedingsprijs aan te passen. Elke dusdanige verandering in de hoeveelheid Aangeboden Aandelen die worden aangeboden en/of wijzigingen in de Bandbreedte Aanbiedingsprijs zullen worden gepubliceerd in een persbericht op de website van de Vennootschap. **Inschrijving en Toewijzing** Daarvoor in aanmerking komende Nederlandse particuliere investeerders ("**Nederlandse Particuliere Investeerders**") die willen

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		inschrijven op de Aangeboden Aandelen kunnen hun inschrijving indienen via hun eigen financiële tussenpersoon. De financiële tussenpersoon zal verantwoordelijk zijn voor het verzamelen van inschrijvingen van Nederlandse Particuliere Investeerders en het indienen van hun inschrijvingen bij ABN AMRO Bank N.V. die is aangesteld als de retail coördinator (de "**Retail Coördinator**"). De Retail Coördinator bundelt alle inschrijvingen van Nederlandse Particuliere Investeerders die door financiële tussenpersonen ingediend zijn op een geaggregeerde basis en stelt de Joint Global Coordinators, de Vennootschap en de Verkopende Aandeelhouders daarvan in kennis. Alle kwesties met betrekking tot de tijdigheid, geldigheid en vorm van instructies aan een financiële tussenpersoon met betrekking tot de koop van Aangeboden Aandelen, zullen worden vastgesteld door de financiële tussenpersonen in overeenstemming met hun gebruikelijke procedures of anderszins zoals medegedeeld aan de Nederlandse Particuliere Investeerders. De Vennootschap, de Verkopende Aandeelhouders en de Underwriters zijn niet aansprakelijk voor enig handelen of nalaten door een financiële tussenpersoon in verband met enige inschrijving, koop, of vermeende aankoop, van Aangeboden Aandelen. Inschrijvingen door Nederlandse Particuliere Investeerders voor de Aangeboden Aandelen kunnen enkel plaatsvinden op basis van een "bestens" marktorder. Dit betekent dat Nederlandse Particuliere Investeerders verplicht zijn tot koop en betaling van Aangeboden Aandelen zoals vermeld in hun aanvraag voor aandelen, voor zover deze aan hen zijn toegewezen, voor de Aanbiedingsprijs zoals bepaald op basis van de hierboven genoemde criteria, zelfs als de Bandbreedte van de Aanbiedingsprijs is veranderd. Nederlandse Particuliere Investeerders hebben ten allen tijde het recht hun aanvraag te annuleren of aan te passen bij de financiële tussenpersoon waar de aanvraag in de eerste plaats was ingediend voor het einde van de Aanbiedingsperiode (indien van toepassing, zoals aangepast of verlengd), voor welke reden dan ook, inclusief een aanpassing van de Bandbreedte van de Aanbiedingsprijs naar boven. Het annuleren of aanpassen van een inschrijving kan onderhevig zijn aan de voorwaarden die worden gehanteerd door de financiële tussenpersoon. Toewijzing van de Aangeboden Aandelen vindt naar verwachting plaats op de dag van de sluiting van de Aanbiedingsperiode, op of omstreeks 22 maart 2018, behoudens eventuele inkorting of verlenging van het tijdschema voor de Aanbieding. Toewijzing van de Aangeboden Aandelen aan investeerders wordt bepaald door de Underwriters in overleg met de Vennootschap en de Verkopende Aandeelhouders. Toewijzing aan investeerders die hebben aangegeven te willen inschrijven op Aangeboden Aandelen geschiedt op systematische basis met gebruikmaking van zowel kwantitatieve als kwalitatieve maatregelen van de bovenstaande criteria. Niettemin, wordt het recht behouden om volledige discretie uit te oefenen bij het wel of niet en hoe toewijzen van de Aangeboden Aandelen. Er is geen minimum of maximum aantal Aangeboden Aandelen waarop toekomstige investeerders kunnen inschrijven en het is toegestaan om meerdere (aanvragen voor) inschrijvingen in te dienen. In het geval op meer aandelen wordt ingeschreven dan aandelen worden aangeboden, kunnen investeerders minder Aangeboden Aandelen ontvangen dan waarop zij ingeschreven hebben. De Vennootschap en Verkopende Aandeelhouders in overleg met de Joint Global Coordinators kunnen - naar eigen inzicht

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		en zonder opgave van redenen hiervoor - inschrijvingen geheel of gedeeltelijk afwijzen. De Joint Global Coordinators brengen de investeerders of de relevante financiële tussenpersoon op de hoogte van de allocatie als Aangeboden Aandelen aan hen zijn toegewezen op de datum, of direct volgende op de datum, waarop de Toewijzing heeft plaatsgevonden. **Voorkeurstoewijzing Particulieren** Er geldt een voorkeurstoewijzing van Aangeboden Aandelen aan in aanmerking komende particuliere investeerders in Nederland, in overeenstemming met toepasselijke wet- en regelgeving (de "**Voorkeurstoewijzing Particulieren**"). Aan iedere in aanmerking komende Nederlandse Particuliere Investeerder worden, in principe, de eerste 500 (of minder) Aangeboden Aandelen toegewezen waarop die investeerder heeft ingeschreven. Echter, wanneer het totale aantal Aangeboden Aandelen waarop door Nederlandse Particuliere Investeerders ingevolge de Voorkeurstoewijzing Particulieren is ingeschreven echter hoger is dan 10 procent van het totale aantal Aangeboden Aandelen, ervan uitgaande dat de Overtoewijzingsoptie volledig wordt uitgeoefend, dan kan de voorkeurstoewijzing aan iedere Nederlandse Particuliere Investeerders met betrekking tot de eerste 500 (of minder) van de Aangeboden Aandelen waarop deze investeerder inschrijft naar evenredigheid worden verlaagd. Hierdoor kan het zijn dat Nederlandse Particuliere Investeerders niet alle van de eerste 500 (of minder) Aangeboden Aandelen krijgen toegewezen waarop zij hebben ingeschreven. Het exacte aantal Aangeboden Aandelen dat aan Nederlandse Particuliere Investeerders zal worden toegewezen, zal na afloop van de Aanbiedingsperiode worden vastgesteld. De Voorkeurstoewijzing Particulieren zal alleen gemaakt worden met betrekking tot de Aangeboden Aandelen bestaande uit maximaal 10 procent van het totale aantal Aangeboden Aandelen, ervan uitgaande dat de Overtoewijzingsoptie volledig wordt uitgeoefend. De Verkopende Aandeelhouders hebben, na overleg met de Vennootschap en volgende de aanbevelingen van de Joint Global Coordinators, volledige discretie om te bepalen of, en hoe, de resterende Aangeboden Aandelen waarvoor is aangemeld, toegewezen zullen worden, inclusief het totaal aantal toegewezen Aangeboden Aandelen aan Nederlandse particuliere beleggers dat meer of minder dan 10% van het totale aantal Aangeboden Aandelen is, ervan uitgaande dat de Overtoewijzingsoptie volledig wordt uitgeoefend. Voor toepassing van de Voorkeurstoewijzing Particulieren is een Nederlandse particuliere belegger: (i) een in Nederland woonachtige natuurlijke persoon; of (ii) een speciaal beleggingsvehikel met zijn zetel in Nederland, een juridische entiteit die is opgericht met het uitdrukkelijke en uitsluitende doel om vermogensbeheer en / of pensioenplanningsdiensten aan te bieden aan een natuurlijke persoon. Om in aanmerking te komen voor de Voorkeurstoewijzing Particulieren dienen Nederlandse Particuliere Investeerders hun inschrijvingen te plaatsen tijdens de periode vanaf 12 maart 2018 om 9.00 CET tot 12 maart 2018 om 17.30 CET, via hun financiële tussenpersonen. Iedere financiële tussenpersoon kan een vroegere indieningstermijn stellen, die voor de sluitingstijd van de Aanbiedingsperiode gelegen is. De Retail Coördinator zal de financiële tussenpersoon informeren over het totale aantal Aangeboden Aandelen dat is toegewezen aan de

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		respectievelijke Nederlandse Particuliere Investeerders. Het is aan de financiële tussenpersonen om de Nederlandse Particuliere Investeerders te informeren over hun individuele toewijzingen. Ondanks dat de financiële tussenpersonen geïnstrueerd zijn om zich te houden aan de inschrijvings- en toewijzingsprincipes in het Prospectus zijn de Retail Coördinator, de andere Underwriters, de Verkopende Aandeelhouders en de Vennootschap niet bij machte en niet verantwoordelijk voor het naleven van deze principes door de financiële tussenpersonen. De uiteindelijke toewijzing aan Nederlands retail beleggers kan daarom verschillen op basis van de financiële tussenpersoon die is gebruikt om in te schrijven op de Aangeboden Aandelen. **Betaling** Het voor de Aangeboden Aandelen verschuldigde bedrag, en het bedrag voor de Overtoewijzing Aandelen krachtens de Overtoewijzingsoptie, als een dergelijke optie is uitgeoefend voor de Afwikkelingsdatum, dient naar verwachting te worden voldaan op de Afwikkelingsdatum. De Aanbiedingsprijs dient volledig te worden betaald in euro's en is exclusief belastingen en andere kosten, indien van toepassing, zijn voor rekening van de investeerder (zie "*Taxation*"). Bij Nederlandse Particuliere Investeerders kunnen door hun bank of overige financiële tussenpersoon kosten in rekening worden gebracht. Investeerders dienen de Aanbiedingsprijs onmiddellijk en volledig te voldoen in euro's op of voor de Afwikkelingsdatum (of eerder bij een vroegtijdig sluiten van de Aanbiedingsperiode en daaropvolgende verkorting van het vaststellen van de Aanbiedingsprijs, toewijzing, aanvang van handel en Afwikkeling). **Levering, Clearing en Afwikkeling** De Aangeboden Aandelen zijn geregistreerde aandelen die worden gedeponeerd in het verzameldepot en girodepot op basis van de WetGiraal Effectenverkeer. De Aangeboden Aandelen worden giraal geleverd met gebruikmaking van de faciliteiten van het Euroclear Nederland. Er is een aanvraag ingediend voor de clearance van de Gewone Aandelen via inschrijving in het register van Euroclear Nederland. Euroclear Nederland is gevestigd te Herengracht 459-469, 1017 BS Amsterdam, Nederland. Levering van de Aangeboden Aandelen en de Additionele Aandelen in gevolge van de Overtoewijzingsoptie, als deze is uitgeoefend, zal naar verwachting plaatsvinden op de Afwikkelingsdatum en worden giraal geleverd met gebruikmaking van de faciliteiten van Euroclear Nederland conform haar normale afwikkelingsprocedures zoals toepasbaar op effecten en tegen betaling van de Aangeboden Aandelen tegen direct beschikbaar gelden. Behoudens eventuele inkorting of verlenging van het tijdschema voor de Aanbieding is naar verwachting de Afwikkelingsdatum 27 maart 2018, dit is twee werkdagen na afloop van de Eerste Handelsdag (T+2). Het voltooien van de Aanbieding hoeft niet plaats te vinden op de Afwikkelingsdatum of, in het geheel niet als aan bepaalde voorwaarden of omstandigheden als waarnaar is gerefereerd in de Underwritingovereenkomst niet aan is voldaan of afstand van is gedaan of zich voordoen op of voorafgaande aan deze datum. Zie "*Plan of Distribution—Underwriting Arrangements*".

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		Underwritingovereenkomst De Verkopende Aandeelhouders, de Vennootschap en de Underwriters (zoals hierna gedefinieerd) zijn op of omstreeks 12 maart 2018 een underwritingsovereenkomst aangegaan met betrekking tot de aanbieding en de verkoop van de Aangeboden Aandelen (de "**Underwritingovereenkomst**"). Na het aangaan van de prijsstellingsovereenkomst tussen de Vennootschap, de Verkopende Aandeelhouders, de Underwriters en de Lead Manager (de "**Prijsstellingsovereenkomst**"), welke een voorwaarde is voor voltooiing en zekere andere verplichtingen van de Underwriters onder de Underwritingovereenkomst, en onder de voorwaarden van en onder voorbehoud van de in de Underwritingovereenkomst uiteengezette voorwaarden, hebben de Underwriters, ieder voor zich (maar niet gezamenlijk), ermee ingestemd kopers aan te trekken voor de Aangeboden Aandelen of, bij gebreke daarvan, de Aangeboden Aandelen zelf te kopen tegen de Aanbiedingsprijs, en de Verkopende Aandeelhouders ermee ingestemd om de Aangeboden Aandelen aan de door de Underwriters gevonden koper te verkopen, of bij gebreke aan deze, aan de Underwriters zelf te verkopen tegen de Aanbiedingsprijs. Onder voorbehoud van het voldoen aan de opschortende voorwaarden is de proportionele hoeveelheid van de Aangeboden Aandelen die elke Underwriter ieder voor zich, maar niet gezamenlijk verplicht te kopen aangegeven hieronder.

Underwriters	Percentage van de Aangeboden Aandelen
Citigroup Global Markets Limited	27,08%
Deutsche Bank AG, London Branch	27,08%
Morgan Stanley & Co, International plc	25,84%
ABN AMRO Bank N.V.	10%
ING Bank N.V.	10%
Totaal	**100%**

In de Underwritingovereenkomst geven de Vennootschap en de Verkopende Aandeelhouder bepaalde garanties en vrijwaringen. Daarnaast zullen de Vennootschap en de Verkopende Aandeelhouders de Underwriters vrijwaren tegen bepaalde aansprakelijkheden die verband houden met de Aanbieding.

De verplichtingen van de Underwriters onder de Underwritingovereenkomst zijn onderhevig aan de nakoming of de discretionaire bevoegdheid van de Underwriters om afstand te doen van een aantal voorwaarden ten behoeve van de Underwriters, met inbegrip van, maar niet beperkt tot: (i) het ontvangen van gebruikelijke opinies over bepaalde juridische zaken van juridische adviseurs, (ii) het ontvangen van een compliance certificaat van de Vennootschap, (iii) goedkeuring van dit Prospectus van de AFM, (iv) naleving van de Underwritingovereenkomst en (v) bepaalde andere gebruikelijke closing voorwaarden. De Underwriters hebben het recht af te zien van het voldoen aan dergelijke voorwaarden of een deel ervan.

Indien een bepaalde situatie zich voordoet, zoals opschortende voorwaarden waar niet aan wordt voldaan of waar geen afstand van wordt gedaan, het breken van een verklaring, garantie of verbintenis of ander soortige breuk van de Underwritingovereenkomst of een bepaling

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		in dit Prospectus, de Prijsverklaring of enig amendement of suplement aan deze Prospectus die inaccuraat of misleidend is, hebben de Underwriters het recht de Underwritingovereenkomst te beëindigen. **Joint Global Coordinators en Joint Bookrunners** Citigroup Global Markets Limited, Deutsche Bank AG, London Branch en Morgan Stanley & Co. International plc treden op als Joint Global Coordinators voor de Aanbieding (in deze en elke andere capaciteit, de "**Joint Global Coordinators**") en tezamen met ABN AMRO Bank N.V. en ING Bank N.V. als joint bookrunners voor de Aanbieding (de "**Joint Bookrunners**"). **Lead Manager** NIBC Bank N.V. treed op als de lead manager voor de Aanbieding (de "**Lead Manager**"). **Underwriters** De Joint Global Coordinators en de Joint Bookrunners treden op als de underwriters (de "**Underwriters**"). **Noteringsagent en betaalkantoor** ING Bank N.V. is de noteringsagent en het betaalkantoor met betrekking tot de Aangeboden Aandelen op Euronext Amsterdam. **Retail Coördinator** ABN AMRO Bank N.V. is de Retail Coördinator met betrekking tot de Aangeboden Aandelen op Euronext Amsterdam. **Stabilisatieagent** Morgan Stanley & Co. International plc is de stabilisatieagent (de "**Stabilisatieagent**") met betrekking tot de Aangeboden Aandelen op Euronext Amsterdam.
E.4	**Materiële belangen bij de Aanbieding**	Bepaalde Underwriters en/of hun respectieve gelieerde ondernemingen houden zich van tijd tot tijd bezig, en kunnen zich in de toekomst bezighouden, met commercial banking, investment banking en financiële adviesverlening en aanverwante activiteiten in hun gebruikelijke gang van zaken met de Vennootschap en/of de Verkopende Aandeelhouder of daaraan gelieerde partijen, waarvoor zij een gebruikelijke compensatie, vergoeding en/of provisie hebben of kunnen ontvangen. Ieder van de Underwriters en ieder van hun respectieve gelieerde ondernemingen kunnen in verband met de Aanbieding als primaire positie Aangeboden Aandelen in de Aanbieding nemen en kunnen in die hoedanigheid voor eigen rekening deze effecten en alle Aangeboden Aandelen of gerelateerde beleggingen behouden, kopen of verkopen en kunnen deze Aangeboden Aandelen of andere beleggingen aanbieden of verkopen anders dan in verband met de Aanbieding. Verwijzingen in het Prospectus naar Aangeboden Aandelen die worden aangeboden of geplaatst dienen dan ook te worden gelezen als zijnde inclusief iedere Aanbieding of plaatsing van Aangeboden Aandelen aan een van de Underwriters, de Financieel Adviseur van de Verkopende Aandeelhouder of een van hun respectieve gelieerde ondernemingen

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		die in die hoedanigheid handelen. Geen van de Underwriters zijn voornemens de omvang van deze belegging of transacties openbaar te maken anders dan op grond van een wettelijke of regelgevende verplichting daartoe. Daarnaast kunnen bepaalde Underwriters hun gelieerde ondernemingen met investeerders financieringsregelingen (met inbegrip van swaps) treffen in het kader waarvan deze Underwriters (of hun gelieerde ondernemingen) van tijd tot tijd Aangeboden Aandelen kunnen verwerven, houden of vervreemden. De Underwriters kunnen als gevolg van deze transacties belangen hebben die mogelijk niet op één lijn liggen met de belangen van investeerders, de Verkopende Aandeelhouder of met de belangen van de Vennootschap, of hiermee strijdig kunnen zijn.
E.5	**Persoon of entiteit die heeft aangeboden de aandelen te verkopen en Lock-up-afspraken**	**Lock-up Vennootschap** In verband met de Aanbieding is de Vennootschap overeengekomen dat zij voor een periode vanaf de datum van de Underwritingovereenkomst tot 180 dagen na de Afwikkelingsdatum, anders dan zoals hieronder uiteengezet, zonder de voorafgaande schriftelijke toestemming van de Joint Global Coordinators (handelend namens de Underwriters), welke voorafgaande niet op onredelijke gronden zal worden weerhouden, niet: (A) rechtstreeks of indirect een optie, recht, warrant of overeenkomst tot koop zal uitgeven, zal aanbieden, verpanden, verkopen, overeenkomen te verkopen, of verlenen, een optie tot verkoop uit zal oefenen, een optie of overeenkomst tot verkoop zal kopen met betrekking tot Gewone Aandelen of andere effecten van de Vennootschap of effecten die converteerbaar zijn naar of uitoefenbaar of inwisselbaar zijn voor, of wezenlijk gelijk zijn aan, Gewone Aandelen of overige effecten van de Vennootschap, of deze rechtsreeks of indirect zal uitlenen of anderszins overdragen of vervreemden, of zal verzoeken of verlangen dat de Vennootschap een inschrijvingsverklaring ingevolge de US Securities Act of een vergelijkbaar document indient bij een andere toezichthouder van de financiële markten, effectenbeurs of beursautoriteit met betrekking tot het voorgaande; (B) een swap of andere overeenkomst of transactie zal aangaan waarmee rechtsreeks of indirect, geheel of gedeeltelijk, de economische gevolgen van de eigendom van Gewone Aandelen of ander soortige aandelen van de Vennootschap worden overgedragen, of die op andere wijze hetzelfde economische effect heeft ongeacht of een dergelijke transactie zal worden afgewikkeld door levering van Gewone Aandelen of dergelijke andere effecten, in contanten of anderszins; (C) een dergelijk voornemen tot het aangaan van deze transactie publiekelijk bekend zal maken; of (D) een voorstel tot het bewerkstelligen van het voorgaande zal voorleggen aan de Vennootschap haar aandeelhouders, houders van Gewone Aandelen of enig ander orgaan van de Vennootschap. De voorgaande beperkingen zijn niet van toepassing op (i) het verlenen van beloningen in opties of Gewone Aandelen door de Vennootschap of het uitgeven van Gewone Aandelen bij uitoefening van opties verleend door de Vennootschap op grond van het medewerkersbeloningsprogramma als bekendgemaakt in het Prospectus; (ii) het accepteren van een algemeen bod aan alle houders van uitgegeven en toegewezen Gewone Aandelen van de Vennootschap, op voorwaarden dat alle houders gelijk behandelt zullen worden en welke gestand is gedaan of zal worden gedaan of welke is aangeraden om geaccepteerd te worden door de Raad van

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		Commissarisen en (iii) de overname van de Vennootschap haar aandelen in lijn met de toepasselijke wet- en regelgeving. **Lock-up van de Verkopende Aandeelhouders** In verband met de Aanbieding zijn de Verkopende Aandeelhouders overeengekomen dat zij voor een periode vanaf de datum van de Underwritingovereenkomst tot 180 dagen na de Afwikkelingsdatum, anders dan zoals hieronder uiteengezet, zonder de voorafgaande schriftelijke toestemming van de Joint Global Coordinators (handelend namens de Underwriters), welke voorafgaande niet op onredelijke gronden zal worden weerhouden (A) rechtstreeks of indirect een optie, recht, warrant of overeenkomst tot koop zal uitgeven, zal aanbieden, verpanden, verkopen, overeenkomen te verkopen, of verlenen, een optie tot verkoop uit zal oefenen, een optie of overeenkomst tot verkoop zal kopen met betrekking tot Gewone Aandelen of andere effecten van de Vennootschap of effecten die converteerbaar zijn naar of uitoefenbaar of inwisselbaar zijn voor, of wezenlijk gelijk zijn aan, Gewone Aandelen of overige effecten van de Vennootschap, of deze rechtsreeks of indirect zal uitlenen of anderszins overdragen of vervreemden, of zal verzoeken of verlangen dat de Vennootschap een inschrijvingsverklaring ingevolge de US Securities Act of een vergelijkbaar document indient bij een andere toezichthouder van de financiële markten, effectenbeurs of beursautoriteit met betrekking tot het voorgaande; (B) een swap of andere overeenkomst of transactie zal aangaan waarmee rechtsreeks of indirect, geheel of gedeeltelijk, de economische gevolgen van de eigendom van Gewone Aandelen of ander soortige aandelen van de Vennootschap worden overgedragen, of die op andere wijze hetzelfde economische effect heeft ongeacht of een dergelijke transactie zal worden afgewikkeld door levering van Gewone Aandelen of dergelijke andere effecten, in contanten of anderszins; (C) een dergelijk voornemen tot het aangaan van deze transactie publiekelijk bekend zal maken. De voorgaande beperkingen zijn niet van toepassing op: (a) de verkoop van de Aangeboden Aandelen in de Aanbieding, inclusief op grond van de Share Lending Agreement; (b) enige overdracht van Gewone Aandelen als gevolg van de aanvaarding van een volledig of partieel overnamebod met betrekking tot de Gewone Aandelen of het verstrekken van een onherroepelijke toezegging om een dusdanig bod te aanvaarden, (c) de overdracht van de Gewone Aandelen aan enige entiteit die onder de controle van deze Verkopende Aandeelhouder staat of onder gedeelde controle staat met deze Verkopende Aandeelhouder of een of meerdere personen, zijnde een natuurlijk persoon of rechtspersoon die de directe of indirecte economische eigenaar is van deze Verkopende Aandeelhouder op de datum van de Underwritingsovereenkomst, op voorwaarde dat de verkrijger(s) akkoord is/zijn gegaan om gebonden te zijn door de hiervoorafgaande beperkingen voor het resterende deel van de lock-up periode, (d) enige overdracht, inschrijving of uitwisseling in verband met een reorganisatie van de Vennootschap haar aandelenkapitaal, juridische fusie, splitsing of soortgelijke transactie of proces inclusief een inkoop van aandelen, (e) een verkoop van Gewone Aandelen op grond van enige zekerheidsstelling op zulke Gewone Aandelen bestaande op de datum van de Underwritingsovereenkomst en schriftelijk medegedeeld aan de Joint Global Coordinater voor de datum van de Underwritingsovereenkomst, op voorwaarde dat de verkrijger van

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		zulke aandelen op grond van de uitwinning van de zekerheid eerst schriftelijk ten behoeve van de Underwriters verklaart gebonden te zijn door de hiervoorafgaande beperkingen voor het resterende deel van de lock-up periode, (f) enige vervreemding met als doel het vestigen van een pandrecht op een Aandeel om of ten behoeve van een Joint Global Coordinator die een Investeringslening (zoals hieronder gedefinieerd) heeft afgesloten als verstrekker (een "**Investeringslening Verstrekker**) in verband met een Investeringslening; en/of (g) enige verveemding met als doel het overdragen van Aandelen op grond van de uitwinning van zekerheden op de Aandelen die is gegeven door enige van de Verkopende Aandeelhouders tot of ten behoeve van een Investeringslening Verstrekker in verband met een Investeringslening, op voorwaarde dat enige voorgestelde verkrijger(s) van zulke Aandelen op grond van de uitwinning van de zekerheden akkoord is gegaan om gebonden te zijn door de hiervoorafgaande beperkingen voor het resterende deel van de lock-up periode alsware het de vervreemder zelf, doormiddel van uitvoering en levering van een toetredingsakte aan de Underwriters; en/of (h) indien de overdracht is vereist op grond van de wet of een gerechtelijk bevel. Voor de toepassing van de Underwritingsovereenkomst betekend "**Investeringslening**" een investeringsleningsfaciliteit die beschikbaar wordt wordt gemaakt tot elk van de Verkopende Aandeelhouders (of de enige verkrijger van Aandelen vervreemd in lijn met de Underwritingsovereenkomst, op grond van de voorkwaarden van een investeringslening faciliteit overeenkomst overeengekomen tussen enige van de Verkopende Aandeelhouders of een verkrijger van Aandelen vervreemd in lijn met de Underwritingsovereenkomst) (als lener) en enige Investeringslening Verstrekker (als verstrekker). **Lock-up Raad van Bestuur** In verband met de Aanbieding is elk van de leden van de Raad van Bestuur met de Vennootschap een lock-up met betrekking tot enige Gewone Aandelen die op dit moment worden gehouden door de leden van de Raad van Bestuur of Certificaten van de Vennootschap die zij zullen ontvangen onder het arbeidsvoorwaarden pakket, inclusief de retentiebonus pakket dat wordt aangeboden aan de leden van de Raad van Bestuur voor een periode tot 360 dagen na de Afwikkelingsdatum overeengekomen. Van de voorgande beperkingen kan alleen afstand worden gedaan in de volgende gevallen: (a) het accepteren van een algemeen bod aan alle houders van uitgegeven en toegewezen Gewone Aandelen van de Vennootschap, op voorwaarden dat alle houders gelijk behandelt zullen worden en welke gestand is gedaan of zal worden gedaan of welke is aangeraden om geaccepteerd te worden door de Raad van Commissarisen, (b) enige overdracht, inschrijving of uitwisseling in verband met een reorganisatie van de Vennootschap haar aandelenkapitaal, juridische fusie, splitsing of soortgelijke transactie of proces inclusief een inkoop van aandelen, en (c) enige overdracht van de Gewone Aandelen aan enige erfgenaam volgende de dood of ongeschiktheid. De door de leden van de Executive Committee ontvangen Certificaten als onderdeel van het retentiebonuspakket en die worden gehouden door de leden van de Executive Committee zijn onderheven aan een lock-up periode van vijf jaar vanaf de datum van ontvangst van deze, zijnde op de Afwikkelingsdatum of één jaar na de Afwikkelingsdatum.

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		Van de lock-up periode kan geen afstand worden gedaan en de retentiebonus afspraken voorzien niet in enige omstandigheden die resulteren in het automatisch afstand doen van de lock-up periode.
E.6	**Verwatering**	Het stemrecht van de Verkopende Aandeelhouders zal verwaterd worden als gevolg van uitgifte van Gewone Aandelen in verband met de rententiebonus die is aangeboden aan leden van de Executive Committee. De maximale verwatering voor de Verkopende Aandeelhouders ten gevolge van het geven van Gewone Aandelen is 0,17 procent, onder de aanname dat 253.633 Gewone Aandelen aan de leden van de Executive Committee worden gegeven op het middenpunt van de Aanbiedingsprijs. Zie "Management, Employees and Corporate Governance—Equity Holdings—Offer linked benefit packages—Retention bonus package".
E.7	**Verwachte kosten die door de Vennootschap aan de investeerder berekend worden**	Niet van toepassing. Er zijn of worden ten aanzien van de Aanbieding geen kosten door de Vennootschap of de Verkopende Aandeelhouders aan de investeerders in rekening gebracht.

RISK FACTORS

Before investing in Offer Shares, prospective investors should carefully consider the risks and uncertainties described below, together with the other information contained in this Prospectus. The occurrence of any of the events or circumstances described in these risk factors, individually or together with other circumstances, could have a material adverse effect on NIBC, its business, results of operations, financial condition and prospects. In that event, the value of the Offer Shares could decline and an investor might lose part or all of his investment.

All of these risk factors and events are contingencies which may or may not occur. NIBC may face a number of these risks described below simultaneously and one or more risks described below may be interdependent. Neither the numbering, which has been included to aid prospective investors when risk factors are referenced in other chapters of this Prospectus, nor the order in which risks are presented is necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the business, results of operations, financial condition and prospects of NIBC.

The risk factors are based on assumptions that could turn out to be incorrect. Furthermore, although NIBC believes that the risks and uncertainties described below are the material risks and uncertainties concerning NIBC's business and the Offer Shares, they are not the only risks and uncertainties relating to NIBC and the Offer Shares. Other risks, facts or circumstances not presently known to NIBC, or that NIBC currently deems to be immaterial could, individually or cumulatively, prove to be important and could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects. The value of the Offer Shares could decline as a result of the occurrence of any such risks, facts or circumstances or as a result of the events or circumstances described in these risk factors, and investors could lose part or all of their investment.

Prospective investors should carefully read and review the entire Prospectus and should form their own views before making an investment decision with respect to any Offer Shares. Furthermore, before making an investment decision with respect to any Offer Shares, prospective investors should consult their own stockbroker, bank manager, lawyer, auditor or other financial, legal and/or tax advisers and carefully review the risks associated with an investment in the Offer Shares and consider such an investment decision in light of their personal circumstances.

1. Risks Relating to NIBC's Business and Industry

GENERAL ECONOMY AND FINANCIAL STABILITY

1. NIBC's business, results of operations, financial condition and prospects are dependent on the general macroeconomic and political conditions of the regions in which NIBC operates and to which its customers are exposed.

NIBC's business and performance are affected by the financial health of its customers and potential customers, which is in turn driven by global economic conditions and future economic prospects as well as regional economic conditions and economic prospects, particularly in the Netherlands, Germany, Belgium and the United Kingdom, which are the markets where NIBC's business is concentrated.

NIBC's business, results of operations, financial condition and prospects are affected by global and European macroeconomic and political conditions as they specifically affect financial institutions and, in particular, the macroeconomic and political conditions of the Netherlands, Germany, Belgium and the United Kingdom, the countries from which NIBC's earnings are predominantly generated. In addition, NIBC's business, results of operations, financial condition and prospects are affected by the financial health of its customers, and NIBC is exposed to macroeconomic and political conditions in the countries or regions in which its customers have significant exposure.

External global macroeconomic conditions and geopolitical events, including government monetary and fiscal policies, government spending levels, recession, unemployment levels, corporate and private debt defaults, inflation rates, exchange rate movements, the level of business investment, the availability and cost of capital, global investor sentiment and confidence, liquidity in the financial markets, consumer spending levels and confidence, the implementation of austerity measures and acts of terrorism, along with global financial market turmoil and volatility generally, such as experienced in the recent financial crisis, have affected and may continue to affect commercial activity levels and demand for banking products and services in general, and, therefore, NIBC's financial performance and profitability. The overall decline in investor confidence and economic activity during the recent financial crisis and subsequent recession resulted in the deterioration in prices for many types of asset-backed securities and certain fixed income securities, including those rated investment grade and the sovereign debt of some European Economic Area ("**EEA**") countries, and has also had a significant impact on the international credit and interbank money markets generally, and a wide range of financial institutions and markets.

Political realignment resulting from recent elections and/or increasingly protectionist measures by governments within and outside the EU may negatively affect the global economy and restrict international trade flows, all of which could materially adversely affect demand for NIBC's banking and services products. The Netherlands has formed a four-party coalition government across the political spectrum, with a thin majority, which means that it is vulnerable to crises once politically charged events occur that are not regulated or foreseen in the coalition agreement. Germany has had an ambiguous election outcome, also forcing political parties from different backgrounds to try and form a government based on compromise, and also susceptible to ruptures in the event pressure builds. In addition, the number of world-wide geopolitical conflicts has increased significantly in recent years, as the recent events in Saudi Arabia, North Korea, Qatar, Syria and Ukraine demonstrate. Expectations regarding geopolitical events and their impact on the global economy remain uncertain in both the short and medium term. These conflicts have a significant impact on the economies of countries directly or indirectly involved and on customers who are located, or who have assets or conduct business, in such countries.

The last several years in particular have been characterised by increased political uncertainty as Europe has been affected by its sovereign debt crisis, the outcomes of the referenda in the United Kingdom on EU membership, commonly referred to as "Brexit", and in Italy on contemplated constitutional reform, as well as the increased demands for independence within the Catalonian region of Spain, the Middle East refugee crisis and the increasing attractiveness to voters of populist and anti-austerity movements (see "*—An "exit" by any current member of the EU or the eurozone may have a material adverse effect on the financial system, or the general economic climate in the EU, or on NIBC's United Kingdom business and could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.*"). While the severity of the European sovereign debt crisis appears to have abated as actions by the European Central Bank ("**ECB**"), rescue packages from EU Member States and a general economic recovery appear to have stabilised the situation in Europe, political uncertainty nevertheless continues to be at an elevated level.

This elevated political uncertainty could trigger the unwinding of certain aspects of European integration that have benefitted NIBC's businesses; for example, based on the EU principle of single authorisation, NIBC may offer banking services throughout the EU in reliance on its authorisation by the Dutch Central Bank (*De Nederlandsche Bank*) ("**DNB**"), which is a benefit it could lose as a result of the unwinding described above. The prospects for further integration among EU Member States, viewed as an important tool to reduce the eurozone's vulnerabilities to future crises, appear to have worsened. These factors may lead to materially reduced levels of economic activity and output in Europe as a result of the increased political uncertainty, which could reduce demand for NIBC's products and services and have a material adverse effect on its business, results of operations, financial condition and prospects.

NIBC's business is most directly affected by economic and political conditions in the Netherlands, Germany, Belgium and the United Kingdom. NIBC is exposed to general and industry-specific risks to which financial institutions operating in these countries and adverse economic conditions in any or all of those regions may in turn have a material adverse impact on NIBC. The economies of Western Europe, and the Netherlands and Germany in particular, are heavily dependent on exports of goods and services, and, accordingly, macroeconomic and political conditions, and, in particular, in the absence of significant trade protectionism, in their key trading partners. The economy of the Netherlands, in particular, is heavily export oriented and, therefore, highly sensitive to regional and global economic conditions.

In addition, NIBC is also exposed to factors affecting the financial health of its customers, and, therefore, NIBC is exposed to macroeconomic and political conditions in the any other countries or regions in which its customers have significant exposure. For example, NIBC's Offshore Energy and Shipping & Intermodal (transportation of goods involving more than one mode of carrier) clients are operate in diverse geographic regions and are therefore subject to the macroeconomic and political conditions in such regions, including oil producing regions of the world which have been or may in future be subject to geopolitical conflict. Any deterioration in global, European and/or relevant regional economic conditions could result in reductions in business activity, lower demand for NIBC's banking products and services, reduced availability of credit, increased funding costs and/or decreased asset values.

Any deterioration of the general macroeconomic climate, the economic situation of the financial services sector, the future exacerbation or expansion of geopolitical conflicts and any resulting deterioration of the financial standing of NIBC's customers generally could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

2. ***An "exit" by any current member of the EU or the eurozone may have a material adverse effect on the financial system, or the general economic climate in the EU, or on NIBC's United Kingdom business and could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.***

The result of the United Kingdom's referendum to leave the EU and the subsequent initiation of the legal process pursuant to Article 50 of the Lisbon Treaty that must end in March 2019 with the United Kingdom exiting the EU, commonly referred to as "Brexit", may have significant, unpredictable consequences for the United Kingdom and the economies and financial markets in the EU and, accordingly, on NIBC's business, results of operations, financial condition and prospects. Given these and other uncertainties in connection with the United Kingdom's withdrawal from the EU, it is difficult to determine the exact impact on NIBC over the long term. NIBC is also unable to determine with any precision the impact of Brexit on its UK lending business in the short-term, as there remains limited clarity on the details or timing of the changes. Regardless of the ultimate terms and date of exit from the EU, the referendum has created significant political, financial and macroeconomic turmoil and uncertainty, including disruption and volatility in financial and foreign exchange markets, and could continue to disrupt financial markets, particularly resulting in limitations on available market funding.

In addition to supporting operating income generation for NIBC's Northwest European Corporate Client Offering, NIBC's UK branch itself generated 2 per cent, 5 per cent and 4 per cent of NIBC's operating income during the years 2017, 2016, and 2015 respectively. NIBC relies on the EU "passporting" rules which allow it to offer banking services throughout the EU in reliance on its authorisation by the DNB, and there is significant uncertainty regarding the impact of Brexit on such rules and similarly regulatory harmonisation initiatives. Brexit could therefore negatively affect NIBC's UK lending business, for example, if loan origination (the process of obtaining or granting a loan) became subject to additional regulatory requirements or the corporate lending team had to be relocated to a Member State of the EU. Furthermore, Brexit could have a negative impact on economic conditions in the United Kingdom generally, which could have significant impact on investment activity, including, for example, through the NIBC European Infrastructure Fund ("**NEIF**"), as well as on the business activities of NIBC's clients that have significant UK operations. For example, Brexit could result in an increase in defaults in NIBC's United Kingdom corporate lending portfolio or a substantial devaluation of the pound sterling could force a write down of the value of that portfolio. In addition, Brexit could have a negative impact on NIBC's ability to access funding in the pound sterling swap market. Any of the foregoing could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

Political parties challenging European integration have become increasingly popular in recent years. On 1 October 2017, Catalonia, a region in northern Spain that includes Barcelona, held a vote on its independence in a referendum that has been declared unconstitutional by Spain's constitutional court. The uncertainty regarding the outcome of political and social tensions in Catalonia could have significant effects on the value of the euro and on the prospects for the Member States' financial stability, which in turn could lead to a significant deterioration of the sovereign debt market and the financial markets generally.

Given the highly interconnected nature of the financial system within the eurozone, and the levels of exposure NIBC has to counterparties holding sovereign and private debt around Europe, its ability to plan for such a contingency in a manner that would meaningfully reduce its exposure is limited. Furthermore, the effectiveness of the two EU stability mechanisms which have been introduced, the European Financial Stability Facility and the European Stability Mechanism, has not yet been significantly tested, and may be threatened by rating downgrades of EU Member States since their ratings are based on the ratings of the financing members. An exit by any current member of the eurozone may also negatively affect presently financially stable and sound eurozone countries including the Netherlands, Belgium and Germany.

If the overall economic climate deteriorates as a result of one or more departures from the EU or the eurozone of other European countries or the succession of the Catalonian region of Spain, NIBC's business, results of operations, financial condition and prospects could be materially adversely affected, and, if overall business levels decline or it is forced to write down significant exposures among its businesses, NIBC could incur substantial losses. In addition, any significant deterioration in the economic climate or financial markets, as a result of Brexit or otherwise could also have a material adverse effect on the ability of NIBC to obtain funding in the wholesale market (see "*—NIBC's business, results of operations, financial condition and prospects are dependent on the general macroeconomic and political conditions of the regions in which NIBC operates and to which its customers are exposed.*").

3. *Insolvencies in the financial sector or the default of sovereign debtors could, due to the worldwide interdependency of the financial markets, have an adverse effect on the entire financial sector, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.*

The financial distress of large credit institutions, insurance undertakings, other financial institutions or sovereign debtors has the potential to adversely affect the financial markets in general and NIBC's counterparties in particular. This results from the fact that the business activities of large financial institutions such as trading and clearing are closely interconnected. Uncertainty in respect of the financial stability of large financial institutions or their default may cause liquidity restrictions or losses and defaults of other market participants. Similar effects may result from the default of sovereign debtors, particularly if these relate to developed economies in Europe or North America. These systemic risks may adversely affect those financial market participants and intermediaries with whom NIBC maintains business relationships, including credit institutions, investment firms, exchanges and providers of clearing services. The insolvency and non-viability of systemically important or relevant financial institutions, as occurred in the course of the financial crisis, a potential default of sovereign debtors or the materialisation of any other systemic risk could have a material adverse effect on the entire financial sector including NIBC's business, financial condition, results of operations and prospects. Furthermore, concerns about the creditworthiness of a sovereign or the insolvency and non-viability of systemically important or relevant financial institutions could lead to significant liquidity and/ or solvency problems for NIBC as a result of increased deposit withdrawals, losses or defaults by other institutions and increased funding costs in the wholesale markets. Even if such concerns prove unfounded, the perceived lack of liquidity or creditworthiness of, or questions about, a sovereign or a counterparty may lead to market-wide liquidity problems, which could result in losses or defaults by NIBC or its counterparties.

NIBC's business is therefore subject to the risk that borrowers and other contractual partners may not be able to meet their obligations to NIBC due to insolvency, the application of resolution tools by resolution authorities, a lack of liquidity, global or regional economic distress, operational failure, political developments or for other reasons. Financial institutions are likely to be particularly affected by a deterioration of macroeconomic conditions because of, among other things, increasing defaults, the negative revaluation of assets pledged as collateral and increased withdrawals of customer deposits. In addition, NIBC's business is also subject to the risk that market-wide liquidity problems and market disruptions may have a material adverse effect on NIBC's access to and cost of funding (see "*—NIBC has a continuous demand for liquidity to fund its business activities and lack of liquidity is a risk to NIBC's business and may have a material adverse effect on NIBC's business, financial condition, results of operations and prospects.*").

The recent financial turmoil in Europe continues to be a threat to global capital markets and remains a challenge to global financial stability and such conditions could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects. In addition, NIBC's hedging and other risk management strategies, such as balance sheet asset-liability matching and interest rate management, may not be effective at mitigating risks in less distressed market conditions, which could lead to a material adverse effect on NIBC's business, results of operations, financial condition and prospects if any of the foregoing risks occur or worsen.

4. *Rising prices and price volatility in the Dutch housing market could have a significant impact on the margins earned in NIBC's mortgage business, which could have a material adverse effect on NIBC's business, financial condition, results of operations and prospects.*

A large part of NIBC's operating income is generated in the Netherlands (88 per cent as at 31 December 2017) and a significant portion of the loan portfolio of NIBC relates to Dutch mortgage loans. As at 31 December 2017, 48 per cent of NIBC's loan portfolio consisted of Dutch residential mortgages. As a result, NIBC's results are significantly correlated with the prevailing economic, political and social conditions in the Netherlands, including unemployment levels and the state of the Dutch housing market. In the past, the housing market in the Netherlands has been volatile. House prices have been rising consistently since 2016, which has in the past influenced and may continue to influence the volumes and margin of the Dutch mortgage business. In certain instances, rapid increases in house prices have in the past resulted in housing bubbles.

NIBC generally revaluates the value of the properties securing its mortgage loans on an annual basis using price indices for internal credit risk monitoring and reporting. As house prices rise, NIBC permits its borrowers to, following the delivery of a recent valuation report, adjust the loan-to-value ("**LtV**") ratios on their mortgages. As house prices rise, and the value of the collateral securing its mortgage loans is revalued at a higher level, the LtV ratio of the relevant loans can decrease the interest rate payable by the borrower. With respect to the mortgages originated under the NIBC Direct label, the LtV surcharge is automatically decreased once certain LtV thresholds are reached due to re- or prepayments. As a result, NIBC will receive less interest income on certain of its existing mortgages as house prices increase and LtVs fall. In addition, rising housing prices have historically correlated with an increase in prepayments as customers prepay existing mortgages to purchase larger and more expensive houses. As prepayments increase, NIBC loses the interest income associated with such mortgages unless it is able to originate additional mortgages to replace those that have been prepaid. NIBC therefore faces the risk of failing to find reinvestment opportunities generating equivalent net interest income at an equivalent level of risk. This reinvestment pressure may cause NIBC to enter into transactions with lower margins and/or higher risk profiles. Furthermore, NIBC's hedging and funding strategies typically assume a constant rate of redemption and therefore deviations in prepayments may require adjustments to NIBC's hedges and funding, creating additional costs for NIBC and further lowering net margins. As a result of the foregoing, rising house prices in the Netherlands can have a significant impact on the margin of NIBC's residential mortgage portfolio and the rate of prepayments, which could have a material adverse effect on NIBC's business, financial condition, results of operations and prospects.

Price volatility can result in a decline in house prices, which may negatively impact the LtV of the relevant mortgage loans, which may increase potential for default by the borrower, particularly in times of economic uncertainty (see "*—NIBC's business, results of operations, financial condition and prospects are dependent on the general macroeconomic and political conditions of the regions in which NIBC operates and to which its customers are exposed.*"). If housing prices decline dramatically, the value of the collateral securing NIBC's mortgages may not be sufficient to cover NIBC's losses on foreclosure (see "*—NIBC is exposed to potential impairment charges and to declining values on the collateral supporting residential and commercial real estate, as well as lending to the Shipping & Intermodal, Offshore Energy, and Infrastructure & Renewables sectors could have a material adverse effect on its business, results of operations, financial condition and prospects.*"). Real estate assets, if taken by NIBC as seizure of collateral, may also be illiquid, particularly during an economic downturn, making recovery upon foreclosure significantly more limited. In addition, declining house prices could also lead to reduced demand for NIBC's mortgages. Any of the foregoing could have a material adverse effect on NIBC's business, financial condition, results of operations and prospects.

NIBC's buy-to-let mortgage offering may be exposed to certain additional product-specific risks. For example, falling rental rates, as a result of falling house prices or otherwise, could reduce the income of buy-to-let borrowers which, in turn, would be likely to adversely affect their ability to service their mortgages and could, therefore, lead to an increase in arrears in NIBC's buy-to-let mortgage lending portfolio as well as an increase in nonperforming loans. A certain proportion of NIBC's mortgages are extended without an NHG guarantee. For non-NHG guaranteed mortgages, the loss to NIBC upon any default may be significantly higher, as there is no guarantee of repayment and loss mitigation will be limited to the value of the collateral on the loan.

CREDIT AND CONCENTRATION RISK

5. NIBC does business with many counterparties, and any inability of its counterparties to meet their financial obligations could have a material adverse effect on its business, results of operations, financial condition and prospects.

There is a risk that the third-parties that owe NIBC money, securities or other assets may not pay or perform under their obligations. These parties include issuers and guarantors (including sovereigns) of securities that NIBC holds, borrowers under mortgages and loans originated, as well as customers, trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses, securities depositaries and other banks and financial intermediaries as well as suppliers. Severe distress or defaults by one or more of these parties on their obligations to NIBC due to, for example, fraud, bankruptcy, lack of liquidity, downturns in macroeconomic conditions, market conditions or real estate values, operational failure, or even rumours about potential severe distress or defaults by one or more of these parties or regarding the financial services industry generally, could lead to losses for NIBC, and defaults by other institutions. In light of experiences with significant constraints on liquidity and high cost of funds in the interbank lending market, and given the high level of interdependence between financial institutions, NIBC is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of sovereigns and other financial services institutions.

NIBC routinely executes a significant number of transactions with counterparties in the financial services industry, resulting in large daily settlement amounts and significant credit and counterparty exposure. As a result, NIBC faces concentration risk with respect to specific counterparties and customers. In particular, NIBC's exposure to certain mid-size corporate borrowers, in relative terms as a proportion of its total assets, is high. As at 31 December 2017, NIBC's top 20 loan exposure to its corporate clients was €1.1 billion, or 12.1 per cent of the total corporate loan portfolio. As a result, individual defaults by any of these large borrowers could have an impact on NIBC's operating results in any particular period. NIBC is also exposed to increased counterparty risk as a result of recent financial institution failures and weaknesses and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more financial services institutions could therefore lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions (see "*—Insolvencies in the financial sector or the default of sovereign debtors could, due to the worldwide interdependency of the financial markets, have an adverse effect on the entire financial sector, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects*"). In addition, many of NIBC's Corporate Client Offering customers are rated below investment grade, or are not rated, by global rating agencies and are more likely to default on their obligations than higher rated peers.

In addition, NIBC is subject to the risk that its rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations NIBC holds could result in losses and/or adversely affect NIBC's ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of certain of NIBC's counterparties could also have a negative impact on its income and risk weighting, leading to increased capital requirements.

While in certain cases NIBC is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral it is entitled to receive and the value of pledged assets. NIBC's credit risk may also be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to NIBC, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those experienced during the recent financial crisis. The termination of contracts and the foreclosure on collateral may subject NIBC to claims for the improper exercise of its rights under such contracts. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

Any of these developments or losses could materially and adversely affect NIBC's business, results of operations, financial condition and prospects.

6. NIBC is exposed to potential impairment charges and to declining values on the collateral supporting residential and commercial real estate, as well as lending to the Shipping & Intermodal, Offshore Energy, and Infrastructure & Renewables sectors could have a material adverse effect on its business, results of operations, financial condition and prospects.

In an economic downturn, the demand for financial services is usually adversely affected, which, in turn, could result in an adverse effect on the value of NIBC's assets, expose NIBC to the risk that its borrowers may not repay their loans according to their contractual terms or could result in the value of collateral securing the payment of these loans being less than the outstanding principal amount of such loans. NIBC has and may continue to observe adverse changes in the credit quality of its borrowers and counterparties, for example as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors. This may lead to impairment charges on loans and other assets, higher costs and additions to loan impairment provisions. A significant increase in the size of NIBC's provision for loan losses could have a material adverse effect on its business, results of operations, financial condition and prospects.

Economic and other factors could lead to further contraction in the residential mortgage, commercial and infrastructure and renewables lending markets (including, without limitation, small and medium enterprise ("**SME**") lending) and to further decreases in residential and commercial property prices and infrastructure asset prices. Furthermore, adverse economic conditions in the Shipping & Intermodal and Offshore Energy sectors, including, in the case of the Offshore Energy sector, as a result of volatility in the price of oil, has had and may continue to have an impact on customers operating in these sectors and on shipping and other asset prices. In such an environment, as customers and counterparties are less likely to meet their financial obligations, NIBC's provision and loan impairment could rise (causing a significant increase in the loan impairment charges NIBC recognises), which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects. Although NIBC seeks to actively limit its credit risk exposure to sectors experiencing challenging market conditions, there can be no assurance that it will be able to successfully limit such exposure in a timely manner or at all.

Furthermore, NIBC may be exposed to information asymmetries where NIBC does not receive any information in relation to changes in a client's circumstances absent a default or risk of default, but which may cause the customer to be unable to meet its financial obligations in the short and/or medium term. There can be no assurance that NIBC will correctly assess its borrowers' likelihood of default and non-payment and any such failure to manage its credit risk may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

7. NIBC is subject to significant concentration risk exposure in the Netherlands, particularly through its mortgage loan portfolio, which may have a material adverse effect on NIBC's business, financial condition, results of operations and prospects.

A large part of NIBC's operating income is generated and accounted for in the Netherlands (88 per cent as at 31 December 2017) and a significant portion of the loan portfolio of NIBC relates to Dutch mortgage loans. As at 31 December 2017, Dutch mortgage loans accounted for 48 per cent of NIBC's total loan portfolio. NIBC is less diversified in terms of business lines and geographies than some full-service other Dutch financial institutions, limiting the potential customer base for which NIBC competes and leading to more vulnerability to adverse effects in its key product offerings. Deterioration in the economic environment in the Netherlands could lead to a deterioration of the quality of NIBC's mortgage portfolio and increased loan impairments, for example as a result of an increase in unemployment rates and/or decrease in house prices. NIBC's large concentration of credit exposure in Dutch mortgage loans makes this risk more pronounced. A significant deterioration in the credit quality of NIBC's Dutch mortgage loan portfolio could have a material adverse effect on NIBC's business, financial condition, results of operations and prospects (see "*—Rising prices and price volatility in the Dutch housing market could have a significant impact on the margins earned in NIBC's mortgage business, which could have a material adverse effect on NIBC's business, financial condition, results of operations and prospects.*").

INTEREST RATE RISK AND INFLATION

8. Volatility in and the current low interest rate environment has affected in the past and may continue to materially and adversely affect NIBC's business, financial condition, results of operations and prospects.

In the twelve months ended 31 December 2017, net interest income amounted to €342 million, or 61 per cent of its NIBC's total operating income. Accordingly, the levels of and volatility in interest rates affects NIBC's business, financial condition, results of operations and prospects.

Since 2012, in response to concerns about Europe's sovereign debt crisis and slowing global economic growth, central banks around the world, including the ECB, the Bank of England, the Bank of Japan, the Bank of Australia, the Central Bank of Brazil, the Central Bank of China and the US Federal Reserve have maintained interest rates at historically low levels. The result has been a prolonged period of low (or even negative) interest rates coupled with highly competitive lending at low margins in the banking industry in general. While central banks are starting to reduce or end quantitative easing programs and may soon be raising interest rates above their current levels, interest rates still remain low by historical standards. As a result of the prolonged low interest rate environment, NIBC has not been able to fully offset the liquidity costs for its reserves maintained with the ECB against the interest paid on customer deposits, which has had a negative impact on NIBC's net interest margin. In addition, interest-earning assets (in particular residential mortgage loans) have generated lower margins, and other loans and securities held in the investment portfolio have also been generating lower levels of interest income when compared with NIBC's historical levels. There can be no assurance that central banks will start to raise interest rates or that the current historically low interest rate environment will not continue. In addition, the level of interest rates also affects customer savings behaviour, which may affect the supply of deposit balances from savings accounts, one of NIBC's funding sources.

NIBC is also affected by volatility in interest rates. In periods of changing interest rates, in particular, rising interest rates, NIBC will generally be required to pass on higher rates of interest on its retail deposits and other sources of funding (see "*—NIBC has a continuous demand for liquidity to fund its business activities and lack of liquidity is a risk to NIBC's business and may have a material adverse effect on NIBC's business, financial condition, results of operations and prospects.*"), and thus incur higher interest expense, more rapidly than it can pass on higher interest rates to borrowers, which could have a negative impact on NIBC's net interest margin. NIBC does not offer current accounts to retail customers as part of its product offering, and therefore its retail depositors are typically also customers of a full-service bank. In the event of rising interest rates, NIBC may be required to re-price its deposit accounts at above market interest rates to ensure that it continues to provide an attractive platform for its depositors. Similarly, in periods of falling interest rates, NIBC may be required to hold above market interest rates for a prolonged period to maintain depositor demand. Any difference between the interest rates that NIBC pays on its deposits and wholesale funding and the interest income on its loans and other interest-earning assets is considered the interest rate mismatch in NIBC's portfolio. As loans and other interest-earning assets generally do not re-price as frequently as NIBC's deposit and wholesale funding, the potential for interest rate mismatch is greatest during periods of interest rate volatility, and a significant interest rate mismatch, if not successfully hedged, could have a material adverse effect on NIBC's interest income and cash flows.

Volatility in interest rates also has an impact on the net interest margins NIBC earns on its mortgages and long-term loans because NIBC may be limited in its ability to re-price such loans in a timely manner, or at all, to reflect changing market interest rates. If NIBC is not able to re-price its rates mortgages and long-term loans quickly enough, it could have a significant impact on NIBC's margins and overall revenue in the short term.

Finally, volatility in interest rates, which can be amplified by the current low interest environment, may also result in significant increases in interest payments for residential mortgage borrowers when interest rates are reset at expiration of a fixed interest term. In the case of significant increases in interest payments, this could lead to the borrower being unable to pay its contractual obligation after the interest reset, which could increase NIBC's level of non-performing mortgage loans.

Any of the foregoing factors could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

9. NIBC's business, results of operations, financial condition and prospects may be materially and adversely affected by a sustained increase in inflation or significant deflation.

A sustained increase in the inflation rate in NIBC's principal markets, would have multiple impacts on NIBC and may negatively affect its solvency position and its business, results of operations, financial condition and prospects. For example, a sustained increase in the inflation rate may result in an increase in market interest rates which may decrease the estimated fair value of certain fixed income securities NIBC holds in its investment portfolios, resulting in reduced levels of unrealised capital gains available to it, which could negatively impact its solvency position and decrease collateral values. In addition, higher rates of inflation would require NIBC, as an issuer of securities, to pay higher interest rates on debt securities it issues in the wholesale markets from time to time to finance its operations, which would increase its interest expenses.

In addition, a significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and lower growth performance of equity markets generally. A sustained decline in equity markets may result in impairment charges to equity securities that NIBC holds in its investment portfolios and reduced levels of unrealised capital gains available to it which would reduce its net income and negatively impact its solvency position.

Deflation risk is the risk that prices throughout the economy decline over time, which may have an adverse effect on the market valuation of companies, their assets and revenues. In addition, deflation may have an adverse effect on the creditworthiness of clients, lead to client deposit outflows and may make client default more likely.

A sustained increase in inflation or significant deflation could, in the event of the occurrence of any of the foregoing risks, have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

LIQUIDITY RISK

10. NIBC has a continuous demand for liquidity to fund its business activities and lack of liquidity is a risk to NIBC's business and may have a material adverse effect on NIBC's business, financial condition, results of operations and prospects.

Liquidity risk encompasses the risk that NIBC is unable to fulfil its payment obligations at the time they become due. NIBC is subject to the liquidity risk of not having access to sufficient liquidity at acceptable terms as and when required.

The principal sources of NIBC's funding are its retail deposits, wholesale debt securities and institutional deposits under the German ESF. NIBC's funding strategy is dependent, in part, upon its stable retail deposits base, which amounted to €9.3 billion, or 44 per cent of NIBC's total funding as at 31 December 2017. NIBC's retail deposits may be subject to fluctuation as a result of several factors, some of which are outside NIBC's control, including a loss of confidence in banks generally, or in NIBC specifically, resulting in a significant outflow of deposits. Other sources of liquidity may also include a variety of short- and long-term instruments, including repurchase agreements, commercial paper, medium- and long-term debt, subordinated debt securities, securitised debt, capital securities and shareholders' equity. In the event NIBC's available funding resources do not satisfy its needs or its existing funding resources need to be refinanced, NIBC may need to seek additional financing. The availability of additional financing will depend on a variety of factors, including market conditions, the general availability of credit, the volume of trading activities, the volume of maturing debt that needs to be refinanced, the overall availability of credit to the financial services industry, NIBC's credit ratings, credit capacity and reputation, as well as the possibility that customers or lenders could develop a negative perception of its short- or long-term financial prospects. There is a risk, however, that external funding sources might not be available or be available only on unfavourable terms, which in turn, may limit NIBC's ability to compensate for losses or raise funding for increased regulatory capital requirements. In extreme situations, if liquidity problems become widely known or feared (whether substantiated or not), counterparties could refuse NIBC credit or depositors could withdraw deposits. In addition, NIBC is particularly affected by unstable market conditions in Europe as it does not currently have recent wholesale debt outstanding in either U.S. dollars or pound sterling. The financial crisis resulted in pressure on banks' creditworthiness, often irrespective of their financial strength, and has had a similar effect on other capital markets participants. A market disruption of substantial magnitude could restrict NIBC's access to the capital markets and limit its ability to obtain short, medium and long-term refinancing on acceptable terms and meet regulatory capital requirements. Similarly, NIBC's access to financing may be limited if regulatory authorities or rating agencies take negative actions against it.

Should NIBC fail to manage its liquidity effectively, including by failing to properly adjust its mix of funding sources, it may not be able to meet its obligations when they fall due, including regulatory requirements, which may materially and adversely affect NIBC's business, financial condition, results of operations and prospects.

11. Credit ratings are important to NIBC's business, and downgrades, or potential downgrades, could have a material adverse effect on its business, results of operations, financial condition and prospects.

A downgrade or a potential downgrade in NIBC's credit ratings could have a material adverse effect on NIBC's ability to raise additional wholesale funding, or increase the cost of additional funding, and could result in, amongst others, a loss of existing or potential business (including loss of funding due to withdrawals of customer deposits which may require the sale of invested assets, including illiquid assets, at a price that may result in investment losses), lower fee and commission income and decreased liquidity, each of which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. NIBC's credit ratings are important to its ability to raise capital funding through the issuance of debt instruments and to the cost of its debt financing. In the event of a rating downgrade, or a negative change in outlook, NIBC's cost of issuing debt will increase, increasing its interest expense and adversely affecting its net results. Certain institutional investors may also be obliged to withdraw their investments in such debt instruments from NIBC following a downgrade, which could have an adverse effect on its liquidity. NIBC Bank has credit ratings from Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**") and Fitch Ratings Limited ("**Fitch**"), which are both registered credit rating agencies in the European Union in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. Standard & Poor's and Fitch, and an unsolicited credit rating from Moody's Investors Service ("**Moody's**") review their ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. Standard & Poor's and Fitch have indicated that NIBC Bank could be subject to a downgrade in the event of a material change in NIBC Bank's capitalisation, deterioration of NIBC Bank's liquidity position or a material increase in its risk appetite or concentrations. In addition to Moody's, other rating agencies may seek to rate NIBC on an unsolicited basis and if such unsolicited ratings are lower than comparable ratings granted, such unsolicited ratings could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects and may negatively affect NIBC's ability to raise wholesale funding. The decision to withdraw a rating or continue with an unsolicited rating remains with the relevant rating agency.

Furthermore, NIBC's assets are risk weighted. Downgrades of these assets could result in a higher risk weighting which may result in higher capital requirements, requiring NIBC to raise additional equity capital. This may impact net earnings per share and the return on capital, and may have an adverse impact on NIBC's competitive position. As rating agencies continue to monitor NIBC and other institutions in the financial services industry, it is possible that they will increase the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain rating levels. It is possible that the outcome of any such review of NIBC would have additional adverse rating consequences, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects. In addition, NIBC may need to take actions in response to changing standards set by any of the rating agencies which could cause its business and operations to suffer. NIBC cannot predict what additional actions rating agencies may take, or what actions NIBC may take in response to the actions of rating agencies.

BUSINESS RISK

12. NIBC operates in highly competitive markets, including its home market and it may not be able to increase or maintain its market position, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

There is substantial competition in the Netherlands and the other countries in which NIBC does business for the types of banking products and services it provides. Competitors for NIBC's products and services are traditional large banks, smaller banks, insurance companies, pension funds, niche players, non-financial companies that offer credit and savings products as well as technology firms and other new entrants. Insurance companies and pension funds, for instance, are increasingly active in the mortgage market. In addition, new technologies, such as block chain, are gaining increasing interest from incumbent banks and may potentially have a disruptive effect on the financial sector.

Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services and actions taken by competitors. For example, NIBC's retail bank savings offering is online only and NIBC does not offer current accounts to its retail customers. Accordingly, NIBC also competes for customer loyalty and retention with its retail customers' primary bank. If NIBC is not able to match or compete with the products and services offered by its competitors, it could adversely impact its ability to maintain or increase its market position and have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

Continued technological advancements and developments in e-commerce ("fintech") make it possible for non-bank financial institutions and other new entrants to offer products and services that traditionally have been offered exclusively by banks, including competition for loans, deposits and other products and services offered by NIBC. Increasing competition in these or any of its other markets may significantly impact its results if NIBC is unable to match the products, services or prices offered by its competitors. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms. Not all of these competitors are subject to the same regulatory controls and capital requirements imposed on banks. Technology firms and other new entrants, for example, are now active in payment services, peer-to-peer lending, new mobile payment systems, mobile wallets and crowd funding. These developments could result in NIBC's competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity.

The intensity of competition in the banking and fintech sectors is influenced by many factors, some of which are beyond NIBC's control. Such factors include the conditions in financial markets, the loss of trust in banks following financial crises, the economy, consumer demand, reputation, brand recognition, prices and characteristics of products and services, distribution powers, the impact of consolidation, technological changes, emerging non-traditional competitors, economic circumstances, regulatory action, competitive advantages of certain competitors and many other factors. In addition, NIBC must comply with regulatory requirements that may not apply to non-banks or certain foreign competitors and which may put NIBC at a competitive disadvantage. This disadvantage can be reflected by the costs involved for banks, including costs and resources for compliance with such regulatory requirements. Competition from within the banking industry may increase further as the economy improves and the financial position of banks improves, allowing them to accept lower margins in certain markets, or permitting them to invest more in business development and expansion, or just as a result of these competitors having more capital available to be able to increase lending volumes. In the recent past, government involvement and ownership in banks and other competitors have increased significantly due to the financial crises of the recent years. Such government involvement and ownership may have an impact on the competitive landscape in the major markets in which NIBC operates.

Competitive pressures could result in increased pricing pressures and reduced margins on NIBC's products and services, higher capital or funding costs or could result in loss of market position and may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

13. NIBC may fail to achieve its strategic goals or its medium-term objectives.

NIBC has set the following medium-term objectives, which it aims to achieve by executing its strategy as described in *"—Strategy*":

- *Return on equity for the Company*: between 10 per cent and 12 per cent, with a sustainable return on equity ratio above 10 per cent;
- *Cost-to-income ratio for NIBC Bank*: structurally below 45 per cent;
- *CET1 ratio for the Company*: robust capital with a CET1 ratio above 14 per cent, based on current regulation;
- *Dividend pay-out ratio for the Company*: at least 50 per cent of net profit available for distribution to ordinary shareholders; and
- *Credit rating for NIBC Ba*nk: from current BBB to BBB+.

NIBC's ability to achieve its medium-term objectives will depend on a variety of factors which are to some degree within its control, such as its ability to attract clients and investors and its skill in structuring and executing transactions, as well as factors outside of its control, such as global economic conditions, conditions in the markets served by NIBC, interest rates and demand for certain products. NIBC cannot be certain that its strategy will be a success or whether it will achieve its medium-term objectives. Further, these objectives have been set on the basis of certain assumptions in respect of the future impact on NIBC's capital position from the implementation of Basel III Reforms (defined below) and other regulatory developments, considering in particular the anticipated capital requirements which may arise, and taking into account NIBC's current dividend policy.

NIBC may not be able to achieve its business and strategic objectives in the future, which could lead to a material decline in profits and materially affect dividend payments and results of operations in general. NIBC's business strategies and medium-term objectives are based on its estimates and assumptions about future demand for NIBC's services and also its ability to improve its operational efficiency. This future demand depends, among other things, on NIBC's ability to focus its product portfolio in the markets it serves, to exit any unattractive segments or market niches and re-position its business to more attractive areas, to innovate to keep up with changes in technology or the competitive environment and maintain adequate customer service levels. Improvements in NIBC's future operational efficiency depend in part on its ability to finalise the migration of its IT system, finance its operations, respond to regulatory changes and retain and attract highly skilled technical, portfolio management, relationship management, managerial, marketing, sales and finance personnel. Any failure to develop, revise or implement NIBC's business strategies in a timely and effective manner or continue to offer the services that customers demand may adversely affect NIBC's business, financial condition, results of operations and prospects.

In addition, NIBC's estimates and assumptions regarding the pace and direction of future change across the banking sector may be flawed, and may be based upon incorrect projections of customer behaviour and demand. NIBC's management may make strategic decisions including the implementation of new cost-saving or efficiency programs, new product or service concepts and other types of strategic measures which may not render the anticipated returns within the expected timeframe or at all. This may lead, among others, to wasted resources or a need for further investments. Moreover, in the context of the adoption and implementation of strategic decisions, the allocation or re-allocation of financial resources and staff to one or more functions or activities may in hindsight prove to be disadvantageous for NIBC, for example if a certain business area is left with insufficient qualified staff following a re-allocation of personnel.

14. NIBC has in the past completed, and may in the future complete, acquisitions and divestments of certain businesses. These can result in unforeseen costs or liabilities which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

During the last few years, NIBC has made various acquisitions and has divested both assets and a number of businesses. Acquisitions and divestments may be subject to unanticipated complexities and time delays, for example in terms of integrating and/or merging businesses, operations and entities, and targeted benefits may therefore not be achieved, or may be delayed. In the future, NIBC may make additional acquisitions and it may decide to divest certain of its current businesses, in whole or in part. NIBC may encounter difficulties integrating entities it has acquired into its operations or the combination of the business may not perform as well as anticipated. Failure to complete announced business combinations or failure to successfully integrate acquired businesses could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects. It could also lead to departures of key employees.

Acquisitions expose NIBC to the risk of unforeseen expenses, losses, tax liabilities or obligations with respect to employees, clients and business partners of acquired businesses, public authorities and other parties. In assessing and otherwise conducting due diligence on a potential acquisition, NIBC relies on the resources available and, in some cases, an investigation by third parties. There can be no assurance that due diligence examinations carried out by NIBC or by third parties in connection with companies or businesses that NIBC has acquired or will acquire are sufficient or will reveal all of the risks associated with such companies and businesses, or the full extent of such risks. In addition, acquired companies or businesses may have hidden liabilities that are not apparent at the time of acquisition. Any warranties and indemnities NIBC receives from the seller in respect of such liabilities, may fail to cover all of the liabilities that may arise following the acquisition and any indemnification may not fully compensate NIBC for any diminution in the value of its interest in such companies or businesses.

Moreover, the integration of acquired businesses is typically a complex, time consuming and expensive process. Such processes may take longer than anticipated or involve higher expenses than originally anticipated, and be subject to a number of uncertainties, such as costs and expenses associated with unexpected difficulties, a diversion of management's attention from NIBC's daily operations and/or strategic business decisions, a potential loss of key employees and customers or an additional demand on management related to the increase in the size and scope of NIBC's operations.

When divesting businesses or assets, NIBC may not always be able to pass on the entire risk relating to the divested business or assets to the purchaser, which may lead to additional risks, such as liability related to legacy obligations.

15. NIBC's insurance coverage may not adequately cover all losses.

NIBC maintains customary insurance policies for its operations, including insurance for its liquid assets and directors' and officers' liability and for employee dishonesty and mistakes. Due to the nature of NIBC's operations and the nature of the risks that it faces, no assurance can be given that the coverage that NIBC maintains is adequate to cover the losses for which it believes it is insured and, in the event NIBC's insurance is not adequate, this could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

MARKET RISK

16. NIBC's hedging and derivative strategies may not prove successful, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

The various economic hedging strategies NIBC employs with the objective of mitigating the market risks that are inherent in its business and operations (see "*Risk Management—Market Risk*"), may prove unsuccessful, leaving NIBC fully exposed to these market risks. These risks include currency fluctuations, changes in the fair value of its investments, the impact of interest rates, equity market fluctuations, credit spread changes and the occurrence of credit defaults. NIBC seeks to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts including from time to time macro hedges for parts of its business, either directly as a counterparty or as a credit support provider to affiliate parties.

Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate NIBC from the risks associated with such fluctuations. NIBC's hedging strategies also rely on assumptions and projections regarding its assets, liabilities, general market factors and the creditworthiness of its counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, NIBC's hedging activities may not have the desired beneficial impact. Poorly designed strategies or improperly executed transactions could actually increase NIBC's risks and losses. The hedging instruments used by NIBC to manage product and other risks might not perform as intended or expected, which could result in higher (un)realised losses such as credit value adjustment risks or unexpected profit and loss effects and unanticipated cash needs to collateralise or settle such transactions. Adverse market conditions can limit the availability of and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations resulting in unhedged exposures and losses on positions that are not collateralised. NIBC's hedging strategies involve transaction costs and other costs, and if NIBC terminates a hedging arrangement, it may also be required to pay additional costs, such as transaction fees or breakage costs. It is possible that there will be periods in the future, during which NIBC has incurred or may incur losses on transactions, perhaps significant, after taking into account NIBC's hedging strategies. Furthermore, the nature and timing of NIBC's hedging transactions could actually increase its risk and losses. NIBC's hedging strategies and the derivatives that NIBC uses and may use, may not adequately mitigate or offset the risk of interest rate volatility and its hedging transactions may result in losses. NIBC's hedging strategy additionally relies on the assumption that hedging counterparties remain able and willing to provide the hedges required to effectuate this strategy. Increased regulation, market shocks, worsening market conditions, and/or other factors that affect or are perceived to affect the financial condition, liquidity and creditworthiness of NIBC may reduce the ability and/or willingness of such counterparties to engage in hedging contracts with it and/or other parties, affecting NIBC's overall ability to hedge its risks. The failure to hedge effectively or the occurrence of any of the foregoing risks could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

OPERATIONAL RISK

17. Operational failures and the failure to effectively manage the operational risks inherent in NIBC's business could have a material adverse effect on its business, results of operations, financial condition and prospects.

NIBC is exposed to operational risk arising from the complexity of its business. Operational risk could result from, among other things, inadequate or failed internal processes, human behaviour and systems or from external events.

NIBC's technological infrastructure, its technological processes and its administrative, risk and other processes, controls and procedures are critical to the operations of NIBC's business and delivery of products and services to clients, as well as to the fulfilment of its regulatory obligations. Inadequacy of technology in the control environment may, for example, lead to failure to detect or report errors, fraud, incidents, risks or materialisations thereof, or a delay in such detection or reporting. This may lead to losses, fines, claims, regulatory action and reputational damage, which could have been avoided or reduced if the technology had functioned properly or used adequately.

Examples of operational risks include:

- **internal fraud**: acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or NIBC's policies which involve at least one internal party. This includes malicious damage intentionally caused by an internal party, by a third party or external source with the help of an internal party;
- **external fraud**: acts of a type intended to defraud, steal, deceive or circumvent the law by a third party without the complicity of a staff member;
- **compliance risk**: employees of NIBC or third parties to whom NIBC has outsourced or from whom NIBC has insourced certain processes or services violating or not applying applicable rules, regulations or internal procedures, including in respect of anti-money laundering, anti-bribery, tax and corruption laws or international sanctions;
- **employment practices and workplace safety**: events or acts inconsistent with employment and/or occupational health and workplace safety laws or rules, or other safety events in which employees are involved and for which the bank is liable (to its employees) as an employer;
- **clients, products & business practices**: events relating to an unintentional, intentional or negligent failure to meet a professional obligation to specific clients (including fiduciary, appropriateness and suitability requirements), or from the nature or design of a product;
- **disasters and public safety**: events relating to loss of or damage to assets or people from natural disasters, acts of terrorism/vandalism or other events;
- **modelling risk:** models proving inaccurate and underestimate or overestimate exposures to various risks resulting in unexpected loss;
- **technology and infrastructure failures**: events relating to disruption of infrastructure or system failures;
- **execution, delivery and process management**: events relating to failed transaction or order handling, processing or process management, settlement and escrow management;
- **monitoring**: events related to inadequate monitoring of internal compliance with regulations and client compliance with contractual terms and conditions; and

- **reputational:** negative publicity in relation to NIBC, its business or clients.

Although NIBC has implemented technological processes and administrative, risk and other controls and loss mitigation measures, and dedicates substantial resources, it cannot be assured that such actions have been and will be effective in controlling each of the operational risks faced by NIBC. Any failure by NIBC to manage its operational risk exposure could potentially result in financial loss, harm to NIBC's reputation, interruptions in business operations and regulatory fines or other sanctions, all of which could result in a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

18. NIBC's risk management policies and guidelines may prove inadequate for the risks it faces, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

NIBC has developed risk management policies and procedures, which are designed to identify, monitor and manage risks. However, the risk remains that these policies and procedures may not be fully effective, particularly during periods of extreme market dislocation. The methods NIBC uses to manage, estimate and measure risk are partly based on historic market behaviour and may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than what is suggested by historic experience. For example, such methods may not have predicted the losses seen in the stressed conditions in recent periods, and may also not have adequately accounted for the impact of government interventions, stimulus and/or austerity packages, which increase the difficulty of applying past market behaviour to present risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to NIBC. Such information may not always be correct, complete, updated or correctly evaluated.

NIBC has credit and counterparty exposure to multiple parties, and failure by NIBC to create performing and adequate quantitative models and tools to manage its risk may have an adverse effect on its business. The creation of quantitative risk management tools and models may require significant investment to be made, and NIBC may be unable to recover such costs. In addition, any errors in the underlying models, model assumptions or tools could have an unanticipated and material adverse effect on NIBC's business, results of operations, financial condition and prospects.

Although NIBC has adopted a risk management process and is continually updating various controls, procedures, policies, systems and compliance policies to monitor and manage risks on an ongoing basis, there can be no assurance that such controls, procedures, policies and systems will successfully identify and manage external risks to its businesses, and the failure to so manage such risks could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

19. NIBC's businesses are subject to losses from unforeseeable and/or catastrophic events, and NIBC may therefore experience an abrupt interruption of activities, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

Unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and NIBC's business operations may be subject to losses resulting from such disruptions, which may result from events that are wholly or partially beyond its control, such as acts of terrorism, fire, sabotage, extreme weather, riots, strikes, explosions, acts of war or other hostility. Losses from such events can relate to property, financial assets, trading positions, insurance and pension benefits to employees and also to key personnel. If NIBC's business continuity plans are not able to be put into action or do not take such events into account, it could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

In addition, such events and the responses thereto may create economic and political uncertainties, which could result in periods of high volatility and which could have a material adverse effect on Dutch, European and global economic conditions and global financial markets generally, and more specifically on the business and results of operations of NIBC in ways that cannot necessarily be predicted. NIBC may be forced, legally or as a practical commercial matter, to bear the losses for damages that have been caused to clients and/or third parties, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

20. NIBC uses models across many of its activities and if these models prove to be inaccurate, its management of risk may be ineffective or compromised and/or the value of its financial assets and liabilities may be overestimated or underestimated.

NIBC uses models across its operations including, but not limited to, capital management, credit grading, provisioning, valuations, liquidity, pricing, stress testing and as part of its yearly budgeting process. NIBC also uses financial models to determine the fair value of derivative and other financial instruments. Since NIBC uses risk measurement models based on historical observations, there is a risk that they underestimate or overestimate exposure to various risks to the extent that future market conditions deviate from historical experience. In addition, the risk measurement models may fail to take into account certain other relevant factors (both historical and current), or the models may be otherwise incomplete. Furthermore, as a result of evolving regulatory requirements, the importance of models across NIBC's business has been heightened and their importance may continue to increase, in particular because of reforms introduced by the Basel Committee on Banking Supervision, including the Basel III Reforms (defined below). Certain of NIBC's models are subject to ongoing regulatory review.

Should NIBC's models not accurately estimate its exposure to various risks, it may experience unexpected losses. NIBC may also incur losses as a result of decisions made based on inaccuracies in these models, including the data used to build them or an incomplete understanding of these models. If NIBC's models are not, or deemed not to be, effective in estimating its exposure to various risks or determining the fair value of its financial assets and liabilities or if its models prove to be inaccurate, it could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

21. IT and other systems on which NIBC depends for its day-to-day operations may fail and could contribute to a breach of regulations and other obligations, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

NIBC's technological infrastructure is critical to the operations of its business and the delivery of products and services to clients, including the ability to process and monitor a significant number of daily transactions, and the success of NIBC's business depends in part on its ability to process a large number of transactions efficiently and accurately and to manage personal financial information on behalf of its customers. Each stage of each transaction is susceptible to errors and inaccuracies generated by operational incidents, as classified using the framework of incident types set out in the Basel guidelines. NIBC depends on the secure processing, storage and transmission of confidential and other information in its computer systems and networks, some of which are outsourced to third party providers. In addition, the equipment and software used in NIBC's computer systems and networks may be at or near the end of their useful lives or may not be capable of processing, storing or transmitting information as expected.

Any outsourcing of elements of NIBC's technical IT environment to a third party provider, including network and infrastructure services, technical application management, client support (service desk) and the digital workplace, any issues, data inconsistencies or security breaches in connection with any proposed migration of NIBC's data to the third party provider or any disruptions to NIBC's IT systems generally as a result of a failure by it or one of its third party providers could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

Furthermore, NIBC's financial, accounting, data processing, regulatory reporting or other operating systems and facilities may fail to operate properly or may become disabled, which may have an adverse effect on NIBC's ability to process transactions, provide services or conduct its operations. Furthermore, any disruption in a customer's access to account information or delays in making payments or carrying out customer instructions may have a significant impact on NIBC's reputation. These disruptions may lead to potentially large costs to both rectify the issue and an obligation to reimburse losses incurred by customers or regulatory penalties. While NIBC fully backs up all of its customer and business information using third party locations and has a full business continuity plan in place, any delay or failure on the part of the data back-up provider or in executing its business continuity plan may hinder NIBC's ability to resolve IT system disruptions or failures in a timely and effective manner. Current and future laws and regulations may result in penalties and other sanctions for NIBC in the event of a significant interruption in service or breach of data security, and may for example require NIBC to pay compensation to affected customers. The failure to maintain infrastructure to support the size and scope of NIBC's business, or the occurrence of a business outage or event outside NIBC's control, could materially impact operations, resulting in disruption to its business. In addition, NIBC could experience disruptions of its operating or information systems, arising from events that are wholly or partially beyond its control, including failure to provide high quality uninterrupted service by its third party providers, computer viruses, malicious code, electrical or telecommunication outages, breakdowns in processes, controls or procedures, and operational errors, including administrative or recordkeeping errors or errors resulting from system failures, or from faulty computer or telecommunications systems. Even with the back-up recovery systems and contingency plans that are in place, NIBC cannot guarantee that interruptions, failures or breaches in capacity or security of these processes and systems will not occur or, if they do occur, that they will be adequately addressed. Despite NIBC's ongoing expenditures on its IT systems, there can be no assurance that these expenditures will be sufficient or that its IT systems will functions as expected. Any disruption or failure involving NIBC's IT systems could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

In addition, certain of NIBC's computer systems and networks may also have insufficient recovery capabilities in the event of a malfunction or loss of data. If NIBC's business continuity plans are not able to be implemented or do not take such events into account, losses may increase further and result in a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

22. NIBC is subject to the risk that information proprietary to NIBC, its clients, its business partners, vendors or other third parties is made public unintentionally or unlawfully or is stolen as a result of cybercrime, which could result in reputational damage, claims, losses and damages and could have material adverse effect on NIBC's business, results of operations, financial condition and prospects.

Information about NIBC, its clients or its employees that is intentionally, unintentionally (contrary to regulations and contractual obligations) or unlawfully made public by employees, contractors or personnel seconded to NIBC, including employees of Stater N.V., Quion Groep B.V. and other third party suppliers, could lead to regulatory sanctions, breaches of privacy rules, confidentiality undertakings and other legal and contractual obligations, possibly resulting in claims against NIBC and a loss of trust in NIBC. In addition, leaked information may be used against the interests of NIBC, its clients or its employees, including in litigation and arbitration proceedings. Unintentional data leakage may occur as a result of, among others, lost or stolen laptops, USB sticks and physical files, theft of client or NIBC data for personal or other use, such as leaks to the press, and the sending of NIBC or client data to private emails or its usage in shared environments.

Furthermore, data leakage may occur through no fault of NIBC, its employees, contractors, personnel seconded to it or employees of third party suppliers by means of cybercrime. Cyber security risks are continual, change rapidly and require focus and ongoing investment, particularly given the increasing sophistication and scope of potential attacks. Such attacks may take the form of identity theft, phishing, distributed denial of service ("**DDOS**") attacks, corporate espionage or financial fraud by employees, clients or third parties. NIBC and the third party providers to which it outsources certain of its IT services may fail to adequately manage their cyber security risks. Even if cyber security risk is actively managed, a successful cyber-attack can take place and be successful, which could lead to a breach of regulations, resulting in investigations and administrative enforcement by supervisory authorities, execution of unauthorised payments and/or securities transactions and claims that may materially and adversely affect NIBC's business, results of operations, financial condition and prospects.

Although NIBC processes a limited number of payment transactions on behalf of its retail customers, its customers may themselves be subject to cybercrime in the form of phishing attacks and malware in which criminals attempt to initiate fraudulent payments. European law tends to hold the bank liable unless it provides proof of intentional misconduct or gross negligence by the client.

Individuals and groups, including organised crime, also regularly attempt to directly target financial institutions including NIBC via cyberspace to commit fraud or to gain access to IT systems and personal data of clients and employees. NIBC and its third party providers may also be subject to disruptions of their operating or IT systems arising from such criminal acts, which may interrupt their provision of service to NIBC, in the case of its third party providers, and to clients (for example, as a result of DDOS attacks, which NIBC has been the target of in the past). If successful, either eventuality could prove costly for NIBC, as NIBC may not be able to access data or operate its systems, recover data or establish that data is not compromised, which in turn would have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

23. Improving technological developments may lead to new and more detailed reporting and monitoring obligations for financial companies, requiring significant investments and increasing NIBC's compliance burden.

New technological developments may lead to increased knowledge within the financial industry about clients and their behaviour. Governmental authorities could decide to increasingly use the industry for achieving certain policy goals and for the enforcement of rules that strictly speaking do not regard the financial industry.

To date, governments have invoked the assistance of the financial industry for purposes such as combating terrorism, preventing tax evasion and detecting signals of possible money laundering. In the future, as technological possibilities improve, governments and supervisory authorities may expect the industry to detect other unusual or illegal behaviours by clients, even though the systems being used in the industry may not have been designed to make such assessments.

If new, different or more detailed reporting or monitoring obligations of this nature were to be imposed on NIBC, then this could force it to make significant additional investments in technology or processes. For example, if NIBC was to be able to monitor transactions in new ways, more "unusual" transactions might possibly be detected as these are defined under current rules, which might then require NIBC to follow up on a greater number of signals of inappropriate transactions, which in turn would require more resources.

If as a result of improving technological capabilities, governments and supervisory and other authorities impose new and more detailed reporting and monitoring obligations on NIBC, this could force it to make significant investments and increase its compliance burden with a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

24. NIBC and its management depend on the accuracy and completeness of "know-your-customer" ("KYC") information about clients and counterparties. If this information is unavailable, proves to be materially inaccurate, incomplete, obsolete or is improperly evaluated this could result in incorrect decision making, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

In the course of its business operations, NIBC requires certain KYC information from its customers to be able to set up client profiles and structure transactions properly, to comply with anti-money laundering, anti-bribery, tax and anti-corruption laws or international sanctions requirements, and to prevent it from taking unnecessary commercial or operational risks. For example, when deciding whether to extend credit to or enter into other transactions with customers and counterparties, NIBC relies on information provided to it by or on behalf of customers and counterparties, including their financial statements and other financial information. NIBC is subject to rules and regulations which require it to obtain information from its customers, to perform customer due diligence (including KYC procedures) and to establish risk profiles. If NIBC does not perform thorough due diligence or if the information that it receives or records is insufficient, inaccurate, not up-to-date or incomplete, it may make incorrect commercial decisions, offer unsuitable products, engage in incorrect commercial transactions and accept risks and increase risk exposure risks that it is not aware of. This may also lead NIBC to violate laws and regulations, for example if it does not identify that a customer is subject to sanctions or if it sells a product that is not suitable for the customer. It could also lead to the violation of its duty of care towards clients and third parties. In addition, incorrect or incomplete customer or counterparty data could result in NIBC supplying incorrect or incomplete information to supervisory and tax authorities or not supplying information in a timely manner. If information about clients and counterparties is not available, turns out to be materially inaccurate, insufficient, not up-to-date or incomplete, this could lead to significant fines, penalties or regulatory action, or could lead NIBC to inadvertently engage in business with clients in breach of its published sustainability policies and framework. In addition, NIBC may be unable to monitor its customers' actual use of the financing which NIBC has guaranteed or provided, or verify if its customers have other undisclosed private money or borrowings. Furthermore, NIBC may not be able to detect its customers' suspicious or illegal transactions, such as money laundering activities, in NIBC's business and it may suffer financial and/or reputational damage as a result.

The failure to obtain accurate KYC information about customers and counterparties, and the occurrence of any of the risks described above could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

25. NIBC is dependent on its key personnel and the failure to attract or retain personnel, including the executive team, could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

The success of NIBC's operations depends in part on having a capable executive team. Losing the services of one or more members of the Executive Committee could materially and adversely affect NIBC's business, results of operations, financial condition and prospects. The successful implementation and execution of NIBC's strategic plans will depend in part on the continued availability of the executive team to implement its plans.

In addition, the success of NIBC's operations is dependent, among other things, on NIBC's ability to attract and retain highly qualified professional personnel, in particular, management and employees who are qualified product specialists, sector specialists and investment bankers, as well as experienced support staff and IT professionals, which is in turn dependent on a number of factors including the prevailing market conditions and compensation packages offered by companies competing for the same talent. In order to attract and retain key employees, NIBC seeks to compensate such employees at market levels. Any inability to attract and retain key employees could have a material adverse effect on NIBC's performance. No assurance can be given that NIBC will be successful in the future in attracting and retaining such personnel.

As part of the response of the European Commission and governments throughout Europe to the 2008 financial crisis, various legislative initiatives, including those set out in Capital Requirement Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (the "**CRR**"), the Capital Requirements Directive (by Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC ("**CRD IV**")), the European Banking Authority ("**EBA**") guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013, the Regulation of the Dutch Central Bank on Sound Remuneration Policies (*Regeling beheerst beloningsbeleid Wft 2017*), the act prohibiting the payment of variable remuneration to board members and day-to-day policy makers of financial institutions that receive state aid (*Wet bonusverbod staatsgesteunde ondernemingen*) and the Dutch Act on remuneration policy for financial enterprises (*Wet beloningsbeleid financiële ondernemingen*) have been enacted. There have also been legislative initiatives in the Netherlands and the other regions in which NIBC operations to ensure that financial institutions' remuneration policies and practices are consistent with and promote sound and effective risk management and initiatives that impose restrictions on the remuneration of personnel, in particular senior management, with a focus on risk alignment of performance-related remuneration. These restrictions have had and will have an impact on NIBC's existing remuneration policies and individual remuneration packages of personnel. There can be no assurance that further such restrictions on the remuneration of personnel will not be enacted pursuant to further legislative initiatives.

These restrictions, alone or in combination with the other factors described above, could adversely affect NIBC's ability to retain or attract qualified management level or other employees, which would have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

26. NIBC relies on third parties for certain key services, and replacements for such third parties may not be available on a timely basis or at favourable terms.

NIBC uses external service providers and business process outsourcing partners for certain IT and operational services and therefore strongly depends, and could increase such dependency in the future, on the services, products and knowledge of its key third party service providers, including its IT and communications technology providers, software providers and other key service providers. Moreover, most of NIBC's primary mortgage servicing activities involving mid- and back-office services and handling for NIBC's mortgage portfolio is outsourced to two specialised business process outsourcing companies, Stater N.V., a 100 per cent subsidiary of ABN AMRO Bank N.V. and Quion Groep B.V., a privately held company. NIBC faces the risk that these and other third parties (including intermediaries involved in NIBC's mortgage business) that NIBC relies on fail to deliver on their contractual or regulatory obligations or fail to adequately deliver the level of performance expected, become insolvent, enter into default or are subject to ratings degradation. Any such failure could cause an interruption in NIBC's operations the quality of service provided or vulnerability in its IT systems, exposing it to operational failures, customer dissatisfaction, additional costs or cyber-attacks. NIBC may need to replace a key service provider on short notice in order to ensure business continuity, and the search for and payment of a new key supplier on short notice or any other measures to remedy such a potential problem could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

In addition, there can be no assurances that the third party service providers selected by NIBC will be able to provide the functions for which they have been contracted, for example, as a result of failing to have the relevant capabilities, products or services or due to changed regulatory requirements. Any failure of its service providers to deliver the contracted services or to deliver these services in compliance with applicable laws and regulations and at an adequate and acceptable level could result in reputational damage, claims, losses and damages and could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

27. NIBC is subject to changes in financial reporting standards or policies which could materially adversely affect NIBC's reported results of operations and financial condition.

NIBC's financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU ("**IFRS**"), which is periodically revised, modified and subject to revised interpretive guidance. Accordingly, from time to time NIBC is required to adopt new or revised accounting standards issued by recognised bodies, including the International Accounting Standards Board ("**IASB**"). It is possible that future accounting standards which NIBC is required to adopt, or as a result of choices made by NIBC, could change the current accounting treatment that applies to its financial statements and that such changes could have a material adverse effect on NIBC's reported results of operations and financial condition. For example, IFRS 9 on financial instruments, which will replace IAS 39, is expected to have a material effect on NIBC's consolidated financial statements. This contemplated accounting change became effective on 1 January 2018, for annual periods beginning on or after 1 January 2018. As a result of IFRS 9, NIBC will have to recognise credit losses on loans and other financial instruments based on expected losses rather than incurred losses. As credit losses are recognised at an earlier stage than under IAS 39, NIBC expects to recognise a higher loan loss allowance, and a correspondingly lower level of regulatory capital, under IFRS 9. While some requirements of IFRS 9 are expected to lead to reduced volatility in NIBC's income statement and its regulatory capital ratios, such as the reclassification to amortised cost of mortgages previously accounted for at fair value through profit or loss, increased volatility in NIBC's income statement and to its regulatory capital ratios is expected to arise from the incurred credit loss impairment process, because changes in counterparty credit quality could generate changes to expected loss levels on a more frequent basis. In addition, pursuant to IFRS 9, certain financial instruments may be classified at fair value, further increasing volatility in NIBC's consolidated income statement. An increase in credit loss provisions could have impact on NIBC's lending activities and the potential for greater pro-cyclicality on lending and provisioning exists due to IFRS 9. (See "*—Operating and Financial Review—Critical Accounting Policies—IFRS 9.*").

Further changes in financial reporting standards or policies, including as a result of choices made by NIBC, could have a material adverse effect on NIBC's reported results of operations and financial condition and may have a corresponding material adverse effect on capital ratios.

28. The determination of the amount of allowances and impairments taken on NIBC's assets requires a degree of management judgement and the incorrect determination of such allowances and impairments could have a material adverse effect on its business, results of operations, financial condition and prospects.

NIBC's business requires management to develop models and apply judgement and assumptions which may prove incorrect. The determination of the amount of allowances, provisions and impairments under NIBC's accounting principles and policies with respect to certain assets vary by type and is based upon NIBC's periodic evaluation and assessment of known and inherent risks associated with the respective asset class (see "*Risk Management—Credit Risk*"). Such judgements also apply to other financial items such as goodwill and deferred tax assets. In considering impairments, management considers a wide range of factors and develops scenarios using its best judgement in evaluating the cause of the decline in the estimated fair value of the security or cash-generating unit and the prospects for near-term recovery, including probability of default. For certain asset classes, in particular in respect of loss provisioning for its residential mortgages and other loans, management's evaluation involves a variety of assumptions and estimates about operations and future earnings potential. An asset quality review of the corporate loan book, conducted by the DNB in 2016 resulted in additional impairments of €20 million in the year ended 31 December 2016. The need for additional impairments and/or allowances may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

CURRENCY RISK

29. NIBC is exposed to the risk of loss due to changes in foreign exchange rates, which could have a material adverse effect on NIBC's business, financial condition, results of operations and prospects.

NIBC may be exposed to certain fluctuations in the foreign exchange rates, which exposure NIBC seeks to hedge by making use of foreign currency contracts and cross currency swaps. Transactions with customers in certain sectors, including Offshore Energy and Shipping & Intermodal, are generally denominated in U.S. dollars. In addition, NIBC has customers in the United Kingdom and therefore transactions with such customers may be denominated in pound sterling. As NIBC does not issue in U.S. dollars or pounds sterling, it is required to obtain such currencies in the spot or swap markets for those customers. If NIBC is not able to obtain those currencies in the required amounts, its ability to lend to customers in non-euro currencies would be materially limited, which could have a material adverse effect on NIBC's business, financial condition, results of operations and prospects.

Transactions in foreign currencies expose NIBC to various risks. Revenue in other currencies may be reduced as a result of its conversion into euro, and expenses in currencies other than the euro may increase due to conversion. Cash flow hedges which NIBC regularly uses to address these risks may prove to be ineffective to manage these risks as they are based on certain assumptions (relating, among other things, to the repayment profile of the hedged cash flows) which may prove incorrect. Assets denominated in foreign currencies may have to be depreciated in the case of a devaluation of the currency and it cannot be guaranteed that hedges which NIBC employs (using foreign exchange derivatives and refinancing facilities in the same currency) adequately protect it against the accompanying risks. Moreover, risk-weighted assets denominated in foreign currencies may have to be recalculated in the case of an appreciation of the currency in which they are denominated.

LITIGATION RISK

30. Claims, investigations, litigation or other proceedings or actions may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

NIBC is involved in a number of proceedings and settlement negotiations that arise with customers, counterparties, current or former employees or others arising in the ordinary course of business. Proceedings may relate to alleged violations of NIBC's duty of care (*zorgplicht*) vis-a-vis its (former) customers, the provision of allegedly inadequate investment advice or the provision of allegedly inadequate services. Dutch financial services providers are increasingly exposed to collective claims from groups of customers or consumer organisations seeking damages for an unspecified or indeterminate amount or involving unprecedented legal claims in respect of mis-selling or other violations of law or customer rights. When new financial products are brought to the market, although communication and marketing aims to present a balanced view of the product, there is a focus on potential advantages for the customers. Whilst NIBC engages in a due diligence process when it develops financial products and enters into financial transactions, if such products or transactions do not generate the expected profit for NIBC's clients, or result in a loss, or otherwise do not meet expectations, customers may file mis-selling claims against NIBC. Mis-selling claims are claims from customers who allege that they have received misleading advice or other information from either NIBC or internal or external advisers. Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with. While NIBC has made considerable investment in reviewing and assessing historic sales and "know your customer" practices and in the maintenance of risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historic sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated. Furthermore, customer protection regulations as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices might influence client expectations. Negative publicity associated with certain sales practices, compensation payable in respect of such issues or regulatory changes resulting from such issues could have a material adverse effect on NIBC's reputation, business, results of operations, financial condition and prospects.

It is difficult for NIBC to predict the outcome of many of the pending or future claims, regulatory proceedings and other adversarial proceedings. The costs and staffing capacity required to defend against future actions may be significant. Counterparties in these proceedings may also seek publicity, over which NIBC will have no control, and this publicity could lead to reputational harm to NIBC and potentially decrease customer acceptance of NIBC's services, regardless of whether the allegations are valid or whether NIBC is ultimately found liable. In addition, NIBC's provisions for defending these claims may not be sufficient.

The defence of such proceedings may be costly and the outcome of such proceedings or settlement negotiations is difficult to predict and may have a material and adverse effect on NIBC's business, results of operations, financial condition and prospects. Even if NIBC is able to successfully defend against all claims, it may also suffer reputational damage and negative publicity as a result of the dispute.

REPUTATIONAL RISK

31. Damage to NIBC's brands and reputation may cause business and deposit outflows, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

The integrity of NIBC's brands and the reputation associated with its brands is critical to NIBC's ability to attract and retain customers, business and employees, NIBC's reputation could be damaged by factors such as negative publicity, poor investment performance, poor financial performance, poor advice to corporate finance and capital markets clients, litigation, regulatory action, employee misconduct, fraud, claims by former employees contesting grounds for dismissal or breach of applicable laws or regulations. The negative publicity associated with any of these and other factors could adversely impact NIBC's relationships with existing and potential clients, third-party distributors and other business partners. Damage to its brands and reputation would negatively impact NIBC's standing in the industry and may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

Adverse publicity and damage to NIBC's reputation may arise from its failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well-known companies, increasing regulatory and law enforcement scrutiny of "know your customer" procedures, anti-money laundering policies, prohibited transactions with countries subject to sanctions, anti-bribery or anti-corruption and anti-terrorist-financing procedures and their effectiveness, and from any failure to observe the client or investment standards it has established in its sustainability policies and framework. In addition, the above factors as well as regulatory investigations of the financial services industry, and litigation that arises from the failure or perceived failure by NIBC to comply with legal, regulatory and compliance requirements, could also result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect NIBC's ability to attract and retain customers, reduce access to the capital markets, result in cease and desist orders, suits, enforcement actions, fines, civil and criminal penalties, other disciplinary action or have other material adverse effects on NIBC in ways that are not predictable.

In addition, when NIBC brings new financial products to the market, it may face claims of mis-selling if such products or transactions do not generate the expected profit for its clients, or for other reasons (see "— *Claims, investigations, litigation or other proceedings or actions may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.*").

Any damage to NIBC's reputation could also cause its existing customers to withdraw their business and deposits from NIBC and potential customers to choose not to do business with NIBC. Withdrawal of deposits and reluctance to place new deposits may limit NIBC's access to funding and liquidity as well as its ability to support business growth, and may exacerbate the effect of losses or increased regulatory capital requirements on NIBC's liquidity position. Furthermore, negative publicity could result in greater regulatory scrutiny and influence rating agency or market perception of NIBC, which, among other factors, may make it more difficult for it to maintain its credit rating.

Accordingly, as a result of the foregoing factors, any such damage to NIBC's brands and reputation could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

2. Risks Relating to the Regulatory Environment

32. NIBC operates in an industry that is highly regulated and subject to significant regulatory change, which could result in NIBC's failure to comply with certain requirements or with significantly increased legal and compliance costs, and non-compliance could result in monetary and reputational damages, all of which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

NIBC conducts its business in an environment that is highly regulated by financial services laws and regulations, and is subject to supervision by regulatory authorities that have administrative power over NIBC in the jurisdictions in which it operates. See "*Supervision and Regulation*". The laws and regulations to which NIBC is subject are complex and are expected to become increasingly complex. Regulators are therefore expected to exert increased scrutiny on the industry in which NIBC operates. This may place an increasing burden on NIBC's resources and employees. Regulations to which NIBC is or may become subject, may limit its activities and may negatively impact its ability to make autonomous decisions in relation to its operations and business. This in turn may limit NIBC's ability to implement its strategy and further grow its business. Each of the aforementioned factors may have a material adverse effect on NIBC's business, results of operations and financial condition. These factors may be subject to changes or may be interpreted by supervisory authorities and courts in different ways in the future.

NIBC's regulated subsidiaries are required to hold licences and/or are regulated for their operations by authorities in the Netherlands (such as DNB and the AFM) and in all other jurisdictions in which they operate, including NIBC Bank Deutschland AG in Germany. Since 4 November 2014, NIBC Bank N.V. ("**NIBC Bank**") has also been subject to indirect supervision by the ECB under the Single Supervisory Mechanism (the "**SSM**"), a system of supervision, which comprises the ECB and the national competent authorities of participating EU Member States. Under the SSM, DNB remains responsible for the direct supervision of NIBC Bank. However, the ECB may give instructions to DNB or even assume direct supervision over the prudential aspects of NIBC Bank's business. However, the SSM has resulted in a change in the interpretation of regulations, an alignment of national legislative options and discretion and changes to the supervisory practice. Furthermore, there could be an adverse change or increase in existing financial services laws, regulations or policies governing NIBC's business, including changes in tax law. In addition, the interpretation or application of such laws, regulations or policies may adversely change. There are frequent investigations by supervisory authorities, both into the financial services industry and into NIBC, which could result in governmental enforcement actions, fines, penalties, negative publicity or reputational damage.

In recent years, the cost of supervision of banks in general has increased significantly and is expected to increase further. NIBC is a relatively small financial group compared with some of its peers and competitors, thus the increased costs required to meet changing legal and compliance requirements and the heightened duty to provide reports to regulators are relatively high and burdensome. NIBC's regulatory cost burden increased from €6 million in 2015 (of which €4 million was accounted for as regulatory charges and levies and €2 million in interest expense, reflecting the Belgian Banking tax) to €15 million in 2017 (of which €14 million was accounted for as regulatory charges and levies and €1 million in net interest income, from Belgian Banking tax). In light of the responses to the global economic and financial crisis there is an increased emphasis on new regulations, including rules and regulations regarding capital requirements, resolution mechanisms and measures, liquidity, leverage and other factors (such as provision of financial services, tax compliance, anti-money laundering, international sanctions and otherwise) affecting banks such as NIBC Bank. This new emphasis on regulations could adversely affect NIBC by, for example, restricting the sale of the products and services it offers, or negatively affecting the performance of the products and services it offers. NIBC's income from operating activities and operating costs, profitability and required regulatory capital could also be affected by an increase or change in the degree of regulation in any of the markets in which NIBC operates. For example, bail-in regulations forcing write-down or conversion into equity of debt incurred by a failing financial institution put into resolution by a competent authority may increase interest on debt instruments incurred by financial institutions generally and thus generally increase funding cost in the banking sector generally, or for NIBC Bank specifically. Due to the highly complex nature of the regulatory environment in which NIBC operates and the multiple jurisdictions in which NIBC conducts business, it is likely to face higher costs to ensure that it is, and will continue to be, in compliance with all applicable laws and regulations.

For example, the sector study of the Dutch Authority for Consumers and Markets (*Autoriteit Consument & Markt*) (the "**ACM**") on the SME loan market, published in June 2015, concluded that competition in the market for SME loans from banks is suboptimal and has decreased in the past few years. As a result, it is possible that sector-wide measures will be implemented to stimulate competition and reduce barriers to entry in the SME loan market, potentially resulting in a material adverse effect on the industry and therefore on NIBC. If NIBC is unable to commit sufficient resources for regulatory compliance in response to such measures, this could lead to delays and errors in ensuring compliance, and may force it to choose between prioritising compliance matters over support for commercial activities, and may ultimately force NIBC to cease the offering of certain products or services.

Despite NIBC's efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, these compliance procedures may be inadequate or otherwise ineffective, including as a result of human or other operational errors in their implementation, and NIBC might fail to meet applicable standards. NIBC may also fail to comply with applicable laws and regulations as a result of unclear regulations, regulations being subject to multiple interpretations or being under development, or as a result of a shift in the interpretation or application of laws and regulations by supervisory authorities.

If NIBC is in breach of any existing or new laws or regulations, now or in the future, it will be exposed to the risk of intervention by regulatory authorities, including investigation and surveillance, and judicial or administrative proceedings. NIBC could be subject to administrative penalties, criminal penalties and other enforcement measures imposed by a governmental or self-regulatory authority. This could also lead to unanticipated costs associated with remedying deficiencies, harm NIBC's relationships with supervisory authorities, cause temporary interruption of operations or revocation or temporary suspension of licences or a prohibition from engaging in some of its business activities. In addition, the reputation of NIBC could suffer and it could be sued by customers if it does not comply with applicable laws or regulations. Each of these risks, should they materialise, could have a material adverse effect on NIBC's business, revenues, results of operations, financial condition, reputation and prospects.

Furthermore, NIBC has a number of clients with deposits in excess of the current reimbursement limit of €100,000 of the Dutch Deposit Guarantee Scheme (*Depositogarantiestelsel*), (the "**DGS**"). Such clients may be more likely to be affected and/or influenced by any measures taken in respect of such deposits, which may include but are not limited to bail-in measures and bank resolutions. These clients may decide to withdraw or decrease their deposits with banks such as NIBC Bank, which depends on such deposits for a proportion of its total funding. Any of the abovementioned circumstances could have a material adverse effect on the ability of banks such as NIBC Bank to maintain or increase its current and future liquidity ratios and on its financial condition.

33. NIBC is exposed to regulatory scrutiny and potential significant claims for violation of the duty of care owed by it to clients and third parties. A negative outcome of proceedings, settlements, action taken by supervisory and other authorities, legislation, sector-wide measures, and other arrangements for the benefit of clients and third parties could materially adversely affect NIBC's reputation as well as its business, results of operations, financial condition and prospects.

Pursuant to Dutch law, financial institutions in the Netherlands owe a duty of care (*zorgplicht*) to society due to their position in Dutch society (*maatschappelijke functie*) and their specific expertise. Financial institutions must therefore comply with duty of care rules, which include provisions on client classification, disclosure requirements and "know your customer" obligations.

After the global financial crisis, the duty of care standards applicable to Dutch financial institutions have become more stringent as a result of new European and national regulations and resulting from a more expansive interpretation of existing rules and standards by courts and supervisory authorities. For example, financial institutions are required to provide elaborate disclosure to clients on services and products and to provide (potential) clients insight into the total costs of the relevant investment service and the total costs of the investment products on an aggregate level. NIBC expects these trends to continue. As a result of this increased scrutiny, the negative effect on NIBC for non-compliance could be more pronounced in the future than a similar event of non-compliance would have had in the past.

Although in the past the duty of care was held to apply predominantly to a financial institution's retail customers, the application of this standard has on the basis of case law been extended more broadly for the benefit of commercial and professional parties and of third parties that suffer damages inflicted by clients of the financial institution. In these cases, courts held, for example, that in certain circumstances financial institutions may be expected to monitor activities of their clients, denouncing or even halting any suspected illegal activity. Over the last few years NIBC has been involved in a number of proceedings involving customers, counterparties, current or former employees or others in the ordinary course of its business in connection with the duty of care related standards applicable to NIBC's regulated subsidiaries. Also, a number of class action groups are actively soliciting plaintiffs for mass litigation proceedings, which consist of amalgamating the claims of all similarly-situated persons, and although NIBC is not involved in such claims as at the date of this Prospectus, such future action may also involve NIBC. Mass litigation proceedings by virtue of their size are more likely to attract media and political attention and may result in reduced litigation costs for claimants, both of which may result in additional claimants coming forward.

The Amsterdam Appeal Court (and other courts) ruled several times in cases involving financial institutions other than NIBC, for example in a case dated 19 December 2017 (ECLI:NL:GHAMS:2017:5248) that the standard provision in documentation for EURIBOR-mortgages pursuant to which a Dutch bank could unilaterally amend the margin, charged to consumers, is considered to be unreasonably onerous (*onredelijk bezwarend*). This standard provision has been nullified as a result thereof. This case law could set a precedent which may potentially expose NIBC to proceedings with respect to similar facts involving floating interest rates and margin adjustments on mortgage loans and other loans. Therefore, if in the future NIBC were to face similar proceedings there may be a risk that NIBC's ability to adjust margins to reflect changing external circumstances to which NIBC is exposed is affected such that NIBC may no longer be able to pass on costs, make less or no profits, and be forced to pay compensation.

The developments and application of the duty of care remains a complex and evolving area of law and one which could have substantial consequences for NIBC, including an increase in regulatory enforcement and related fines, reputational damage, additional claims by customers and increased costs and resources for, among other things, the conduct of large volumes of litigation. Also, it cannot be excluded that additional sector-wide measures may be imposed or expanded interpretations of existing requirements adopted by supervisory authorities, governmental authorities or the courts, as applicable, that may have an adverse effect on NIBC. All these developments may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

A negative outcome in any claims and allegations, litigation and regulatory investigations and sanctions relating to its duty of care brought by customers or organisations acting on their behalf, actions taken by supervisory or governmental authorities against NIBC and sector-wide measures or any adverse publicity relating thereto could substantially affect NIBC's reputation as well as its business, results of operations, financial condition and prospects. In addition, claims and proceedings may be brought against NIBC in respect of products sold, issued or advised on by NIBC in and outside the Netherlands with characteristics that are similar to characteristics of products offered by other financial institutions against which claims or proceedings are brought.

34. NIBC is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and NIBC may have insufficient capital resources or liquidity to meet these requirements, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

NIBC is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Specifically, the standards in the Basel III Framework are significantly more stringent than the requirements previously in force. The CRD IV and the CRR, in implementing the Basel III Framework, are intended to increase the quality and quantity of capital, and therefore require increased capital to be held. CRD IV and CRR also introduce requirements in respect of a capital conservation buffer, a counter-cyclical buffer, a systemic relevance buffer (consisting of a buffer for globally systemically important institutions ("**G-SIIs**") and a buffer for other systemically important institutions ("O-SIIs")), a systemic risk buffer, a new liquidity framework (liquidity coverage requirements and net stable funding requirements) as well as a leverage ratio. The leverage ratio is defined as Tier I capital expressed as a percentage of the sum of all the bank's exposure values of its assets and off-balance sheet items, calculated in accordance with the principles set out in the CRR and CRD IV regulations. The leverage ratio is expected to become a binding harmonised requirement of at least 3 per cent. With respect to the leverage ratio, the previous Dutch government announced on 18 December 2014 that it intended to implement a leverage ratio of at least 4 per cent for significant Dutch banks by January 2018. Currently, further to the coalition agreement dated 10 October 2017 of the new Dutch government, it appears that a leverage ratio of 4 per cent is no longer being actively pursued by the Dutch government, but that a leverage ratio of 4 per cent for significant banks will have to be maintained until a binding leverage ratio will have been implemented at a European level. Moreover, NIBC Bank is currently not included in the Dutch government's list of significant banks, and therefore would not be subject to any such 4 per cent leverage ratio. There is however no guarantee that NIBC will not be included in any such list in the future. Although NIBC is not a G-SII, the European Commission proposes to make certain changes to the minimum requirement for own funds (including CET1, Additional Tier 1 ("**AT1**") or Tier 2 instruments) and eligible liabilities ("**MREL**") requirements applicable to non-global systemically important banks, including (without limitation) the eligibility of liabilities for MREL, to maintain coherence between the MREL requirements applicable to global systemically important bank and other banks.

In addition, in December 2014, the Basel Committee published a public consultation regarding the introduction of capital floors based on standardised approaches as a result of which banks may be required to apply advanced approaches to risk categories by applying the higher of (i) the risk weighted assets ("**RWA**") floor based on (new) standardised approaches and (ii) the RWA based on advanced approaches in the denominator of their ratios. Since then, the Basel Committee has published additional changes to the standardised approach for credit risk in December 2015 ("Revisions to the Standardised Approach for credit risk—second consultative document") as well as requesting consultation on proposals to reduce the variation in credit RWA that are calculated using internal models (FIRB and AIRB) and to impose floors on input parameters ("Reducing variation in credit risk-weighted assets—constraints on the use of internal model approaches", issued for comments in March 2016). On 7 December 2017, the Basel Committee published the finalised Basel III reforms as improvements to the global regulatory framework ("**Basel III Reforms**") (informally referred to as Basel IV). Basel III Reforms seeks to restore credibility in the calculation of RWA and improve the comparability of banks' capital ratio. The most important changes involve stricter rules for internal models. Internal models for operational risk will no longer be permitted; a standardised approach must be applied instead. The rules for calculating RWAs for credit risk will be tightened, under the standardised approach as well as under the internal ratings-based (IRB) approach. This includes changes to the requirements for the risk-weighting of mortgages. In the revised standardised approach mortgage risk weights depend on the loan-to-value (LtV) ratio of the mortgage (instead of the existing single risk weight to residential mortgages). In accordance with Basel III Reforms, banks 'calculations of RWAs generated by internal models cannot, in aggregate, fall below 72.5 per cent of the RWA computed by the standardised approaches. This limits the benefit the Company can gain from using internal models to 27.5 per cent. The implementation will be gradual, with the new regulation being implemented in 2022 followed by a 5 year phase-in period. A 50 per cent floor comes into effect at the start of 2022, followed by 5 per cent increases every year until 2026, when 70 per cent will be the floor. The final 72.5 per cent floor will be in effect in 2027. Although the impact of Basel III Reforms remains subject to considerable uncertainty and transposition by the EU legislature, the implementation of the standardised RWA floors could have a significant impact on the calculation of NIBC's RWA if differences occur in RWA calculated on the basis of advanced approaches and such calculation on the basis of new standardised rules. Based on NIBC's results as of and for the twelve months ended 31 December 2017, but adjusted for NIBC's estimate of the IFRS 9 impact (applicable as at 1 January 2018) at 31 December 2017, NIBC estimates that the proposed Basel III Reforms will have an impact on its RWA in the range of 20 to 30 per cent and on its CET1 ratio in the range of (2.50) to (3.50) percentage points, based on its interpretations and assumptions regarding the Basel III Reforms, but excluding possible management actions, and potential changes to Pillar 2 requirements. Note this also assumes the current portfolio to be the same in 2027, as well as RWA based on the current economic environment, application of loan splitting and a zero per cent risk weight for the guaranteed part of the NHG mortgages after deduction of 10 per cent own risk.

On 23 November 2016, the European Commission announced a further package of reforms to CRD IV, including measures to increase the resilience of EU institutions and enhance financial stability, potentially resulting in changes to Pillar II regulatory capital framework, a binding leverage ratio of 3 per cent, the introduction of a binding minimum net stable funding ratio of 100 per cent and the implementation of the Basel's committee fundamental review of the trading book into law. These proposals may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects, including that NIBC may be required to obtain additional capital. The timing for the final implementation and the final impact of these reforms as at the date of this Prospectus is unclear.

Regulatory reform proposals could result in the imposition of additional restrictions on NIBC's activities if it were to no longer meet certain capital requirements at the level of the Company on a consolidated basis or at the level of certain subsidiaries. NIBC believes that it will become subject to stricter capital and liquidity requirements which may also affect the scope, coverage or calculation of capital, liquidity and RWA, all of which could significantly reduce NIBC's income and require NIBC to reduce business levels, to reduce or cease dividend payments, or to raise additional share capital. Furthermore, stricter liquidity requirements could hinder NIBC's ability to manage its liquidity in a centralised manner and may cause trapped pools of liquidity, resulting in inefficiencies in the management of NIBC's liquidity. The quantitative impact of additional regulatory capital requirements is currently uncertain and will depend also on the future development of NIBC's balance sheet and whether multiple or even all of the changes have negative consequences for NIBC, or only a few.

Furthermore, the European Commission, the EBA, the ECB, the Netherlands and/or DNB may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital and liquidity requirements on (a subset of) Dutch banks.

NIBC uses internal models to assess the risks of its loan portfolio. These models are subject to regulatory approval, which can be withdrawn at the discretion of DNB for instance, based on regulatory developments or the development of NIBC's loan portfolio. A withdrawal of regulatory approval could have a significant impact on the RWA of NIBC due to the substantial difference in RWA calculated on the basis of its internal models when compared with the outcome if such models are not available. See "*Risk Management*".

In addition, as part of the Supervisory Review and Evaluation Process ("**SREP**"), supervisory authorities may perform an analysis of the business model, arrangements, strategies, processes and mechanisms of the Company on a consolidated basis and NIBC Bank on a consolidated as well an individual basis to form a view on its viability and sustainability. If necessary, they may take measures to address any problems and concerns including, among other things, requiring additional capital and/or liquidity buffers. Such measures may result in changes to the business plan and strategy, or require NIBC Bank to reduce risks that are inherent in certain products by requiring changes to the offering of these products or improvements of the governance and control arrangements around product development and maintenance. They may also include measures to reduce risks inherent to NIBC's systems by requiring improvements of its systems. Any such measures may materially and adversely affect NIBC's business and may force NIBC to make substantial investments to meet the requirements. In addition, NIBC may be subjected to SREP requirements imposed by DNB which may prohibit

NIBC from distributing more than the maximum distributable amount calculated in accordance with CRD IV and CRR, or may require NIBC to reduce or cease dividend payments.

If the regulatory capital requirements, liquidity restrictions or ratios applied to NIBC are increased in the future, any failure of NIBC to maintain such increased capital and liquidity ratios could result in administrative actions and/or sanctions, which may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects or require NIBC to raise new capital to meet higher regulatory capital standards.

See further discussion on risk factors relating to liquidity "*—NIBC has a continuous demand for liquidity to fund its business activities and lack of liquidity is a risk to NIBC's business and may have a material adverse effect on NIBC's business, financial condition, results of operations and prospects.*".

35. NIBC may be subject to the intervention and resolution powers under the Dutch Financial Supervision Act, the BRRD and the SRM Regulation, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects, and its ability to pay dividends.

Under the Dutch Financial Supervision Act, the Dutch Minister of Finance has the power to (i) commence proceedings leading to ownership by the Dutch State (nationalisation) of a given financial institution, and sometimes of its parent company, and expropriation of property, liabilities as well as the corresponding claims and/or securities and (ii) take immediate measures which may deviate from statutory provisions or from the articles of association of the relevant financial institution (*financiële onderneming*) (the "**Dutch Law Intervention Powers**") when the Dutch Minister of Finance, with a view to the stability of the financial system, is of the opinion that stability is in serious and immediate danger given the situation of the relevant financial institution. Furthermore, governments in the Netherlands and abroad have also intervened in the banking sector over the past few years on an unprecedented scale, responding to stresses experienced in the global financial markets.

Pursuant to the Bank Recovery and Resolution Directive (the "**BRRD**") as implemented in the Dutch Financial Supervision Act, DNB, in its capacity as national resolution authority ("**NRA**"), has various resolution tools which include a sale of (part of) a business, an asset separation tool and a bail-in tool. See "*Supervision and Regulation—Recovery and Resolution*". NIBC is unable to predict what effects, if any, the Dutch Law Intervention Powers, the BRRD and Regulation (EU) No 806/2014 of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (the "**SRM Regulation**") may have on the financial system generally, on NIBC's counterparties, or on NIBC, its operations and/or its financial condition. The Dutch Law Intervention Powers, the BRRD and the SRM Regulation could negatively affect the position of shareholders in the capital of NIBC.

Pursuant to the BRRD and the SRM Regulation, banks such as NIBC Bank must meet, at all times, a minimum requirement for MREL. The minimum requirement shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the bank.

On 23 May 2016, the European Commission adopted the regulatory technical standards on the criteria for determining the MREL under the BRRD (the "**MREL-RTS**"). The MREL requirement applies to all credit institutions. In order to ensure the effectiveness of bail-in and other resolution tools introduced by the BRRD and the SRM Regulation, it is required that all institutions meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. The MREL-RTS do not set a minimum EU-wide level of MREL. Each resolution authority is required to make a separate determination of the appropriate MREL requirement for each resolution group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution. The MREL requirement for each institution will be comprised of a number of key elements, including the required loss absorbing capacity of the institution and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Items eligible for inclusion in MREL will include an institution's own funds (within the meaning of CRD IV), along with "eligible liabilities" (meaning, *inter alia*, liabilities which are issued and fully paid up and have a maturity of at least one year (or do not give the investor a right to repayment within one year) and do not arise from derivatives).

The MREL requirement came into force on 1 January 2016. However, given the impact that the MREL requirement has on the funding structure of banks such as NIBC Bank, the MREL-RTS specifies that resolution authorities may determine an appropriate transitional period to reach the final MREL required in accordance with the MREL-RTS, and which should in any case be as short as possible. Any transitional period applied in respect of NIBC Bank may be subsequently revised.

Further to the above, on 23 November 2016 the European Commission announced a further package of reforms to the BRRD and the SRM Regulation, including to the MREL requirement. As part of these reforms, the European Commission proposes to align the MREL requirement under the BRRD and the SRM Regulation with the Financial Stability Board's ("**FSB**") standards on total loss-absorbing capacity of global systemically important banks in resolution of 9 November 2015 (the "**TLAC Standards**"). Although NIBC Bank is not a G-SII, the European Commission proposes to make certain changes to the MREL requirements applicable to non-G-SIIs, including (without limitation) the eligibility of liabilities for MREL, to maintain coherence between the MREL requirements applicable to G-SIIs and other financial institutions.

On 14 December 2016, the EBA submitted a final report on the implementation and design of the MREL framework which contains a number of recommendations to amend the current MREL framework, including but not limited to the change of the reference base of MREL from total liabilities and own funds to RWA and introduces steps towards further convergence of the MREL requirement towards the TLAC Standards.

Given the ongoing changes to the MREL regime, considerable uncertainty remains in respect of its impact on financial institutions such as NIBC Bank. NIBC Bank may have difficulties raising MREL, which would have a material adverse effect on NIBC's business, results of operations, financial condition and prospects. Moreover, in addition to the proposed amendments described in "*Supervision and Regulation-Recovery and Resolution*", the MREL framework may be subject to further changes over the coming years. At this point in time, it is not possible for NIBC to assess the impact which these changes will have on it once implemented. Although the TLAC Standard will not be applicable to NIBC Bank, the MREL requirements that are applicable to NIBC under the BRRD and SRM Regulation will likely change in the future as a result of the implementation of the TLAC standard into EU law. For instance, the liabilities eligible for the MREL are expected to be aligned with the eligibility criteria provided in the TLAC standard (with certain exceptions and options for the resolution authorities). This may entail a limitation of liabilities eligible for MREL, compared with the current eligibility requirements. There is a possibility that such and other future capital and buffer requirements applicable to NIBC Bank will increase and that as a result NIBC Bank will be required to strengthen or diversify its capital position. This may result in higher capital and funding costs for NIBC, and as a result may materially and adversely affect the Company's profits and its possible ability to pay dividends.

36. NIBC may be subject to risk associated with deposit guarantee schemes and similar funds, which may increase NIBC's costs and have a material adverse effect on NIBC's business, results of operations, financial condition and prospects, and consequently its ability to pay dividends.

In the Netherlands and other jurisdictions deposit guarantee schemes and similar funds ("**Compensation Schemes**") have been implemented and a euro-area wide deposit insurance scheme for bank deposits was proposed by the European Commission on 24 November 2015. It is not yet clear whether and, if so, when this will come into effect.

Pursuant to such schemes compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. As a result of the increased number of bank failures, in particular since the 2008 financial crisis, NIBC expects that levies in the industry will remain at high levels as a result of the Compensation Schemes. In particular, NIBC Bank is a participant in the DGS. The costs involved with making compensation payments under the DGS are allocated among the participating banks by DNB, based on an allocation formula related to their market shares. The ultimate costs to the industry of payments which may become due under the Compensation Schemes, remains uncertain although they may be significant and these and the associated costs to NIBC may have a material adverse effect on its business, results of operations, financial condition and prospects. The costs associated with the euro area wide-deposit insurance scheme are currently unknown and may be significant.

On 16 April 2014, the (recast) EU Directive on deposit guarantee schemes (2014/49/EU) (the "**DGS Directive**") was adopted. Pursuant thereto, the DGS changed from an ex-post scheme, where NIBC Bank contributed after the failure of a firm, to an ex-ante scheme where NIBC Bank and other financial institutions will pay risk-weighted contributions into a fund to cover future drawings under the DGS. The fund is expected to grow to a target size of 0.8 per cent of all deposits guaranteed under the DGS. The target size should be reached by 3 July 2024. The costs associated with potential future ex-ante contributions are unknown, and will depend on the methodology used to calculate risk-weighting, but may be significant. The DGS Directive has been implemented in a decree by the Dutch Minister of Finance on 26 November 2015.

In addition to the DGS, NIBC Bank is required to contribute mandatorily to a Single Resolution Fund. The Single Resolution Fund is financed by ex-ante individual contributions from banks, such as NIBC Bank. These contributions are calculated on the basis of each bank's liabilities compared (excluding own funds and covered deposits), and adjusted for risk. The Single Resolution Fund is built up over a period of eight years to reach the target level of at least 1 per cent of the amount of all covered deposits of all banks authorised in all Member States participating in the SRM by 31 December 2023. The ultimate costs to the industry of payments under the Single Resolution Fund may be significant and these and other associated costs to NIBC Bank may have a material adverse effect on its business, results of operations, financial condition and prospects.

37. Recent amendments to legislation applicable to mortgages in the Netherlands may have a significant impact on NIBC's mortgage business. This could materially and adversely affect NIBC's business, results of operations, financial condition and prospects.

In the Netherlands, increasing restrictions apply to the principal residential mortgage loan market for consumers. The lowering of the maximum LtV ratio on new residential mortgage origination to 100 per cent as per 1 January 2018 means that home buyers will be required to finance certain costs (such as advisory fee) in connection with the purchase of the home, rather than borrowing these amounts as part of the mortgage loan, and as a result the demand for residential mortgages may be negatively affected. The additional costs which home buyers face is expected to put downward pressure on the total outstanding volume of mortgages in the Netherlands, which could decrease the size of NIBC's mortgage portfolio. In addition, since 2013 under Dutch legislation on the tax deductibility of loan repayments, interest payments are fully deductible from the borrower's taxable income only when the mortgage loan is redeemed fully (100 per cent) during the term of the loan based on an annuity or linear scheme. For mortgage loans originated since 1 January 2013 to be eligible for such tax treatment, the maximum term of the loan should be 360 months. However, since 2014, the maximum rate against which interest on such housing loans can be deducted for all mortgage loans, new and existing, has been gradually reduced by 0.5 per cent each year. Thus, the current maximum mortgage interest relief rate is 49.5 per cent in 2018 for taxpayers in the highest income tax rate bracket. Over the next 23 years, this will be reduced to a maximum mortgage interest of relief rate of 38 per cent, which may further reduce demand for mortgages in the Netherlands, including in NIBC's mortgage portfolio. Furthermore, with a view to reducing the mortgage debt and LtV ratio of home owners, the Dutch government introduced an elevated gift tax exemption of €100,000 that is applicable in 2018. This elevated gift tax may also impact NIBC's mortgage book as clients could use these amounts for pre-payment on existing loans or when buying a new house. (See "*—Rising prices and price volatility in the Dutch housing market could have a significant impact on the margins earned in NIBC's mortgage business, which could have a material adverse effect on NIBC's business, financial condition, results of operations and prospects.*").

The increasing restrictions applicable to mortgage interest relief by the Dutch tax authorities may, among other things, have a material adverse effect on house prices and the rate of economic recovery and may result in an increase in defaults. Moreover, the mortgage lending rules remain subject to political discussions and the outcome of these discussions cannot be predicted, the benefits of the current tax treatment may be further restricted and additional changes may be implemented affecting, for example, mortgage loan requirements or lending criteria.

In addition, in March 2016 the Basel Committee identified reasons to further reinforce the risk-weighted capital framework for residential mortgages, both by applying updates to the calculation of and by possibly applying capital floors on each major risk category (credit risk, market risk and operational risk) which could have a significant impact on the calculation of NIBC's risk weightings for exposures secured by mortgages on residential property. This is now further clarified in the Basel III Reforms, see "*—NIBC is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and NIBC may have insufficient capital resources or liquidity to meet these requirements, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects*" for further details.

As a result of the above changes to the mortgage lending rules and the restrictions on the mortgage interest relief applicable to the principal residence mortgage market NIBC's principal residence mortgage business could be adversely affected. These measures might have a material adverse effect on the sale of NIBC's principal residence mortgage products and therefore on the aggregate loan portfolio and on the interest margins that it is able to earn on new and existing principal residence mortgages, as well as on the ability of its clients to pay amounts due in a timely manner and in full, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

38. Major changes in laws and regulations and in their interpretation could materially and adversely affect NIBC's business, results of operations, financial condition and prospects.

Since 2009, as many emergency government programmes slowed or wound down, global regulatory and legislative focus has generally moved to a next phase of broader reform and a restructuring of financial regulation. Legislators and supervisory authorities, predominantly in Europe and in the United States, but also elsewhere, are currently introducing and implementing a wide range of proposals that could result in major changes to the way NIBC's operations are regulated and could have a material adverse effect on its business, results of operations, financial condition and prospects. NIBC may also be materially and adversely affected by changes in the interpretation of existing rules, for example as a result of court judgments, or developing or changing views of regulators, tax authorities and other authorities on the application of rules. Changes in law also affect the business operations of NIBC. Currently proposed or debated regulatory changes or other such changes that may be proposed and that take effect in the future are likely to have a material impact on NIBC. In addition to the developments mentioned above, recent and ongoing prudential, conduct of business and more general regulatory and other legislative initiatives include:

EMIR. Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on over-the-counter ("**OTC**") derivatives, central counterparties and trade repositories ("**EMIR**") has introduced new requirements to improve transparency and reduce the risks associated with the OTC derivatives market. Some of these requirements have already entered into force, while others will do so in the future. As a result, counterparties that enter into derivative contracts subject to EMIR must report certain information on these contracts and their counterparties to a trade repository, and in addition apply risk mitigating techniques (including portfolio reconciliation, mark-to-market valuation, and margining, if applicable) for all OTC derivative trades that are not cleared by a central counterparty, and must clear through a central counterparty all OTC derivatives that are subject to the central clearing obligation set forth in EMIR. NIBC has implemented the relevant EMIR requirements. Notwithstanding the foregoing, it should also be noted that changes will be made to the EMIR framework in the context of the EMIR review process which is ongoing and expected to be finalised during the course of 2018. The proposed changes impact, among other things, the classification of counterparties under EMIR, the reporting obligation and the clearing obligation, all of which may impact NIBC and its implementation of relevant EMIR requirements. See "*Supervision and Regulation—Corporate Client Offering—EMIR*".

MiFID II. Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast) ("**MiFID II**") and Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 ("**MiFIR**"), replacing, extending and improving the European rules on markets in financial instruments, entered into force on 3 January 2018. As at 3 January 2018, *amongst others*, (i) supervisory authorities have more extensive powers and have the possibility to imposing higher fines in case of infringement of their requirements; (ii) rules on transparency and oversight of financial markets, including derivatives markets, have been extended to have a broader application; and (iii) investor protection is strengthened by introducing additional organisational and conduct of business requirements. Consequently, MiFID II and MiFIR are expected to have a substantial impact on the capital markets activities and on other client facing activities of NIBC. In light thereof, NIBC could face significantly higher compliance costs as it is subject to increasingly complex requirements. In addition, MiFID II and MiFIR have a strong IT impact, as in order to comply with some of the core MiFID II requirements, particularly with respect to transactions reporting, pre- and post-trade transparency and record keeping, changes must be made to various IT systems such as market gateways, order and execution management systems and booking systems. MiFID II and MiFIR introduced a significant number of new rules, many of which are complex in their application. In addition, many of these new rules are subject to interpretation. Accordingly, NIBC faces the risk that its interpretations will deviate from the interpretation of its competent authorities. See "*Supervision and Regulation—Retail Client Offering—MiFID, MiFID II, MiFIR, PRIIPS*".

PSD2. The revised EU Payment Services Directive 2015/2366 ("**PSD2**") is a payments-related legislation in Europe, which entered into force in January 2016. PSD2 is the product of a review of the original Payment Services Directive and requires payment service providers to make a significant number of changes to existing operations. PSD2 requires that all Member States implement these rules as national law by 13 January 2018. In September 2017, the Dutch Minister of Finance announced that it is expected that PSD2 will be implemented in the Netherlands early 2018. NIBC does not currently provide payment services in the Netherlands and consequently PSD2 is not expected to have an impact on the current business of NIBC. If NIBC decides to pursue new business opportunities in the future, NIBC may however become, subject to PSD2 requirements in the European Member States in which it operates. PSD2 provides several options to the Member States that they may decide to apply or not, including requiring payment institutions with head offices in other Member States and operating within their territory to follow certain requirements, which may further increase compliance costs for NIBC outside the Netherlands.

Dutch banking tax. As at 1 October 2012, the Dutch government introduced a banking tax for all entities that are authorised to conduct banking activities in the Netherlands. The tax is based on the amount of the total liabilities on the balance sheet total of the relevant bank after reduction of certain liabilities as at the end of such bank's preceding financial year and after taking an efficiency threshold (*doelmatigheidsvrijstelling*) into account. Certain exceptions to this general principal may apply. The levy on short-term funding liabilities is currently 0.044 per cent and the levy on long-term funding liabilities is currently 0.022 per cent, but there is no guarantee that the tax will remain at those levels. In the past, NIBC was only subject to the Dutch banking tax in the year 2012 (€0.1 million), but it may become subject to it again if NIBC's balance sheet assets increase above a certain level. Some other countries have also introduced a banking tax or similar taxes, including Belgium. Currently, Belgian banking tax is 0.13 per cent of client deposits annually. NIBC paid Belgian banking tax in the amount of €1.4 million in 2017, €0.6 million in 2016 and €2.1 million in 2015. The basis different countries use to levy the banking tax may vary. As a result, NIBC may be subject to increased taxation or double taxation in this and future reporting periods.

Benchmark Regulation. On 29 June 2016, the Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmark Regulation**") was published in the official journal and applies from 1 January 2018. The Benchmark Regulation will contribute to the accuracy and integrity of benchmarks used in financial instruments and financial contracts or to measure the performance of investment funds by, among others, (i) ensuring that benchmark administrators are subject to prior authorisation and supervision depending on the type of benchmark, requiring greater transparency on how a benchmark is produced, and (ii) ensuring the appropriate supervision of critical benchmarks, such as EURIBOR/LIBOR, the failure of which might create risks for market participants and for the functioning and integrity of markets; and (iii) requiring EU supervised entities to only use benchmarks of administrators that are duly authorised/registered. As user of benchmarks for, amongst others, the debt securities it issues, NIBC may only use benchmarks, which are in compliance with the Benchmark Regulation.

The proposed financial transactions tax ("**FTT**"). On 14 February 2013, the European Commission published a proposal (the Commission's Proposal) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the Participating Member States). However, Estonia has since stated that it will not participate. The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Offer Shares (including secondary market transactions) in certain circumstances. The issuance and subscription of Offer Shares should, however, be exempt. Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Offer Shares where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. However, the FTT proposal remains subject to negotiation between Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Depending on the final details of such regulation, if the FTT were to come into force and to the extent the FTT were to apply, NIBC could incur significant compliance costs. Prospective holders of the Offer Shares are advised to seek their own professional advice in relation to the FTT.

Changes in tax treaties, laws, rules or interpretations or the outcome of tax audits could have an adverse effect on NIBC. The tax laws and regulations in the jurisdictions in which NIBC operates may be subject to change, for instance changes following the adoption by the EU Council of the Anti-Tax Avoidance Directive on 12 July 2016 in Council Directive (EU) 2016/1164. New tax laws or regulations may be introduced by competent authorities with or without retrospective effect and there may be changes in the interpretation and enforcement of such tax laws or regulations, such as with respect to applicable transfer pricing rules regarding intercompany loans and intragroup services, and the value-added tax treatment of NIBC' client services. As a result, NIBC may face increases in taxes payable (plus accrued interest and penalties). In addition, tax authorities in the relevant jurisdictions may periodically audit NIBC. Tax audits typically include a review of interest deductibility, NIBC's transfer pricing arrangements or policies, the taxation of foreign exchange results, the amount of tax depreciation or amortisation of NIBC's assets and value added tax matters. Tax audits may consequently lead to higher tax assessments. Any additional taxes payable (plus accrued interest and penalties) may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects. Insofar as there are on-going discussions between NIBC and tax authorities, NIBC endeavours to make adequate provisions for any potential negative impacts which may arise from these discussions, however NIBC cannot guarantee that these provisions will be sufficient.

State aid. The European Commission may investigate EU Member States tax arrangements in order to determine whether these qualify as unauthorised state aid. While NIBC is not aware of any official investigation having commenced to date, the European Commission has initiated a discussion on whether the benefits resulting from the deductibility for Dutch corporate income tax purposes of the compensation due on certain instruments issued by financial institutions in the Netherlands may constitute unauthorised state aid. These instruments include the AT1 notes issued by NIBC. Several requirements need to be met in order for a tax arrangement to qualify as unauthorised state aid, most importantly whether (i) it grants a selective advantage to the banking and insurance sector or (ii) if it distorts competition or negatively impacts trade in the European Union. If the tax deductibility will be qualified as unauthorised state aid, then the benefits may have to be recovered by the Dutch State from NIBC, with interest, and NIBC will be denied any such tax deduction going forward.

Policy on changes to certain Dutch tax regimes. On 10 October 2017, the four parties that have formed the new Dutch government released their coalition agreement (the Coalition Agreement) (*regeerakkoord*) 2017–2021. The Coalition Agreement does not include concrete legislative proposals, but instead sets out a large number of policy intentions of the new Dutch government.

One of the policy intentions is the introduction of a withholding tax as of 1 January 2021, on interest payments directly or indirectly made to beneficiaries in low-tax jurisdictions or countries that are included in the EU list of non-cooperative jurisdictions. The policy intentions suggest that this interest withholding tax is intended to combat "letterbox" structures, or structures through countries that are included in the EU list of non-cooperative jurisdictions, however it cannot be ruled out that it will have a wider application. Based on a letter of the Dutch State Secretary for Finance of 23 February 2018, it is unlikely that it will be applicable to interest payments on the notes issued by NIBC. Many aspects of this policy intention remain unclear. As at the date of this Prospectus, no definition has been provided of what is considered to be a low-tax jurisdiction.

Another policy intention relates to the introduction of a "thin capitalisation rule" that would limit the deduction of interest on debt exceeding 92% of the commercial balance sheet total. Many aspects of this policy intention remain unclear, but if this rule is implemented in Dutch law it may have an adverse impact on the amount of interest that NIBC can deduct for corporate income tax purposes and thus on its financial position.

In addition, the coalition parties aim at lowering the corporate income tax rate and the individual income tax rate. If enacted, the corporate income tax rate applicable to the first bracket, that includes the first €200,000 of taxable profit which is currently taxed at 20 per cent, would then decrease to 19 per cent in 2019, 17.5 per cent in 2020 and to 16 per cent in 2021. The corporate income tax rate applicable to the second bracket, that includes the remainder of taxable profit which is taxed at 25 per cent, would decrease to 24 per cent in 2019, 22.5 per cent in 2020 and to 21 per cent in 2021. The individual income tax rate will be lowered and limited to two brackets, instead of three brackets. The first bracket includes the first €68,600 of taxable profit which will be taxed at 36.93 per cent and the second bracket, that includes the remainder of taxable profit, will be taxed at 49.5 per cent. In addition, the coalition parties intend to introduce a "thin capitalisation" rule for banks and insurers that would limit the deduction of interest on debt exceeding 92 per cent of their commercial balance sheet total. Many aspects of this policy intention remain unclear, but if this initiative is implemented in Dutch tax law this may have a material impact on the amount of interest that NIBC can deduct for Dutch corporate income tax purposes.

Changes in Dutch fiscal unity regime as a result of Court of Justice of the European Union judgement. On 22 February 2018, the Court of Justice of the European Union ruled in the joined cases X BV (Case C-398/16) and X NV (Case C-399/16) that certain elements of the Dutch fiscal unity regime for corporate income tax purposes are to be considered an unjustified violation of the freedom of establishment and are therefore contrary to European Union law. As a result, previously announced emergency legislation, changing the Dutch fiscal unity regime, will most likely enter into force with retroactive effect as from 25 October 2017 at 11:00 am (CET). The wording of this emergency legislation has not yet been made public. It is expected that a legislative proposal will be sent to Dutch parliament in the second quarter of 2018. This emergency legislation may have an impact on the tax position of the Company and the group companies included in its fiscal unity for Dutch corporate income tax purposes.

Information exchange and reporting. There are various international and EU initiatives on automatic exchange of information such as the OECD Common Reporting Standard and the EU Directive on

Administrative Cooperation in the field of Taxation (Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU). These initiatives, implemented on 1 January 2016, call on Member States to obtain information from financial institutions such as NIBC. The information so obtained will be automatically exchanged with other Member States. These initiatives, implemented on 1 January 2016, have had considerable impact on client on-boarding and administrative processes of NIBC. Increasingly, the countries in which NIBC operates request it to report information on its customers in greater detail than had been previously reported, including information relating to deposits held, and dividends and interests received, by customers. The manner and detail of reporting requirements differ from country to country. Accordingly, an increasing number of requests are being made to NIBC and entering into relationships with new clients is becoming more complex. Therefore, NIBC may be required to make significant additional investments in order to be able to continue to operate in all countries in which it has a presence. On 18 March 2015, the European Commission presented a package of tax transparency measures as part of its agenda to tackle corporate tax avoidance and harmful tax competition in the EU (the "**Tax Transparency Package**"). In this respect, on 6 October 2015, a political agreement was reached on the amendment of the EU Directive on mandatory Automatic Exchange of Information in the field of Taxation (Council Directive 2011/16/EU, as amended by Council Directive 2015/135/EU) with regard to the mandatory exchange of information on advance cross-border tax rulings, as well as advance pricing arrangements. The implementation of the Tax Transparency Package in its current form is not expected to have a material impact on NIBC. However, the Tax Transparency Package may be amended at a later stage. In addition, there are multiple other initiatives worldwide for multinationals to become more transparent to the relevant tax authorities and other initiatives may follow. It is unclear what the costs and impact on NIBC's resources would be if such initiatives would be implemented.

Privacy and data protection legislation. NIBC is subject to complex and evolving Dutch, European and other jurisdiction's laws and regulations regarding the processing (including collection, use, handling, retention, sharing and protection) of personal data. These data protection laws apply to personal data concerning customers, employees, third parties and other individuals who interact with NIBC. Any failure to comply with data protection laws may lead to fines and may undermine NIBC's reputation and may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects. Also, data security breaches may lead to unlawful use of personal data for which NIBC is responsible, notification obligations towards financial and data protection authorities or affected individuals and claims from individuals. The privacy and data protection laws to which NIBC is subject could be amended in the future to impose greater obligations on data controllers, including NIBC. For example, on 14 April 2016, the European Parliament adopted a regulation on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the "**GDPR**"), which, once entered into force on 25 May 2018, will be directly enforceable applicable in each EU Member State in which NIBC operates. The GDPR will replace the EU Data Protection Directive 95/46/EC and will impose more stringent data protection obligations than under the current EU Data Protection Directive 95/46/EC and Dutch Data Protection Act, resulting in a substantially higher compliance burden on NIBC. The new GDPR regulations contain, among other things, high accountability standards for data controllers, stricter requirements to providing information notices to and obtaining consent from individuals, restrictions on profiling of individuals, restrictions on the collection and use of sensitive personal data, compulsory data protection impact assessments of certain processing operations, and maintaining an internal register of security breaches and mandatory notification of data security breaches. Additional requirements on the content of data processing agreements could necessitate updating current outsourcing arrangements. In addition, the GDPR increases sanctions for data protection compliance violations of up to the higher of €20,000,000 or 4 per cent of NIBC's total global annual turnover, whichever is higher. Currently the Dutch Data Protection Authority (*Autoriteit Persoonsgegevens* the "**DPA**") may impose fines of up to a maximum of €820,000 or 10 per cent of NIBC's annual net turnover per violation for violations of the Dutch Data Protection Act. Once the GDPR enters into force the sanctions regime under the GDPR replaces the existing Dutch regime.

Dutch data protection law. The Act on Data Breach Notifications (*Wet Meldplicht datalekken en uitbreiding bestuurlijke boetebevoegdheid Cbp*) (the "**Data Protection Act**") entered into force on 1 January 2016 and introduced a mandatory notification for security breaches of personal data that adversely affect the privacy or personal data of data subjects for all data controllers in the Netherlands and increased sanctions for violations of the Data Protection Act. Data controllers have to maintain an internal register recording all security breaches they experience. The act furthermore introduced the power of the DPA to impose higher fines for violations of the Data Protection Act, up to a maximum of either €820,000 or 10 per cent of NIBC's annual net turnover per violation.

In addition, on 16 June 2017 the Dutch government launched the online consultation for the Dutch Cyber Security Bill (*Cybersecuritywet*, "**CSW**") that implements the EU Network and Information Security

Directive 2016/1148. The CSW has not yet formally been introduced in the Dutch Parliament, but the draft proposal contains additional cyber security compliance requirements on top of the rules on processing of personal data related to cyber security incidents (*Wet gegevensverwerking en meldplicht cybersecurity*). These include basic cyber security requirements and a new sanctions regime for compliance failures, with proposed fines per violation of up to a maximum of €5,000,000. The CSW must enter into force before 9 November 2018.

Compliance with cyber security and notification requirements could cause significant additional costs to NIBC. Any failure to comply with privacy and cyber security laws and regulations or data protection policies may lead to fines and may undermine NIBC's reputation and may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.

4th EU AML/CFT Directive. On 25 June 2015, Directive EU 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, entered into force, enhancing the existing EU measures to combat money laundering and the financing of terrorism. The provisions of the directive had to be transposed into national laws by 26 June 2017, and in the Netherlands became the Act for the Prevention of Money Laundering and Financing of Terrorism (*Wet ter voorkoming van witwassen en financieren van terrorisme*). The Dutch Ministry of Finance confirmed that the entry into force of the implementation has been delayed. Important changes in the EU requirements regarding anti-money laundering and the countering of the financing of terrorism relate to additional requirements for identification and verification of the ultimate beneficial owner ("**UBO**"), introduction of a central UBO register, extension of the definition of politically exposed persons ("**PEPs**") to domestic PEPs and supervision of correct application of the directive outside the EU. The changes will have considerable impact on client on-boarding processes and may require further due diligence and new "know your customer" procedures on existing customer files for NIBC to meet its obligations throughout its businesses.

For further information on laws and regulation to which NIBC is subject, see "*Supervision and Regulation*".

The financial services industry continues to be the focus of significant regulatory scrutiny and the political climate often determines the supervisory authorities' agendas and focus points. This trend has accelerated markedly as a result of the recent financial crisis. This has led to a more intensive approach to supervision and oversight, increased expectations from regulators and the public, a sharp increase in the volume of new regulations and the pace at which they are issued, an increasing frequency and amount of data requests and visits from competent supervisory authorities and enhanced enforcement.

The timing and full impact of new laws and regulations, including the initiatives described above, cannot be determined yet and are beyond NIBC's control. The introduction of these and other new rules, requirements, guidelines and policy changes, which sometimes have retroactive effect, could significantly impact the manner in which NIBC operates, particularly in situations where regulatory legislation can interfere with or even set aside national private law, but also where regulatory legislation is inconsistent in the requirements applicable to NIBC. Often, regulations use open standards as a result of which NIBC has to form a view on how to implement or apply the regulations with the risk that a supervisory authority or court in the future finds that the implementation or application was incorrect. New requirements may materially and adversely affect NIBC's business, results of operations, financial condition and prospects and may result in NIBC deciding to raise capital, reduce or eliminate its dividend, modify its legal entity structure, capital and funding structures and business mix or to exit certain business activities altogether or to determine not to expand in certain business areas despite their otherwise attractive potential. In addition, interpretation of requirements by supervisory authorities and courts may change over time. Major changes in laws and regulations and interpretations, including by the EBA, could materially and adversely affect NIBC's business, results of operations, financial condition and prospects.

This large number of legislative initiatives requires constant and considerable attention from NIBC's senior management and consumes significant levels of resources to identify and analyse the implications of these initiatives. NIBC may have to adapt its strategy, operations and businesses, including policies, procedures and documentation, to comply with the requirements stemming therefrom. Especially in view of the volume of existing initiatives, there can be no assurance that new requirements will be implemented in a timely manner or without errors, resulting in non-compliance and possible associated negative consequences. Additionally, NIBC may be forced to cease to serve certain types of clients or offer certain services or products as a result of new requirements. Finally, these changes could be a significant burden on NIBC's IT infrastructure and systems and financial condition, as a result of which it may be forced to spend less time and money on business development which would otherwise be necessary to achieve its strategic goals.

When expanding its business to other jurisdictions or offering new products in jurisdictions in which NIBC is already active, NIBC may become subject to additional legislative and regulatory requirements. As a result, keeping ahead of requirements is in practice very difficult. NIBC's local businesses will not only need to comply with the local laws and regulations, but also with certain laws and regulations with worldwide application, including certain European legislation and the FATCA regime.

39. Failure to comply with anti-money laundering, anti-bribery, tax and corruption laws or international sanctions could lead to fines or harm NIBC's reputation and could disrupt NIBC's business and result in a material adverse effect on NIBC's business, financial condition and results of operations.

NIBC is subject to laws aimed at preventing money laundering and the financing of terrorism, bribery, tax evasion and corruption, and the enforcement of compliance with economic sanctions. These laws and regulations impose obligations on NIBC to maintain appropriate policies, procedures and controls to detect and prevent money laundering, tax evasion and terrorist financing, report unusual transactions and suspicions of money laundering and terrorist financing, comply with economic sanctions and combat bribery and corruption. Monitoring compliance with such laws can impose a significant financial burden on banks and other financial institutions and requires significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has become more stringent, resulting in several landmark fines against financial institutions.

NIBC runs the risk of violating anti-money laundering and counter terrorism financing rules and regulations and sanctions, and to incur reputational risk, if NIBC does not properly identify and verify the identity of a client, determine a client's source of funds and the reason of the banking relationship or that a client is subject to sanctions, or does not adequately monitor transactions with regard to anti-money laundering.

Although NIBC has policies and procedures in place to comply with currently applicable anti-money laundering, anti-corruption anti-bribery, tax and corruption laws or international sanctions, it cannot guarantee that such policies and procedures completely prevent situations of money laundering or corruption, including actions by NIBC's employees, agents, customers, third-party suppliers or other related persons for which NIBC might be held responsible.

Failure by NIBC to implement and maintain adequate programmes to combat money laundering and terrorist financing, bribery, tax evasion and corruption or to ensure economic sanctions compliance could lead to fines or harm NIBC's reputation and could disrupt NIBC's business and result in a material adverse effect on NIBC's business, financial condition, results of operations and prospects.

3. Risks Relating to NIBC's Corporate Structure and the Offering

40. Provisions in banking laws and the structure with the Preference Shares may delay, deter or prevent takeover attempts that may be favourable to the shareholders.

Certain banking laws and regulations to which NIBC is subject prohibit an entity from acquiring control of among others a bank or investment firm without the prior approval from the ECB (if it concerns a bank) or DNB (in other cases) before it can hold, acquire or increase a qualifying holding, or exercise any voting power in connection with such holding. A 'qualifying holding' is a direct or indirect holding of 10 per cent or more of the issued share capital of an enterprise, or the ability to exercise directly or indirectly 10 per cent or more of the voting rights in an enterprise, or the ability to exercise directly or indirectly a comparable degree of control in an enterprise. See "*Supervision and Regulation—Sound and Controlled Business Operations—Structural Supervision*".

Stichting Continuiteit NIBC (the "**Foundation**") will be granted a call option by the Company. On exercise of the call option, the Foundation is entitled to acquire Preference Shares from the Company up to a maximum corresponding with 100 per cent of the issued share capital of the Company excluding the preference shares (the "**Preference Shares**") as outstanding immediately prior to the exercise of the call option, less one Share, from which maximum any Preference Shares already placed with the Foundation at the time of the exercise of the call option shall be deducted. The Foundation may not exercise the call option without the prior approval of the Selling Shareholders for so long as the Selling Shareholders' (directly or indirectly) holds Ordinary Shares representing 20 per cent or more of the issued Shares (excluding Preference Shares). See "*Description of Share Capital and Corporate Structure—Anti-Takeover Measure; Preference Shares*" for a description of events which could trigger the exercise of the call option. If, as a consequence of the exercise of the call option, the

Foundation will hold a number of Preference Shares of 10 per cent or more, a declaration of no objection for acquiring a qualifying holding in a bank or investment firm will have to be obtained. See "*Supervision and Regulation—Sound and Controlled Business Operations—Structural Supervision*". There is a risk that these processes may delay the exercise of the call option by the Foundation.

There is a risk that a declaration of no objection for the Foundation as described above will not be granted, which may adversely affect the effectiveness of the Company's protection against hostile situations, which, in turn, may (indirectly) prevent NIBC from achieving its strategic goals. This structure may have an adverse effect on the market price of the Ordinary Shares.

Further, if Preference Shares are issued in this manner this will cause substantial dilution to the voting power of any Shareholder, including a Shareholder attempting to obtain control over the General Meeting, and may therefore have the effect of preventing, discouraging or delaying a change of control that might otherwise be in the interest of Shareholders, or have otherwise resulted in an opportunity for Shareholders to sell the Ordinary Shares at a premium to the then prevailing market price.

41. The payment of future dividends will depend on NIBC's consolidated results of operations and financial condition, as well as on NIBC's operating subsidiaries' distributions to the Company.

The Company is a holding company with no material, direct business operations. The principal assets of the Company are the equity interests it directly or indirectly holds in its operating subsidiaries including its primary operating subsidiary, NIBC Bank. As a result, the Company is dependent on the results from these subsidiaries to pay dividends. The ability of the Company's operating subsidiaries to make such distributions and other payments depends on their earnings and may be subject to applicable laws and other restrictions, including regulatory, capital and leverage requirements, statutory reserves, financial and operating performance, and applicable tax laws. These laws and restrictions could limit the payment of dividends and distributions to the Company by its subsidiaries, which could in time restrict the Company's ability to pay dividends to its Shareholders.

The Company may only make distributions to its shareholders insofar as the Company's equity exceeds the sum of the paid-in and called-up share capital increased by the reserves as required to be maintained by Dutch law or by the Articles of Association. The management board of the Company (*raad van bestuur*) (the "**Managing Board**") may furthermore determine, subject to the approval of the supervisory board (*raad van commissarissen*) of the Company (the "**Supervisory Board** and each member thereof, a **"Supervisory Director")**, that any amount out of the profit remaining after any distribution on Preference Shares, if any, will be added to the reserves. The remaining profit amount will be at the disposal of the general meeting being the corporate body, or where the context so requires, the physical meeting of shareholders of the Company (*algemene vergadering van aandeelhouders*) (the "**General Meeting**"), which may resolve to carry it to the reserves or to distribute it among the holders of Ordinary Shares. The Managing Board may resolve, subject to the approval of the Supervisory Board, to make interim distributions to shareholders. There can be no assurance that any dividends will be paid or that, if paid, they will correspond to the Company's dividend policy. See "*Dividend Policy*".

42. Influence of the Shareholders on the composition of the Supervisory Board and the Managing Board may, among other factors as a result of the Dutch structure regime or the Relationship Agreement, differ from other Dutch companies, and from companies in other jurisdictions.

The Company applies the Dutch full large company regime (*volledig structuurregime*) as set forth in the provisions of Sections 2:152 up to and including 2:164 of the Dutch Civil Code. See "*Management, Employees and Corporate Governance—Management Structure*".

Accordingly, the Company has a Supervisory Board which has extensive powers and major strategic and organisational decisions taken within the Company require the approval of the Supervisory Board. The members of the Managing Board will not be appointed by the General Meeting but by the Supervisory Board. Furthermore, subject to the provisions of the relationship agreement between the Selling Shareholders and the Company dated 12 March 2018, the key provisions of which will become effective as at the First Trading Date (the "**Relationship Agreement**") , the General Meeting will appoint the members of the Supervisory Board on the nomination of the Supervisory Board. The General Meeting may reject that nomination by an absolute majority of votes cast by shareholders representing at least one-third of the Company's issued share capital.

One third of the members of the Supervisory Board must be nominated on the basis of an enhanced recommendation right (*versterkt aanbevelingsrecht*) of the Works Council. For these members of the Supervisory Board, the Supervisory Board may only object to the recommendation of the Works Council if the recommended candidate is not suitable to fulfil the duties of a Supervisory Board member or if the Supervisory Board subsequently will not be properly composed. If the number of Supervisory Board members is not divisible by three, the nearest lower number that is divisible by three shall be used to determine the number of Supervisory Board members in respect of which this enhanced recommendation right applies. If the candidate is not rejected by the Supervisory Board it must nominate this person for appointment in accordance with the procedure described above.

The application of the structure regime limits the influence of the Shareholders on the composition of the Supervisory Board and the Managing Board in comparison to the situation where this regime would not apply. As a consequence it may be more difficult for Shareholders to influence the policies and strategy of the Company through the appointment and dismissal of members of the Supervisory Board and Managing Board.

Furthermore, pursuant to the Relationship Agreement, the Selling Shareholders will have the right to designate for nomination, and propose replacements for, a certain number of positions of the Supervisory Board. Initially, the Selling Shareholders will be in a position to designate for nomination three out of eight positions on the Supervisory Board albeit the number of Supervisory Board members will be reduced to seven positions in 2018. If the Selling Shareholders directly or indirectly hold between 50 and 20 per cent of the issued share capital of the Company, the Selling Shareholders will have the right to designate for nomination, and propose replacements for two out of the seven positions on the Supervisory Board. See further *"Risk Factors—Immediately after Settlement, the Selling Shareholders will be in a position to exert substantial influence on the Company and the interests pursued by the Selling Shareholders could differ from the interests of the Company's other shareholders."*.

43. Immediately after Settlement, the Selling Shareholders will be in a position to exert substantial influence on the Company and the interests pursued by the Selling Shareholders could differ from the interests of the Company's other shareholders.

Immediately after Settlement, the Selling Shareholders will continue to be the Company's largest shareholder and will hold approximately 71.9 per cent of the Company's issued and outstanding share capital (67.9 per cent assuming full placement of the Offer Shares and the Over-Allotment Option is exercised in full). As a result, the Selling Shareholders will continue to be able to influence substantially or control matters requiring approval by the General Meeting, being the corporate body, or where the context so requires, the physical meeting of shareholders of the Company, and may vote its Ordinary Shares in a way with which other shareholders do not agree.

Moreover, pursuant to the Relationship Agreement, the Selling Shareholders will have the right to designate for nomination, and propose replacements for, a certain number of positions of the Supervisory Board. Initially, the Selling Shareholders will be in a position to designate for nomination three out of seven positions on the Supervisory Board albeit the number of Supervisory Board members will be reduced to seven positions in 2018. For more information, see *"Shareholder Structure and Related Party Transactions—Related Party Transactions—Relationship Agreement"*.

Therefore, in combination with its large shareholding, the Selling Shareholders will be in a position to exert substantial influence on the General Meeting and, consequently, on matters decided by the General Meeting, including the appointment of Supervisory Directors, the distribution of dividends, the amendment of the Articles of Association or any proposed capital increase. This concentration of ownership could adversely affect the trading volume and market price of the Ordinary Shares.

The interests of the Selling Shareholders could deviate from the interests of the Company's other shareholders. The Selling Shareholders, as the major shareholders of the Company, may delay, postpone or prevent transactions that might be advantageous for investors or other shareholders. In addition, the Selling Shareholders and/or their respective affiliates may, in the future, own businesses that directly compete with NIBC.

44. The Ordinary Shares have not been publicly traded, and there is no guarantee that any active and liquid market for the Ordinary Shares will develop.

Prior to the Offering, there has been no public trading market for the Offering Shares. There can be no assurance that an active trading market for the Ordinary Shares will develop or, if it does develop, that it will be sustained or that it will be liquid. If such market fails to develop or be sustained, this could materially and adversely affect the liquidity and the price of the Ordinary Shares, as well as increase their price volatility. In addition, an illiquid market for the Ordinary Shares may result in lower market prices and increased volatility, which could materially and adversely affect the value of an investment in the Ordinary Shares.

45. Future sales or the possibility of future sales of a substantial number of Ordinary Shares by the Selling Shareholders may adversely affect the market price of the Ordinary Shares.

The Selling Shareholders and the Company have agreed with the Underwriters, pursuant to an underwriting agreement entered into on 12 March 2018 (the "**Underwriting Agreement**"), to restrictions on their ability to issue, sell or transfer Ordinary Shares for a period of 180 days after the Settlement Date. In addition, each member of the Managing Board has agreed to a lock-up with the Company in respect of any Ordinary Shares currently held by members of the Managing Board for a period until 360 days from the Settlement Date. The lock-up can only be waived in particular circumstances, see "*Plan of Distribution–Lock-up Arrangements–Lock-Up Arrangements"* for further detail.

After the expiration of the applicable lock-up period, the Selling Shareholders may sell its Ordinary Shares or the Company may sell additional Ordinary Shares in the public market. In addition, the Joint Global Coordinators have full discretion to waive the lock-up in connection with the Selling Shareholders and the Company at any time before its expiry. This could also result in the Selling Shareholders and the Company selling Ordinary Shares in the public market before expiry of the applicable lock-up periods. In addition, there could also be a perception in the market that such sales could occur due to the expiry of the relevant lock-up period or its waiver. See "*Plan of Distribution–Lock-up Arrangements"*.

The market price of the Ordinary Shares could decline if, following the Offering and after the expiration of the lock-up period, a substantial number of Ordinary Shares are sold by the Selling Shareholders in the public market or if there is a perception that such sales could occur. In addition, such sales could make it more difficult for the Company to raise capital through the issuance of equity securities in the future.

46. The price of the Company's Ordinary Shares may be volatile and may be affected by a number of factors, some of which are beyond NIBC's control.

The market price of the Company's Ordinary Shares may be volatile in response to various factors, many of which are beyond NIBC's control. These factors include many of the risks discussed in "*Risk Factors*", as an economic impact on the business may have a corresponding impact on the price of the Company's Ordinary Shares. As discussed above, these include but are not limited to:

- national and global macroeconomic and financial market conditions;
- actual or anticipated fluctuations in results of operations or financial condition;
- the entrance of new competitors or new products in the markets in which NIBC operates;
- adverse developments in legal or other proceedings or negative publicity associated therewith;
- regulatory changes affecting NIBC's business; and
- potential or actual sales of blocks of the Ordinary Shares in the market.

As a publicly traded company, the market price of the Company's Ordinary Shares may also be affected by market expectations for NIBC's financial performance and changes in the estimates of NIBC's results of operations by securities analysts, regardless of NIBC's actual results of operations and financial condition.

47. The Company may in the future seek to raise capital by conducting equity offerings, which may dilute investors' shareholdings in the Company.

The Company may in the future, subject to the lock-up arrangements in the Underwriting Agreement, seek to raise capital, for regulatory purposes or otherwise, through public or private equity financings by issuing additional Ordinary Shares, debt or equity securities convertible into Ordinary Shares or rights to acquire these securities and exclude the pre-emptive rights pertaining to the then outstanding Ordinary Shares. Any additional capital raised through the issue of additional Ordinary Shares may dilute an investor's shareholding interest in the Company. Furthermore, any additional offering of Ordinary Shares by the Company, or the public perception that an offering may occur, could also have a material adverse effect on the trading price of the Ordinary Shares and could increase the volatility in the trading price of the Ordinary Shares.

In addition, the Company may in the future issue regulatory capital instruments, the terms of which may contain provisions which, if triggered, could have a potential dilutive effect on an investor's shareholding interest in the Company. For example, certain regulatory capital instruments contain loss absorption features which are triggered when certain regulatory capital ratios of the issuer fall below particular thresholds. One such loss absorption feature is conversion, where the capital instrument is converted into ordinary shares. If the Company were to issue regulatory capital instruments with these features, a conversion of the capital instrument could severely dilute an investor's shareholding interest in the Company and the market value of their Ordinary Shares could be materially and adversely affected.

48. Shareholders outside the Netherlands may not be able to exercise pre-emptive rights in future offerings.

In the event of an increase in the Ordinary Share capital, holders of Ordinary Shares are generally entitled to full pre-emptive rights unless these rights are excluded either by a resolution of the General Meeting at the proposal of Managing Board , with the approval of the Supervisory Board, or by a resolution of the Managing Board with the approval of the Supervisory Board if the Managing Board has been designated by the General Meeting or the Articles of Association for this purpose. However, certain holders of Ordinary Shares outside the Netherlands may not be able to exercise pre-emptive rights unless local securities laws have been complied with.

US holders of Ordinary Shares may not be able to exercise their pre-emptive rights or participate in a rights offer, as the case may be, unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available. The Company intends to evaluate at the time of any issue of Ordinary Shares subject to pre-emptive rights or in a rights offer, as the case may be, the costs and potential liabilities associated with any such registration statement, as well as the indirect benefits to it of enabling the exercise of US holders of their pre-emptive rights to Ordinary Shares or participation in a rights offer, as the case may be, and any other factors considered appropriate at the time and then to make a decision as to whether to file such a registration statement. NIBC cannot assure investors that any registration statement would be filed as to enable the exercise of such holders' pre-emptive rights or participation in a rights offer.

49. The Offer Shares may trade below the Offer Price and investors could lose all or part of their investment.

The Offer Price may not be indicative for the market price of the Ordinary Shares after the Offering has been completed. The market price of the Ordinary Shares could also fluctuate substantially due to various factors, some of which could be specific to NIBC and its operations and some of which could be related to the industry in which NIBC operates and equity markets generally. See also "*Risk Factors—The price of the Company's Ordinary Shares may be volatile and may be affected by a number of factors, some of which are beyond NIBC's control.*". As a result of these and other factors, the Ordinary Shares may trade at prices significantly below the Offer Price. NIBC cannot assure that the market price of the Ordinary Shares will not decline and the Ordinary Shares may trade at prices significantly below the Offer Price, regardless of NIBC's actual operating performance. As a result, investors may not be able to (re)sell their Ordinary Shares at or above the Offer Price, or at all.

50. If Settlement does not take place, purchases of the Offer Shares will be disregarded and transactions effected in the Offer Shares will be annulled.

Application has been made to list the Ordinary Shares on Euronext Amsterdam under the symbol "NIBC". The Company expects that the Ordinary Shares will be admitted to listing and that trading in the Offer Shares and Additional Shares will commence prior to the Settlement Date on the First Trading Date on an "as-if-and-when-delivered" basis. Settlement may not take place on the Settlement Date or at all, if certain conditions of events referred to in the Underwriting Agreement are not satisfied or waived or occur on or prior to such date (see "*Plan of Distribution*"). Trading in the Offer Shares and Additional Shares (if any) before Settlement will take place subject to the condition that, if Settlement does not take place, the Offering will be withdrawn, all applications for the Offer Shares and Additional Shares (if any) will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and transactions on Euronext Amsterdam N.V. will be annulled. All dealings in the Offer Shares and Additional Shares (if any) prior to Settlement and delivery are at the sole risk of the parties concerned. The Company, the Selling Shareholders, the Listing and Paying Agent, the Underwriters and Euronext Amsterdam do not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transaction on Euronext Amsterdam.

51. Investors with a reference currency other than euro will become subject to certain foreign exchange risks when investing in the Ordinary Shares.

The Company's equity capital is denominated in euro, and all dividends on the Ordinary Shares, if any, will be paid by the Company in euro. Investors whose reference currency is a currency other than the euro may be adversely affected by any reduction in the value of euro relative to the respective investor's reference currency. In addition, such investors could incur additional transaction costs in converting euro into another currency. Investors whose reference currency is a currency other than the euro are therefore urged to consult their financial advisers.

52. The Company may be classified as a passive foreign investment company for U.S. federal income tax purposes.

Based in part on certain proposed US Treasury regulations applicable to active foreign banks (which are not yet finalised), the Company does not expect to be a passive foreign investment company ("**PFIC**") (as defined below under ("*Taxation—United States Federal Income Taxation*") for US federal income tax purposes for its current taxable year or in the foreseeable future. However, because PFIC status is factual in nature and determined annually at the close of the taxable year in question, the proposed regulations applicable to active foreign banks have not yet been finalised and because the composition of the Company's income and assets will vary over time, there can be no assurance that the Company will not be a PFIC for any taxable year. If the Company is classified as a PFIC for any taxable year during which a US investor holds Offer Shares, certain adverse US federal income tax consequences could apply to such US investor.

IMPORTANT INFORMATION

General

Prospective investors are expressly advised that an investment in the Offer Shares entails certain risks and that they should therefore carefully review the entire contents of this Prospectus and not merely rely on selected or summarised information. Furthermore, before making an investment decision with respect to the Offer Shares, prospective investors should consult their stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with an investment in the Offer Shares. In making an investment decision, prospective investors must rely on their own examination, analysis and enquiry of the Company and the terms of the Offering, including the merits and risks involved, in light of their personal circumstances.

Prospective investors should only rely on the information contained in this Prospectus, the Pricing Statement and any supplement to this Prospectus within the meaning of Section 5:23 of the Dutch Financial Supervision Act, see "—*Supplements*". Prospective investors should not assume that the information in this Prospectus is accurate as at any date other than the date of this Prospectus. No person is or has been authorised to give any information or to make any representation in connection with the Offering, other than as contained in this Prospectus. If any information or representation not contained in this Prospectus is given or made, the information or representation must not be relied upon as having been authorised by the Company, the members of the Managing Board and the Supervisory Board, the Selling Shareholders or the Underwriters, or any of their respective affiliates or representatives.

Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to the Dutch Financial Supervision Act, neither the delivery of this Prospectus nor any subscription or sale of the Offer Shares pursuant to the Offering shall, under any circumstances, create any implication that there has been no change in the business or affairs of NIBC since the date of the Prospectus or that the information contained herein is correct as at any time subsequent to its date. Prospective investors should therefore not assume that the information in this Prospectus is accurate as at any other date than the date of this Prospectus. The Company does not undertake to update this Prospectus unless pursuant to Section 5:23 of the Dutch Financial Supervision Act.

No representation or warranty, express or implied, is made by, or on behalf of, the Underwriters or any of their respective affiliates or representatives, or their respective directors, officers or employees, as to the accuracy, fairness or completeness of information or opinions contained in this Prospectus, or incorporated by reference herein, and nothing in this Prospectus, or incorporated by reference herein, is, or shall be relied upon as, a promise or representation by the Underwriters or any of their respective affiliates or representatives, or their respective directors, officers or employees, as to the past or future. None of the Underwriters, in any of their respective capacities in connection with the Offering, accepts any responsibility whatsoever for the contents of this Prospectus or for any other statements made or purported to be made by either itself or on its behalf in connection with the Company, the Offering or the Offer Shares. Accordingly, the Underwriters disclaim, to the fullest extent permitted by applicable law, all and any liability, whether arising in tort or contract or otherwise in respect of this Prospectus or any such statement.

The Underwriters are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective customers in relation to the Offering and will not be responsible to anyone other than the Selling Shareholders for providing the protections afforded to their respective customers or for giving advice in relation to, respectively, the Offering or any transaction or arrangement referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by the Financial Services and Markets Act 2000, as amended (the "**FSMA**") or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither the Underwriters nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Selling Shareholders, the Offer Shares or the Offering. The Underwriters and each of their respective affiliates accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise be found to have in respect of this Prospectus or any such statement. No representation or warranty express or implied, is made by the Underwriters or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this

Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future.

Restrictions on the Offering

The Offering and the distribution of this Prospectus and any related materials is in certain jurisdictions restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. Other than in the Netherlands, no action has been or will be taken in any jurisdiction by the Company or the Underwriters that would permit a public offering of the Offer Shares or possession or distribution of a prospectus in any jurisdiction where action for that purpose would be required. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the Offer Shares offered hereby in any jurisdiction in which such offer or invitation would be unlawful. Neither the Company nor the members of the Managing Board and the Supervisory Board, the Selling Shareholders or any of the Underwriters accept any responsibility for any violation by any person, whether or not such person is a prospective purchaser of the Offer Shares, of any of these restrictions.

Each person receiving this Prospectus acknowledges that: (i) such person has not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this Prospectus or its investment decision; and (ii) it has relied only on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning the Company or the Offer Shares (other than as contained herein and information given by the Company's duly authorised officers and NIBC's employees in connection with investors' examination of the Company and the terms of the Offering) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Underwriters.

Responsibility Statement

This Prospectus is made available by the Company. The Company accepts responsibility for the information contained in this Prospectus. The Company declares that it has taken all reasonable care to ensure that, to the best of its knowledge, the information contained in this Prospectus for which it is responsible is in accordance with the facts and contains no omission likely to affect its import.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that such Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, "distributors" (for the purpose of MiFID II Product Governance Requirements) should note that: the price of Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Offer Shares and determining appropriate distribution channels.

Potential Conflict of Interest

Certain of the Underwriters and/or their respective affiliates have in the past engaged and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company and/or the Selling Shareholders or any parties related to any of them, in respect of which they have received, and may in the future receive, customary fees and commissions. Additionally, the Underwriters and/or their respective affiliates may have held and in the future may hold, in the ordinary course of their business, the Company's securities for investment purposes. As a result, these parties may have interests that may not be aligned, or could possibly conflict with the interests of investors. See "*Plan of Distribution—Potential Conflicts of Interest*".

Supplements

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer Shares arises or is noted between the date of this Prospectus and the later of the end of the Offer Period and the start of trading of the Offer Shares on Euronext Amsterdam, a supplement to this Prospectus is required. Such a supplement will be subject to approval by the AFM in accordance with Section 5:23 of the Dutch Financial Supervision Act and will be made public in accordance with the relevant provisions under the Dutch Financial Supervision Act. The summary shall also be supplemented, if necessary, to take into account the new information included in the supplement.

Investors who have already agreed to purchase Offer Shares before the supplement is published shall have the right, exercisable within two business days following the publication of a supplement, to withdraw their acceptances. Investors who have already agreed to purchase Offer Shares may withdraw their subscriptions within two business days following the publication of the supplement, provided that the new factor, material mistake or inaccuracy, arose or was noted before the end of the Offer Period. Eligible Dutch retail investors are entitled to cancel or amend their application with the financial intermediary where their original application was submitted at any time prior to the end of the Offer Period (if applicable, as amended or extended). Such cancellations or amendments may be subject to the terms of the financial intermediary involved.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall, except as so modified or superseded, no longer constitute a part of this Prospectus. For the avoidance of doubt, references in this paragraph to any supplement being published by the Company do not include the Pricing Statement.

Presentation of Financial and Other Information

General

This Prospectus includes:

- the audited consolidated annual financial statements of the Company as at and for the years ended 31 December 2016 and 31 December 2017, which have been prepared in accordance with IFRS and Part 9 of Book 2 of the Dutch Civil Code and audited by the Company's independent auditors Ernst & Young Accountants LLP, as set forth in their auditor's report included elsewhere herein.

The Company's audited consolidated financial statements as at and for the year ended 31 December 2015 and the independent auditor's report associated therewith are contained in the Company's 2015 annual report and are incorporated by reference herein. See "*—Documents Incorporated by Reference*".

The term "**Financial Statements**" for the purpose of this Prospectus means (a) the audited consolidated annual financial statements of the Company as at and for the years ended 31 December 2016 and 31 December 2017 included in the Prospectus and (b) the Company's audited consolidated financial statements as at and for the year ended 31 December 2015 and the independent auditor's report associated therewith, each of which are contained in the Company's 2015 annual report and are incorporated by reference herein.

2015 Reclassifications

Financial information for the year ended 31 December 2015 has been derived from the annual audited consolidated financial statements as at and for the year ended 31 December 2015. All figures in this Prospectus relating to the year ended 31 December 2015 include the following reclassifications, which were applied to the comparative financial information as included in the 31 December 2016 consolidated financial statements. No such reclassifications were required for the years ended 31 December 2016 and 31 December 2017. The reclassifications are as follows:

- Consolidated Income Statement:
  - the line items "dividend income" (€1 million), "share in result of associates" (€1 million) and "gains and losses from financial assets" (€22 million), which were separate line items in the income statement for the year ended 31 December 2015, have been included in the line item "Investment income" (€24 million); and
  - the line item "regulatory charges and levies" (€4 million) was not presented as part of "Operating expenses" in the income statement for the year ended 31 December 2015 and has been reclassified as "Operating expenses" to present items on a comparable basis across all periods.
- Consolidated Balance Sheet:
  - Reclassifications resulting from no longer netting the savings values between "deposits from customers" (€187 million), "residential mortgages own book" (€157 million) and "securitised residential mortgages" (€30 million) have been made which result in different "Total assets", "Total liabilities" and "Total equity and liabilities" as presented in the Consolidated Balance Sheets in this Prospectus; and
  - the line items "Own debt securities" (€36 million) and "Debt securities in issue structured" (€704 million) have been presented as separate line items in the Consolidated Balance Sheets in this Prospectus.
- Statement of Cash Flows:
  - The reclassification in respect of the consolidated Balance Sheet regarding no longer netting the savings values has resulted in a cash flow reclassification between "Operating assets" (€187 million) and "Operating liabilities (including deposits from customers)" (€187 million).

Unless otherwise indicated, the financial information included in this Prospectus relates to the Company together with its consolidated subsidiaries. Where financial information is attributed to NIBC Bank, such financial information relates to NIBC Bank together with its consolidated subsidiaries. Financial information for NIBC Bank excludes the operating results of NIBC Investment Management N.V., NIBC Investments N.V. and BEEQUIP B.V. ("**BEEQUIP**"), which are all direct subsidiaries of the Company. In addition, certain financial information in this Prospectus is presented on an underlying basis. For a discussion of underlying financial information, please see "*—Non-IFRS Financial Measures, APMs and Other Metrics*".

Non-IFRS Financial Measures, APMs and Other Metrics

This Prospectus contains certain non-IFRS financial measures not recognised under IFRS, which NIBC considers to be alternative performance measures ("**APMs**"), and which NIBC prepares in addition to the figures that are prepared in accordance with IFRS, CRR and CRD IV. NIBC uses APMs to provide additional information to investors and to enhance their understanding of its results. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to IFRS, CRR and CRD IV. Such measures include cost of risk for NIBC Holding, cost of risk for NIBC Bank, underlying cost-to-income ratio for NIBC Bank, dividend payout ratio for NIBC Holding, impairment coverage ratio for NIBC Bank, impairment ratio for NIBC Bank, loan-to-deposit ratio for NIBC Holding, net interest margin for NIBC Holding, NPL ratio for NIBC Holding, return on equity for NIBC Holding and NIBC's underlying financial information. Such APMs are non-IFRS financial measures and have not been audited or reviewed, and which are not recognised measures of financial performance or liquidity under IFRS, but are used by management to monitor the underlying performance of NIBC's business and operations. (NIBC's portfolio metrics, capital metrics and risk exposures reported under the Basel framework, and measures that are covered by IFRS, CRR and CRD IV, are not considered to be APMs.)

These non-IFRS financial measures may not be indicative of NIBC's historical operating results, nor are such measures meant to be predictive of NIBC's future results. NIBC has presented these non-IFRS financial measures in this Prospectus because NIBC considers them to be important supplemental measures of NIBC's performance, because these and similar measures are seen to be used widely in the financial sector as a means of evaluating a company's operating performance and liquidity. However, not all companies calculate non-IFRS financial measures in the same manner or on a consistent basis. As a result, these measures may not be comparable to measures used by other companies under the same or similar names. Accordingly, undue reliance should not be placed on the non-IFRS financial measures contained in this Prospectus and they should not be considered as a substitute for operating profit, profit for the year, cash flow, expenses or financial measures computed in accordance with IFRS.

Each of the non-IFRS financial measures presented as APMs is defined below:

- *cost of risk for NIBC Holding* as the ratio of (i) the sum of the Company's impairments and the credit losses on the fair value of residential mortgages and loans (which are recognised in NIBC's net trading income) to (ii) the total risk weighted assets averaged over the reporting period.

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
Impairments	56	69	63
Credit losses	2	4	8
Total impairments and credit losses on the fair value of residential mortgages and loans	**57**	**73**	**71**
Risk-weighted assets at the end of the period	8,584	9,930	9,848
Risk-weighted assets at the beginning of the period	9,930	9,848	9,449
Average risk-weighted assets for the period	**9,258**	**9,889**	**9,648**
Cost of risk for NIBC Holding (in %)	**0.62**	**0.74**	**0.73**

- *cost of risk for NIBC Bank* as the ratio of (i) the sum of NIBC Bank's impairments and the credit losses on the fair value of residential mortgages and loans (which are recognised in NIBC Bank's net trading income) to (ii) NIBC Bank's total risk weighted assets averaged over the reporting period.

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
Financial information for NIBC Bank			
Impairments	34	58	63
Credit losses	2	4	8
Total impairments and credit losses on the fair value of residential mortgages and loans	**36**	**62**	**71**
Risk-weighted assets at the end of the period	8,546	10,109	10,162
Risk-weighted assets at the beginning of the period	10,109	10,162	9,646
Average risk-weighted assets for the period	**9,328**	**10,136**	**9,904**
Cost of risk for NIBC Bank (in %)	**0.38**	**0.61**	**0.71**

- *underlying cost-to-income ratio for NIBC Bank* as underlying operating expenses expressed as a percentage of underlying operating income.

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
Underlying operating expenses	223	194	176
Underlying operating income	512	381	316
Underlying cost-to-income ratio for NIBC Bank (in %)	**44**	**51**	**56**

- *dividend payout ratio for NIBC Holding* as dividends declared in relation to a given period, expressed as a percentage of net profit attributable to parent shareholders for the period.

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
Dividends related to the period	96	25	—
Net profit attributable to parent shareholders	**213**	**104**	**70**
Dividend payout ratio for NIBC Holding (in %)	**45**	**25**	**0**

- *impairment coverage ratio for NIBC Bank* as impairment amounts recognised on corporate and retail exposures, divided by impaired corporate and retail exposures[1].

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
Balance impairment losses on loans[2]	147	206	173
Total impaired exposure[3]	321	629	507
Impairment coverage ratio for NIBC Bank (in %)	**46**	**33**	**34**

(1) Impairment amounts include amounts recognised as IBNR.

(2) Reflects total impairment amounts on corporate and retail loans.

(3) Reflects impaired exposure of corporate and retail loans as at the dates indicated.

- *impairment ratio for NIBC Bank* as the ratio of (i) NIBC Bank's underlying impairments of financial assets to (ii) the average carrying value of various asset items (balance at year end plus the closing balance for the comparative year divided by 2) constituting NIBC Bank's loans and residential mortgages.

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
NIBC Bank underlying impairments	**34**	**58**	**63**
Average financial assets at amortised cost: loans	8,009	7,969	7,447
Average financial assets at amortised cost: residential mortgages	3,879	2,868	1,734
Average financial assets at available for sale: loans	12	21	9
Average financial assets at fair value through profit or loss: loans	196	263	345
Average financia1 assets at fair value through profit or loss: residential mortgages own book	4,353	4,118	3,776
Average financial assets at fair value through profit or loss: securitised residential mortgages	944	1,908	2,993
Average financial assets regarding loans and residential mortgages (total)	**17,392**	**17,146**	**16,304**
Impairment ratio for NIBC Bank (in %)	**0.20**	**0.34**	**0.39**

- *loan-to-deposit ratio for NIBC Holding* as the ratio of NIBC's total loans and residential mortgages (both own book and securitised) to total deposits from customers.

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
Loans[1]	7,654	8,054	7,610
Residential mortgages[2]	9,331	9,020	8,767
Total loans and residential mortgages	16,985	17,074	16,377
Total deposits from customers	11,510	11,802	11,746
Loan-to-deposit ratio for NIBC Holding (in %)	**148**	**145**	**139**

(1) Reflects loans held as financial assets at amortised cost and loans held as financial assets at fair value through profit or loss.

(2) Reflects residential mortgages own book held as financial assets at amortised cost and residential mortgages own book and securitised residential mortgages, each held as financial assets at fair value through profit or loss.

- *net interest margin for NIBC Holding* as net interest income expressed as a percentage of twelve-month average interest bearing assets. NIBC's average interest bearing assets cannot be directly reconciled with NIBC's IFRS financial results as the monthly figures are not disclosed, however the monthly figures are prepared in accordance with the applicable financial reporting framework and are presented in order to provide more reliable information on the underlying developments of NIBC's assets than would be presented by period end figures, which are subject to volatility.

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
Net interest income	342	293	274
Twelve-month average interest bearing assets[(1)]	21,327	20,897	20,503
Net interest margin for NIBC Holding (in %)	**1.60**	**1.47**	**1.34**

(1) Based on the interest-bearing assets on the balance sheet.

- *NPL ratio for NIBC Holding* as total non-performing exposure for all corporate loans and residential mortgages, divided by the total exposure for corporate and investment loans (drawn and undrawn) and residential mortgages.

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
Non-performing exposure corporate loan and residential mortgages	474	503	481
Total corporate and investment loans (drawn and undrawn)	9,200	9,473	9,122
Total residential mortgages[(1)]	9,146	8,831	8,580
Total exposure	**18,345**	**18,305**	**17,702**
NPL ratio for NIBC Holding (in %)	**2.6**	**2.7**	**2.7**

(1) Includes netting of savings values.

- *return on equity for NIBC Holding* as net profit attributable to parent shareholders expressed as a percentage of total shareholders' equity at the beginning of the relevant period, post-proposed dividend.

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
Net profit attributable to parent shareholders	213	104	70
Shareholders' equity at the beginning of the period[(1)]	1,792	1,735	1,683
Return on equity for NIBC Holding (in %)	**11.9[(2)]**	**6.0**	**4.2**

(1) Post-proposed dividend total shareholders' equity at the start of the financial year.

(2) Return on equity excluding Vijlma amounts to 8.9 per cent.

- *underlying financial information* consists of NIBC's reported results adjusted for reconciliation and special items. NIBC's management has adopted a view that certain "underlying results" provide a better understanding of the underlying trends in the financial performance of NIBC as compared with results that have been prepared in accordance with IFRS. These underlying results, which are non-IFRS, have been derived by adjusting the results reported in accordance with IFRS for certain identified reconciliation and special items (see "*Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results*"). Reconciliation items consist of the income statement contribution of NIBC Investment Management N.V., NIBC Investments N.V. and BEEQUIP B.V., which are all direct subsidiaries of the Company, and are hence not included in the results of NIBC Bank. Special items between NIBC Bank and NIBC Bank's underlying results consist of material items which NIBC's management views as non-recurring and not representing the core business of the Company. As such the underlying financial information is defined as an IFRS measure adjusted for these special items in order to provide additional understanding of the financial performance of NIBC. In compliance with ESMA's Guidelines on APMs, this underlying financial information has been reconciled to the comparable IFRS line items (see "*Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results*"). In the financial statements NIBC and NIBC Bank, underlying financial information is referred to as "Internal Management Report" information.

In addition, NIBC presents certain measures which are capital metrics and risk exposures reported under the Basel framework, and which have been disclosed in the Financial Statements. These include Total Capital / BIS ratio (fully loaded), CET1 ratio (fully loaded), leverage ratio (fully loaded), liquidity coverage ratio, net stable funding ratio, risk-weighted assets and Tier 1 ratio (fully loaded). Each of the capital metrics and risk exposures reported under the Basel framework is defined below:

- *BIS ratio (fully loaded)* is NIBC's total capital expressed as a percentage of NIBC's total RWA;
- *CET1 ratio (fully loaded)* is NIBC's CET1 capital (fully loaded) expressed as a percentage of NIBC's total RWA. CET1 capital is calculated on a fully loaded basis;
- *leverage ratio (fully loaded)* is NIBC's Tier 1 capital (fully loaded) expressed as a percentage of the aggregate of all of NIBC's exposure values of its assets and certain off-balance sheet items, calculated in accordance with the principles set out in the CRR and CRD IV. Tier 1 capital is calculated on a fully loaded basis, and includes share capital, share premium, retained earnings, accumulated other comprehensive income and other reserves and issued and paid up AT1 instruments, adjusted for certain deductions set out in the CRR/CRD IV, such as goodwill, shortfall, repurchased own shares and other eligible items;
- *liquidity coverage ratio* as the ratio of high quality liquid assets to the balance of anticipated cash outflows and cash inflows over a 30 calendar day stress period, calculated according to the Commission Delegated Regulation (EU) No 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions;
- *net stable funding ratio* as the amount of available stable funding relative to the amount of required stable funding, and is based on NIBC's interpretation of the current Basel Committee guidelines, which may change in the future. "Available stable funding" is defined as the portion of NIBC's capital and liabilities that are expected to be available over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance-sheet exposures;
- *risk-weighted assets* as assets after being adjusted by a prescribed risk-weighting factor that reflects the relative risk attached to the relevant classes of assets. Risk-weighted assets are used to calculate the minimum amount of capital NIBC is required to hold; and
- *Tier 1 ratio (fully loaded)* is NIBC's Tier 1 capital (fully loaded) expressed as a percentage of the total of NIBC's RWA. Tier 1 capital is calculated on a fully loaded basis, and includes share capital, share premium, retained earnings, accumulated other comprehensive income and other reserves and issued and paid up AT1 instruments, adjusted for certain deductions set out in the CRR/CRD IV, such as goodwill, shortfall, repurchased own shares and other eligible items.

Portfolio Metrics

NIBC uses certain key portfolio metrics to assess the performance of its business, which have been described below.

- *origination spread* is the weighted average credit spread of loans originated by NIBC in a specific year above the applicable base rate (typically 3-month or 6-month EURIBOR) applied to calculate interest on those loans (including all relevant hedging costs, such as interest rate swaps and cross-currency swaps). Weighting is calculated on the basis of notional principle amount.

	As at 31 December		
	2017	**2016**	**2015**
	(unaudited, in %)		
Origination spread corporate client offering	3.06	3.31	3.08
Origination spread retail client offering	2.47	2.80	2.35
Origination spread	**2.91**	**3.18**	**2.84**

- *cost of funds* is the weighted credit spread for all NIBC funding transactions above the applicable base rate (typically 3-month or 6-month EURIBOR) applied to calculate interest on those funding instruments (including all relevant hedging costs, such as interest rate swaps and cross-currency swaps). Weighting is calculated on the basis of notional principle amount.

	As at 31 December		
	2017	**2016**	**2015**
	(unaudited, in %)		
Wholesale funding	0.86	1.00	1.18
Retail funding	0.88	1.05	1.31
ESF funding	0.82	0.89	0.86
Cost of funds	**0.87**	**1.01**	**1.22**

- *portfolio spread* is the weighted credit spread of all loans held as assets by NIBC Bank at the end of the year above the applicable base rate (typically 3-month or 6-month EURIBOR) applied to calculate interest on those loans (including all relevant hedging costs, such as interest rate swaps and cross-currency swaps). Weighting is calculated on the basis of notional principle amount.

	Year ended 31 December		
	2017	**2016**	**2015**
	(unaudited, in %)		
Portfolio spread corporate client offering	2.79	2.74	2.62
Portfolio spread retail client offering	2.44	2.62	2.58
Portfolio spread	**2.62**	**2.68**	**2.60**

Rounding

Certain figures in this Prospectus, including financial data, have been rounded. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them. In tables, negative amounts are shown by "–" or "negative" before the amount.

Currency

In this Prospectus, unless otherwise indicated: all references to the "**EU**" are to the EU; all references to "**EUR**", "**euro**" or "**€**" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union (the "**EMU**") pursuant to the Treaty on the functioning of the European Community (the "**EC**"), as amended from time to time; all references to the "**United States**" or the "**US**" are to the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia; and all references to "**US dollars**", "**US$**" or "**$**" are to the lawful currency of the United States and all references to the pound sterling are to the lawful currency of the United Kingdom.

Exchange Rates

The Financial Statements provided herein, or incorporated by reference, are published in euro. The exchange rates below are provided solely for information and convenience. The table below shows, for the periods indicated, the period end, average, high and low Bloomberg composite rate expressed as US dollar per €1.00. The Bloomberg composite rate is a 'best market' calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The average rate for a year means the average of the Bloomberg composite rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg composite rates during that month, or shorter period, as the case may be. The rates may differ from the actual rates used in the preparation of the Financial Statements and other financial information appearing in this Prospectus. No representation is made that euros could have been, or could be, converted into US dollars at any particular rate indicated or any other rate.

	US dollars per euro			
	Period End	Average	High	Low
	(unaudited)			
Year:				
2015	1.0866	1.1096	1.2010	1.0492
2016	1.0541	1.1068	1.1569	1.0364
2017	1.1993	1.1295	1.2060	1.0385
Month:				
January 2018	1.2457	1.2196	1.2457	1.1932
February 2018	1.2214	1.23478	1.2493	1.2214

Market and Industry Data

All references to market share, market data, industry statistics and industry forecasts in this Prospectus consist of estimates compiled by industry professionals, competitors, organisations or analysts, of publicly available information or of the Company's own assessment of the Company's sales and markets. Certain statements made in this Prospectus are based on the Company's own proprietary information, insights, opinions or estimates, and not on any third party or independent source; these statements contain words such as 'NIBC believes' and 'NIBC expects', and as such do not purport to cite, refer to or summarise any third party or independent source and should not be so read.

Industry publications and market studies generally state that their information is obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. Where third party information has been sourced in this Prospectus, the source of such information has been identified. Although the Company believes these sources are reliable, the Company does not have access to the information, methodology and other bases for such information and has not independently verified the information. Where third party information has been sourced in this Prospectus, the source of such information has been identified. The information in this Prospectus that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

In this Prospectus, certain statements are made regarding the Company's competitive and market position. The Company believes these statements to be true, based on market data and industry statistics, but the Company has not independently verified the information. The Company cannot guarantee that a third party using different methods to assemble, analyse or compute market data or public disclosure from competitors would obtain or generate the same results. In addition, the Company's competitors may define their markets and their own relative positions in these markets differently than the Company does and may also define various components of their business and operating results in a manner which makes such figures non-comparable with the Company's figures.

Notice to Investors

EXCEPT AS OTHERWISE SET OUT IN THIS PROSPECTUS, THE OFFERING DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO INVESTORS IN THE UNITED STATES, UNITED KINGDOM, CANADA, AUSTRALIA OR JAPAN, AND THIS PROSPECTUS SHOULD NOT BE FORWARDED OR TRANSMITTED IN OR INTO THE UNITED STATES, UNITED KINGDOM, CANADA, AUSTRALIA OR JAPAN.

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Offer Shares.

This Prospectus does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire Offer Shares in any jurisdiction in which such an offer or solicitation is unlawful or would result in the Company becoming subject to public company reporting obligations outside the Netherlands.

The distribution of this Prospectus, and the offer or sale of Offer Shares is restricted by law in certain jurisdictions. This Prospectus may only be used where it is legal to offer, solicit offers to purchase or sell Offer Shares. Persons who obtain this Prospectus must inform themselves about and observe all such restrictions.

No action has been or will be taken to permit a public offer or sale of Offer Shares, or the possession or distribution of this Prospectus or any other material in relation to the Offering in any jurisdiction outside the Netherlands where action may be required for such purpose. Accordingly, neither this Prospectus nor any advertisement or any other related material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

Shareholders who have a registered address in, or who are resident or located in, jurisdictions other than the Netherlands and any person (including, without limitation, agents, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this Prospectus to a jurisdiction outside the Netherlands should read "*Selling and Transfer Restrictions*" in this Prospectus.

Notice to Prospective Investors in the United States

The Offer Shares have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered, sold, pledged or otherwise transferred within the United States unless the Offer Shares are registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. The Offer Shares will only be offered and sold in the United States to persons reasonably believed to be QIBs, pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. All offers and sales of the Offer Shares outside the United States will be made in compliance with Regulation S under the US Securities Act. Transfers of the Offer Shares will be restricted and each purchaser of the Offer Shares will be deemed to have made acknowledgments, representations and agreements, as described under "*Selling and Transfer Restrictions*".

In addition, until the end of the 40th calendar day after the commencement of the offering, an offer or sale of the Offer Shares within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the US Securities Act.

None of the Company, the Selling Shareholders or the Underwriters accept any legal responsibility for any violation by any person, whether or not a prospective investor in the Offer Shares, of any of the foregoing restrictions.

THE OFFER SHARES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY US FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE RIGHTS OR THE OFFER SHARES OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective purchaser to consider purchasing the particular securities described herein.

The information contained in this Prospectus has been provided by the Company and the other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Company and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without the Company's prior written consent, is prohibited.

This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the securities described herein. Investors agree to the foregoing by accepting delivery of this Prospectus.

For so long as any Offer Shares are 'restricted securities' within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will during any period in which the Company is neither subject to section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "**US Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the US Securities Act. The Company is not currently subject to the periodic reporting requirements of the US Exchange Act.

Notice to Prospective Investors in the United Kingdom

This Prospectus is directed at and for distribution in the United Kingdom only to (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); or (ii) high net worth entities falling within Article 49(2) (a) to (d) of the Order (all such persons being together referred to in this paragraph as "**Relevant Persons**"). This Prospectus is directed only at Relevant Persons. Any person who is not a Relevant

Person should not act or rely on this Prospectus or any of their contents. Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

Furthermore, the Underwriters have warranted that they (i) have only invited or will only invite participation in investment activities in connection with the Offering or the sale of the Offer Shares within the meaning of Section 21 of the FSMA, and have only initiated or will only initiate such investment activities to the extent that Section 21(1) of the FSMA does not apply to the Company; and (ii) have complied and will comply with all applicable provisions of FSMA with respect to all activities already undertaken by each of them or will undertake in the future in relation to the Offer Shares in, from, or otherwise involving the United Kingdom.

Notice to Prospective Investors in the EEA

In relation to each state other than the Netherlands which is a party to the agreement relating to the EEA and which has implemented the Prospectus Directive (in this paragraph, each a "**Relevant Member State**"), no Offer Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant Member State, except that an offer to the public in that Relevant Member State of Offer Shares may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State, subject to obtaining the prior consent of the Joint Global Coordinators; or
- in any other circumstances falling under the scope of Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall result in a requirement for the Company or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purpose of this provision, the expression an 'offer to the public' in relation to any Offer Shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Offer Shares to be offered, so as to enable an investor to decide to acquire any Offer Shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State.

Enforceability of Judgments

At the date of this Prospectus, the Company is a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands. Most of the members of the Company's Managing Board and Supervisory Board, and most of NIBC's employees are citizens or residents of countries other than the United States. Most of the assets of such persons and most of the Company's assets are located outside the United States. The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. In addition, neither the countries of residence of the members of the Managing Board and Supervisory Board and NIBC's employees may have a treaty providing for the reciprocal recognition and enforcement of judgments. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or upon the Company, or to enforce judgments obtained in US courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States against the aforementioned parties. Furthermore, there is substantial doubt as to the enforceability in the Netherlands of original actions or actions for enforcement based on the federal securities laws of the United States or judgments of US courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States.

Information Regarding Forward-Looking Statements

Certain statements in this Prospectus other than statements of historical fact are forward-looking statements. In particular, this Prospectus contains forward-looking statements under the following headings: "*Risk Factors*", "*Dividends and Dividend Policy*", "*Operating and Financial Review*", "*Selected Statistical Information*", "*Industry*" and "*Business*", which are based on the Company's current beliefs and projections and on information currently available to the Company. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. Forward-looking statements are typically identified by the use of forward looking terminology such as "believe", "expect", "may", "will", "could", "should", "intend", "estimate", "plan", "assume", "predict", "anticipate", "annualised", "goal", "target", "potential" or "aim" or the negative thereof or other variations thereof or comparable terminology, or by discussions of the Company's strategy and future plans that involve risks and uncertainties.

Forward-looking statements involve inherent risks and uncertainties and speak only as at the date they are made. Except as required by applicable law, the Company does not undertake and expressly disclaims any duty to update or revise publicly any forward-looking statement in this Prospectus, whether as a result of new information, future events or otherwise. Such forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the Company's management of present and future business strategies and the environment in which the Company will operate in the future. By their nature, they are subject to known and unknown risks and uncertainties, which could cause the Company's actual results and future events to differ materially from those implied or expressed by forward-looking statements. Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward-looking statements included in this Prospectus are included under "*Risk Factors*".

Forward-looking statements appear in a number of places in this Prospectus, including, without limitation, "*Risk Factors*", "*Dividends and Dividend Policy*", "*Operating and Financial Review*", "*Industry*" and "*Business*" and include, among other things, statements relating to:

- NIBC's strategy, outlook and growth prospects;
- NIBC's liquidity, capital resources and capital expenditures;
- expectation as to future growth in demand for NIBC's products;
- general economic trends, in particular economic conditions in NIBC's key countries/regions; and
- the competitive environment in which NIBC operates.

Should one or more of these risks or uncertainties materialise, or should any of the assumptions underlying the above or other factors prove to be incorrect, NIBC's actual future financial condition or results of operations could differ materially from those described herein as currently anticipated, believed, estimated or expected. In light of the risks, uncertainties and assumptions, underlying the above factors, the forward-looking events described in this Prospectus may not occur or be realised. Additional risks not known to NIBC or risks which NIBC does not currently consider material could also cause the forward-looking events discussed in this Prospectus not to occur. Prospective investors are advised to read "*Risk Factors*", "*Dividends and Dividend Policy*", "*Selected Consolidated Financial Information*", "*Operating and Financial Review*", "*Industry*" and "*Business*" for a more complete discussion of the factors that could affect NIBC's future performance and the industry in which NIBC operates.

Definitions

In this Prospectus, the "**Company**" refers to NIBC Holding N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands. "**NIBC**" refers to the Company and its subsidiaries. "**NIBC Bank**" refers to NIBC Bank N.V. "**Managing Board**", "**Supervisory Board**" and "**General Meeting**" refer to, respectively, the management board (*raad van bestuur*), the supervisory board (*raad van commissarissen*) and the general meeting of shareholders (*algemene vergadering van aandeelhouders*) of the Company.

Certain other terms used in the Prospectus are defined in "*Defined Terms*".

Documents Incorporated by Reference

The following documents are incorporated in this Prospectus by reference and, as such, form part of this Prospectus:

- the audited consolidated annual financial statements of the Company as at and for the year ended 31 December 2015 and the independent auditor's report dated 8 March 2016, included in the Company's English language version of the 2015 annual report on pages 84 to 254 and 266 to 269. This document may be obtained from NIBC's website (https://annualreport2015.nibc.com/en/annual-report).

These documents may be obtained in electronic form free of charge from NIBC's website www.nibc.com/). Non-incorporated parts of the documents are either not relevant for the investor or covered elsewhere in this Prospectus. No other documents or information, including the content of the Company's website or of websites accessible from hyperlinks on the Company's website, form part of, or are incorporated by reference into, this Prospectus.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

Background and Reasons for the Offering

The Offering is being conducted by the Selling Shareholders to (i) provide the Selling Shareholders with liquidity, (ii) create the possibility for investors to participate in the future of NIBC, (iii) provide NIBC with strategic and financial flexibility to fund strategic growth and (iv) enhance NIBC's profile, supporting awareness of NIBC among issuer and investor clients and increasing opportunities to attract and retain talented employees.

Use of Proceeds

The Selling Shareholders will receive the net proceeds from the Offering and, if the Over-Allotment Option is exercised, the net proceeds from the sale of the Additional Shares. The proceeds received by the Selling Shareholders will be entirely at their disposal. The Company will not receive any proceeds from the Offering.

DIVIDENDS AND DIVIDEND POLICY

General

Under Dutch corporate law, the Company may only make distributions to its Shareholders if its shareholders' equity exceeds the sum of the paid-in and called-up share capital plus the reserves as required to be maintained by Dutch law or by the Articles of Association. Under the Articles of Association, the dividend pay-out is a multi-stage pay-out which is summarised below.

Under the Articles of Association, any profits must first be applied to pay a dividend on the Preference Shares, if any are outstanding, before distribution of any remaining distributable profits to the other Shareholders. The distribution on Preference Share are calculated as follows: (a) if the Preference Shares are fully paid up at the expense of the Company's reserves, the annual distribution will be in the aggregate €1,000 for all outstanding Preference Shares together; (b) in other cases, the distribution will be a percentage equal to three month's Euro Interbank Offer Rate—weighted to reflect the number of days for which the payment is made—plus a premium, to be determined by the Managing Board, subject to the approval of the Supervisory Board, of at least one percentage point and a maximum of five percentage points, depending on the prevailing market conditions. Distributions in respect of the Preference Shares are calculated based on the paid up fraction of their nominal value. The amounts of such distributions will be charged to the profits realised during the financial year in respect of which it is made or, if and to the extent such profits are insufficient, any other part of the Company's distributable equity. No Preference Shares are outstanding at the date of this Prospectus.

The Managing Board decides, subject to Supervisory Board approval, which part of any annual profits remaining after such dividend payment on the Preference Shares shall be added to the reserves. Any amount then remaining shall be at the free disposal of the General Meeting. The Managing Board, with the approval of the Supervisory Board, shall make a proposal for that purpose.

Both the Managing Board and the General Meeting upon a proposal by the Managing Board, in both cases subject to the approval of the Supervisory Board, are authorised to determine that a distribution on Ordinary Shares will not be made in cash but in the form of Ordinary Shares, or to determine that holders of Ordinary Shares will be given the choice between the distribution in cash and/or in the form of Ordinary Shares, all these distributions being made from the profits and/or from a reserve. The Managing Board may, subject to the approval of the Supervisory Board, determine the conditions under which such a choice may be made.

Subject to the approval of the Supervisory Board and subject to Dutch law and the Articles of Association, the Managing Board may resolve to distribute an interim dividend insofar as the Company's equity exceeds the amount of the paid-up part of the capital increased with the reserves that should be maintained pursuant to the law or the Articles of Association. For this purpose, the Managing Board must prepare an interim statement of assets and liabilities, which relates to the Company's equity on a date not earlier than the first day of the third month prior to the month of publication of the decision to pay an interim dividend.

When calculating the amount of profit that will be distributed on each Share, only the amount of the obligatory payments on the nominal amount of the Ordinary Shares will be taken into account. According to the Articles of Association, distributions shall be due and payable within 4 weeks after they have been declared, unless the Managing Board sets another date for payment.

The payment of dividends may be limited, restricted or prohibited by the competent supervisory authority (the Dutch Central Bank (*De Nederlandsche Bank*), if this measure is required or deemed required to strengthen NIBC's capital in view of prudential requirements such as among other things the combined buffer requirements, additional capital requirements as a result of the SREP, the leverage ratio, the MREL and TLAC requirements. In addition, any payment of dividends can only be paid out of distributable items as defined in the CRR (which are broadly the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments less any losses brought forward, profits and reserves which are non-distributable pursuant to provisions in legislation or the Articles of Association or those losses and reserves being determined on the basis of the individual accounts and not on the basis of the consolidated accounts).

Dividend Policy

Based on NIBC's financial performance, the Company intends to pay an annual dividend that creates sustainable long-term value for its Shareholders. The reservation and dividend policy will be determined by the Managing Board, subject to the approval of the Supervisory Board. The reservation and dividend policy will be put on the agenda of each year's annual General Meeting as a discussion item.

The Company's dividend policy and the intended payment of dividends are without prejudice to the absolute discretion of the Managing Board to elect not to make dividend payments or to make higher or lower dividend payments than previously indicated, and may be limited, restricted or prohibited, including by the competent supervisory authority, if this measure is required or deemed required to strengthen NIBC's capital position. Any dividend proposal will take into account considerations including capital and liquidity requirements and other regulatory requirements or constraints, future income, profits, resources available for distribution, financial conditions, growth opportunities, the outlook of NIBC's business, its short-term and long-term viability, general economic conditions and any circumstance the Managing Board may deem relevant or appropriate. Considering the foregoing, and without prejudice to the fact that the Company is under no circumstances obliged to make distributions, the Company's intention is to apply a dividend pay-out policy that aims to pay out at least 50 per cent of its net profit attributable to shareholders of the Company, subject to adjustment for selected one-off items (income or expenses derived from extraordinary or irregular items as determined by the Managing Board and subject to approval of the Supervisory Board) and after deduction of coupon payments on capital instruments that are treated as equity instruments for accounting purposes. For the year ended 31 December 2018, the Company targets a pay-out ratio of approximately 50 per cent. See *"Risk Factors—Risks relating to NIBC's financial structure, the Shares and the Offering—The payment of future dividends will depend on NIBC's consolidated results of operations and financial condition, as well as on NIBC's operating subsidiaries' distributions to the Company."* and "*Risk Management—Capital Management—Recent additional Capital Tier 1 Securities Issuance*" for further discussion on the risks in connection with the payment of dividends by the Company.

Dividend History

The Company did not declare and pay a dividend for the year ended 31 December 2015. For the year ended 31 December 2016, the Company declared a dividend of €25 million and for the year ended 31 December 2017 the Company declared and paid a total dividend of €96 million (of which €31 million was paid in the third quarter of 2017 as an interim dividend and €66 million in February 2018 also as an interim dividend). The foregoing implies a pay-out ratio for the financial years 2015, 2016 and 2017 of 0 per cent, 25 per cent and 45 per cent, respectively, of the Company's reported net profit, and indicates a stable progression towards the fulfilment of the Company's dividend policy for the coming years.

Manner and Time of Dividend Payments

Payment of any dividend in cash will be made in euro. Any dividends that are paid to Shareholders through Euroclear Nederland will be automatically credited to the relevant Shareholders' accounts without the need for the Shareholders to present documentation proving their ownership of the Ordinary Shares. Payment of dividends on the Ordinary Shares in registered form (not held through Euroclear Nederland, but directly) will be made directly to the relevant Shareholder using the information contained in the Company's shareholders' register and records.

The Company intends to pay dividends in two semi-annual instalments. The first payment for each year is expected to be made in the second half of that year and the remainder in the first half of the following year following approval of the General Meeting.

Uncollected Dividends

A claim for any declared dividend lapses five years and one day after the date those dividends were released for payment. Any dividend that is not collected within this period reverts to the Company.

Taxation of Dividends

Dividends paid to Shareholders by the Company are generally subject to Dutch dividend withholding tax at a rate of 15 per cent. See "*Taxation—Taxation in the Netherlands—Dividend Withholding Tax*" for a discussion on what, among other things, constitutes a dividend for Dutch dividend withholding tax purposes. See also *"Risk Factors—Major changes in laws and regulations and in their interpretation could materially and adversely affect NIBC's business, results of operations, financial condition and prospects."* for discussion on the Dutch governments proposed policy on changes to the Dutch dividend withholding tax and lowering the corporate income tax.

INDUSTRY

Recent Macroeconomic Developments

Regional economic development

Given the export-oriented nature of its economy, the Netherlands is particularly affected by developments in the global economy, especially in the European Economic Area ("**EEA**"). A divergence in economic developments across different regions has been a characteristic of global growth in the past several years, although the trend has recently shifted towards convergence.

Among advanced economies, domestic demand and output grew faster in the first half of 2017 than in the second half of 2016. In the EEA stronger private consumption, investment, and external demand bolstered overall growth momentum in the first half of 2017. Growth in most of the other advanced economies, with the notable exception of the United Kingdom, picked up in the first half of 2017, compared with the second half of 2016, (Source: *IMF, October 2017, World Economic Outlook*). Among advanced economies, growth in the third quarter of 2017 was higher than projected in October 2017. Global growth for 2017 was estimated at 3.7 per cent, due to both domestic and external demand, also higher than projected in October 2017 (Source: *IMF, January 2018, World Economic Outlook*).

The growth in global trade has slowed in recent years (in 2016, growth of 2.4 per cent in volume terms was the slowest pace since 2009 according to the IMF (source: *IMF, October 2017*)), with weak growth in both advanced economies and emerging market and developing economies. In the advanced economies, weaker trade growth was related to an investment slowdown and inventory adjustment, especially during the first part of 2017. In the third quarter of 2017 however, world trade has grown strongly, supported by a pickup in investment particularly among advanced economies, and increased manufacturing output in Asia. (Source: *IMF, January 2018, World Economic Outlook Update*). Amidst a spike of volatility, the stock markets fell sharply in February of this year. The Dow Jones fell 10% from its peak (Source: *CNN Money, 9 February 2018*). The IMF did not qualify this stock market rout as a major source of concern. Rather, IMF's Managing Director, Christine Lagarde, recently expressed the view that it was a "welcome correction" (Source: CNBC, *Interview Lagarde with CNBC at the World Government Summit in Dubai, February 2018*).

Since 2016, US long-term interest rates have declined by approximately 25 basis points as a result of expectations of a more gradual pace of monetary policy normalisation. (*Source: IMF, October 2017, World Economic Outlook.*) The US dollar has depreciated by more than 5 per cent in real effective terms, with a commensurate real appreciation of the euro. While the UK pound sterling exchange rate against the US$ and the Euro has fluctuated, since the "Brexit" referendum in the summary of 2016 it has remained between 15 per cent and 20 per cent below its November 2015 peak. The fall is primarily ascribed to market participants having revised down UK growth prospects relative to those in the rest of the world. (Source: *Bank of England, November 2017, Inflation Report).*

Growth in the EEA is continuing and becoming increasingly resilient, helped by the ECB's monetary policy measures aimed at supporting domestic demand. As at 26 October 2017, the ECB extended quantitative easing until at least September 2018, but tapered it off by halving the monthly asset purchases. EEA real GDP increased by 0.6 per cent, quarter on quarter, in the third quarter of 2017 following a growth of 0.7 per cent in the previous quarter and 0.5 per cent in the first quarter of 2017 according to the December 2017 Economic Bulletin from the ECB. Real GDP growth is primarily supported by domestic demand. Private consumption is underpinned by employment gains, which are also benefiting from past labour market reforms, and by increasing household wealth. Investment recovery continues to benefit from very favourable financing conditions and improvements in corporate profitability.

According to the DNB, economic growth in the Netherlands is expected to peak at 3.3 per cent in 2017; a growth rate not seen since 2007. The next two years are also expected to show robust growth, at 3.1 per cent in 2018 and 2.3 per cent in 2019. Economic growth is broadly based and supported by all expenditure categories. The Dutch budget surplus is expected to grow from 0.5 per cent of GDP in 2017 to 0.9 per cent of GDP in 2019. Consequently, the EMU debt ratio is expected to decrease from 61.8 per cent of GDP in 2016 to 50.8 per cent of GDP in 2019. Unemployment is expected to decrease to 4.9 per cent in 2017, declining further to 3.5 per cent by 2019. This is evident from the new half-year forecast that DNB published in December 2017. According to Centraal Bureau voor de Statistiek ("**CBS**") investigation, the total number of companies declaring bankruptcy peaked in May 2013 followed by a decreasing trend. In April 2017 the number of monthly bankruptcies declared reached the lowest level since December 2007, leading to a strong and healthy economic environment. The total number of companies declaring bankruptcies in 2017 was approximately 22.5 per cent lower compared with the same period in 2016.

The German economy continued to grow sharply over the course of 2017. According to Federal Statistical Office data from the Deutsche Bundesbank, price adjusted GDP was up by 0.9 per cent in the first quarter of 2017, by 0.6 per cent in the second quarter of 2017 and by 0.8 per cent in the third quarter of 2017. It is believed that the strong economic activity is being driven by strong industrial production, improving labour market conditions (for example, unemployment decreased to 3.7 per cent in 2017 (Source: *Federal Statistical Office Destatis*) and high consumer confidence.

According to the Bank of England, GDP in the United Kingdom rose by 0.3 per cent in the first and second quarter of 2017 and by 0.4 per cent in the third quarter of 2017. The unemployment rate in 2017 declined to 4.3 per cent, lowest in over 40 years. The rate of potential UK supply growth (export) has slowed down in recent years (Source: *Bank of England, November 2017, Inflation Report*). Overall, the latest indicators are consistent with UK demand (import) growing a little in excess of this diminished rate of potential supply growth, and the continued erosion of what is now a fairly limited degree of spare capacity.

According to the National Bank of Belgium ("**NBB**"), GDP growth in Belgium is expected to be 1.6 per cent in 2017, and to maintain the same pace in 2018 and 2019. Approximately 115,000 additional jobs are forecasted to be created (in cumulative terms) over the period of 2017-2019 while the unemployment rate is expected to drop to 7.2 per cent. The public deficit, estimated at 2.6 per cent of GDP in 2016, is expected to decrease to 2.0 per cent in 2017, notably as a result of the economy measures which have been announced, but is not expected to decline significantly after that. (Source: *NBB economic projections*).

Monetary developments

Since 2012, in response to concerns about Europe's sovereign debt crisis and slowing global economic growth, central banks around the world, including the ECB, the Bank of England, the Bank of Japan, the Bank of Australia, the Central Bank of Brazil, the Central Bank of China and the US Federal Reserve have maintained interest rates at historically low levels. The result has been a prolonged period of low (or even negative) interest rates coupled with highly competitive lending at low margins in the banking industry in general. Although central banks are starting to reduce or end quantitative easing programs and may soon be raising interest rates above their current levels, interest rates still remain low by historical standards. See *"Risk Factors—Volatility in and the current low interest rate environment has affected in the past and may continue to materially and adversely affect NIBC's business, financial condition, results of operations and prospectus"*.

At its monetary policy meeting on 14 December 2017, the ECB's Governing Council concluded that an ample degree of monetary accommodation is still needed to secure a return of inflation towards levels that are below, but close to, 2 per cent. The Governing Council assessed that the strong cyclical momentum and the significant reduction of economic slack give grounds for greater confidence that inflation will converge towards its aim. At the same time, domestic price pressures remain muted overall and have yet to show convincing signs of a sustained upward trend. The ECB therefore concluded that an ample degree of monetary stimulus remains necessary for underlying inflation pressures to continue to build up and support headline inflation developments over the medium term. This continued monetary support is provided by the additional net asset purchases on at the October monetary policy meeting. (Source: *ECB, Economic Bulletin, December 2017*).

Technological developments

Continued technological advancements and developments in e-commerce (better known as fintech) enable non-bank financial institutions and other new entrants to offer products and services that traditionally have been offered exclusively by banks, including competition for loans, mortgages and deposits. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms. Not all of these competitors are subject to the same regulatory controls and capital requirements imposed on banks. Technology firms and other new entrants, for example, are now active in payment services, peer-to-peer lending, new mobile payment systems, mobile wallets and crowd funding. Blockchain technologies could have widespread potential to disrupt financial intermediaries. Although this form of technology is still in an early phase, established participants in the banking industry are sponsoring a wide range of blockchain use cases. As interest earnings decrease and capital needs increase, global financial institutions are focused on reducing costs. Cost mutualisation through blockchain architected financial system utilities could provide some earnings boost in the future.

Other macro-economic developments

An EBA risk report indicates that EU banking sector solvency has continued to strengthen with a slight increase of capital ratios, albeit at a slower pace. This improvement has been mainly driven by a decrease of credit risk exposure reflecting a structural change in the EU banking sector as some institutions aim at improving the quality of their assets. The transitional CET1 ratio, which is calculated by taking into account the phasing in of CRR/CRD IV provisions during the transitional period, for the EU banking sector stood at 14.3 per cent as at June 2017, up by 70 basis points (bps) as compared with June 2016. The trend is similar for the sector's fully loaded CET1 ratio. The total capital ratio for the sector has reached a new high (18.6 per cent as at 30 June 2017), reflecting an increase of 80 bps. Given that the traditional banking business model is widespread among European banks, credit risk remains the main risk for the majority of institutions. The overall level of credit risk is still rather high by historical standards; however, there has been further progress in dealing with legacy portfolios. This trend has been somewhat reflected in the stock reductions of nonperforming exposures and improvements in the main credit risk indicators. (Source: *EBA, Risk Assessment Report, November 2017*).

On 25 May 2017, OPEC agreed to extend to March 2018 the production agreement in place since January 2017. The agreement entails a cut of 1.2 million barrels a day from October 2016 production. Notwithstanding efforts by the oil exporters participating in the production agreement, oil prices had fallen to less than $44 a barrel by late June, the lowest since November 2016, right before the initial production cuts were announced (Source: *IMF, World Economic Outlook, October 2017*). Since then, oil prices have rebounded, to approximately $64 a barrel as at the beginning of 2018 (WTI Crude). Furthermore, oil futures contracts point to a gradual increase of prices to about $52 a barrel in 2022. Baseline assumptions for the IMF's average petroleum spot prices, based on futures prices, suggest average annual prices of $50.3 a barrel in 2017—an increase of 17.4 per cent from the 2016 average—and $50.2 a barrel in 2018. Uncertainty remains around the baseline assumptions for oil prices, although risks are balanced. Upside risks include unscheduled outages and geopolitical events. Although these development could cause oil market disruptions, high inventories and the rapid response by shale producers should prevent sharp price rises in the near future (Source: *IMF, World Economic Outlook, October 2017*).

Corporate Lending market

For Dutch businesses, bank lending is the main source of debt financing. An estimated 80 per cent of SME businesses rely on bank lending. Virtually all (95 per cent) of these businesses are micro businesses (less than 10 employees) that due to their size have hardly any access to the capital market and are therefore obliged to turn to bank lending. Despite this, bank lending to Dutch businesses has fallen since 2010. (Source: *DNB, November 2016, Loan Markets in Motion*). According to the Dutch Banking Association, the reasons for this decrease include reduced growth expectations and reduced risk acceptance by banks.

Dutch large corporates are increasingly funding themselves by issuing corporate bonds or private placements. As of November 2016, the size of the corporate bond market had grown by 58 per cent (€52 billion) since 2010, while the stock of corporate loans issued by banks has fallen. The private placement market has also grown, and Dutch insurers are increasingly active in this market. These alternatives for bank lending are, however, only accessible to some medium sized and large companies. SMEs continue to be strongly dependent on bank lending. Although new alternatives like crowd funding are growing rapidly, they are still small. (Source: *DNB, November 2016, Loan Markets in Motion*).

According to the bank lending survey performed by the European Central Bank the downward trend in the net demand for loans to businesses has been turned as Dutch banks saw an increase in the second and fourth quarters of 2017. In Germany net demand for loans to businesses increased in all quarters in 2017, driven by fixed investments, the general level of interest rates, and inventories and working capital (Source: *ECB, Q1–Q4 2017 issues, The euro area bank lending survey*). In the third quarter of 2017, external financing by non-financial corporations amounted to roughly €20 billion and recorded significant inflows following the preceding muted quarter. Positive contributions were made by loan-based financing, at just over €18 billion. These funds were provided in large part by domestic monetary financial institutions and by non-resident investors. The first and second quarters of 2017 had loan financing by non-financial corporations that amounted to roughly €19 billion and €30 billion respectively. (Source: *Deutsche Bundesbank, Q1–Q4 2017 issues, Acquisition of financial assets and external financing in Germany).*

In relation to the UK corporate lending market, data from the Bank of England shows gross lending flows to all non-financial businesses has increased in recent years to £258 billion in 2017. Gross lending to large business accounted for £201 billion with lending to SMEs accounted for the remainder. As at December 2017, the stock of loans to non-financial businesses totalled £465 billion following a net increase of £9.3 billion or 2.1 per cent over the last 12 months. Loans to large businesses increased by 3.0 per cent, while loans to SMEs increased by 0.4 per cent over the period. Overdrafts, which are generally used as a form of working capital for businesses, accounted for 9.9 per cent of the amounts outstanding of loans to UK businesses as at December 2017.

Dutch housing and mortgage market

Fiscal regulations play an important role in the Dutch residential mortgage market. Interest paid on Dutch residential mortgages can generally be deducted for income tax purposes. In the past, homeowners maximised this mortgage tax relief benefit and therefore highly preferred interest-only mortgages resulting in high LtV mortgages. As a result, the volume of outstanding mortgages became relatively large compared with the size of the economy. As per DNB's November 2016 *(Source: 2016 DNBulletin)* research at the four largest banks in the Netherlands, the total mortgage debt is currently equal to 95 per cent of GDP and at a maximum LtV of 102 per cent it is well above internationally customary levels of 80–90 per cent. These values are generally accepted in the Netherlands as Dutch mortgages are perceived to be a stable asset class with a solid historic performance resulting in low default rates.

DNB concludes that the measures to curtail mortgage interest tax relief are beginning to take effect in banks' mortgage loan portfolios. Effective from 1 January 2013, mortgage interest for new mortgages has only been deducted for annuity- and straight-line amortizing mortgages. Taxpayers with mortgage loans outstanding at 31 December 2012, benefit from grandfathering provision, which deemed that the outstanding loan amount as at 31 December 2012 is not affected. In addition, the maximum tax relief percentage is being capped in stages for new and existing mortgages and the maximum rate at which homeowners can deduct mortgage interest is being lowered by half a percentage point per year, from 52 per cent in 2013 to 38 per cent in 2041. Furthermore, the maximum LtV ratio is decreasing by one percentage point per year to 100 per cent in 2018 and the permissible loan-to-income ratio has also been curtailed. However, on 26 October 2017 the new Dutch Government was formed, and is aiming to further reduce tax-deductibility at a quicker rate than previously intended, by further reducing the deductible amount from 2020 onwards. (Source: *Dutch "Regeerakkoord", 10 October 2017*). As a result of the above changes to the mortgage lending rules and the restrictions on the mortgage interest relief applicable to the principal residence mortgage market, demand for mortgages in the Netherlands is facing constrained growth prospects.

Dutch banks experienced relatively limited losses on their mortgage loan portfolios during the Dutch housing market crisis of 2008–2013. Banks managed to limit their losses due to a number of specific Dutch mortgage market characteristics. Key to this resilience is that the demand structurally exceeds supply in the housing market. During the housing market crisis, the number of mortgage defaulters remained limited in the Netherlands, partly as a result of the Dutch social security system and of the Dutch National Mortgage Guarantee scheme (*Nationale Hypotheek Garantie*, "**NHG**"). NHG is a guarantee provided to the mortgage lender by a government-backed foundation, the Homeownership Guarantee Fund (*Waarborgfonds Eigen Woningen* or "**WEW**"). WEW guarantees repayment of a mortgage if the borrower becomes unable to do so directly for reasons such as losing a job or becoming unable to work due to a disability, ending a relationship, or loss of a partner due to death.

In addition, in most cases the mortgage debt is also the only household debt. Relatively speaking, Dutch residents generally do not have significant other debts such as personal loans or car loans in the Netherlands.

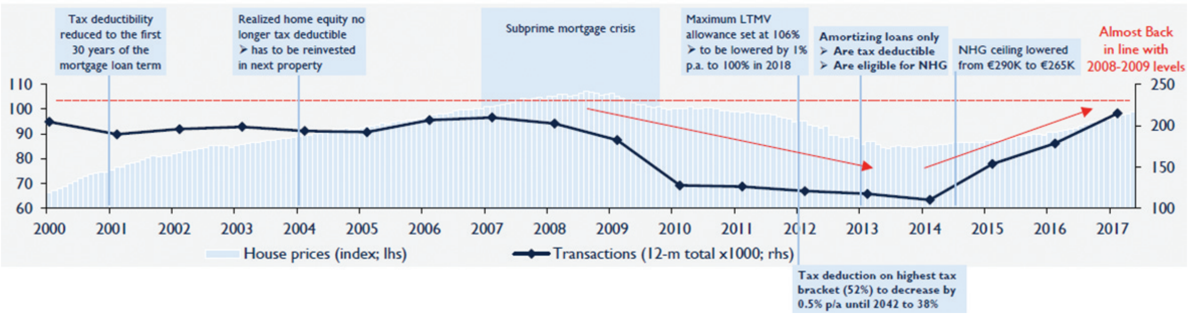
Although the composition of the Dutch banks' mortgage loan portfolios is improving, the cyclical nature of the Dutch housing and mortgage market, which is subject to significant fluctuations due to changes in economic conditions and consumer spending, remains vulnerable due to the high level of mortgage debt. On previous occasions (e.g. in its autumn 2016 Financial Stability Report), DNB concluded that the current recovery of the housing market should be used to strengthen the housing market's resilience. The DNB posed, in its autumn 2017 Financial Stability Report, that curtailment of mortgage interest tax relief should preferably be considerably accelerated and borrowing limits should be lowered further to mitigate the risks inherent in high household debt.

The Dutch mortgage market grew in 2017, according to Hypotheek Data Netwerk (HDN), with the total amount of new mortgages applications increasing by 3.7 per cent with respect to the prior year. A market overview by IG&H consulting shows that the amount of mortgages sold increased by 4 per cent in the third quarter of 2017 relative to the same period in 2016. The quarter also registered a revenue growth of 6 per cent, equalling revenue levels of 2008.

For Dutch banks, 2016 year-on-year growth of mortgage lending was positive again for the first time in three years. Fluctuating between 0.1 and 0.2 per cent throughout 2017, finally reaching 0.3 per cent in December, growth is still far from its pre-crisis levels due to, amongst others, the increased competition from insurers and new market entrants. Year-on-year growth reached its low in March 2014, when it dropped by 1.4 per cent. It took nearly two years before the growth level was positive again. In the period from November 2016 to January 2017, month-on-month growth was still negative, however. The recovery of the housing market is one of the main drivers of recent growth in mortgage lending. The number of housing transactions in 2017 increased by 120 per cent compared with 2013, returning to its pre-crisis level (Source: *CBS, Bestaande koopwoningen, 22 January 2018*). Lower mortgage interest rates have also boosted mortgage demand. In December 2017, the mortgage interest rate at banks averaged 2.4 per cent, representing a decrease of approximately two percentage points since January 2012. (Source: *DNB, Statistical news, 2017*).

According to a CBS study in July 2017, the Netherlands contains 7.6 million houses of which 4.3 million are owner occupied, and of which 3.5 million houses are financed by means of a mortgage. Total transaction volume in 2016 was 214.8 thousand, an increase of 20 per cent compared with 2015. Total transaction volume increased further in 2017 by approximately 12.5 per cent up as compared with 2016 and is now almost back in line with 2008-2009 levels. (Source: *CBS July 2017* and *CBS Statline*). Housing prices have increased significantly from 2014 onwards, with house price index increasing from just above 60 in 2000 to almost 100 in 2017.

House Price Development



(Source: *CBS July 2017*)

Nevertheless, the housing market in large Dutch cities is showing signs of overheating. However, there is as yet no credit-driven bubble, given that people are increasingly using their own funds to buy property, as a DNB study published on 9 May 2017 shows. Rising house prices in the large cities are driven by scarcity and accompanied by a growing shortage of mid-market available rentals.

Buy-to-Let Market

The demand for buy-to-let investments in the Dutch housing market is rising. Research conducted by World First UK in April 2016 showed that the Netherlands was the country with the highest rental yield in Europe, making it the most lucrative country for buy-to-let investments (other things, such as tenant protection, being equal).

Recent studies by the DNB (2017) and the Land Registry (2017) show that in the local hotspots, such as major cities (Amsterdam, Den Haag, Rotterdam and Utrecht) and other student cities (e.g. Leiden, Groningen, Maastricht), demand for multiple property ownerships rose sharply since the 2008 financial crisis. Since these homes are generally rented, the segment for owner-occupied homes is becoming smaller and prices are rising even faster.

Dutch Savings Market

The Dutch savings market has expanded over 150 per cent in the past 20 years, with total deposits increasing from approximately €125 billion as at December 1998 to around €339 billion in December 2017. This growth slowed down in the last few years, with total deposits increasing by 22 per cent as compared with 2009 year-end figures. The total increase in total deposits between 1998 and 2008 equalled 114 per cent. Non-directly redeemable deposits have made up approximately 15 per cent of the total deposits since 2011. (Source: *CBS as at January 2018*)

The Dutch savings market has also become more stable over recent years, with total outflows as percentage of total deposits decreasing from around 10 per cent in December 2008 to 8 per cent in December 2017. However, total deposit inflows decreased at a similar rate over the mentioned period.

As per the IMF's report on the Netherlands published in April 2017, the fact that a significant part of household savings is channelled through local pension schemes, remaining household savings at banks are lower compared with other countries with different pension systems. Local pension companies capture more than 70 per cent of Dutch household wealth. This translates into a high loan-to-deposit ratio at banks and a funding gap financed by wholesale markets making the Dutch banks sensitive to adverse changes in financing conditions and investor sentiment.

Mitigating this, Dutch banks have proven to have relatively strong access to wholesale markets and have a relatively diversified investor base. Banks have implemented a number of strategies to mitigate liquidity funding risk, including increasing deposits, lengthening the maturity of wholesale funding and building up stock of high-quality liquid assets.

Savings account customers have shifted from a tendency to visit local branches when opening new savings accounts in the past to an online adoption phase. As a consequence, local branches are visited less by customers, resulting in closures where possible. Furthermore, banks are rapidly digitalising key branch functions such as client on boarding, large transactions, direct debits, and security functionalities by merging these into their online platform.

German Savings Market

German retail savings have seen moderate positive growth in recent years. As per Deutsche Bundesbank, the German retail savings market had total retail deposits of €2,099 billion as at 31 December 2017, representing a compound annual growth rate of 3.8 per cent between 2012 and the first half of 2017. Despite nominal returns on saving deposits in Germany being very low or negative, the savings book or fixed-term deposits remains still very popular. The German savings market has continued to grow which is in line with historical consumer behaviour in Germany that tends towards a higher savings rate (Source: *Deutsche Bundesbank*).

As the largest economy in the Eurozone, Germany's economy is interdependent with the wider monetary union. The ECB's base rate fell to 0 per cent in 2016, which affected the interest available on savings. Few competitors in Germany offer interest rates in excess of 1 per cent for savings accounts. Moreover, in July 2016 Germany issued a 10-year bond at negative interest for the first time, selling more than €4 billion with a yield of negative 0.05 per cent, which largely affected market growth (Source: *Deutsche Bundesbank, ECB*).

Belgian Savings Market

Despite the low interest rate environment, Belgian households continued to prefer savings in the form of liquid assets, for example, savings deposits, or long-term, low-risk assets such as capital-protected insurance products. According to the NBB, total Belgian savings showed a positive cumulative average growth rate of 7.0 per cent over the period of 2008 to 2016 with total savings deposits of €247 billion. (Source: NBB Stat¸ *Financial assets and liabilities of individuals and non-financial corporations,* 12 January 2018). The investment choices made by Belgian households in 2017 were influenced by a number of factors, including lack of confidence and uncertainty, including, according to the NBB, encouraged precautionary saving against a backdrop of volatile financial markets and concerns over geo-political conditions to the tax treatment of various financial assets. (Source: *NBB, Report 2016—Economic and Financial Developments, 20 March 2017*).

Competitive Dynamics

Both the Retail Client Offering and Corporate Client Offering of NIBC face competition mainly from the larger Dutch banks ABN AMRO Bank N.V., ING Bank N.V. and Rabobank. Due to its focus on specific subsectors and niche products, NIBC also faces competition from a wide variety of international, regional and local banks in Germany, UK and Belgium specialised international sector banks, alternative lenders (institutional investors, debt funds and other direct lenders) and small investment banking boutiques.

Retail Client Offering

NIBC's Retail Client Offering faces competition from the larger Dutch banks being ABN AMRO Bank N.V., ING Bank N.V. and Rabobank and various regional and international banks in Germany and Belgium. For residential mortgages, NIBC also faces competition from Dutch and international insurers and several new market entrants such as Munt and Dynamic Credit. NIBC's buy-to-let proposition faces less competition, market participants are primarily ABN AMRO Bank N.V. and ING Bank N.V. and to a lesser degree several newly formed initiatives. NIBC believes that competition in the residential mortgage market has been increasing as existing providers attempt to maintain origination volumes and new entrants, which include foreign entities, pension funds and insurance companies, enter the market.

Corporate Client Offering

NIBC's Corporate Client Offering in the Netherlands faces competition mainly from the larger Dutch banks ABN AMRO Bank N.V., ING Bank N.V. and Rabobank for the majority of its products (Corporate Lending, Leveraged Finance, Corporate Finance and Capital Markets) and in most sub-sectors.

NIBC's Corporate Client Offering as a whole also faces competition on a more limited scale from (i) various German and UK banks, (ii) a wide range of alternative lenders including specialised debt funds, institutional investors and other direct lenders (for the products Corporate Lending and Leveraged Finance) and (iii) local and international mergers and acquisition boutiques (for Corporate Finance and Capital Markets).

Given its focus on various subsectors, NIBC also faces competition from Scandinavian and US banks (in Offshore Energy sector), Asian lenders and alternative lenders (in Shipping & Intermodal sector) and international specialist advisory firms and boutique investment banks (mainly in healthcare and life sciences).

BUSINESS

NIBC is a mid-size Dutch head-quartered bank offering selected corporate and retail banking products and services. The business model of NIBC consists of a focused product offering with strong sector expertise for mid-market corporates and a distinct retail franchise in its selected markets.

NIBC's primary operational segments are its Corporate Client Offering segment and its Retail Client Offering segment. NIBC's Corporate Client Offering offers its mid-market corporate clients specific products across a broad spectrum of advising, structuring, financing and co-investing across debt and equity through a dedicated sector approach, with a focus on chosen sub-sectors and products in Northwest Europe with a focus on the Netherlands and Germany. The Retail Client Offering is an offering that primarily consists of mortgage lending in the Netherlands and online retail savings products and services in the Netherlands, Germany and Belgium via the NIBC Direct brand.

NIBC serves its clients from offices in The Hague, Amsterdam, Frankfurt, London and Brussels. For its Corporate Client Offering, NIBC provides services to approximately 700 corporate clients. Additionally, 800 investor clients and 300 leasing clients are serviced by the Corporate Client Offering. For its Retail Client Offering, NIBC serves approximately 400,000 retail clients. The Corporate Client Offering segment is operationally organised by sectors and products while the Retail Client Offering segment is organised by product. The figure below presents an overview of the product and service offering of both operational segments.

Note: Unaudited figures presented as at 31 December 2017 for NIBC Bank .

NIBC's activities also include its Group Functions, which consist of departments that provide essential support and control to the operational segments. These departments include Treasury and Asset & Liability Management, Risk Management, HR & Corporate Communications, Internal Audit, Legal, Compliance & Regulatory Affairs, Operations & Facilities, IT, Finance & Tax, and Strategy & Development.

History

NIBC was incorporated on 31 October 1945 as *Maatschappij tot Financiering van Nationaal Herstel* by the Dutch government along with a number of commercial banks and institutional investors to provide financing for the post-World War II economic recovery of the Netherlands. This entity was renamed *De Nationale Investeringsbank* ("**DNIB**") in 1971 and was listed on the Dutch stock exchange, now Euronext Amsterdam, from 1986 to 1999. During this time, DNIB focused on providing and participating in long-term loans and private equity investments. In 1996, DNIB started its retail business through the offering of white label residential mortgages.

In 1999, DNIB was acquired by way of a public offer made through a joint venture company, NIB Capital, owned by two of Europe's largest pension funds, ABP and PGGM. NIB Capital acquired 85 per cent of the shares in DNIB. The remaining shares remained owned by the Dutch government and were acquired by NIB Capital in 2004. The acquisition by NIB Capital in 1999 marked the beginning of DNIB's evolution from a long-term lending bank to a bank offering advisory, financing and investment services.

In 2005, a consortium of international financial institutions and investors organised by J.C. Flowers & Co., a U.S. based private investment firm, purchased all the outstanding equity interests of NIB Capital. In connection with this acquisition, the Company was incorporated and NIB Capital, which was renamed NIBC N.V., became its wholly-owned subsidiary. Subsequently, NIBC N.V. (as the non-surviving entity) merged into the Company (as acquiring company) and NIB Capital Bank became the Company's direct subsidiary. NIB Capital Bank subsequently changed its name to NIBC Bank N.V.

In 2014, NIBC acquired Gallinat-Bank AG in Germany, which was later renamed to NIBC Bank Deutschland AG. NIBC's Corporate Client Offering activities in Germany are being conducted predominantly from this entity. This entity funds itself in the German corporate and institutional market and is covered by the German ESF.

Most recently, in 2016 NIBC Bank finalised the acquisition of SNS Securities N.V. ("**SNS Securities**"). The acquisition became effective on 30 June 2016. The activities of SNS Securities continue to be operated under the name NIBC Markets as at 1 July 2016, which merged into NIBC Bank in June 2017. With the acquisition of SNS Securities, NIBC expanded its service offering with capital market solutions, equity and fixed income brokerage and research, providing a full suite of services for its mid-market corporate client base.

Selected corporate events since 1999

Year	Description
1999	85 per cent of the shares in the capital of NIBC's predecessor, the listed company DNIB, are acquired by NIB Capital, a joint venture owned by two Dutch pension funds, ABP and PGGM. The other 15 per cent remains owned by the Dutch government.
2004	NIB Capital acquired the remaining 15 per cent of the shares in the capital of DNIB from the Dutch government.
2005	NIB Capital is acquired by a consortium of international financial institutions and investors organised by J.C. Flowers & Co. The Company is incorporated as a holding company with NIBC N.V. as its wholly-owned subsidiary.
2008	Start of NIBC Direct, a retail bank offering saving schemes for the Dutch market. NIBC Direct expanded to the German market in 2009 and to the Belgian market in 2011. This label was also adopted for residential mortgages as from 2013.
2014	NIBC acquired the German based Gallinat-Bank AG which was subsequently renamed NIBC Bank Deutschland AG.
2016	NIBC acquired a 75 per cent interest in and starts a strategic partnership with start-up company BEEQUIP.
2016	NIBC completed the acquisition of SNS Securities N.V., which continues under the name NIBC Markets. The legal entity NIBC Markets N.V. was merged into NIBC Bank N.V. in June 2017.

Competitive Strengths

NIBC believes that its competitive strengths are the following:

NIBC is a focused mid-market corporate and retail franchise with a differentiated approach

NIBC offers its mid-market corporate clients specific products across a broad spectrum including advising, structuring, financing and co-investing across debt and equity, through a dedicated sector approach. NIBC considers that its in-depth sector expertise, focus on mid-market corporates and tailor-made product solutions enable NIBC to make a difference and add value for a client's decisive moment. NIBC believes that its corporate portfolio size and relatively limited number of clients allows it to have comprehensive insight into client needs, which together with a tailored and disciplined risk management culture, results in a diversified and granular loan portfolio. Its proactive approach to restructuring and high collateralisation for its loans enables NIBC to actively manage potential loan losses, with NIBC Bank's cost of risk and impairment ratio trending downwards during the period under review, as demonstrated by the decrease in NIBC Bank's cost of risk from 0.71 per cent in 2015, to 0.61 per cent in 2016 and to 0.38 per cent in 2017, and the decrease in NIBC Bank's impairment ratio from 0.39 per cent as at 31 December 2015 to 0.20 per cent as at 31 December 2017.

NIBC's retail clients are served with a focused product offering consisting of residential mortgage loans and online savings. The retail client mortgage offering includes selected niche products, including mortgages for entrepreneurs and small businesses and mortgages for investment properties (buy-to-let). NIBC serves its retail clients without client facing branch offices or a current account offering, but rather provides an online only proposition in relation to its savings product and a distribution through independent intermediaries (brokers) in relation to its residential mortgage loan offering. Its focus on client satisfaction has resulted in a NIBC Direct customer satisfaction score of 7.9 as at December 2017 (compared with 7.6 as at 31 December 2016) and the award "Website of the year" in 2015 and 2016 in banking and investments in the Netherlands (for which NIBC was again nominated in 2017). NIBC originates (the process of obtaining or granting a loan) mortgages for its own balance sheet, but also for institutional investors, who value NIBC's ability for mortgage origination and management. The originate-to-manage proposition provides NIBC with more flexibility and allows it to leverage its capabilities to serve client demand beyond its own balance sheet appetite.

NIBC operates in the solid Northwest European markets

NIBC operates predominantly in the Northwest European market with a focus on the Netherlands and Germany. NIBC also provides retail savings products in Belgium and has operations in the United Kingdom, supporting NIBCs Northwest European Corporate Client Offering. These markets are characterised by sound fundamentals and stable macro-economic performance. In particular, the Dutch economy, which is a core market for NIBC, is performing well, with a high GDP growth of 3.2 per cent in 2017 (the GDP forecast for 2018 is 2.9 per cent (Source: European Commission, *Economic forecast for the Netherlands*, November 2017)). The Centraal Plan Bureau expects that unemployment will fall to 4.3 per cent in 2018 (Source: CPB, *Macro Economic outlook 2018*, 19 September 2017).

The Netherlands has an open and highly competitive economy, with a large current account surplus (2017: approximately 9.0 per cent of GDP (source: DNB, *Economic Developments and Outlook, December 2017*), solid public finances (e.g., government balance deficit below EU hurdle of 60 per cent of GDP, government debt at 58 per cent of GDP and the largest pension savings in the world as percentage of GDP) (Source: DNB, *Economic Developments and Outlook*, December 2017). These fundamentals have resulted from a long standing history of conservative budgeting policy by the Dutch government, willingness to reform when needed and the intention to abide by agreed EU rules for national budgets. This is also evidenced by actions of the current government, which shows determination to remain below the 60 per cent deficit maximum prescribed by the EU and to stimulate growth and employment.

Growth has returned, driven by higher exports and increasing consumer confidence. The housing market has been recovering since mid-2013 with an increase in the number of transactions and average price increases (5 per cent in 2016 and 7.6 per cent in 2017 (Source: CBS Statline*, Destaande koopwoningen, 22 January 2018*). As a result, the Netherlands still holds the highest credit rating (outlook stable) with all three major credit rating agencies (Moody's, Fitch and Standard & Poor's).

Germany, the second core market of NIBC, continues to perform well with GDP growth of 2.2 per cent in 2017 and a forecasted growth of 2.3 per cent in 2018 (Source: European Commission*, Economic forecast for Germany*, November 2017). The growth in the fourth quarter of 2017 marked the 14th straight quarter of GDP expansion (Source: Federal Bureau for Statistics*, Gross Domestic Product, 14 February 2018*). As the largest economy in Europe, Germany showed a positive growth trajectory in recent periods, driven by industrial production, improving labour market conditions (unemployment decreased to 3.5 per cent in 2017 (Source: *Federal Bureau for Statistics, Labour Market*) and high consumer confidence. The Deutsche Bundesbank expects that the German economy will continue its steep growth path of 2017 in 2018 (Source: Deutsche Bundesbank, *Monthly Report, December 2017*), with industrial output probably continuing to play an important role, in conjunction with a substantial expansion of exports. As a result of the strong economic conditions in recent periods, the German public finances have benefited with surpluses which has resulted in a continued decrease of the debt to GDP ratio (68.1 per cent at the end of 2016 and expected to fall below the 60 per cent threshold in 2019 (Source: Deutsche Bundesbank*, Monthly Report, December 2017*)).

The United Kingdom is the third largest economy in Europe after Germany and France. Services, particularly banking, insurance, and business services, are key drivers of British GDP growth. Growth in 2016 was stronger than had been expected at the start of the year by the UK government's independent Office for Budget Responsibility and other forecasters, with little sign of any immediate post-Brexit slowdown. However the decision to leave the European Union is having a noticeable impact on the economic outlook for the United Kingdom. Uncertainties associated with Brexit are weighing on domestic activity as businesses delay investment plans and household incomes start to be squeezed by rising inflation. The Office for Budget Responsibility predicts that GDP growth in the United Kingdom will slow to 1.4 per cent in 2018

(Source: OBR, *Economic and Fiscal Outlook*, November 2017). Britain had a debt to GDP ratio of 86.5 per cent at the end of 2017 (Source: OBR, Economic and Fiscal Outlook, November 2017).

Similarly to the Netherlands, Belgium has a very open economy albeit with large geographical disparities. Economic activity has been subdued in recent periods, although labour tax cuts and wage moderation have boosted employment. The National Bank of Belgium (the "**NBB**") expects that domestic demand will accelerate through 2018 with GDP growth expected at 1.7 per cent, while a pick-up in international trade is expected to increase exports (Source: NBB, *Economische Indicatoren voor België,* 9 February 2018). Employment growth is expected to remain stable and lead to further declines in the unemployment rate in 2018 (Source: NBB, *Economische Indicatoren voor België,* 9 February 2018). The current Belgian national government has pledged to further reduce the deficit in response to EU pressure to decrease Belgium's high public debt of about 107 per cent of GDP, although such efforts may dampen economic growth.

NIBC has an agile and entrepreneurial culture with a continuous focus on operational efficiency

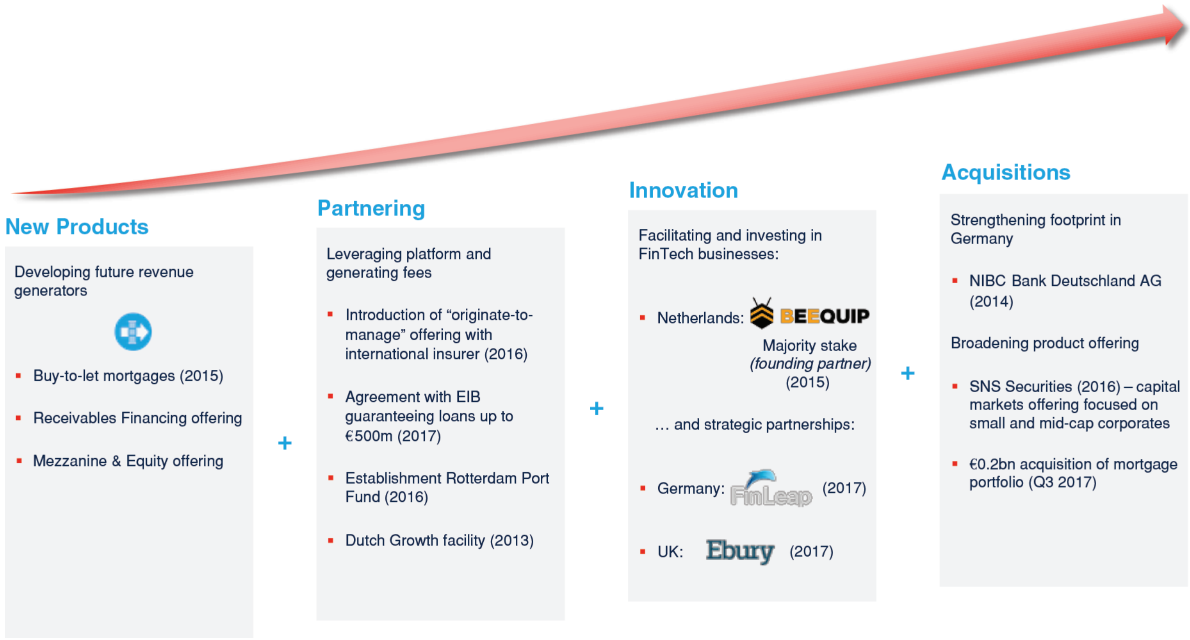
NIBC believes that its entrepreneurial culture allows it to quickly anticipate and adapt to a fast-changing competitive landscape and provide opportunities to meet its clients' changing needs. As a mid-size financial services franchise with short management reporting lines, NIBC works closely with its clients, such that it can adapt swiftly to new trends and demands and develop an in-depth understanding of its clients' businesses and the challenges those businesses face. In that way, NIBC seeks to serve as a "private bank" for its mid-market corporate clients, which it believes enables it to offer more value and a higher service level than its competitors. NIBC seeks to nurture a culture that is professional, entrepreneurial and inventive, in which its employees can create tailored products and services for its clients. NIBC also encourages what it refers to as a "Think YES" mentality, which is intended to encourage its employee's energy and creativity.

NIBC believes that its financial performance and competitive position are dependent on its corporate values being: (i) professional: NIBC's in-depth sector knowledge, expert financial solutions and tailored risk and portfolio management are important to its success; (ii) entrepreneurial: NIBC aims to be a sound, enterprising bank that is focused on decisive moments in its clients' businesses or in personal lives. NIBC believes that its clients require a bank that can respond quickly and flexibly to their needs; and (iii) inventive: NIBC aims to provide tailored solutions and encourages its employees to think creatively to meet its clients' financial needs.

NIBC strives to set itself apart through the in-depth sector knowledge of its teams in combination with a clear understanding of clients' businesses and challenges, which enable development of new products, expert and bespoke product solutions, agile execution and creative thinking. NIBC believes that the solutions that it offers add value to a client's business because they can be tailor-made in close cooperation with its clients.

Supporting NIBC's client offering is an efficient operational business structure. Without a traditional branch network, NIBC Bank is able to operate as a lean organisation which has resulted in increasing cost efficiency with underlying cost-to-income ratios decreasing from 56 per cent in 2015 to 44 per cent in 2017. Furthermore, NIBC's professional, entrepreneurial and inventive values are driven by a dedicated and stable employee base.

NIBC adopts a flexible approach to invest in growth and innovation. Over recent years, NIBC has further built and transformed its core product offering while developing new products, partnerships, facilitating and investing in start-ups, acquisitions and innovation for its clients. Below is a selection of NIBC's response to market trends and opportunities to meet the emerging product needs of the sectors and subsectors that it specialises in.



NIBC focuses on profitable margins supported by disciplined risk management

NIBC's business requires taking well-judged risks. Its operations are based on a structured approach to risk management to manage risks as an integral part of the activities and transaction proposals for both the Corporate Client Offering and Retail Client Offering segments. See "*Risk Factors—NIBC's risk management policies and guidelines may prove inadequate for the risks it faces, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.*" and "*Risk Management—Framework*".

NIBC considers that its moderately sized (€10 billion as at 31 December 2017) corporate loan portfolio and a relatively limited number of clients allow a more complete insight and overview into its loan portfolio in the Corporate Client Offering segment. In addition, NIBC's size allows it to adapt its origination strategy to swiftly generate profitable risk adjusted returns, leveraging on its focus and knowledge of chosen corporate sectors and a tailor-made product offering. NIBC has focused its new origination on shorter term loans under its corporate loan portfolio.

In the Retail Client Offering segment, origination for NIBC's own balance sheet through its owner-occupied and buy-to-let mortgages is combined with an originate-to-manage proposition under which NIBC originates owner-occupied mortgages under the NIBC Direct label and sells mortgage receivables to institutional investors. NIBC believes that this approach results in a focused and profitable retail mortgage franchise that is expected to continue to support NIBC's margins and develop the fee income for origination and servicing of its originate-to-manage proposition. NIBC has been focused on a shift to mortgages with a higher margin such as non-NHG mortgages and its buy-to-let portfolio.

Effective risk management is at the core of NIBC's strategy for sustainable growth, and therefore fully integrated into the planning and control cycle and day-to-day business activities. The focus is on the first line of defence and risk ownership in the organisation with disciplined origination and cooperation between the business operations and risk management supported by an integrated risk management approach for the activities of the Corporate Client Offering and Retail Client Offering. NIBC has an experienced and professional risk team and NIBC's Executive Committee has oversight over the various operational committees. See "*Risk Management—Framework*". NIBC has a proven track record in improving the quality of its corporate loan book through a focus on credit and investment risks.

NIBC has a simple balance sheet, robust capitalisation and diversified funding

As at 31 December 2017, NIBC had a CET1 ratio (fully loaded) of 19.3 per cent (2016: 15.1 per cent; 2015: 13.9 per cent), a BIS ratio (fully loaded) of 22.2 per cent (2016: 18.0 per cent; 2015: 16.7 per cent), a Tier 1 ratio (fully loaded) of 20.4 per cent (2016: 15.1 per cent; 2015: 13.9 per cent) and a leverage ratio (fully loaded) of 7.7 per cent (2016: 6.5 per cent; 2015: 6.1 per cent). In addition, as at 31 December 2017, NIBC Bank has CET1 ratio (fully loaded) of 21.4 per cent (31 December 2016: 16.8 per cent, 31 December 2015: 15.6 per cent), a BIS ratio of 27.2 per cent (2016: 21.3 per cent; 2015: 20.0 per cent) and a Tier 1 ratio (fully loaded) of 23.7 per cent (31 December 2016 16.8 per cent, 31 December 2015: 15.6 per cent). Implementation of IFRS 9 has had an initial impact on the CET1 ratio of negative 4 per cent points which resulted in a CET1 ratio decreasing to 15.3 per cent as of 1 January 2018. At 1 January 2018, NIBC's minimum capital requirements excluding the capital conservation buffer and including the release of an add-on for mortgage loans at fair value through profit or loss are a CET1 ratio of 7.75 per cent, Tier 1 ratio of 9.25 per cent and a Total Capital ratio of 11.25 per cent. The DNB has indicated it will establish new minimum capital requirements for NIBC which is expected to occur in 2018.

NIBC's capital ratios for 2017 are well above the regulatory minimum requirements. NIBC believes that its liquidity position is maintained through the diversification of funding sources in terms of instruments and markets as well as a well spread maturity profile of outstanding wholesale funding. There can be no assurance that NIBC's capital ratios will remain at the levels for 2017 or that NIBC will continue to be successful in maintaining a diversified funding base.

NIBC believes that its funding sources comprise a sustainable balance between wholesale (secured and unsecured), retail and ESF funding, which comprised 39 per cent, 44 per cent and 6 per cent respectively of NIBC Bank's funding base as at 31 December 2017. Diversification of funding has been a key part of NIBC's strategy since 2008, when it started to build its retail savings franchise. Further, NIBC has recently diversified its capital base by the issuance of €200 million aggregate principal amount of AT1 funding at a coupon of 6.0 per cent in September 2017.

NIBC has sustainable capital generation supporting growth and shareholder returns

NIBC's capital generation has supported year-on-year growth in NIBC's profitability, with profit after tax increasing from €70 million in 2015 to €216 million in 2017. NIBC's return on equity has also increased from 4.2 per cent in 2015 to 11.9 per cent in 2017. Furthermore, increasing shareholder returns in recent years reflect NIBC Bank's growth in profitability, with dividend payments totalling €96 million in 2017 from €25 million in 2016.

NIBC has an experienced management team focused on execution

NIBC's management team comprises its Managing Board and the heads of NIBC's Corporate Client Offering and Retail Client Offering as part of an Executive Committee. The members of the Executive Committee have on average more than 20 years of banking industry experience, enabling NIBC to continue to safeguard and strengthen its commercial and client focus. See *"Management, Employees and Corporate Governance—Managing Board"* for further details on the management team structure.

The Managing Board is responsible for implementing NIBC's strategy and managing its core activities. The current three members of the Managing Board, together with the Executive Committee, have extensive experience working at NIBC and in the banking and corporate banking sectors in the Netherlands and abroad. The members of the Executive Committee have in-depth knowledge and experience in the core activities of NIBC's Corporate Client Offering and Retail Client Offering segments as well as supporting functions such as risk management, assets and liabilities management and operations and IT. The Executive Committee has successfully led NIBC to develop a solid and diversified funding base and solid capital position that has secured a positive development in NIBC Bank's ratings between 2013 and 2017, and NIBC's management team is supported by key long-term shareholders.

A key focus area for NIBC has been on increasing gender diversity among senior managers, with such efforts being achieved in the composition of the Executive Committee, one third of which is comprised of women. NIBC remains focused on ensuring gender diversity as a critical feature of the sustainable success of NIBC. NIBC also focuses on hiring and retaining experienced and skilled employees to help ensure continued success.

Strategy

NIBC believes that its entrepreneurial culture and its agility allow it to quickly anticipate and adapt to a fast-changing world and provide opportunities to meet its clients' changing needs. Its moderate size and short management reporting lines ensure that NIBC's employees are able to work closely with its clients so that NIBC may adapt swiftly to a client's specific needs, new trends and demands. Therefore, NIBC is able to develop an in-depth understanding of its clients' businesses and the challenges that those businesses face. NIBC seeks to nurture a culture that is inventive, entrepreneurial and professional, in which its employees can create tailored products and services for its clients, whilst making sure that all product propositions can be supported by NIBC's back-office infrastructure. This ensures that NIBC can offer its clients cost effective product propositions.

During recent years, NIBC fine-tuned its business model and operations. NIBC has identified six strategic priorities to further develop as a profitable and sustainable bank with a solid capital position.

Strategic Priority 1: Continuous evolution of client franchises, expertise and propositions

Corporate Client Offering

NIBC seeks to capitalise on its established market presence among Northwest European mid-market businesses in its selected sub-sectors. NIBC believes that its focus on sub-sectors makes it more relevant to its clients, especially for those with complex growth plans. NIBC believes that its sub-sector expertise allows it to originate at favourable risk-adjusted credit spreads and to selectively deploy its capital over its sub-sectors. Therefore, NIBC focuses on optimising its overall corporate loan portfolio. Over time this may result in adapting its exposure in sub-sectors, either increasing or decreasing exposure, depending on market opportunities and risk considerations. As part of its strategy NIBC limits its exposure to US dollars and GBP. Examples of NIBC's continued focus on portfolio optimisation include the sale of several larger exposures such as the sale of legacy exposures in the commercial real estate portfolio in 2017, and the restructuring of several large legacy borrowers, decreasing non-performing loans in the corporate loan book by €226 million, from €658 million as at 31 December 2016 to €432 million as at 31 December 2017 at the NIBC Bank level.

In addition to portfolio optimisation, NIBC aims to further strengthen its client franchise by expanding to adjacent sub-sectors and developing new products for corporate clients based on its knowledge and experience as a multi-asset originator (an entity which initially makes a loan). NIBC is active in developing new products and product offerings in order to service its broader Corporate Client Offering franchise.

For example, NIBC's receivables finance Corporate Client Offering supports mid-market companies with a tailored financing solution based on contracted cash flows, a niche which is traditionally not well-served by conventional corporate lending propositions. In building this niche, NIBC has used its existing expertise in order to develop a new product proposition that will allow it to build up a profitable receivables finance loan portfolio.

NIBC's recent acquisition of SNS Securities (subsequently renamed NIBC Markets), will enable NIBC to offer additional new services to its existing clients, such as the ability to facilitate the raising of both debt and equity on the public capital markets.

With a focus on expanding to adjacent sub-sectors, NIBC recently recruited a team focusing on life sciences and medical technology companies thus opening a new group of clients adjacent to NIBC's existing Food, Agriculture, Retail & Health sector focus. NIBC aims to serve its life sciences and medical technology companies by among others, facilitating their raising of equity on public capital markets and with NIBC's existing corporate finance offering.

Retail Client Offering

NIBC intends to further develop its online Retail Client Offering by expanding its current product offering, developing new niche products and continuing to offer high customer service. NIBC believes that its Retail Client Offering is an established platform and brand to which new or adapted products can be added at minimal cost.

NIBC intends to shift the focus of its residential mortgage origination through, among others, a continued focus on value-added products such as for example buy-to-let and residential mortgages for self-employed borrowers. NIBC believes this will enable it to deploy its capital to sub-sectors within the mortgage market that are less well served by NIBC's competitors.

For example, for mortgages for self-employed individuals that have been operating their own business for less than three years but at least one year, NIBC offers a mortgage product where the income for the mortgage is based on annual accounts and estimates.

In addition to NIBC's conventional owner-occupied product offering, NIBC started offering buy-to-let products in January 2015 and such offering has continued to show strong growth, increasing by 214 per cent to €371 million in 2016 and by 66 per cent to €617 million in 2017. This niche mortgage offering comprises 7 per cent of NIBC Bank's total mortgage portfolio as at 31 December 2017. The buy-to-let offering provides NIBC with, what NIBC considers to be, a stable performing portfolio of mortgages as to date no credit losses have occurred and arrears have been limited. NIBC aims to continue to focus on servicing the increasing numbers of professional and sophisticated investors that are investing in rented residential real estate in the Netherlands. NIBC intends to grow its buy-to-let mortgage offering, which has traditionally been an underserviced segment of the Dutch mortgage market. NIBC aims to continue to focus on servicing the increasing numbers of professional and sophisticated investors that are investing in rented residential real estate in the Netherlands.

Strategic Priority 2: Focus on growth of asset portfolio in core markets

NIBC's objective is to selectively grow its Corporate Client Offering asset portfolio in its two home markets (the Netherlands and Germany) and throughout Northwest Europe, and selectively grow its Retail Client Offering asset portfolio in the various identified niches, such as for example the buy-to-let proposition in the Dutch market. To achieve this, NIBC intends to focus on optimising returns on its risk weighted assets while maintaining a CET1 ratio of above 14 per cent, based on current regulation, and improve its long-term lower medium grade credit rating at Standard & Poor's and Fitch to a long-term lower medium grade credit rating of at least BBB+.

Grow in new, attractive asset classes

NIBC intends to further grow its recently developed new asset classes such as buy-to-let (see above) and BEEQUIP and explore opportunities to develop new asset classes, such as for example consumer credit, in a similar way.

Since taking a 75 per cent stake in 2016, NIBC has developed the BEEQUIP platform through which it offers equipment financing and leasing products to SME. NIBC believes that BEEQUIP supports the growth ambitions of SME by providing leasing solutions for heavy equipment. BEEQUIP focuses on the infrastructure, earthmoving, construction and logistics industries, including harbour equipment.

The Dutch market for financing operating assets has been dominated by three major banks. NIBC believes that the BEEQUIP team offering combines in-depth knowledge in the banking and equipment sectors with a focus on entrepreneurship and providing clear leasing products and swift responses for Dutch businesses seeking to grow and develop their enterprises. NIBC aims to further promote and expand its BEEQUIP product and its equipment leasing portfolio.

Inorganic growth through complimentary acquisitions

NIBC aims for inorganic growth (growth of a business through mergers and acquisitions) by seeking acquisition opportunities in Northwest Europe and is continuously evaluating potential acquisitions that are complementary to its existing Corporate Client Offering and Retail Client Offering. NIBC requires that potential targets add or expand an existing product offering or market by adding portfolios that are complementary to or expand upon NIBC's existing platforms, for example the potential acquisition of a consumer credit portfolio will support the Retail Client Offering's strategy of expanding into adjacent asset classes. The acquisition of other asset portfolios may for example accelerate growth in existing asset classes.

NIBC evaluates potential acquisition targets using several criteria, including strategic and cultural fit, synergies, purchase price, return on investment, capital allocation, return on equity improvement and funding of the transaction. NIBC is supported by its internal corporate finance team on evaluating potential acquisitions.

Examples of NIBC's recent acquisitions and new initiatives include the launch of the buy-to-let offering (in 2015) and originate-to-manage offering (in 2016) and its 75 per cent strategic stake in the Dutch equipment leasing company BEEQUIP in 2016.

Strategic Priority 3: Diversification of income

NIBC intends to organically increase its income from fees and other non-interest margin income by: (i) further promoting its originate-to-manage product, (ii) increase focus on value added lending solutions that generate fee income in addition to interest income, (iii) maintaining a focused corporate finance advisory franchise, (iv) transforming and expanding its newly acquired capital markets and corporate finance platform and (v) targeting growth of its Mezzanine Solutions, Equity Solutions and Project Equity pillars of its Mezzanine and Equity Solutions offering . In the medium-term, NIBC is targeting net fee income to be 15 per cent of net interest income.

In addition NIBC may pursue inorganic growth opportunities that would provide a diversification of income. A recent example of inorganic growth is the acquisition of SNS Securities in July 2017.

In 2016 NIBC launched its retail originate-to-manage offering, through which it offers NIBC's origination and loan management experience to its institutional clients through a managed account. The originate-to-manage product enhances NIBC's aim of being a "one stop shop" mortgage offering by combining origination of mortgages for retail clients utilising NIBC's own balance sheet as well as offerings for institutional clients through NIBC's originate-to-manage offering. With this offering, NIBC originates but then sells and manages certain loan assets for the account of specific client investors and has raised €1.9 billion of commitments for owner-occupied mortgages for its originate-to-manage offering as at 31 December 2017, of which 37 per cent (€710 million) of this amount was invested. NIBC believes that its originate-to-manage product will increase contribution to its fee income in future periods.

NIBC has also increased its focus on selected equity investments (in conjunction with its Mezzanine and Equity Solutions offering) by offering tailored (equity) financing solutions in selected client situations. As such NIBC believes that it can increase its relevance to its clients and, together with its sector expertise and geographic network, generate returns on capital deployed.

Strategic Priority 4: Building on existing agile and effective organisation

NIBC is focused on ongoing investments in its people, its culture and innovation, which it believes creates an agile and effective organisation. Combined with its pro-active management of its cost structure, NIBC believes that it will be able to sustainably increase profitability. NIBC Bank's medium-term objective is to maintain a relatively stable cost level and cost-to-income ratio below 45 per cent (for reference the cost-to-income ratio for NIBC Bank as at 31 December 2017 was 44 per cent). NIBC intends to control costs by (i) using its existing platforms to expand its product offering, (ii) maintaining a simple and lean organisation, (iii) further optimising its processes and standards, (iv) operating a scalable and cost efficient outsourced operating model and (v) disciplined cost control and focus on operational excellence. A continuous focus on revenue versus cost for all of NIBC's product offerings and the organisation in general will further add to this.

Strategic Priority 5: Ongoing investments in people, culture and innovation

NIBC intends to continue to invest in its employees and corporate culture because it believes that its employees are the key to its success. NIBC believes that dedication from management and investments in its organisation and its people are central to the achievement of its strategic objectives. NIBC aims to establish an employee culture of accountability, empowerment and action which develops a highly engaged workforce and an agile working culture. NIBC scored above 80 per cent on an employee engagement survey conducted in 2017.

NIBC has an experienced work force which is supported by NIBC's aim of retaining talent through dedicated mentoring and employment programmes.

Employee engagement is a vital focus for NIBC to be a sustainable and profitable banking franchise. All Executive Committee members meet regularly with employees on an informal basis during which employees can raise any topics, concerns or other comments. Regular 'town hall' sessions are held every two months, led by Executive Committee members, who cover topics such as financial results and strategy updates. In addition, as part of its training and mentoring Analyst Programme, NIBC provides young trainees the opportunity to present inventive and challenging business cases to the Executive Committee. NIBC also invests in its employees through on-going education and training, with particular focus on regulatory regimes, which ensures employees are prepared to advise clients on solutions in a changing regulatory landscape.

As part of its innovation strategy, NIBC also intends to invest in innovative financial technology start-ups. As part of this strategy, NIBC acquired a stake in May 2017 in Ebury, a UK financial technology company that focuses on corporate cross-border payments and uses advanced data analysis techniques to detect new client acquisition opportunities; and in July 2017 NIBC acquired an interest in FinLeap, a German accelerator specialising in financial technology businesses.

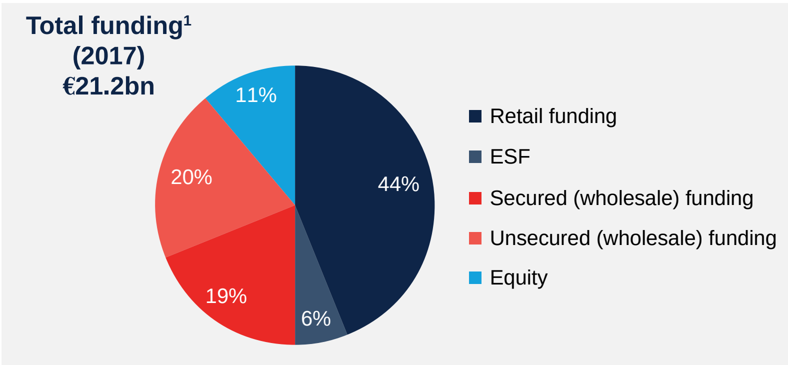
NIBC's innovation lab is NIBC's dedicated workshop for encouraging its employees to think beyond their job responsibilities and embrace innovation. A key objective is to create a company-wide innovation attitude and be NIBC's 'market intelligence' for innovation, with a particular focus on 'fintech' and 'regtech' sectors. Activities of the innovation lab include raising awareness and stimulating an entrepreneurial and inventive culture, among others through 'Inspiration Days' (roughly 10 per annum, encouraging out of the box thinking and views) and generating shortlists of potential new ventures and/or business partnerships.

Strategic Priority 6: Further optimisation of capital structure and diversification of funding

Maintaining strong capital position

NIBC is focused on maintaining a strong capital position, conservative leverage and solid available liquidity. A key element of implementing its strategy is the optimisation of its capital structure and the diversification of its funding sources, which NIBC believes will result in lower average funding costs, increased funding flexibility and an improved ratings outlook. This diversification of funding has been a key part of NIBC's strategy to reduce its dependence on any single source of funding since early 2008, when NIBC started to develop its retail savings franchise. NIBC's focus on diversification of funding has resulted in a balanced mix of wholesale and retail funding. NIBC's long-term objective is to manage the level of retail savings (adjusting the level based on market conditions) in conjunction with diversified wholesale funding. Next to retail and wholesale funding, the deposit market has formed a valuable alternative funding source for NIBC, especially deposits sourced in the local German institutional ESF, and has proven to be a reliable and affordable addition to NIBC's funding mix.

Solid and diversified funding base



Note: Unaudited financials for NIBC Bank.
1: Liabilities excluding derivatives and "other liabilities".

NIBC intends to continue to optimise its capital structure and intends to regularly issue new funding instruments with at least one public senior unsecured and one public secured benchmark transaction per year.

In September 2017, NIBC Bank placed €200 million aggregate principal amount of AT1 funding at a coupon of 6.0 per cent. NIBC believes that this AT1 issuance enhances NIBC's capital structure by contributing AT1 capital in accordance with the SREP requirements. Also in October 2017, NIBC redeemed its outstanding 7.625 per cent US$ 146 million hybrid Tier 1 issue.

Conservative leverage

NIBC aims to continue its focus on increasing cost efficiency to maintain a lean organisation and cost efficient structure that results in a sustained cost-income ratio and a conservative operating leverage, which will allow for more flexibility to invest in growth and innovation.

Solid available liquidity

NIBC is focused on maintaining a solid funding base, which will provide optionality through diversification and increased flexibility in the management of its liquidity position. NIBC manages the maturity profile of its liabilities in relation to its asset base and maintains liquidity buffers which enable it to meet current and potential requirements at a consolidated, parent and subsidiary level.

Medium-Term Objectives

NIBC has set the following medium-term objectives, which it aims to achieve by executing its strategy as described in "—*Strategy*":

- *Return on equity for the Company*: between 10 per cent and 12 per cent, with a sustainable return on equity ratio above 10 per cent;
- *Cost-to-income ratio for NIBC Bank*: structurally below 45 per cent;
- *CET1 ratio for the Company*: robust capital with a CET1 ratio above 14 per cent, based on current regulation;

• *Dividend pay-out ratio for the Company*: at least 50 per cent of net profit available for distribution to ordinary shareholders; and

• *Credit rating for NIBC Bank*: from current BBB to BBB+.

NIBC has not defined, and does not intend to define, "medium-term". These medium-term financial objectives should not be read as forecasts or projections for any particular year, but are merely objectives that result from NIBC's pursuit of its strategy. The Company can provide no assurances that these objectives can be met or that its strategy can be implemented, and the actual results could differ materially. Further, these objectives have been set on the basis of certain assumptions in respect of the future impact on NIBC's capital position from the implementation of the Basel III Reforms and other regulatory developments, considering in particular the anticipated capital requirements which may arise, and taking into account NIBC's current dividend policy. The objectives have been determined based on trends, data, assumptions and estimates that the Company considers reasonable as at the date of this Prospectus, including but not limited to, the continued low interest rate environment, a positive economic outlook, organic growth of the loan portfolio, continued access to funding through retail saving accounts and wholesale markets, and in general a further gradual tightening of credit spreads on both the asset and liability side of the balance sheet. However, the trends, data and assumptions which NIBC has relied on to determine the objectives may change as a result of uncertainties related to its economic, financial or competitive environment and as a result of future business decisions, as well as the occurrence of certain factors, including but not limited to, those described in "*Important Information—Information Regarding Forward-Looking Statements*", "*Risk Factors—NIBC may fail to achieve its strategic goals or its medium-term objectives.*" and "*Risk Factors*". Investors are urged not to place undue reliance on any of the statements set out above.

Operational Segments

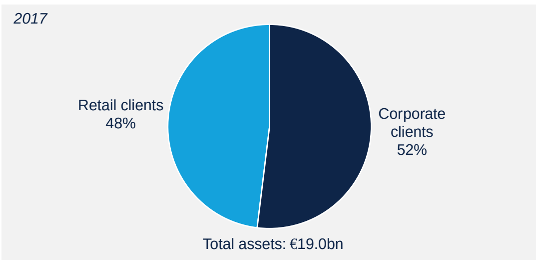
NIBC's primary operational segments are its Corporate Client Offering segment and its Retail Client Offering segment. The Corporate Client Offering segment serves NIBC's mid-market corporate clients, while its Retail Client Offering segment serves its retail client base.

In the Corporate Client Offering segment, NIBC offers advice and debt, mezzanine and equity financing solutions to companies across select sectors in which it has broad expertise and established market positions, predominantly in the Netherlands, Germany and United Kingdom.

In the Retail Client Offering segment, NIBC offers residential mortgages (originated for its own balance sheet and for third-party institutional clients) in the Netherlands and online savings in the Netherlands, Germany and Belgium and investment brokerage products in Germany. NIBC also manages a closed portfolio of residential mortgages in Germany which is being managed down.

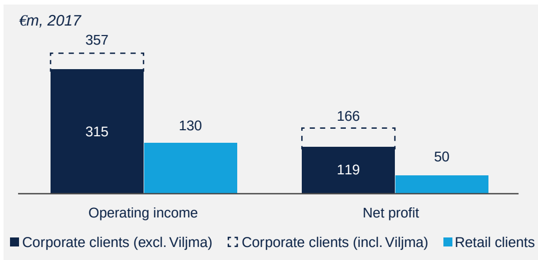
The figures below present NIBC's commercial assets at year-end 2017 and operating income and net profit for the financial year 2017 by operational segment.

Commercial assets



Note: Unaudited financials for NIBC Holding

Operating income and net profit



Note: Unaudited financials for NIBC Bank.

As at 31 December 2017, the total corporate client assets of the Corporate Client Offering segment in NIBC Bank amounted to €10.0 billion after a slight decrease of 3 per cent compared with 31 December 2016. This included a decrease of the commercial real estate legacy portfolio by nearly €0.3 billion and foreign currency effects of nearly negative €0.4 billion, mainly due to the weakening of the US$ and to a lesser extent the GBP. Excluding these currency effects and the decrease of the commercial real estate legacy portfolio the corporate client assets would have increased in 2017 by more than 3 per cent. For the Retail Client Offering segment, after normal prepayments and repayments, the total retail client assets increased by 3 per cent from €8.8 billion as at 31 December 2016 to €9.1 billion as at 31 December 2017. This increase includes the purchase of a portfolio of owner-occupied mortgages loans of €0.2 million during 2017. The mortgage origination volumes reached €1.9 billion as per 31 December 2017, of which €0.7 billion related to an originate-to-manage mandate for an institutional investor. Total retail savings assets decreased by 4 per cent from 9.7 billion as at 31 December 2016 to €9.3 billion as at 31 December 2017.

Operating income for NIBC Bank increased from €395 million in 2016 to €512 million in 2017, an increase of 30 per cent. Operating income for NIBC increased from €413 million in 2016 to €559 million in 2017, an increase of 35 per cent.

Corporate Client Offering

Overview

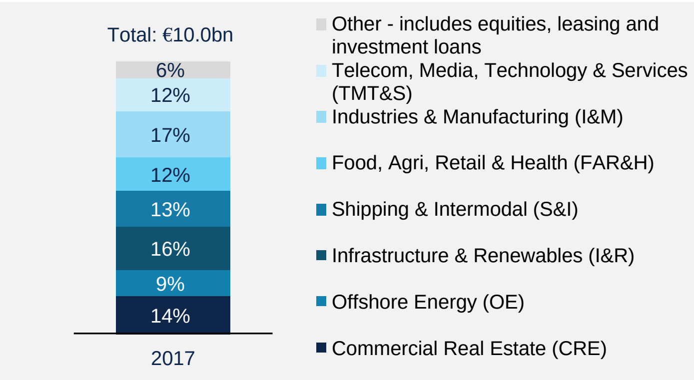
NIBC's Corporate Client Offering offers its mid-market corporate clients specific products across a broad spectrum of advising, structuring, financing and co-investing across debt and equity through a dedicated sector approach, with a focus on chosen sub-sectors and products in Northwest Europe and a focus on the Netherlands and Germany. These clients are often confronted with questions around financing or growth for their businesses and appreciate NIBC's entrepreneurial and inventive approach. NIBC positions itself to facilitate growth for its clients at decisive moments, particularly for the selected sectors and sub-sectors within the regional economies in which it operates. Through a combination of in-depth knowledge of its target sub-sectors and understanding of its clients' needs, NIBC has developed a "private banking" style service which allows NIBC to provide bespoke, inventive and fit-for-purpose advisory, lending and capital markets solutions for its clients.

NIBC's product and sector teams have in-depth knowledge of their chosen sub-sectors and products. NIBC's Corporate Client Offering has a diversified and highly collateralised portfolio of €10 billion as at 31 December 2017 as a result of and selective origination and supported by NIBC's risk management. NIBC offers its clients a broad range of standard and tailor-made products and services with a typical transaction size of between €10 million to €50 million.

NIBC services its corporate clients with a team of approximately 280 experienced professionals as at 31 December 2017. In servicing NIBC's corporate clients, the sector and product teams cooperate closely, combining NIBC's in-depth sector and investor knowledge with product expertise and proven execution capabilities. The size and structure of the Corporate Client Offering allows for close proximity, short communication lines and swift decision making. In line with NIBC's "Think Yes" approach, the Corporate Client Offering teams are able to address client needs swiftly where needed with tailor-made solutions that can involve cross-border and multi-sector or multi-product solutions. NIBC's experienced professionals and client approach have led to a Net Promoter Score ("**NPS**") of 64 per cent in 2017, a score which measures the willingness of customers to recommend a company's products or services to others based on speed, pricing, quality of advice and deep sector and financial knowledge.

For its Corporate Client Offering segment, NIBC Bank has €10 billion of corporate client assets as at 31 December 2017 (compared with €10.3 billion as at 31 December 2016 and €9.9 billion as at 31 December 2015). Its corporate loan portfolio exposure is well spread across its chosen sectors and sub-sectors:

Corporate portfolio



Note: Unaudited financials for NIBC Bank.

NIBC Bank's key product categories are Asset and Cash Flow Finance, Leveraged Finance and Corporate Lending, which accounted for 46 per cent, 18 per cent and 19 per cent, respectively of origination volumes in

2017 for the Corporate Client Offering. The rest of the product portfolio consists of Receivables Finance, Mezzanine and Equity Solutions, Capital Markets, Corporate Finance and other lease lending activities.

	Corporate sectors			Asset & Cash Flow Finance sectors				Total
	FAR&H	I&M	TMT&S	CRE	I&R	S&I	OE	(€bn, 2017)
1 Leveraged Finance								1.6
2 Receivables Finance								0.8
3 Mezzanine & Equity Solutions								0.6
4 Capital Markets								n/m[1]
5 Corporate Finance								n/m[1]
6 Corporate Lending								1.9[2]
7 Asset and Cash Flow Finance								5.1
Total (€bn, 2017)	1.2	1.7[2]	1.2	1.4	1.6	1.3	0.9	+0.6[4] +0.1[3] 10.0

FAR&H - Food, Agri, Retail & Health
I&M - Industries & Manufacturing
TMT&S - Telecom, Media, Tech & Services
CRE - Commercial Real Estate
I&R - Infrastructure & Renewables
S&I - Shipping & Intermodal
OE - Offshore Energy
Primary product focus

Note: Unaudited financials for NIBC Bank.
1: Not material. These activities do not impact NIBC's balance sheet, except for shorter term underwriting conditions.
2: Includes €300m funding line to BEEQUIP.
3: Relates to €60m legacy lease receivables from the acquisition of Gallinat Bank, not included in the products.
4: Relates to €0.6bn Mezzanine & Equity Solutions and €0.1bn legacy lease receivables from the acquisition of Gallinat Bank, not included in the sectors.

Corporate Client Offering products

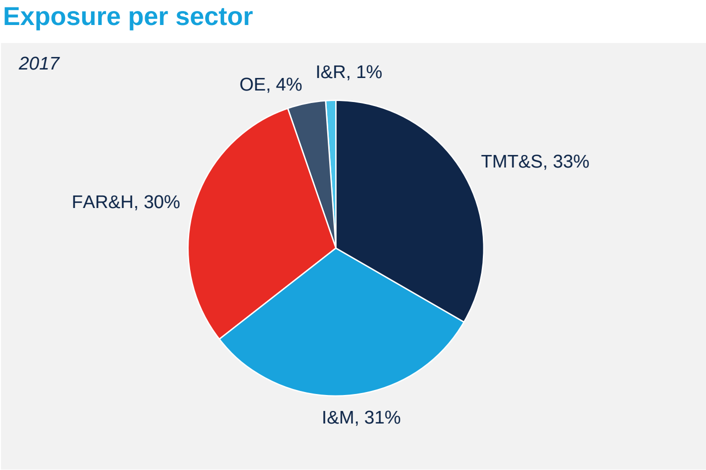
The Corporate Client Offering segment offers a coordinated and tailor-made multi-product approach that combines advice, structuring, financing and co-investment to NIBC's corporate clients in its chosen sub-sectors.

Leveraged Finance

NIBC's Leveraged Finance product offering is primarily provided in connection with financing acquisitions by private equity funds of midcap companies in Northwest Europe, with enterprise values typically in the range of €50 million to €500 million. NIBC has a top three position in the Leveraged Finance sector in the Benelux, a top five position in German mid-market leveraged finance transactions and has a solid market position in the United Kingdom (Source: *Altium, DC Advisory and Marlborough (data as at Q2 2017)*).

NIBC's Leveraged Finance offering undertakes approximately 40 new transactions each year across a number of sectors, including Food, Agriculture, Retail & Health, Industries & Manufacturing and Telecom, Media, Technology & Services. NIBC is highly selective in its origination. The Leveraged Finance product offering is complemented with agency, sales and mergers and acquisitions advisory services and has dedicated portfolio management.

Leveraged Finance products are offered by NIBC in the following sectors:



Note, Unaudited financials for NIBC Bank.

FAR&H - Food, Agri, Retail & Health
I&M - Industries & Manufacturing
TMT&S - Telecom, Media, Tech & Services
I&R - Infrastructure & Renewables
OE - Offshore Energy

The Leveraged Finance products and services are offered by three NIBC teams, located in The Hague, Frankfurt and London, with expertise in the areas of management buy-out and leveraged buy-out structures, recapitalisation and refinancing and public-to-private transactions. The Leveraged Finance teams cooperate with NIBC's sector experts to support companies that are in the midst of strategic and operational change.

NIBC's Leveraged Finance offering is focused on providing client focused financing that is often arranged in a club-deal setting or via a syndicated facilities process (both arrangements involving loans offered by a group of lenders), which makes NIBC's teams highly experienced as lead arranger or relationship member of a financing syndicate. The Leveraged Finance products include senior term loans, working capital facilities and super senior loans, with capability to offer second lien and fund financing depending on client demand and NIBC's risk appetite. NIBC also intends to expand the originate-to-manage product offering for institutional investor clients, utilising the expertise and leading market position of its Leveraged Finance team to grow its product capabilities particularly in portfolio management, origination for managed accounts and debt funds and securitisation and structuring (such as collateralised loan obligations).

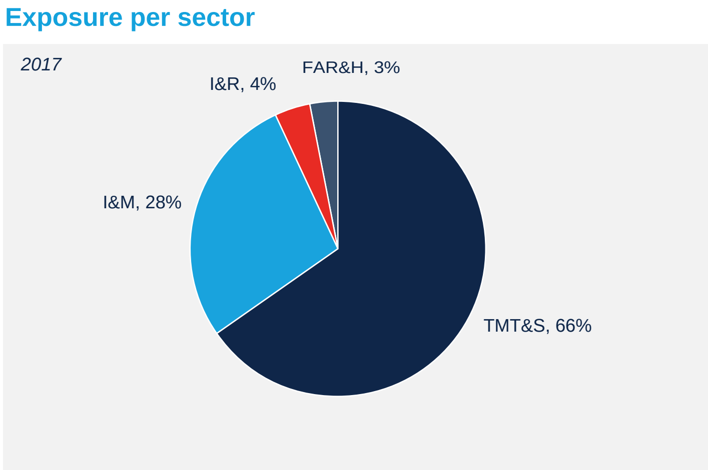
The total loan portfolio for the Leveraged Finance product offering was €1.6 billion as at 31 December 2017 (compared with €1.7 billion as at 31 December 2016 and €1.4 billion as at 31 December 2015), and the average loan size was €17 million as at 31 December 2017.

Receivables Finance

NIBC's Receivables Finance product offering is focused on sophisticated, financing solutions that fit clients' commercial objectives. Receivables Finance develops tailor-made financing solutions based on contracted cash flows for corporates which NIBC considers are underserved by conventional bank offerings in specific sectors in the Netherlands, Germany and the United Kingdom.

The current Receivables Finance product offering includes portfolio lease financing, off and on-balance trade receivables financing, reverse factoring, vendor lease programmes, consumer loan portfolio financing and other solutions based on contracted cash flows. The Receivables Finance offering provides added value for clients that may not have sufficient profits to obtain desired financing but have cash flows generated from (contracted) receivables. NIBC believes that its corporate clients benefit from NIBC's Receivables Finance product solutions as they are tailor-made and therefore specific to the client's financing requirements, structured to be flexible to adapt to changes in the client's need for funding and scalable to accommodate increases in volume.

NIBC's Receivables Finance products are offered across a number of industry sectors, including Food, Agriculture, Retail & Health, Industries & Manufacturing and Telecom, Media, Technology & Services, as set out below:



Note: Unaudited financials for NIBC Bank.

FAR&H - Food, Agri, Retail & Health
I&M - Industries & Manufacturing
TMT&S - Telecom, Media, Tech & Services
I&R - Infrastructure & Renewables

NIBC offers Receivables Finance products as an alternative to traditional financing, adopting a flexible approach that allows NIBC to offer terms and solutions that would not be achievable through traditional on-balance sheet financing. NIBC seeks to further grow the portfolio by offering innovative financing structures based on a client's cash flow such as consumer financing, trade receivables financing and clients who offer pay-per-use, software-as-a-service or subscription fee propositions.

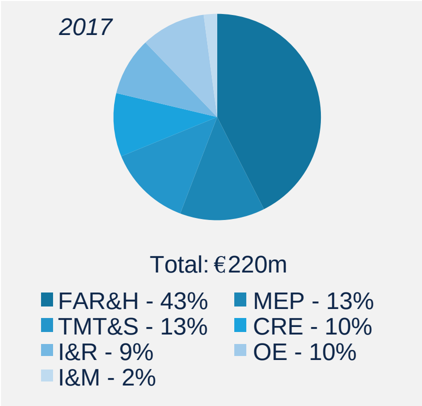
The total loan portfolio for the Receivables Finance product offering was €0.8 billion as at 31 December 2017 (compared with €0.7 billion as at 31 December 2016 and €0.4 billion as at 31 December 2015), and the average loan size was €24 million as at 31 December 2017.

Mezzanine and Equity Solutions

NIBC's Mezzanine and Equity Solutions offering is aimed at supporting entrepreneurs and their shareholders at decisive moments by providing investment in their businesses in the form of flexible risk bearing solutions, including minority participations and mezzanine solutions to help them realise their goals. Traditional banking products may not be suitable to assist a client's growth opportunity, and as a result the Mezzanine and Equity Solutions team develops inventive financial structures in order to bridge the gap between traditional senior lending and private equity style investments. The Mezzanine and Equity Solutions offering is focused on the following product categories: Mezzanine Solutions, Equity Solutions, Project Equity and Fund Solutions.

NIBC's Mezzanine and Equity Solutions offer growth capital solutions to businesses across a number of NIBC's target sectors, including Food, Agriculture, Retail & Health, Industries & Manufacturing, Telecom, Media, Technology & Services, Commercial Real Estate and Infrastructure & Renewables. Its Project Equity products portfolio is focused on NIBC's investments in development stage projects in the Industries & Manufacturing and Infrastructure & Renewables sectors.

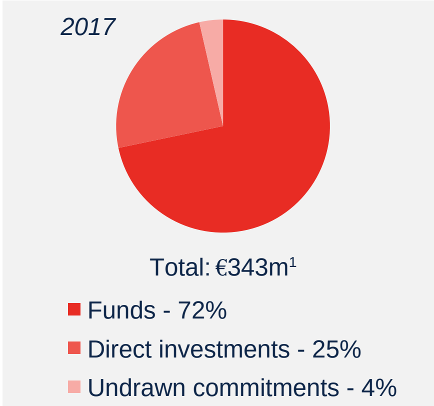
Breakdown of mezzanine exposure[1]



Note: Unaudited financials for NIBC Bank.
1: Part of the portfolio comprises senior loan as part of unitranche solution.

FAR&H	-	Food, Agri, Retail & Health
I&M	-	Industries & Manufacturing
TMT&S	-	Telecom, Media, Tech & Services
CRE	-	Commercial Real Estate
I&R	-	Infrastructure & Renewables
S&I	-	Shipping & Intermodal
OE	-	Offshore Energy

Breakdown of equity exposure



Note: Unaudited financials for NIBC Bank.
1: Includes Ebury strategic minority stake.

Across the three product categories, NIBC seeks to invest in clients which have an experienced and incentivised management team. NIBC's Mezzanine and Equity Solutions team is involved in all aspects of NIBC's investment, from origination, investment structuring, investment management and value creation and finally divestment. NIBC's investments across these products are managed by the Mezzanine and Equity Solutions team with support from the sector teams.

NIBC is focused on developing its product categories under its Mezzanine and Equity Solutions offering, with the intention of reducing NIBC's fund equity exposures and increasing its mezzanine and equity funding exposures. NIBC plans to expand the Mezzanine and Equity Solutions offering to selected German markets and to offer investors the opportunity to co-invest with NIBC Mezzanine and Equity Solutions under an originate-to-manage structure.

The total portfolio for the Mezzanine and Equity Solutions offering was €562 million as at 31 December 2017 (compared with €508 million as at 31 December 2016 and €461 million as at 31 December 2015).

The expertise of NIBC's Mezzanine and Equity Solutions lies in the following four product offerings.

Mezzanine Solutions

NIBC's Mezzanine Solutions product offering services Dutch mid-market corporates by providing subordinated (mezzanine) debt, potentially in combination with senior loans and/or warrants. NIBC's solutions are designed to assist corporates with growth ambitions, including growth through acquisitions, while giving NIBC a meaningful interest in one or more layers of debt. Mezzanine Solutions products typically do not include any distressed, turnaround or early-stage investments. NIBC Mezzanine Solutions targets a substantial debt stake in one or more levels with investments of between €8 to €30 million for combined senior and subordinated debt transactions and €5 million to €25 million for subordinated debt transactions.

Equity Solutions

NIBC Equity Solutions offers flexible risk-bearing solutions to Dutch mid-market corporates, focusing on investments in equity participations in the form of management buy-outs, acquisitions and other important corporate events. NIBC's offering consists of minority equity investments in unlisted companies, often in combination with shareholder loans. The Equity Solutions product offering is aimed at ensuring NIBC has a meaningful and influential role in the client's growth strategy. Equity Solutions does not involve distressed, turnaround or early-stage investments. NIBC Equity Solutions targets equity investments of between €5 million to €25 million.

Project Equity

NIBC Project Equity offers project investment services comprising flexible risk-bearing solutions to realise early stage project and infrastructure investments in which NIBC functions as a development partner. In this product category, NIBC focuses on projects in Northwest Europe in specific sub-sectors in the Infrastructure & Renewables and Industries & Manufacturing sectors, participating with minority equity investments (typically between 25–50 per cent), often in combination with shareholder loans and, depending on project needs and jurisdiction, senior debt as well. NIBC is also able to diversify its income by taking on fee earning roles for debt and equity placement aspects of the project. NIBC's Project Equity solutions targets investments of between €5 million to €15 million.

Fund Solutions

Fund Solutions involves NIBC investing its own balance sheet and taking limited partnership interest in funds, bringing its expertise and sub-sector knowledge to assist funds make investments and management of funds in which NIBC acts as a general partner. Through the Fund Solutions activities, NIBC aims to build relationships with other investors in the funds and also access a broader base of future clients, being companies that receive investment from the funds. Further, NIBC often has the opportunity to co-invest with a fund in companies.

NIBC's investments in funds include funds which are connected to J.C. Flowers & Co. such as the JC Flowers II, III and IV funds, which invests in financial services companies in the United States, Europe, Japan and South Korea. NIBC also holds investments in funds it had initially set up including the MBF1B fund which is a private equity growth fund managed by Avedon Capital (a private equity firm started by former NIBC employees). NIBC also manages the funds held in NIBC Infrastructure Partners I B.V., NPEX Ondernemersfonds Beheerder B.V., Rotterdam Port Fund Management B.V and Stichting Administratiekantoor Belgian Corporate Debt Investments.

In addition to limited partnership investments in the funds, NIBC manages, and also has an investment in NEIF, a fund which invests in a wide range of infrastructure assets including waste management, transportation services and renewable energy. As the general partner of NEIF, NIBC manages equity investments in the infrastructure and renewable energy sectors on behalf of both third party institutional investors as well as NIBC Bank through NEIF. The fund was established in 2007, with a regional focus on Northwest Europe, principally in Germany, the Benelux and the United Kingdom. NEIF had €408 million in assets under management as at 31 December 2017. NEIF is a closed end fund and is not open to further investment from third parties.

The value of NIBC's fund investments as at 31 December 2017 amounted to €231 million. As part of NIBC's strategic review of its fund investments, during which NIBC evaluates its holdings, NIBC is exploring opportunities to reduce NIBC's relatively large fund exposures by divesting certain fund holdings. In particular, for NEIF, options are being considered to divest the whole fund or individual investments.

Capital Markets

NIBC's Capital Markets product offers capital markets solutions, equity research and sales and trading solutions to investor clients and corporate clients. With the acquisition of SNS Securities in 2016, NIBC added a niche player in the field of equity and debt capital markets, expanding its Capital Markets product offering with a wide range of tailor-made capital markets financing solutions for listed and non-listed small and medium-sized companies. The added product offering includes specialist advice, liquidity for less liquid stocks and small-sized fixed-income issues and other services including debt, hybrid and equity solutions and technical listing services providing value-added and alternative solutions for its mid-market corporate client base. Further, NIBC's sales and trading solutions services approximately 800 clients.

Following the acquisition, SNS Securities was integrated into the corporate finance and capital markets offering under the NIBC Markets label and restructured, including a relocation of the office to the financial district in Amsterdam. As part of the restructuring, NIBC Bank has transferred several non-core businesses and associated clients in relation to asset management and asset management services and as a result the number of staff has been reduced from 704 as at 31 December 2016 to 666 as at 31 December 2017. NIBC aims to adapt and transform the acquired activities to create a cost efficient and focused platform, further aligning the platform with its mid-market corporate client base. NIBC for example recently hired a new sub-sector team, within the Food, Agriculture, Retail & Health sector, to service clients in the health and life sciences sector including biotechnology, medical technology, pharmaceuticals, and diagnostics companies in Northwest Europe. This team specialises in mergers and acquisitions advice as well as capital raising and debt and equity solutions, especially for early phase companies seeking to invest in research and development, as well as advisory work for clients undergoing consolidations or seeking buy-and build strategies.

Through NIBC Markets, NIBC offers sales, distribution and execution for fixed income investments and equity sales and research for its corporate and investor client base. The NIBC Markets offering consists of several specialist teams:

- *Equities*: provides sales, research and equity capital market products.
- *Fixed income*: offers sales, brokerage, debt capital market and client facilitation to institutional investors, professional counterparties and to NIBC itself. The team specialises in less liquid segments of the fixed income market for clients.
- *Research*: provides investor clients with comprehensive research on companies in the Benelux supported with fundamental analyses and extensive sector knowledge.

Corporate Finance

NIBC has extensive experience in advising on mergers and acquisitions. Its Corporate Finance product offering includes advising on both buy-side and sell-side mergers and acquisitions by public and private mid-market companies and financial sponsors, including private equity investors, initial public offerings, public takeovers and management buy-outs. The Corporate Finance mergers and acquisitions teams also provide specialist support in areas such as financial analysis and valuation, fairness opinions, strategic options and corporate defence tactics.

The services of the Corporate Finance team also includes debt and equity advisory to assist listed and non-listed companies that face important financial decisions such as recapitalisation, major financing or refinancing, acquisition financing, raising capital, potential covenant breaches and financial restructuring. Furthermore, NIBC's services include balance sheet optimisation, advising on alternative funding and establishing an optimal dividend policy.

The Corporate Finance team works closely with other product and sector teams, as well as with an international adviser network through NIBC's Frankfurt office and in partnership with Sodica, a subsidiary of Credit Agricole in France.

Corporate Lending

NIBC's Corporate Lending product offering provides a broad spectrum of lending solutions to help clients realise their strategic goals. Corporate Lending is a sector focused offering that is primarily targeted at mid-market and family-owned companies with businesses in Food, Agriculture, Retail & Health, Industries & Manufacturing and Telecommunications, Media, Technology & Services. Corporate Lending solutions are offered to clients in the Netherlands, Germany and the United Kingdom, depending on local demand and competition.

Corporate Lending products range from loans for general corporate use and working capital solutions, through to corporate acquisitions or changes in shareholder structures through a mix of bilaterals (a single lender loan), club deals and, on occasion, stakes in syndicated facilities. NIBC's services also include origination, structuring and execution of debt transactions. NIBC's new origination for its Corporate Lending product offering is focused on more granular lending solutions that involve secured transactions with shorter tenors.

NIBC has in-depth understanding of the Corporate Lending offering's target sectors which allows NIBC to provide non-standard fit-for-purpose advisory and corporate lending solutions. This approach combined with a willingness to provide different or non-standard lending solutions has enabled NIBC to build long term relationships as a trusted advisor in each Corporate Lending sector.

NIBC Bank's total loan portfolio for the Corporate Lending product offering was €1.9 billion (including a funding line of € 0.3 billion to BEEQUIP) as at 31 December 2017 (compared with €1.7 billion as at 31 December 2016 and €1.4 billion as at 31 December 2015).

Asset and Cash Flow Finance

NIBC's Asset and Cash Flow Finance product offering provides financing products based on corporate client's cash flows together with collateral value, combining both project and corporate financing elements. NIBC's Asset and Cash Flow Finance product team in combination with the dedicated sector teams offer clients sector focused solutions and service clients in Commercial Real Estate, Infrastructure & Renewables, Shipping & Intermodal and Offshore Energy.

Asset and Cash Flow Finance product solutions are collateralised by secured assets and pledged contracts providing stable cash flow until maturity, which on average is less than 5 years, with maximum maturities set at 7 years (subject to certain exceptions). NIBC offers Asset and Cash Flow Finance products through bilaterals and club deals. The Asset and Cash Flow Finance products offer clients in each sector tailor-made solutions based on in-depth sector knowledge.

The trends in the Asset and Cash Flow Finance sector portfolios show diversified exposure, decreasing loan sizes and shorter term to maturity.

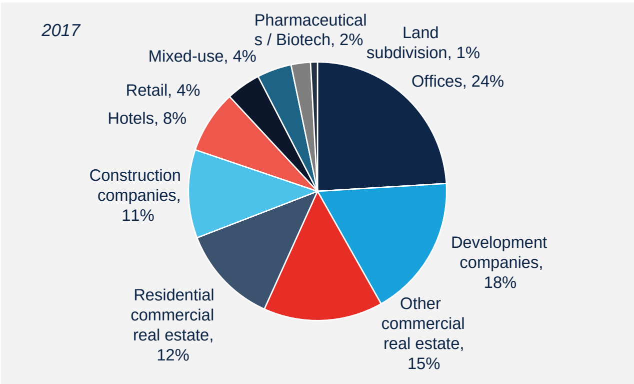
NIBC Bank's total loan portfolio for the Asset and Cash Flow Finance product offering was €5.1 billion as at 31 December 2017 (compared with €5.6 billion as at 31 December 2016 and €6.0 billion as at 31 December 2015).

Commercial Real Estate

NIBC provides financing solutions for the Commercial Real Estate sector, with transactions covering various property types, including residential commercial, offices, construction and development companies, hotels, retail, and repositioning with a value of more than €10 million. National and international property developers and investors work with and rely on NIBC for innovative and creative solutions. NIBC aims to focus the activities of its Commercial Real Estate sector team equally on transactions for construction financing and investment financing. In particular, NIBC's flexible and entrepreneurial transaction structuring approach is aimed at providing attractive products for NIBC's two key target clients: high-net-worth-entrepreneurs and institutional investors.

NIBC's Commercial Real Estate sector team consists of dedicated and experienced professionals located in The Hague.

Exposure per sector (excl. Vijlma)



Note: Unaudited financials for NIBC Bank.

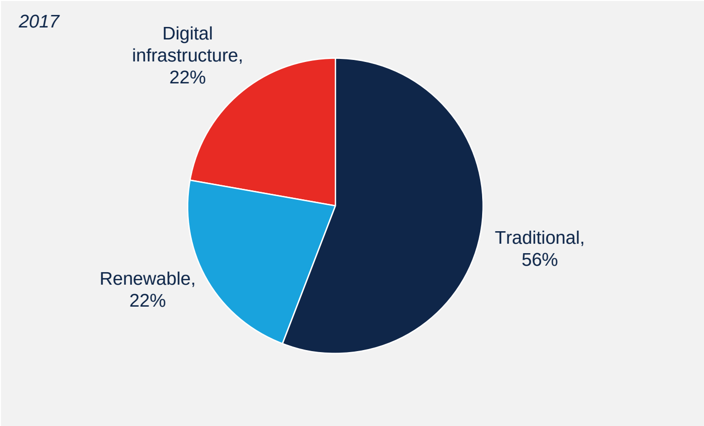
NIBC Bank's total loan portfolio for NIBC's Commercial Real Estate sector was €1.4 billion as at 31 December 2017 (compared with €1.4 billion as at 31 December 2016 and €1.3 billion as at 31 December 2015), and the average loan size decreasing from €20.6 million as at 31 December 2015 to €19 million as at 31 December 2017. The weighted average maturity of the portfolio increased from 2.13 years as at 31 December 2015 to 2.72 years as at 31 December 2017.

Infrastructure & Renewables

NIBC offers its Infrastructure & Renewables clients a selective range of financing solutions for traditional infrastructure such as roads, hospitals and schools and renewable assets and digital infrastructure in Northwest Europe. Due to NIBC's experience with energy projects, NIBC also offers a broad range of solutions for wind, biomass and solar energy projects, renewables funds and local heating networks. NIBC has a solid track record in finance solutions for the development and re-development of roads, rail tracks, airports and seaports, and cutting-edge communication infrastructure projects such as data centres and glass fibre networks. NIBC is focused on providing solutions for high-net-worth-entrepreneurs and infrastructure and renewable funds and developers.

The Infrastructure & Renewables team has focused on transitioning its loan portfolio from financing traditional infrastructure projects such as public-private toll road and school projects to smaller and complex renewable and digital infrastructure projects in Northwest Europe which have shorter maturity terms. NIBC has been able to reduce its loan portfolio for traditional infrastructure projects to €0.9 billion as at 31 December 2017, down from €1.0 billion as at 31 December 2016 through active portfolio management. NIBC intends to actively grow its loan portfolio in relation to infrastructure projects that are related to new and developing industries (such as digital infrastructure, cable networks, and data centres), which was €720 million as at 31 December 2017.

Exposure per sector



Note: Unaudited financials for NIBC Bank.

The total loan portfolio for NIBC's Infrastructure & Renewables sector was €1.6 billion as at 31 December 2017 (compared with €1.6 billion as at 31 December 2016 and €2.0 billion as at 31 December 2015), reflecting the shift from traditional infrastructure to financing new infrastructure projects. Average loan sizes decreased from €12.6 million as at 31 December 2015 to €11.6 million as at 31 December 2017. The weighted average maturity for of the portfolio decreased from 14.2 years as at 31 December 2015 to 11.9 years as at 31 December 2017.

Shipping & Intermodal

NIBC takes a focused sub-sector approach to offering Asset and Cash Flow Finance products to its Shipping & Intermodal clients. Financing solutions are provided to companies across specific sub-sectors including small and medium sized shipping assets and standardised intermodal equipment.

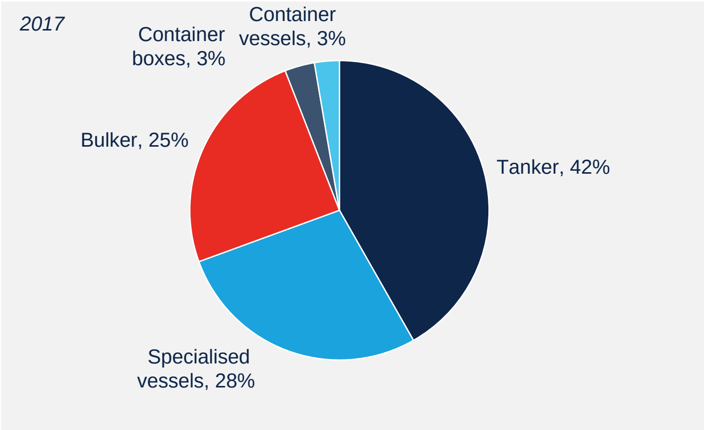
NIBC has been active in the shipping industry for over four decades. The Shipping & Intermodal sector team is comprised of dedicated industry professionals who are familiar with the trends in the sector, such as joint ventures, sustainability and the impact of economic conditions. With its extensive experience in the sector, NIBC has a preference for bilateral or small club-deal transactions with a relationship angle that helps its corporate clients at decisive moments.

The global shipping market consists of three main segments: dry bulk, tankers and container vessels. Furthermore, the shipping market also includes more specialised vessels like car carriers and "roll-on/roll-off" vessels. NIBC predominantly provides financing for dry bulk vessels and tanker vessels (crude, products, gas, and chemical), as well as specialised vessels. These assets have no specific geographic location, but NIBC's clients are mainly established in main maritime clusters in Northwest Europe, as well as in the international maritime metropoles of New York and Singapore (in case of a European link). The shipping industry is characterised by its capital intensity and relative cyclicality. NIBC therefore applies a disciplined financing approach with an emphasis on conservative break-even levels with early warning mechanisms. Also, NIBC focuses on smaller- and medium sized vessels with a lesser degree of volatility regarding ship values and freight rates.

NIBC generally has a conservative break-even level structuring approach to financing solutions for Shipping & Intermodal clients. With a moderate portfolio size of €1.3 billion as at 31 December 2017, no senior unsecured lending and an active portfolio management approach, NIBC is able to closely monitor high risk exposures, particularly in the dry-bulk sub-sector. NIBC's approach has resulted in a relatively stable performing portfolio, given market circumstances.

The broad sub-sector breakdown of NIBC's Shipping & Intermodal clients are provided in the table below:

Exposure per sector



Note: Unaudited financials for NIBC Bank.

NIBC aims to maintain a moderate Shipping & Intermodal portfolio size of €1.5 billion and further optimise profitability by balancing risk and reward and enhancing and diversifying product income. Complementing this strategy is NIBC's emphasis on financing solutions for modern, small and medium sized shipping assets with less dependency on volatile mainstream shipping and intermodal assets.

The total loan portfolio for NIBC's Shipping & Intermodal sector was €1.3 billion as at 31 December 2017 (compared with €1.5 billion as at 31 December 2016 and €1.5 billion as at 31 December 2015), with average loan sizes decreasing from €13.3 million as at 31 December 2015 to €12 million as at 31 December 2017. The weighted average maturity of the portfolio decreased from 4.2 years as at 31 December 2015 to 3.5 years as at 31 December 2017.

Offshore Energy

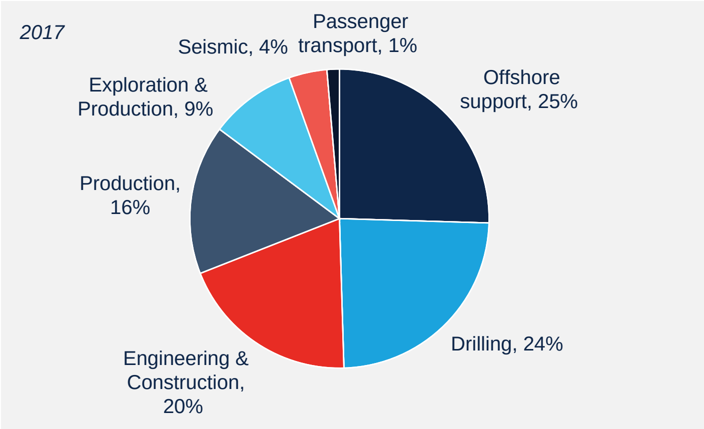
NIBC provides financing solutions for companies in the offshore upstream oil and gas service industry. Its clients are active across the value chain, including seismic acquisition, floating production, exploration drilling and decommissioning. NIBC's international orientation and focus on tailor-made solutions, enables NIBC to partner with local financial institutions to arrange predominantly smaller club deals. NIBC's Offshore Energy sector team focuses on clients in Northwest Europe but is capable of providing its services to clients worldwide.

The Offshore Energy sector team consists of qualified and dedicated professionals that have helped to build NIBC's reputation in the market as a sector-oriented bank in the offshore oil and gas services industry. NIBC manages a loan portfolio that comprises a wide range of arranged transactions, club deals and participations. NIBC aims to provide well-structured and collateralised deals which are supported by underlying cash flows or solid market position.

In response to changes in markets and an expectation that there are likely to be fewer opportunities for clients in the Offshore Energy sector, NIBC aims to re-focus the activities of the Offshore Energy team to facilitate the energy transition towards clean energy and enable the existing energy mix to safeguard supply of energy to cater for growth in demand.

NIBC's Asset and Cash Flow Finance products are offered across a number of Offshore Energy sub-sectors, including drilling, engineering and construction, exploration and production, offshore support and production.

Exposure per sector



Note: Unaudited financials for NIBC Bank.

The total loan portfolio for NIBC's Offshore Energy sector was €0.9 billion as at 31 December 2017 (compared with €1.2 billion as at 31 December 2016 and €1.3 billion at 31 December 2015), with average loans sizes decreasing from €24.1 million as at 31 December 2015 to €17 million as at 31 December 2017. The weighted average maturity for the portfolio decreased from 3.5 years as at 31 December 2015 to 3.4 years as at 31 December 2017.

<u>Other activities</u>

Lease lending

NIBC's Corporate Client Offering also provides certain lease lending services. In particular lease lending involves providing a funding line to BEEQUIP, a Dutch equipment leasing company, in which NIBC holds a strategic stake of 75 per cent. BEEQUIP focuses on SME businesses in the infrastructure, earthmoving, construction and logistics sectors. See *"—Innovation and Partnerships*" for more detail.

NIBC Bank holds a legacy leasing portfolio as a result of the acquisition of Gallinat-Bank AG in Germany in 2014. The leasing activities of Gallinat-Bank AG have been terminated. This portfolio consists of German lessees financing moveable objects such as trucks and trailers. Gallinat-Bank AG did not originate leasing arrangements itself but rather offered re-financing solutions for existing leasing arrangements provided by leasing companies. Strict criteria were in place to determine the eligibility of lease contracts for this programme. The underlying lease 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. The portfolio is financed by NIBC Holding via a ring-fenced structure benefiting from different layers of credit enhancement. The total loan portfolio for NIBC's leasing portfolio was €60 million as at 31 December 2017 (compared with €123 million as at 31 December 2016 and €221 million as at 31 December 2015).

Services to structured investment vehicles

NIBC provides collateral management and other administration services to structured investment vehicles which have issued collateralised loan obligations. NIBC Bank provides these services to number investment vehicles including North Westerly CLO III B.V. and North Westerly CLO IV B.V. which have €62 million and €306 million of outstanding notes, respectively. Such collateral management services are also offered to three US structured investment entities called Belle Haven ABS CDO, Ltd, Orion 2006-1, Ltd and SASCO 2007-BHC1 Trust through the Company's subsidiary NIBC Credit Management, Inc. NIBC receives fee income for providing these services.

Clients

Under its Corporate Client Offering, NIBC focuses on a range of corporate clients predominantly in Northwest Europe, including private equity clients, institutional investors, high net worth entrepreneurs, and small and medium size companies. In 2017, the Corporate Client Offering included approximately 700 clients with 66 per cent of the origination amount of €2.1 billion for 2017 in the corporate loan portfolio coming from new transactions or extensions of product offering with existing clients and 34 per cent of the origination amount of €1.1 billion in 2017 being derived from new clients. Typically, the Corporate Client Offering serves companies with an annual turnover of between €50 million and €500 million. Many of the clients of the Corporate Client Offering are family owned or otherwise privately owned businesses. NIBC's clients include the following:

- *Corporates*: NIBC serves medium-sized corporates and entrepreneurs with an integrated product offering consisting of advisory, structuring, financing, co-investment and capital markets solutions.
- *Institutional investors*: Over the years, NIBC has developed longstanding relationships with its institutional investor clients. NIBC combines structuring and distribution capabilities to offer structured debt products, alternative investments and funds. Its capital market solutions are complemented by equities and fixed-income sales and trading and research, with European coverage through a partnership with the European Securities Network.
- *Financial sponsors*: NIBC offers an integrated sector, geographic and product approach to financial sponsors which include private equity investors. Financial sponsor clients benefit from NIBC's ability to provide buy and sell-side mergers and acquisitions advisory services, and financing products, including event financing, such as co-investments and leveraged buy-outs.
- *High-net worth entrepreneurs ("**HNWEs**") and family offices*: NIBC's Corporate Client Offering products offer high-net-worth-entrepreneurs and mid-cap family offices in the Benelux various solutions including corporate advisory, arranging financing, refinancing and optimizing capital structures and co-investment in ventures.

Retail Client Offering

Overview

The Retail Client Offering segment services retail clients in the Netherlands, Germany and Belgium and offers a product range consisting of owner-occupied mortgages, buy-to-let mortgages and an originate-to-manage mortgage offering and online savings accounts. The Retail Client Offering operates through a direct model for its savings products and a broker model for its mortgages, which NIBC believes is a cost efficient and scalable business model. NIBC's aims to provide a "one stop shop" mortgage offering, combining origination of mortgages for retail clients utilising NIBC's own balance sheet as well as offerings for institutional clients through NIBC's originate-to-manage offering.

NIBC's current Retail Client Offering products are mainly offered through NIBC Direct. NIBC Direct offers consumers online savings products in the Netherlands, Germany and Belgium and mortgage products in the Netherlands. NIBC's German mortgage portfolio was acquired in 2007 and designated as a closed book portfolio in 2011 and NIBC is actively managing the portfolio down.

The Retail Client Offering segment of NIBC offers the following key products and services:

	MORTGAGES			**SAVINGS**
	NIBC's balance sheet		**Third party balance sheet**	**NIBC's balance sheet**
Product	Owner-occupied mortgages	Buy-to-let mortgages	Originate to manage mortgages	Savings
Offering	Netherlands	Netherlands	Netherlands	Netherlands Germany Belgium
Portfolio size[(1)]	€8.2 billion[(2)]	€0.6 billion	€0.7 billion	€9.3 billion
Earnings model	Interest income		Fee income	Funding

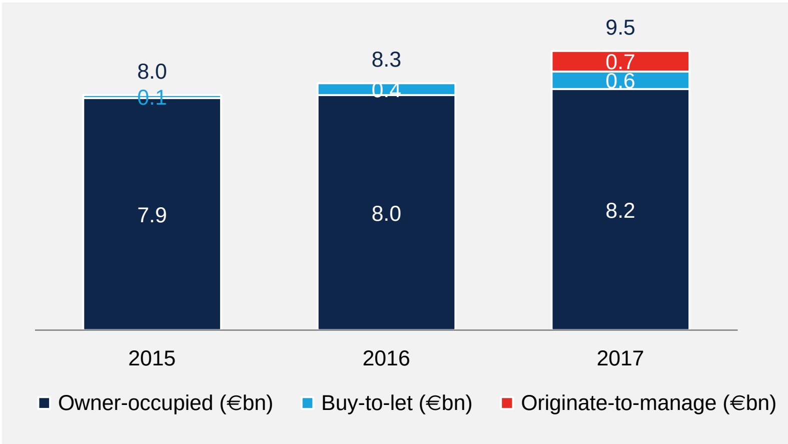
(1) Unaudited. Notional amount as at 31 December 2017, defined as outstanding net loan derived from NIBC Holding balance sheet, excluding mark-to-market, Agio, arrears, first day P&L and impairments. Netted with outstanding savings amount and building deposit.

(2) Excluding German mortgages which are designated as an exit portfolio (€50 million).

NIBC's Retail Client Offering has set a strategic direction for its various business lines, including origination of higher margin mortgages for its own balance sheet and originate-to-manage for the most competitive and long term maturity segments of the residential mortgage market. See "—*Strategy—Strategic Priority 1: Continuous evolution of client franchises, expertise and propositions.*".

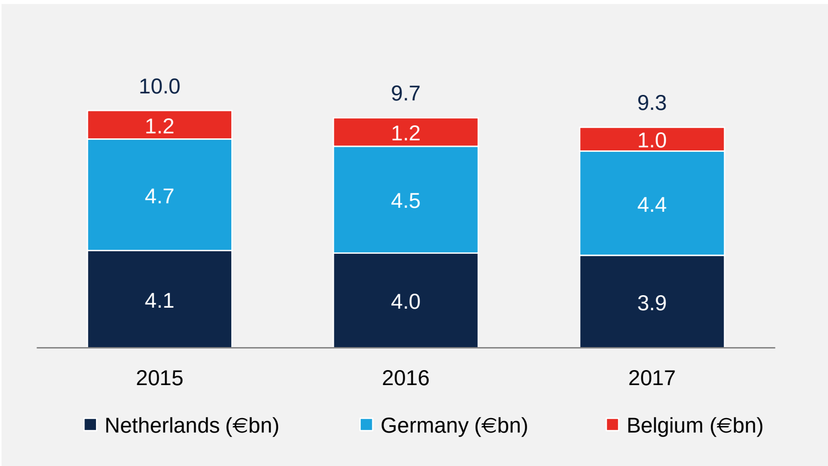
Operating income for the Retail Client Offering segment amounted to €130 million as at 31 December 2017 (compared with €114 million as at 31 December 2016). The total retail client assets include netting savings values amounted to €9.1 billion as at 31 December 2017 (compared with €8.8 billion as at 31 December 2016 and €8.6 billion as at 31 December 2015). The total retail savings amounted to €9.3 billion as at 31 December 2017 (compared with €9.7 billion as at 31 December 2016 and 10 billion as at 31 December 2015) with average savings balances between €20,000 to €30,000. The composition of the Retail Client Offering mortgage portfolio and savings portfolio as at 31 December 2017 is set out below:

Transformation of mortgage portfolio[1]



Note: Unaudited financials for NIBC Bank.
1: Notional amount as of 2015, defined as outstanding net loan derived from NIBC Holding balance sheet, excluding mark-to-market, Agio, arrears, first day P&L and impairments. Netted with outstanding savings amounts and building deposit.

Volume development of retail savings[1]



Note: Unaudited financials. Portfolio statistics as of 2015.
1: Notional amount.

Mortgage Products

Owner-occupied Mortgages

NIBC's owner-occupied mortgage offering in the Netherlands comprises mortgages that are sold under the NIBC Direct label as well as a portfolio of white label mortgages that were originated via mortgage advisers and portfolios that were acquired by NIBC.

Owner-occupied mortgage origination volumes for NIBC's own balance sheet under the NIBC Direct label reached €0.9 billion in 2017 (compared with €0.8 billion in 2016 and €1.3 billion in 2015). There is no new origination of white label mortgages except in relation to further advances under current loans and in the event of potential portfolio acquisitions. After regular prepayments and repayments, NIBC's total owner-occupied mortgage portfolio (including white label products) increased by 0.8 per cent in 2017 to €8.5 billion as at

31 December 2017 (compared with €8.5 billion as at 31 December 2016 and €8.5 billion as at 31 December 2015). The composition of NIBC's residential mortgage portfolio is shown in the figures below.

	As at 31 December		
	2017	**2016**	**2015**
	(unaudited, in € millions)		
Owner-occupied mortgage portfolio			
NIBC Direct mortgages (own book portfolio)(1)	3,797	2,977	2,272
White label mortgages Netherlands (own book portfolio)(2)	4,679	5,399	6,073
German mortgages (own book portfolio)(3)	53	84	117
Total	**8,529**	**8,460**	**8,462**

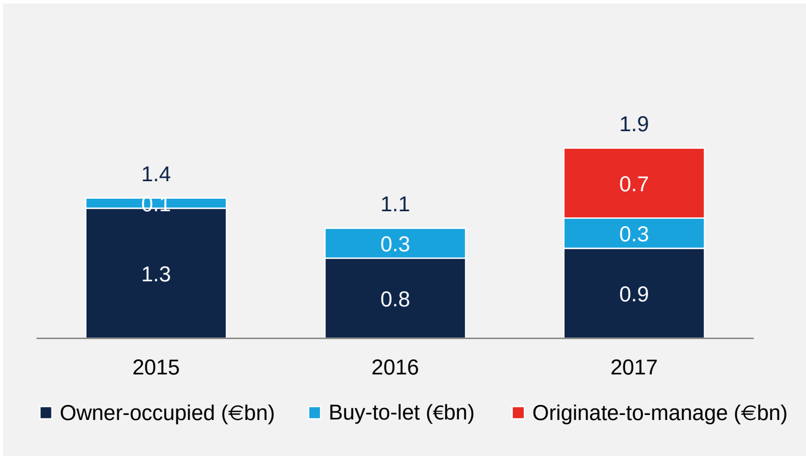
(1) NIBC Direct mortgages (own book portfolio) relates to the AC mortgages and excludes Buy-to-let mortgages.

(2) White label mortgages Netherlands (own book portfolio) relates to the FVtPL mortgages.

(3) German mortgages (own book portfolio) relates to FVtPL mortgages.

With the introduction of new mortgage products, the sources of NIBC's origination volumes have evolved as shown below:

Evolution of mortgages orgination[1]



Note: Unaudited financials for NIBC Bank.
1: Notional amount, defined as outstanding net loan derived from NIBC Holding balance sheet, excluding mark-to-market, Agio, arrears, first day P&L and impairments. Netted with outstanding savings amounts and building deposit.

Owner-occupied Mortgages—The Netherlands

The Dutch mortgage market is stable and highly regulated, with typically high LtV rates (capped at 100 per cent in 2018) as a result of the tax deductibility of interest payments, long fixed interest terms (typically between 10 to 30 years) and a unique guarantee scheme in place in the NHG under which a guarantee is provided to the mortgage lender by WEW, a government-backed foundation.

Within this environment, NIBC aims to provide transparent, straightforward and fair products and services to its retail clients. NIBC has provided mortgages to 82,000 clients since 2008. For the Dutch owner-occupied mortgage portfolio, NIBC has approximately 46,000 loans on its balance sheet with the average loan size being €186,000 and an average portfolio loan-to-indexed-market-value ("**LtIMV**") of 75 per cent (excluding NHG guaranteed loans). Interest rates are typically fixed for a period ranging from 1 to 20 years and the average seasoning of owner-occupied mortgages held by NIBC is 8.1 years. NIBC's origination spread of owner-occupied mortgages has decreased from 2.42 per cent as at 31 December 2016 to 2.08 per cent as at 31 December 2017 (compared with 2.23 per cent as at 31 December 2015). Between 2015 to 2017, the credit quality of NIBC's mortgage portfolio has improved, with the mortgage book composition moving towards more amortising loans, a decrease in the amount of mortgages with LtIMV greater than 100 per cent (5 per cent as at 31 December 2017 compared with 16 per cent as at 31 December 2015), impairments and credit losses down from €8 million in 2015 to €2 million in 2017 and mortgage loans in arrears over 90 days down from 0.7 per cent of the mortgage portfolio as at 31 December 2015 to 0.5 per cent of the mortgage portfolio as at 31 December 2017.

NIBC's white label mortgages, where the mortgage has been originated via third parties and are held on NIBC's balance sheet, were originated between 1995 and 2008 via mortgage advisers and through acquired portfolios under an "originate-to-distribute" model for NIBC to syndicate or sell the loan exposures in the secondary market for lenders. There is no new origination of NIBC's white label mortgages apart from further advances and through portfolio acquisitions.

Origination of NIBC Direct mortgages commenced in 2013 under an "originate-to-hold" model, with NIBC being focused on mainstream owner-occupied mortgages (including those that are supported by the NHG guarantee as well as those that are not guaranteed) and also on selected sub-markets which NIBC believes provide added value and higher margins for its offering. In 2017, NIBC acquired a mortgage portfolio of €0.2 billion from a third party, which is predominantly non-NHG backed with an average loan size of €337,000 and an average LtIMV of 72 per cent.

NIBC Direct mortgages are sold in the Netherlands through a broad distribution network via partnerships with approximately 4,000 independent and regulated mortgage brokerage providers across the Netherlands, including De Hypotheker, De Hypotheek Shop, Huis & Hypotheek and DAK. Most of the primary servicing activities involving mid- and back-office services and handling for NIBC's mortgage portfolio is outsourced to two specialised outsourcing companies, Stater N.V., a 100 per cent subsidiary of ABN AMRO Bank N.V. and Quion Groep B.V., a privately held company. These third party service providers both have high performance ratings from Fitch (Stater: RPS 1- and Quion: RPS 2+) for services provided in dealing with mortgage portfolio and are both ISAE 3402 certified. This business model allows NIBC's customers to receive advice and services from independent professionals with specialist knowledge and NIBC's offering is able to be largely outsourced for non-value adding activities (origination of standard mortgages, payments and administration servicing) and fully automated, which enables NIBC to be efficient and cost-effective. See also "*Risk Factors—NIBC is subject to the risk that information proprietary to NIBC, its clients, its business partners, vendors or other third parties is made public unintentionally or unlawfully or is stolen as a result of cybercrime, which could result in reputational damage, claims, losses and damages and could have material adverse effect on NIBC's business, results of operations, financial condition and prospects*".

In addition to conventional owner-occupied mortgages, under its NIBC Direct label, NIBC provides mortgages for various consumer niches within the Dutch mortgage market. NIBC's products are differentiated through pricing and product features. For example NIBC was the first mortgage provider that introduced features offering borrowers interest rates that are automatically reduced once certain LtV thresholds are reached through repayments. NIBC has also developed new processes to help clients better manage their finances, such as a dedicated mortgage portal that provides an extensive overview of their mortgage at any time. For owner-occupied mortgages, NIBC looks to help clients find solutions in relation to their specific circumstances. For example, for mortgages for self-employed individuals that have been operating for less than three years but at least one year, NIBC offers a mortgage product where the income for the mortgage is based on annual accounts and estimates as audited by a registered accountant appointed by the client. Depending on the length of time that the entrepreneur has been in business, a rising scale of the client's average income is accounted for. For other products, a mortgages loan-to-market value may be increased up to 106 per cent in certain limited circumstances (such as where the residential property has certain energy saving features such as solar panelling) or 115 per cent (where there is negative equity in the residential property) as permitted under applicable regulations.

NIBC retains certain core activities in connection with its owner-occupied portfolios that are performed in house. This includes NIBC setting the underwriting criteria for its third party mortgage brokers and any deviations from the prescribed underwriting criteria can only be made with the approval of the Retail Client Offering over-ruling approval process. In order to control the credit risk in the origination of owner-occupied mortgages, the risk management committee of the Supervisory Board (the "**Risk Management Committee**") sets out an acceptance policy framework for NIBC's underwriting team to screen residential mortgage applications. Acceptance depends on the following underwriting criteria, among others:

- 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*), 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, maximum loan-to-income and minimum debt service coverage ratio; 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.

As at 31 December 2017, 29 per cent of NIBC's Dutch residential mortgage portfolio (as compared with 33 per cent as at 31 December 2016 and 37 per cent as at 31 December 2015) had an NHG guarantee in accordance with the general terms and conditions set by the WEW. A part of NIBC's Dutch owner-occupied 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 Bank's balance sheet, with the total amount of the retained junior notes and other positions as at 31 December 2017 being €43 million (compared with €135 million as at 31 December 2016 and €184 million as at 31 December 2015).

NIBC has also elected to keep its special servicing activities for owner-occupied mortgages in house, in order to closely monitor and improve late arrears collection and recovery. This ensures tailor-made solutions to optimise recoveries, including house visits and participation during an auction of the collateral.

Owner-occupied Mortgages—Germany

NIBC's German residential mortgage portfolio amounted to €53 million as at 31 December 2017 (€84 million as at 31 December 2016 and €117 million as at 31 December 2015). The majority of this portfolio was acquired from third parties via two portfolio purchases in 2007. The purchased portfolios contain highly seasoned loans with low loan-to-market value. The German residential mortgage portfolio is a closed book portfolio; therefore no new origination has taken place since 2011 and NIBC is actively managing down the size of the portfolio to transfer NIBC's exposure.

Buy-to-let Mortgages

In addition to NIBC's conventional owner-occupied product offering, it has diversified its offering to include buy-to-let mortgages, which has traditionally been an underserviced segment of the Dutch mortgage market. NIBC launched NIBC Vastgoed Hypotheek in January 2015 with a focus on providing buy-to-let mortgages for residential real estate investors offering small to medium sized loans up to €10 million. NIBC has approximately 1,700 buy-to-let loans on its balance sheet, with the average loan size being €285,000 and an average portfolio LtIMV of 57 per cent. As at 31 December 2017, the majority of the buy-to-let mortgage loan sizes are less than €500,000. NIBC's buy-to-let mortgages offering includes products with fixed interest rates for a period ranging 1 to 10 years, with 80 per cent of NIBC's buy-to-let portfolio being set at fixed interest rates for 5 years. NIBC considers the buy-to-let portfolio to have relatively stable performance as no credit losses have occurred between 2015 and 2017 and arrears have been limited. NIBC's origination spread for buy-to-let mortgages has decreased from 3.91 per cent as at 31 December 2016 to 3.52 per cent as at 31 December 2017 (compared with 3.65 per cent as at 31 December 2015).

Through NIBC Vastgoed Hypotheek, NIBC provides financing for buy-to-let investors in Dutch residential real estate, ranging from a single apartment to larger portfolios. NIBC's focus is on investors with an intention to build up a portfolio for leased real estate in key cities in the Netherlands. 57 per cent of NIBC's buy-to-let portfolio relates to Amsterdam, The Hague, Rotterdam and Utrecht, which are the four major cities in the Netherlands.

NIBC has a selective distribution model, with approximately 230 brokers and 50 appraisers focused on selected cities. NIBC was one of the first banks in the Netherlands to actively market buy-to-let mortgages in selected Dutch cities following the 2008 financial crisis when such product offerings were not readily available in the Dutch market.

For buy-to-let mortgages, as for other mortgage products offered by NIBC, the Risk Management Committee has approved acceptance criteria. The internal buy-to-let team considers each application based on these acceptance criteria, which includes a detailed appraisal report by one of NIBC's selected appraisers in accordance with appraisal criteria prescribed by NIBC. Unlike general industry practice where mortgage appraisals are outsourced, NIBC has an in-house approach to the acceptance of mortgage applications in order to provide tailor-made solutions for the specific buy-to-let asset class. Conservative underwriting criteria are applied for buy-to-let mortgages, with a maximum LtV of 70 per cent and any mortgages with an LtV greater than 50 per cent that LtV amount must be repaid within a maximum of 10 years (linearly).

NIBC's buy-to-let mortgages realised robust growth in 2017, becoming an important part of the overall mortgage offering. As at 31 December 2017, NIBC's buy-to-let mortgages accounted for €617 million (compared with €371 million as at 31 December 2016 and €118 million as at 31 December 2015) and comprised 6.7 per cent of NIBC's total mortgage portfolio (compared with 4.2 per cent as at 31 December 2016 and 1.4 per cent as at 31 December 2015).

NIBC aims to further develop its buy-to-let portfolio with an intention to develop the product for non-residential offerings for shops, offices and industrials.

Originate-to-manage

In 2016, NIBC started a strategy for mainstream mortgages that focuses on origination for both NIBC's own balance sheet and for institutional investors through originate-to-manage contracts (i.e. managing residential real estate investments of third party investors). The total value of NIBC's originate-to-manage mortgages outstanding as at 31 December 2017 was €710 million. The originate-to-manage offering allows institutional investors to invest directly in the Dutch residential mortgage market without the operational burden of ongoing management of the mortgage. Under the originate-to-manage offering, NIBC originates fixed interest rate owner-occupied mortgages (the mortgages may or may not be covered by the NHG guarantee) under its NIBC Direct label, which have a 20 or 30 year term and sells the mortgage receivables to institutional investors. NIBC remains the lender of record for the mortgage and provides on-going management and servicing activities with respect to the mortgage through its third party servicing arrangements. The institutional investor pays an upfront origination fee and ongoing servicing fees to NIBC. NIBC has originated approximately 3,600 loans for the originate-to-manage offering since inception, with the average loan size being €180,000 and a weighted average original fixed interest rate period of 28.95 years.

The fee generating model of the originate-to-manage offering enhances NIBC's income diversification and creates a flexible origination model which provides NIBC the option, depending on market circumstances, to offer on-balance sheet origination and originate-to-manage origination for its owner-occupied mortgage offering.

Consistent with NIBC's strategy to diversify its sources of income, NIBC aims to grow the originate-to-manage model and expand mandates from institutional investors for the originate-to-manage product further.

Retail Savings

NIBC offers a range of retail customer online savings products under the brand name NIBC Direct in the Netherlands, Germany and Belgium, including on-demand and long-term deposits ranging from three months to up to ten years. The European savings market is a highly regulated market with the EU DGS protecting depositor's savings by guaranteeing deposits of up to €100,000 enabling stability and stickiness of the savings market. For NIBC, this means that 95 per cent of its savings portfolio is covered by the government-backed guarantee. See also "*Risk Factors—NIBC may be subject to risk associated with deposit guarantee schemes and similar funds, which may increase NIBC's costs and have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.*".

NIBC launched its savings offering in 2008 in the Netherlands as part of its strategy to diversify funding sources within NIBC. As at 31 December 2017, NIBC has approximately 168,000 retail savings clients in the Netherlands, 123,000 in Germany and 34,000 in Belgium. NIBC offers on demand accounts and term deposit accounts as part of its standard savings offering. NIBC does not offer current accounts to its retail customers and has no branch network, which limits the servicing costs and liabilities of the traditional retail banking model and allows NIBC to provide an efficient and dynamic online offering that is focused on its client's specific needs in NIBC's core markets. Furthermore, online access to savings accounts is the norm in NIBC's core markets. As part of NIBC's savings offering standard activities are outsourced, with NIBC responsible for back-office services and call centre operations in the Netherlands.

The Retail Client Offering segment provides savings offering that are designed with simple, transparent and fair values in mind, for example, in the event of a downward adjustment of term deposit rates, customers are given the option to open a term deposit at the former, higher rate. NIBC aims to provide tailored product offerings across its three core markets to support its loyal customer base. NIBC is focused on retail client retention and despite the low interest environment and downward trend in savings interest rate offered on NIBC's retail savings products, there is strong stickiness of NIBC's retail savings clients in all geographic locations. As at

31 December 2017, more than 80 per cent of retail clients in the Netherlands opened an on-demand savings account in the first 5 years (between 2008 and 2013) that retail savings was offered by NIBC. Retail clients in Germany and Belgium are equally loyal, where the majority of existing customers opened on-demand savings accounts in the first few years (between 2009 and 2013 for Germany, and between 2012 and 2013 for Belgium).

The savings offering of NIBC is fully automated and outsourced to Sopra in the Netherlands and Belgium (transferred to the cloud as at 2016), which facilitates delivering products and services in an efficient and cost-effective way, but still customer friendly as customer service is still performed in-house including an in-house call centre for the Netherlands (for Belgium and Germany, customer service is outsourced). In Germany, the majority of the retail saving offering's operational processes are outsourced to F-Call, a business-process-outsourcing partner responsible for savings, brokerage and mortgage processes (including customer service and call centre operations), and Fiducia, an IT outsourcing partner providing the technical retail savings platform.

In Germany, NIBC Direct won awards from the FMH-Finanzberatung and Handelsblatt for its combination of rate and service quality in on-demand accounts and various term deposit categories. Additionally, NIBC Direct in the Netherlands won the "Website of the year" award by the Dutch Marketing Authority in 2015 and 2016 (and again nominated in 2017) due to its simplicity and client-focused approach.

NIBC's savings portfolio across its geographic locations is comprised as set out below.

Retail savings development	As at 31 December 2017	2016	2015
	(unaudited, in € billions)		
The Netherlands			
On demand	2.3	2.2	1.7
Term deposit	1.5	1.8	2.4
Germany			
On demand	2.1	2.2	1.8
Term deposit	2.3	2.4	2.9
Belgium			
On demand	0.9	1.1	1.1
Term deposit	0.1	0.1	0.1
Total	9.3	9.7	10

Investment Brokerage

NIBC operates an online brokerage platform in Germany under its NIBC Direct label that is integrated in its savings offering. The platform is developed to offer advanced functionality, intuitive operation and modern design. Professional information and a trading platform facilitate clients' stock exchange transactions. NIBC's brokerage services have straightforward terms and conditions and low-cost fees. In addition, the platform offers market information, news, and information from business and politics, securities search options and features such as the setting up of newsletters and short alarms.

The assets under management for NIBC's German brokerage business increased in 2017 by 20 per cent to €180 million as at 31 December 2017 (compared with €150 million as at 31 December 2016 and €130 million as at 31 December 2015).

In late 2016, NIBC Direct was recognised by FMH Finanzberatung on behalf of Handelsblatt as "TOP Online Broker" for both wealthy investors in traditional custodies and for active smaller volume investors (source: *FMH Finanzberatung*).

Clients

The Retail Client Offering operates under its NIBC Direct label in the Netherlands, Belgium and Germany, with a stable client base of approximately 400,000 retail clients. The NIBC Direct savings offering has a loyal client base, with 59 per cent of the active clients as at 31 December 2017 having been with the bank for more than 6 years.

NIBC's Retail Client Offering's savings proposition is aimed primarily at retail customers who actively manage their financial ambitions. NIBC's clients are entrepreneurial, demanding and look for clarity about their financial position and possibilities. NIBC's strategy is to be a niche player that provides an enhanced digital customer experience.

NIBC conducts annual digital surveys for its retail customers, using a random selection of NIBC's new and existing Dutch mortgages and NIBC Direct savings clients in the Netherlands, Belgian NIBC Direct savings clients and German brokerage and NIBC Direct savings clients in Germany. NIBC Direct's customer survey score for customer satisfaction was (on a scale of 1 to 10) 7.9 in 2017, 7.6 in 2016 and7.7 in 2015 (the average scores per country and product are totalled and divided by the total number of respondents). NIBC believes that client centricity is embedded in its culture and reinforced by procedures such as the annual performance management cycle. Client satisfaction scores are a leading key performance indicator for all staff.

Innovation and Partnerships

Investments in start-up businesses and innovation

NIBC continuously looks for new opportunities to invest in start-up business and develop relationships with fintech companies to add value and find synergies for its own product offering and operations. In 2017, NIBC took minority equity stakes in FinLeap and Ebury. Furthermore, NIBC is a founding partner, and holds a 75 per cent strategic stake in the Dutch equipment leasing company BEEQUIP.

FinLeap was launched in 2014 in Berlin, Germany and has offices in Milan, Italy. FinLeap is a builder of fintech companies creating eco-systems of fintech companies to work together with established businesses, investors and advisors. FinLeap has a dedicated team of professionals with entrepreneurial and industry expertise. This is combined with digital infrastructure and technology for building companies and developing their business. FinLeap provides seed funding as well as a strong network of investors, an integrated development platform and advice on best practice processes. FinLeap is primarily active in the following sectors: banking, savings, insurance and back-end solutions, and has developed 13 ventures since 2014. FinLeap enhances NIBC's visibility and its expertise in developing business models, supports NIBC in tailoring and expanding product offering and capabilities for its own customers.

Ebury was founded in 2011 in London, England. Ebury is one of the fastest growing fintech companies globally, employing over 500 staff, with offices in 10 European countries. It is focused on corporate cross-border (FX) payments and growth lending. The partnership between NIBC and Ebury is opening up opportunities in cross border trade for NIBC's small and mid-sized company client base. In addition, Ebury supports NIBC in providing its clients with international business banking solutions. Ebury provides an innovative and unique platform for payments, risk management, foreign exchange and trade financing which further strengthens NIBC's capabilities in providing entrepreneurial, inventive and professional solutions to its clients.

In July 2016, NIBC acquired a 75 per cent strategic stake in the newly established equipment leasing company BEEQUIP. At present, BEEQUIP focuses on the financing/leasing transactions of handling equipment for SME businesses in the infrastructure, earthmoving, construction and logistics sectors. Following this transaction, NIBC has become a new entrepreneurial player in a promising market, which has traditionally been dominated by a limited number of competitors. The leasing of new and used equipment is a good fit with NIBC's industries and manufacturing client base in the Corporate Client Offering and NIBC's aim is to gradually broaden the scope of BEEQUIP's activities into smaller volume financing and to offer its clients the possibility to lease their assets. BEEQUIP differentiates itself by offering speed and flexibility and a focus on the value of equipment, looking further than company figures and cash flows. As at 31 December 2017, the portfolio of BEEQUIP amounted €210 million (compared with €117 million as at 31 December 2016).

Funding for innovation

In March 2017 NIBC signed a guarantee agreement with the European Investment Bank which will enable NIBC to provide up to €500 million of loans to innovative mid-sized enterprises in the Dutch and German markets. The guarantee improves access to finance for companies with up to 3,000 employees and enables NIBC to offer larger amounts of senior debt financing. The guarantee is specifically designed to meet the underserved needs of these fast-growing companies across various sectors and will support investments in growth, research, development, and innovation. The operation is supported by 'InnovFin—EU Finance for Innovators' and has the financial backing of the European Union under Horizon 2020 Financial Instruments.

Principal properties and equipment

The following table sets out the fair value of the properties that are owned or leased by NIBC and the net carrying value of NIBC's equipment for the years ended 31 December 2017, 2016 and 2015.

	As at 31 December		
	2017	2016	2015
	(audited, in € millions)		
Land and Buildings	41	40	43
Other fixed assets	3	4	6
Assets under operating leases	18	6	—
Investment property	0	271	251
Total	62	321	300

Real Estate

A number of operating companies of NIBC own and/or lease the property that they use in their ordinary course of business in the jurisdictions where they operate (the Netherlands, Belgium, Germany and the United Kingdom).

The duration of the lease contracts for leased properties varies from 4 months to 5 years. For the year ended 31 December 2017, the aggregate financial commitments of the existing lease contracts added up to €9.3 million.

NIBC owns several office buildings, including its head office at Carnegieplein 4, 2517 KJ in The Hague, although it currently only uses half of the premises. The other half is leased or available for lease to third parties. These owned office buildings are not encumbered.

NIBC owns 315 residential, 23 commercial properties, 70 parking spaces and 11 other units in Germany with a total fair value of €97 million as at 31 December 2017. These properties were acquired by NIBC pursuant to certain restructuring transactions and the portfolio of properties is in the process of being sold, as explained further under *"—Sell down of German residential real estate portfolio (the "Vijlma" transaction)*". NIBC lets these investment properties out through a third party property manager and revenue from investment property mainly consist out of rental income and service charges recovered from tenants to an amount of €11 million and €6 million as at 31 December 2017 respectively. All revenue relates to the rent of such properties. The duration of the lease contracts for leased properties varies from one year up to an indefinite period. Some of the lease contracts contain options to break before the end of the lease term.

All investment property is owned by NIBC and held to earn rentals or for capital appreciation. The property is not used for the production or supply of goods and services or in any other way occupied for own use.

Equipment

NIBC owns and leases various equipment required to operate its business, which primarily relates to car leases, IT, operating software and communications equipment, and fixtures and fittings. NIBC's data processing and IT equipment is partly owned (i.e. laptops), leased (i.e. printers) or falls under service contracts (i.e. telephony, LAN and servers). Equipment relating to its facilities (such as fixtures and settings) is predominantly owned.

The total book value of land, equipment and other fixed assets owned by NIBC amounted to €62 million as at 31 December 2017.

Group Functions

Group Functions supports and controls all business activities for NIBC. The main focus areas include the realisation of NIBC's treasury functions, asset and liability management and risk management. Group Functions consists of: Treasury & Asset Liability Management, Risk Management, HR & Corporate Communications, Internal Audit, Legal, Compliance & Regulatory Affairs, Sustainability, Operations & Facilities, IT, Finance & Tax and Strategy & Development.

Internal Audit reports to the chief executive officer of the Managing Board and the head of Internal Audit has direct access to the chairman of the audit committee of the Supervisory Board (the "**Audit Committee**").

86 per cent of the costs of Group Functions are allocated to the operational segments. As at 31 December 2017, the Group Functions operations employed 303 FTEs.

Treasury & Asset Liability Management

Treasury & Asset Liability Management manages NIBC's balance sheet in relation to interest, liquidity and capital risks and operates the treasury function. The function is also responsible for execution of NIBC's liquidity, collateral, capital and interest rate risk positions. There is a close cooperation between the Treasury &

Asset Liability Management department and Risk Management, and also with the commercial and operational teams to ensure that NIBC's overall risk appetite is in line with its strategy and capital requirements.

Treasury is also involved in the optimisation of the capital structure and diversification of funding sources by structuring, raising and optimising capital and funding for NIBC through secured and unsecured debt and for instance AT1 capital.

Asset Liability Management is responsible for managing NIBC's balance sheet with respect to interest rate risk, liquidity risk and capital adequacy. Additionally, ALM coordinates meetings and contacts with rating agencies and the process with respect to NIBC Bank's rating and is responsible for coordinating the meetings of and reports for the Asset and Liability Committee.

Risk Management

NIBC believes in a sound risk management and a risk culture in which every member of staff takes accountability for its actions. NIBC works according to the three lines of defence risk management model: day-to-day responsibility for risk control is assigned to commercial and/or operational teams (first line); compliance and risk management form the second line and are responsible for setting risk policy and supervision of execution, management, control and reporting of risks control within NIBC; and internal audit forms the third line and is responsible for performing independent audits on amongst others the risk framework. This model is generally accepted as the best practice standard for risk management in the financial sector and makes risk management the responsibility of every employee of NIBC. It enhances risk awareness and promotes NIBC's risk culture. See "*Risk Management*" for more information on NIBC's risk management framework.

HR & Corporate Communications

HR & Corporate Communications is dedicated to implementing NIBC's culture that follows a 'Think YES' approach and helps to ensure that NIBC is within the top quartile of the employer benchmark. HR & Corporate Communications is responsible for managing and implementing human resources strategies across all business segments. The department provides advice and support to management on people and organisation related issues, such as staff operations planning, recruitment, retention, benefits and reward management, performance management, employee development and culture and leadership and is critical for NIBC's engagement with external and internal stakeholders.

Internal Audit

Internal Audit performs operational audits based on an annual audit plan, which is approved by the Supervisory Board and reports to the Audit Committee and the chief executive officer of NIBC. This department applies an ongoing risk-based approach to audit NIBC's operational processes as part of NIBC's three lines of defence risk management model.

Legal

Legal provides in-house and independent legal advice and support to all business segments of NIBC, including advising on specific transactions and developing and maintaining standard documents and policies in relation to market and legal issues. Legal is responsible for (proactively) managing the legal risk within NIBC, both in and outside the Netherlands, at a transactional as well as an organisation level.

Compliance & Regulatory Affairs

Compliance & Regulatory Affairs, in addition to the Legal function, provides advice and support to all business segments with a view to helping the business segment fully comply with all compliance related obligations and matters. Compliance is responsible for setting compliance standards, independent oversight of policies, procedures and core processes, providing compliance advice, facilitating compliance risk assessments, signalling changes in conduct related law and regulations and ensuring that NIBC and its employees act in conformity with all applicable compliance related laws and regulations.

Operations & Facilities and IT

Operations & Facilities and IT supports NIBC's operational activities by providing services in the areas of IT (software and hardware), operations, facility management and office space, information security and programme or project management in the Netherlands and internationally. Special attention is given to the costs implicit in the ownership and maintenance of the service quality of systems and infrastructure. These departments work closely alongside the business to further improve the clients' experience when doing business with NIBC. IT expenses including regulatory projects amount to €48 million for the year ended 31 December 2017 compared with €46 million for the year ended 31 December 2016 (including special items).

Finance & Tax

Finance & Tax focuses on the preparation of financial statements, regulatory reports, procurement and management information for internal and external stakeholders.

Finance is responsible for the financial accounting, consolidation and reporting function for NIBC as a whole (i.e., operating income, operating expenses and balance sheet recognition), ensuring transparent and efficient delivery of financial data for internal and external stakeholders. Finance ensures that correct and complete financial data relating to NIBC is received, processed, recorded, analysed, consolidated and reported in a timely manner. Finance also provides an accurate, timely and complete handling of incoming and outgoing invoices and statements.

Tax is responsible for NIBC's tax declarations and controls NIBC's tax positions worldwide within the defined risk profile and applicable tax regulations. The tax function plays a role in many business processes. A tax control framework enables the tax department to have control over tax risks within NIBC. Together with deal teams, the tax department identifies, monitors and actively follows-up on tax related matters for a transaction. Tax works inside the boundaries of NIBC's Risk Management operations to optimise the tax positions.

Strategy & Development

Strategy & Development plays an active role in developing and tracking strategic priorities and evaluating new business opportunities. In addition it supports the Managing Board on strategic questions and will play an active role in preparing future capital market days and/or strategy updates. Strategy & Development also includes NIBC's innovation lab.

Material agreements

The following are agreements (other than the Underwriting Agreement described under "*Plan of Distribution*" or agreements entered into in the ordinary course of business), that have been entered into by NIBC within the two years immediately preceding the date of this Prospectus which are material or which have been entered into by NIBC at any other time and which contain provisions under which a group entity has an obligation or entitlement that is material to NIBC as at the date of this Prospectus.

Sell down of German residential real estate portfolio (the "Vijlma" transaction)

Beginning in 2015 and until the end of 2017, NIBC undertook a project to sell down a substantial German residential real estate portfolio acquired by the Company in mid-2015 pursuant to certain restructuring transactions. The portfolio was held by a subsidiary of the Company, Vijlma B.V., which in turn held the portfolio through 77 special purpose vehicles. This portfolio was sold to reduce the lenders', one of which was NIBC Bank, "at risk" loan exposure to historic financing arrangements provided by the lenders in connection with the real estate portfolio. The real estate portfolio was sold in a number of clusters and the gross receipts from the sales, totalling €391 million, have fully repaid the historic financing arrangement (a portion of which remains to be settled in 2018).

Acquisition of SNS Securities

On 18 December 2015, NIBC Bank entered into a share purchase agreement with SNS Bank N.V., providing for the sale and purchase of all of the issued shares and voting interests in the capital of SNS Securities N.V. The transaction was completed on 30 June 2016 and as a consequence, the economic risk in, and benefit of, the shares in SNS Securities N.V. have transferred to NIBC Bank. Following completion, SNS Securities N.V. was renamed NIBC Markets and legally merged into NIBC Bank on 30 June 2017.

Acquisition of interest in BEEQUIP

On 1 December 2015, NIBC entered into a shareholders' agreement relating to BEEQUIP B.V. (at the time named Equipment Finance Europe B.V.). Under the terms agreed, NIBC acquired a 75 per cent interest in BEEQUIP B.V. on 31 March 2016. The lock-up provision in the shareholders' agreement in principle prohibits NIBC to sell its interest in BEEQUIP B.V. before 17 December 2020. Also, NIBC has committed to provide

BEEQUIP B.V. with capital to finance their growth plans. Before and after the completion, NIBC Bank financed BEEQUIP. Under the intercompany financing agreement between NIBC Bank and BEEQUIP dated 8 June 2017, BEEQUIP B.V. has a long term credit of €300 million, of which €210 million was drawn on as at 31 December 2017.

Sale of Olympia Nederland Holding B.V. ("Olympia")

On 17 February 2016, Parnib Holding N.V. entered into a share purchase agreement with Arnold Participaties B.V., providing for the sale and purchase of the entire issued share capital of the non-financial company Olympia, which provided temporary staffing services. The transaction was completed on 2 June 2016. The purchase price is subject to an earn-out mechanism in the period 2017-2019, depending on the financial results of Olympia in those years. At completion, part of the purchase price for an amount of €4,600,000 remained outstanding as a loan to Arnold Participaties B.V. This loan shall be repaid no later than seven years after the completion date, which is 2 June 2023. The sale of Olympia is based upon a strategic decision to place greater focus on NIBC's key financial services competencies.

Transfer of NIBC Vermogensbeheer Services

In January 2017, NIBC decided that the activities of NIBC Vermogensbeheer Services (of which the clients at that moment were serviced by NIBC and the former parent of the entity, SNS Bank), were no longer part of the strategic priorities of NIBC. During 2017, all of the clients of NIBC Vermogensbeheer Services were transferred to a new servicer of their choice. The related business functions have also been wound down following this transfer.

Information technology

NIBC's IT systems are designed to support its business with a focus on delivering customer value and to serve the business in an effective and cost-efficient manner. In particular, NIBC is focused on simplifying its IT structure and continuing with the digitalisation and automation of operating processes. See "Risk Factors—*IT and other systems on which NIBC defends for its day-to-day operations may fail and could contribute to a breach of regulations and other obligations which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects."* for a discussion on certain risk factors that may impact NIBC's IT systems and operations.

NIBC believes that its existing IT platform is sustainable for its current operations.

IT transition programme

In 2016, NIBC began exploring a new framework for IT delivery, including outsourcing a substantial part of its IT infrastructure, IT service desk and the management of the IT infrastructure to a third party. The chosen outsourcing initiative was cancelled at the end 2017 and the relevant contract terminated before the transition of any significant operations to the third party, on the grounds that the third party defaulted on its obligations under the contract. In its defence, the third party is disputing the termination and is seeking continuation of the contract, which NIBC is unwilling to do. Any outsourcing to this third party will be rolled back early 2018, after which new opportunities to achieve the intended goals will be evaluated.

Payments processing investments

In 2017, NIBC's payments processing was affected by 10 separate incidents related to its payments systems TRAX and SWIFT. In four cases, payments to Retail Client Offering and Corporate Client Offering clients were delayed up to one day compared with normal processing. NIBC does not provide payments services to its clients, and the number of payments is limited. On a daily basis, on average less than 100 individual payments and two retail batches are processed.

Following a root-cause analysis of the incidents, a number of remedial actions were implemented, including additional end-to-end payments processing checks, additional IT staff were hired to strengthen the IT maintenance and support level and an enhanced escalation process to senior management.

The investment for a new payment system will amount to €2 million and will be incurred during 2018. The new payment system will be implemented during either the second or third quarter of 2018.

Intellectual Property

Trademarks for the words and the word-and-picture combinations used by the companies within NIBC have been registered in the countries in which they are located. NIBC believes that its core intellectual property rights are adequately protected.

NIBC Bank is the owner of several registered word and word/device trademarks in various countries and regions including the European Union and the United States, including trademarks for “NIBC” and “NIBC Direct”.

Moreover, NIBC is the owner of the main domain names containing “nibc” for the .nl and .com domains.

Corporate Social Responsibility

NIBC strives to operate its business in a responsible, transparent, trustworthy and sustainable manner. Its impact on society and the environment are specific areas of focus. It is the responsibility of NIBC to be a sustainable business for the benefit of future generations. NIBC acts with integrity to inspire, maintain and strengthen the trust from its clients, employees and all other stakeholders.

NIBC has longstanding principles and policies for sustainability and to ensure compliance with all applicable laws and regulations. Those principles and policies are the formal basis for NIBC’s culture of integrity and trust, and are regularly updated to improve business practices following its transparent approach. In 2016, four of NIBC’s policy documents were updated, relating to human rights, shipping, infrastructure and weapons. These were reviewed to make them less complex and more understandable for commercial employees and external stakeholders. NIBC initiated this review in response to specific feedback from stakeholders. In 2017, NIBC reviewed and updated its sustainability policies and framework to include NIBC’s latest product offering, for example for NIBC Markets, and also minor changes were made for updates to latest developments and relevant international conventions and guidance. NIBC wants to ensure that the services it provides are responsible and sustainable and that the businesses it finances operate in a sustainable manner. Additionally, as a financial services provider, it has an important responsibility in helping to build and maintain trust in the financial services industry.

NIBC is focused on reducing its environmental footprint, investing in the professional and personal development of its people, and supporting community involvement. Day-to-day business decisions and interactions with clients are guided by established principles and policies set out in the NIBC code of conduct, business principles, corporate values, and compliance framework and sustainability framework. Since 2010, NIBC has developed and implemented its sustainability agenda in consultation with its stakeholders. The sustainability team is responsible for the set-up and implementation of the sustainability strategy, including targets, planning and budget. It monitors all sustainability developments and is responsible for engaging 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.

Insurance

NIBC believes that its insurance coverage, including the maximum coverage amounts and terms and conditions of the insurance policies, are appropriate and standard for NIBC’s industry. NIBC cannot, however, guarantee that it will not incur any losses or be the subject of claims that exceed the scope of the relevant insurance coverage. NIBC has not made any material claims under any of its insurance policies in the periods under review.

Legal and Arbitration Proceedings

Save as disclosed below, neither the Company nor any of its group entities are, or during the 12 months preceding the date of this Prospectus have been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) that may have, or have had in the recent past, significant effects on NIBC’s business, financial condition, results of operations, financial position or profitability. With respect to total amounts of provisions recognised by NIBC in relation to legal, regulatory and arbitration proceedings, please see Note 52 of the Financial Statements for the year ended 31 December 2017.

At any given time, NIBC may be a party to litigation or be subject to non-litigated claims arising out of the normal operations of its business. NIBC is currently involved in a number of proceedings and settlement negotiations, all of which are in the ordinary course of business and all of which are either expected to be covered by insurance (except regular deductibles and contractual exclusions), are properly provided for in

NIBC's financial accounts and/or are not considered material in the context of NIBC's business, financial condition or results of operations. See "*Risk Factors—Claims, investigations, litigation or other proceedings or actions may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.*".

Hypinvest

A subsidiary of the Company, Amstelstaete Hypotheken B.V. (now Hypinvest B.V., hereinafter: "**Hypinvest**"), is involved in legal proceedings initiated by one of its former clients. This client claims that the provision of a loan by Hypinvest, which was taken out by the client on the basis of a statement from an intermediary (S&L Star) on the income of the client (which is known as a 'self-certified' and 'advisor verified loan'), constituted a violation of the duty of care of Hypinvest for granting a credit facility which is larger than the client can bear in view of his personal circumstances. Based on the advice of S&L Star, a part of the loan was invested in an investment fund which subsequently made substantial losses and led to the client defaulting on his payment obligations under the loan. On 9 September 2015, the District Court of The Hague found that Hypinvest had breached its duty of care towards the client by relying on the correctness of the statement from S&L Star on the income of the client, without independently checking this information. However, the court also found that the damages incurred by the client were in part attributable to wrong advice from S&L Star on investing a part of the loan in only one investment fund. It also found that there was a considerable element of own fault on the side of the client in relation to his over-extension of credit. No specific amount of damages has been awarded at this time.

Hypinvest subsequently appealed the judgment of 9 September 2015 with the Court of Appeal of The Hague. On 11 July 2017 the Court of Appeal substantially confirmed the judgment of the District Court of The Hague. On 11 October 2017, Hypinvest lodged an appeal in cassation with the Supreme Court in The Hague, this procedure is still pending. Hypinvest made a provision for this claim which amounts to €171,000, as at 31 December 2017. If the claim against Hypinvest is successful, it could set a precedent which may trigger other clients to bring proceedings against NIBC with respect to similar facts involving "self-certified" and "advisor verified loan" products. Therefore, the potential impact from future proceedings may have a significant effect on NIBC's business, financial condition, results of operations, financial position or profitability.

Group Structure

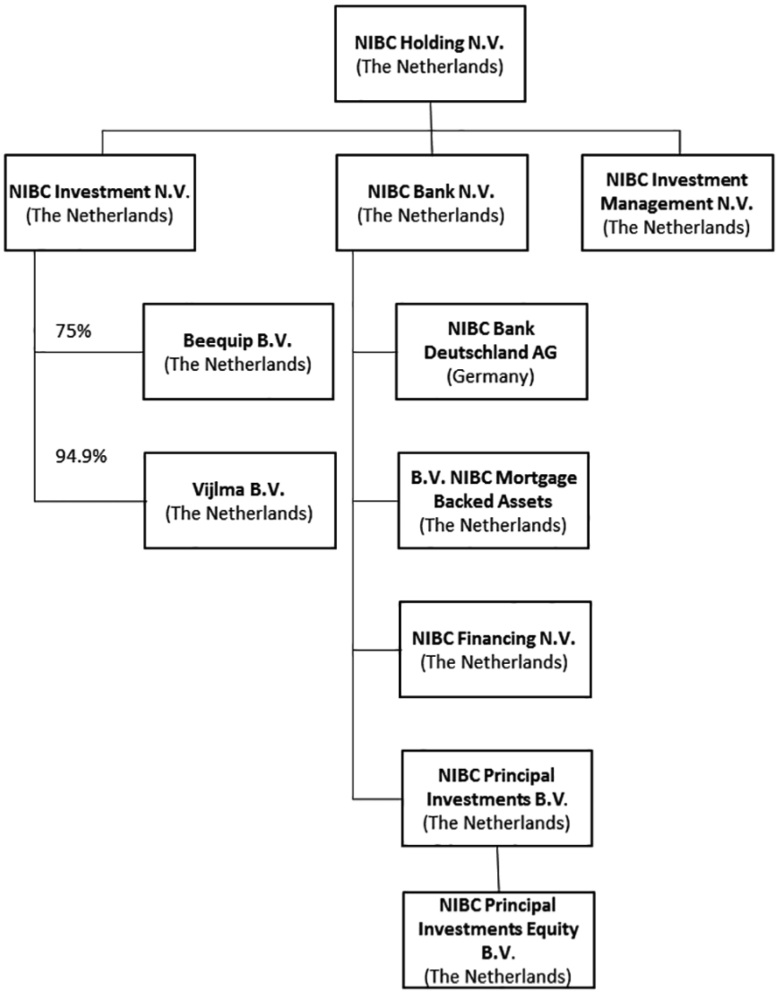
The Company, NIBC Holding B.V. is a holding company with no material, direct business operations. The principal assets of the Company are the equity interests it directly or indirectly holds in NIBC's operating subsidiaries and participations. As a result, the Company is dependent on dividends and other payments from its subsidiaries (which may be subject to withholding tax) to generate the funds necessary to meet its financial obligations, including the payment of dividends. See "*Dividends and Dividend Policy*".

Legal Structure

As at 31 December 2017, NIBC consisted of 64 consolidated entities. It directly or indirectly holds 100 per cent of the shares in the share capital of 46. Third parties hold non-controlling interests in 4 of the consolidated entities. The simplified legal structure chart included below does not present all interests in subsidiaries and associates, but presents the structure of holdings in the major legal entities constituting NIBC's operating companies. The chart provides an overview as at the date of this Prospectus.

Simplified legal structure chart as per 12 March 2018

All legal entities shown are 100 per cent owned by their shareholder unless stated otherwise



The following table provides an overview of the principal subsidiaries of NIBC as at the date of this Prospectus. All of these are 100 per cent owned except for BEEQUIP B.V. and Vijlma B.V., which are 75 per cent and 94.9 per cent owned, respectively.

Holding company	Principal subsidiaries
NIBC Holding N.V.	NIBC Bank N.V. NIBC Investment Management N.V. NIBC Investments N.V. BEEQUIP B.V. Vijlma B.V.(1)
NIBC Bank N.V.	NIBC Bank Deutschland AG B.V. NIBC Mortgage-Backed Assets NIBC Principal Investments B.V. NIBC Financing N.V.

(1) Please see "*Sell down of German residential real estate portfolio (the "Vijlma" transaction")*.

RISK MANAGEMENT

Overview

NIBC believes that risk management is at the core of its business culture. NIBC believes that its approach to risk management results in fast decision making through an experienced, client-focused origination team with detailed knowledge of its client portfolio, which allows NIBC to manage its risk exposure through structured facilities and client-focused restructuring. NIBC's origination philosophy is focused on the client relationship, understanding the client's cash flow and the availability of collateral. In its Corporate Client Offering, NIBC applies an integrated approach to managing credit risk by focusing on risk-adjusted returns: NIBC assesses whether a new opportunity falls within its risk appetite, evaluates commercial and compliance issues prior to engagement with any particular client, considers credit risk and financial market risk as part of the decision process and conducts risk assessments prior to making the final lending decision. The ultimate lending decision is dependent on NIBC's comfort with the particular client. In its Retail Client Offering, NIBC applies a conservative approach to new products, such as buy-to-let, and uses program lending for regular mortgage loans. NIBC also has a highly experienced Restructuring and Distressed Assets ("**RDA**") department, which is typically engaged at an early stage of client financial distress to limit NIBC's potential losses. In addition, NIBC utilises sophisticated modelling tools, such as an internally developed methodology under the Advanced Internal Ratings Based ("**AIRB**") approach, to model credit risk.

The primary risk management objective for NIBC is to ensure it takes only prudent and well-judged risks, while ensuring solid capital and liquidity positions. NIBC is primarily exposed to credit and investment risk in the course of its lending operations, and seeks to manage its interest rate, market, currency, operational and liquidity risks. NIBC's risk appetite has been formalised in NIBC's risk appetite framework, which consists of a structured approach for managing the risks inherent in NIBC's business, taking into account NIBC's risk-bearing capacity and is subject to approval by the Supervisory Board. NIBC's risk management is fully integrated into its planning and control cycle and its day-to-day business activities at the operational level.

NIBC's risk appetite framework is comprised of six core values, or pillars:

- **Franchise**: it seeks to be a reliable and client-focused bank.
- **Solvency**: it seeks to be a creditworthy partner for its clients and other stakeholders.
- **Profitability**: its profitability is dependent on its business model and on maintaining its risk profile.
- **Liquidity**: it seeks to maintain sufficient and appropriate liquidity at all times.
- **Funding**: it seeks to maintain a stable and diverse funding base.
- **Asset quality**: it seeks to align its asset quality with its business objectives.

NIBC measures its performance across these pillars by means of the quantitative and qualitative elements of its risk appetite framework. This framework helps NIBC to implement and execute its strategy for sustainable growth.

NIBC's risk appetite framework has been established across its organisation and incorporated in its policies, procedures, limits and action plans. NIBC has adopted certain key risk and performance indicators and other early warning signals that are used by NIBC's business units to monitor and control developments in key risk areas.

Framework

NIBC relies on a "three lines of defence" risk management governance model, which provides a structure to assign risk management activities and responsibilities at various levels throughout its organisation. Day-to-day responsibility for risk management is assigned to the front office and/or operational departments and constitutes the first line of defence. The risk control functions (consisting of Risk Management, Legal, Compliance & Regulatory Affairs and other functions) form the second line of defence and are responsible for initiating risk policy and supervision of risk control within NIBC. NIBC internal audit forms the third line and is responsible for, among other things, performing independent audits on the risk appetite framework. To support effective decision-making, the Managing Board has delegated decision-making authority regarding key risk management focus areas to the following committees, each of which includes at least two Executive Committee members:

- The Engagement Committee (the "**Engagement Committee**") is responsible for decision-making with regard to client engagement and conflicts of interest.

- The Transaction Committee (the "**Transaction Committee**") is responsible for decision-making on senior debt transactions, lending and underwriting strategies, and impairments and write offs.
- The Investment Committee (the "**Investment Committee**") is responsible for decision-making on equity, mezzanine and subordinated debt transactions and impairments and revaluations, with a separate Strategic Investment Committee responsible for strategic investments.
- The Risk Management Committee (the "**Risk Management Committee**") monitors NIBC's overall risk appetite and risk profile. It approves NIBC's risk management policies and methodologies, sets portfolio, sub-portfolio and concentration limits, sets programme lending limits for its Retail Client Offering segment, oversees model validation and monitors model risk, monitors operational, IT, legal, compliance, regulatory and sustainability risks, approves new product approval requests and is responsible for monitoring compliance with NIBC's corporate social responsibility policy.
- The Asset and Liability Committee (the "**Asset and Liability Committee**") sets and monitors economic capital and market risk limits, oversees liquidity management and manages NIBC's interest rate and currency risk exposures in its banking book.

The Supervisory Board supervises, monitors and advises the Managing Board on the risks inherent in NIBC's business activities, including the structure and operation of the internal risk management and control systems and compliance with legislation, regulations and NIBC's code of conduct. The Supervisory Board has set up two committees for this purpose: the Risk Policy and Compliance Committee (the "**Risk Policy & Compliance Committee**") and the Audit Committee ("**Audit Committee**"). The Risk Policy & Compliance Committee advises the Supervisory Board on its responsibilities relating to NIBC's risk appetite, risk profile, risk management policies and broader compliance topics. It presents proposals and recommendations, at the request of the Managing Board or Supervisory Board, or otherwise in accordance with the mandates, on credit, market, investment, liquidity, operational and compliance/regulatory risks, and any other material risks NIBC is exposed to. The Audit Committee advises the Supervisory Board on financial reporting, and internal and external audits, as well as on compliance matters and duty of care.

One of the elements of NIBC's risk framework is the application of thorough anti-money laundering, client due diligence and know-your-client procedures and policies. NIBC places particular emphasis on active client monitoring on an ongoing basis. Individual client officers are primarily responsible for the execution of client due diligence onboarding in accordance with NIBC's procedures; however, the day-to-day activities relating to onboarding have been outsourced to the KYC department, which is a separate department within the Corporate Client Offering segment. The CD (as defined below), is responsible for policies, monitoring of regulations and treatment of high risk cases.

Organisation

NIBC's risk management committees are supported by a robust risk management organisation, which focuses on the daily monitoring and management of the risks NIBC is exposed to and includes the following departments and teams:

- Credit Risk Management ("**CRM**") is responsible for assessing, managing and advising on credit risk related to corporate counterparties (for the Corporate Client Offering) and high net worth individuals (for the Retail Client Offering). CRM develops and implements policies and procedures regarding credit risk, advises on credit proposals, reviews, waivers and amendments, and reviews impairments. Furthermore, CRM validates NIBC's internal counterparty credit ratings ("**CCR**") and loss given default ("**LGD**") ratings.
- Retail Risk Management ("**RRM**") is responsible for maintaining an overview of the total risk of the Retail Client Offering and its portfolios, to review strategic projects, and monitor the development and impact from changes on NIBC's risk appetite.
- Restructuring and Distressed Assets Management ("**RDA**") actively manages and restructures loans of financially distressed clients transferred from the various NIBC business units.
- The Market Risk Management department ("**MRM**") is responsible for monitoring the market risk of NIBC's Treasury activities, both inside and outside the trading book. MRM also monitors NIBC's currency positions.
- The Risk Analytics and Model Validation department ("**RA&MV**") is mainly responsible for economic capital modelling and reporting, model validation and research projects.

- Financial Markets Credit Risk ("**FMCR**") is responsible for monitoring, assessing and advising on the credit and counterparty risk of NIBC's Treasury activities, including monitoring and advice on counterparty credit limits and issuer limits. In addition, FMCR develops, implements and maintains policies and methodologies regarding credit risk related to financial markets products, including methodologies for counterparty credit exposure, AIRB estimates for NIBC's counterparties and derivative valuation adjustments. Furthermore, FMCR is responsible for performing regulatory and internal stress tests, maintaining NIBC's risk appetite framework and for implementing and managing country risk limits across NIBC.
- The Credit Modelling and Portfolio Analysis department ("**CM&PA**") monitors risk at a portfolio level. CM&PA develops policies and methods for measuring risk, notably the credit rating system used to evaluate probability of default and loss given default in NIBC's credit portfolio. CM&PA is also responsible for the reporting of credit portfolio information to various users within and outside NIBC, for the development and reporting of NIBC's risk appetite framework, and for the development and maintenance of (sub-) portfolio, industry limits. It also includes credit risk management of the investment loan portfolio, as well in respect of NIBC's investment risk management for private equity positions and structured transactions involving collateral pools. CM&PA is central to NIBC's Basel III process and also conducts certain quantitative risk modelling.
- Operational Risk Management ("**ORM**") is responsible for monitoring and managing operational risk stemming from NIBC's business and operational practices. ORM co-ordinates the new product approval and review process and the group-wide significant change approval process of new activities ensuring pre-implementation of risk assessments by relevant functions throughout NIBC. NIBC corporate social responsibility activities are also managed by the ORM. NIBC's code of conduct, business principles, compliance framework and sustainability framework guide NIBC's business activities and client transactions.
- Compliance Department ("**CD**") is responsible for updating the overall compliance risk analysis for NIBC and all international offices on an annual basis. CD's role is to translate and implement relevant external regulations into sound and clear internal policies and procedures, document as well as update relevant compliance policies, inform and train staff members in order to broaden their compliance awareness, maintain proper information barriers and restricted lists and act as the co-ordinator for correspondence with the AFM and, via its local compliance officers, for the relevant international supervisory bodies.
- Legal Department ("**LD**") ensures that the legal risks which NIBC accepts remains within the parameters of NIBC's risk appetite framework. LD proactively assists various parts of the bank and advises on both external and internal transactions, as well as carrying out a control function. In addition, LD assists with numerous other matters, ranging from administrative matters to corporate affairs and strategic projects. See also "*Business—Group Functions*".

Portfolio and Main Risk Types

Within its risk management framework, NIBC identifies the following key risk categories: credit risk, investment risk, interest rate risk, market risk, currency risk, operational risk and liquidity risk. NIBC is primarily exposed to credit and investment risk and seeks to manage other risk types in line with its business strategy. In addition, ensuring sufficient capital adequacy is a key focus area for NIBC.

The table below provides a breakdown of NIBC's primary risk exposures (representing both drawn and undrawn amounts) and the primary type of risk present in each of these portfolios for the periods indicated.

		As at 31 December		
	Primary risk types	2017	2016	2015
		(audited, in € millions, unless otherwise indicated)		
Corporate loans (drawn and undrawn)	Credit risk	8,980	9,227	8,961
Investment loans	Credit risk	220	246	161
Lease receivables	Credit risk	282	236	221
Residential mortgage loans[4]	Credit risk	9,146	8,831	8,580
Equity instruments	Investment risk	343	262	300
Debt from financial institutions and corporate entities	Credit risk/Market risk	324	459	482
Securitisations	Credit risk/Market risk	498	773	814
Cash management	Credit risk	2,021	1,371	1,382
Derivatives[1]	Credit risk/Market risk	1,021	1,812	2,164
Funding[2]	Liquidity risk	21,059	21,207	20,639
Capital[3]	Capital adequacy risk	1,902	1,788	1,620

(1) The figures for 2017 are based on a combination of netting and positive replacement values. The figures for 2016 are based on positive replacement values.

(2) Unaudited. Calculated from the following line items from the Consolidated Balance Sheet: "Total liabilities and equity" (2017: €22,148 million) *less* total of "Other" liabilities (2017: €225 million) *less* "Derivative financial liabilities" (2017: €863 million).

(3) Unaudited. Includes Tier 2 capital calculated in accordance with Basel III.

(4) Residential mortgage loans include effect of netting savings values.

Credit Risk

NIBC defines credit risk as the current or potential threat to NIBC's earnings and capital as a result of its counterparties' failure to make payments on time or to otherwise comply with its financial obligations to NIBC. Credit risk is present in NIBC's corporate loans, investment loans, lease receivables, residential mortgages, debt from financial institutions and corporate entities, securitisations, cash management and derivatives.

Within the Corporate Client Offering, credit risk is monitored by and transaction proposals are reviewed and approved by the Transaction Committee and the Investment Committee, as applicable. Within NIBC's Retail Client Offering, individual loan exposures that fall within NIBC's programme lending criteria are not subject to individual approval and credit review, and the credit risk of the overall portfolio, including portfolio and concentration limits, is monitored by the Risk Management Committee. The Risk Management Committee determines the programme lending criteria for the Retail Client Offering and the business teams are authorised to originate retail mortgage loans and buy-to-let mortgage loans in compliance with those programme lending criteria.

In line with the CRR/CRD IV regulations and subject to approval from the DNB, financial institutions may choose among various risk management approaches, ranging from standardised to advanced.

NIBC has internally developed a methodology under the AIRB approach for quantifying the credit quality of corporate, retail and bank counterparties. NIBC's AIRB-based methodology for corporate and retail counterparties was approved by the DNB in 2008 and its AIRB-based methodology for bank counterparties was approved by the DNB in 2014. In line with CRR/CRD IV regulations, NIBC's internally developed methodology consists of three elements: (i) a CCR is assigned to each borrower, which reflects the probability of default ("**PD**") of the borrower in line with the CRR/CRD IV definition of default; (ii) the LGD, which represents the potential loss in the event of default, taking into account the availability and value of any collateral provided by the borrower; and (iii) the exposure at default ("**EAD**"), which is the amount expected to be outstanding at the moment that the relevant borrower defaults. NIBC performs annual back tests of the AIRB framework to assess the quality and performance of its internal models. The internally-assigned CCRs and LGDs are also benchmarked periodically against the external rating agencies (where available).

NIBC uses the standardised approach ("**Standardised Approach**") in the calculation of its risk weighted assets covering certain residual loan exposures relying on risk weightings, as set out in the CRR/CRD IV, to the relevant borrowers and other counterparties. Credit risk exposure for those elements of NIBC's assets, and a breakdown of EAD amounts, which are evaluated using the Standardised Approach are set out in the tables set forth in "*—Breakdown of Credit Risk Portfolio*", below.

Credit risk management is carried out at both the individual borrower level and portfolio level. At the individual borrower level, attention is devoted to management of unauthorised overdrafts, non-compliance with covenants, arrears and past due accounts. Loans and exposures with an enhanced risk profile are subject to an enhanced monitoring process (the "**Watchlist**"). In addition, a proportion of the portfolio is regularly reviewed, and as part of that process the credit risk of individual clients is scrutinised. The frequency of these reviews may vary depending on the individual borrower's or other counterparty's risk exposure profile, but occurs at least once a year. In addition to the financial analysis, the review takes account of future developments in clients' financial circumstances (partly in the light of relevant macroeconomic trends).

A deterioration in the borrower's risk profile may lead to closer supervision, an adjustment of the CCR or LGD, corrective measures (such as requiring additional collateral or increasing the frequency of financial reporting), involvement of NIBC's RDA department or a combination of these measures.

At the portfolio level, credit risk is reported on a monthly basis. A detailed credit risk report and the relevant (expected) developments are discussed in the Risk Management Committee on a quarterly basis. Any negative trends identified in the risk profile of a particular client segment (or of a particular sector or type of exposure) can lead to the adjustment of the relevant business lending policy. Trends in sectors where a concentration risk is present are monitored particularly closely, such as, for example, Offshore Energy and Shipping & Intermodal (transportation of goods involving more than one mode of carrier).

If the review, risk check, payment arrears or external signals point to an increased risk of default for a given loan, depending on the seriousness and magnitude of the problem, either monitoring or intensive supervision is applied. If the prospect of continuity is doubtful or insufficient, the Transaction Committee or the Investment Committee determines the impairment.

Breakdown of Credit Risk Portfolio

The tables below show a breakdown of EAD, RWA and the capital requirement for credit risk per exposure class as at 31 December 2017, 2016 and 2015.

	As at 31 December 2017			
	Exposure(3)	EAD(4)	RWA	Capital Requirement(5)
	(unaudited, in € millions)			
AIRB approach(1)				
—of which corporate	9,548	8,967	4,066	325
—of which retail	8,516	8,516	826	66
—of which institutions	770	596	330	26
—of which securitisations	519	519	103	8
—of which equities	339	339	1,253	100
	19,691	18,936	6,578	526
Standardised Approach(2)				
—of which retail	920	800	304	24
—of which sovereign	1,683	1,683	—	—
—of which institutions	354	292	37	3
—of which corporate	539	517	517	41
—of which securitisations	—	—	—	—
—of which equities	—	—	—	—
—of which other	149	149	149	12
	3,645	**3,442**	**1,007**	**81**
Total Credit Risk	**23,336**	**22,378**	**7,585**	**607**

(1) Represents totals as calculated under NIBC's AIRB approach for quantifying the credit quality of corporate, retail and bank counterparties.

(2) Represents totals as calculated under the Standardised Approach for quantifying the credit quality of corporate, retail and bank counterparties.

(3) Represents exposure as the sum of drawn and undrawn amounts.

(4) The exposure at default, which is the amount expected to be outstanding at the moment that the relevant borrower defaults. A breakdown of EAD amounts presented between those which are on balance sheet (representing amounts drawn by borrowers), off balance sheet (representing NIBC's commitments or guarantees in respect of further amounts available to be drawn by borrowers) and derivatives exposure are presented in the table which follow below.

(5) Regulatory capital required to be held on the basis of the RWA total amount for each credit risk exposure class, according to CRR and CRD IV.

	As at 31 December 2016			
	Exposure[3]	EAD[4]	RWA	Capital Requirement[5]
	(unaudited, in € millions)			
AIRB approach[1]				
—of which corporate	10,660	10,169	5,775	462
—of which retail	8,350	8,350	883	71
—of which institutions	744	695	478	38
—of which securitisations	673	673	107,	9
—of which equities	262	262	969	77
	20,689	20,150	8,211	657
Standardised Approach[2]				
—of which retail	1,195	779	319	26
—of which sovereign	1,016	1,016	—	—
—of which institutions	419	378	58	5
—of which corporate	244	244	238	19
—of which securitisations	—	—	—	—
—of which equities	—	—	—	—
—of which other	240	240	240	19
	3,114	2,657	854	68
Total Assets	**23,803**	**22,806**	**9,065**	**725**

(1) Represents totals as calculated under NIBC's AIRB approach for quantifying the credit quality of corporate, retail and bank counterparties.

(2) Represents totals as calculated under the Standardised Approach for quantifying the credit quality of corporate, retail and bank counterparties.

(3) Represents exposure as the sum of drawn and undrawn amounts.

(4) The exposure at default, which is the amount expected to be outstanding at the moment that the relevant borrower defaults. A breakdown of EAD amounts presented between those which are on balance sheet (representing amounts drawn by borrowers), off balance sheet (representing NIBC's commitments or guarantees in respect of further amounts available to be drawn by borrowers) and derivatives exposure are presented in the table which follow below.

(5) Regulatory capital required to be held on the basis of the RWA total amount for each credit risk exposure class, according to CRR and CRD IV.

	As at 31 December 2015			
	Exposure[3]	EAD[4]	RWA	Capital Requirement[5]
	(unaudited, in € millions)			
AIRB approach[1]				
—of which corporate	10,339	9,713	5,478	438
—of which retail	8,491	8,491	957	77
—of which institutions	1,031	940	628	50
—of which securitisations	703	703	154	12
—of which equities	300	300	1,112	89
	20,866	20,147	8,329	666
Standardised Approach[2]				
—of which retail	750	473	248	20
—of which sovereign	864	864	–	–
—of which institutions	498	404	84	7
—of which corporate	235	225	219	17
—of which securitisations	—	—	—	—
—of which equities	—	—	—	—
—of which other	213	213	211	17
	2,561	2,179	761	61
Total Assets	**23,426**	**22,327**	**9,090**	**727**

(1) Represents totals as calculated under NIBC's AIRB approach for quantifying the credit quality of corporate, retail and bank counterparties.

(2) Represents totals as calculated under the Standardised Approach for quantifying the credit quality of corporate, retail and bank counterparties.

(3) Represents exposure as the sum of drawn and undrawn amounts.

(4) The exposure at default, which is the amount expected to be outstanding at the moment that the relevant borrower defaults. A breakdown of EAD amounts presented between those which are on balance sheet (representing amounts drawn by borrowers), off balance sheet (representing NIBC's commitments or guarantees in respect of further amounts available to be drawn by borrowers) and derivatives exposure are presented in the table which follow below.

(5) Regulatory capital required to be held on the basis of the RWA total amount for each credit risk exposure class, according to CRR and CRD IV.

The tables below provide a breakdown of EAD between exposure classes and exposure types under both the AIRB and the Standardised Approach as at 31 December 2017, 2016 and 2015.

	As at 31 December 2017			
	On-balance[3]	**Off-balance[4]**	**Derivatives[5]**	**Total EAD**
		(unaudited, in € millions)		
AIRB approach[1]				
—of which corporate	7,494	997	476	8,967
—of which retail	8,490	26	—	8,516
—of which institutions	457	—	138	596
—of which securitisations	498	—	22	519
—of which equities	326	12	—	339
	17,265	1,035	636	18,936
Standardised Approach[2]				
—of which retail	764	37	—	800
—of which sovereign	1,683	—	—	1,683
—of which institutions	192	—	100	292
—of which corporate	480	31	7	517
—of which securitisations	—	—	—	—
—of which equities	—	—	—	—
—of which other	149	—	—	149
	3,267	68	107	3,442
Total	**20,532**	**1,103**	**742**	**22,378**

(1) Represents totals as calculated under NIBC's AIRB approach for quantifying the breakdown of EAD amounts.

(2) Represents totals as calculated under the Standardised Approach for quantifying the breakdown of EAD amounts.

(3) On balance sheet EAD amounts represent EAD for amounts drawn by borrowers.

(4) Off balance sheet EAD amounts represent EAD for NIBC's commitments or guarantees in respect of further amounts available to be drawn by borrowers.

(5) Derivatives EAD amounts represent EAD for financial instruments whose value depends on the value of an underlying asset.

	As at 31 December 2016			
	On-balance(3)	Off-balance(4)	Derivatives(5)	Total EAD
	(unaudited, in € millions)			
AIRB approach(1)				
—of which corporate	8,725	861	583	10,169
—of which retail	8,332	18	—	8,350
—of which institutions	520	—	175	695
—of which securitisations	648	—	25	673
—of which equities	242	20	—	262
	18,467	900	783	20,150
Standardised Approach(2)				
—of which retail	667	113	—	779
—of which sovereign	1,016	—	—	1,016
—of which institutions	268	—	110	378
—of which corporate	218	15	11	244
—of which securitisations	—	—	—	—
—of which equities	—	—	—	—
—of which other	240	—	—	240
	2,408	128	121	2,657
Total	**20,874**	**1,028**	**904**	**22,806**

(1) Represents totals as calculated under NIBC's AIRB approach for quantifying the breakdown of EAD amounts.

(2) Represents totals as calculated under the Standardised Approach for quantifying the breakdown of EAD amounts.

(3) On balance sheet EAD amounts represent EAD for amounts drawn by borrowers.

(4) Off balance sheet EAD amounts represent EAD for NIBC's commitments or guarantees in respect of further amounts available to be drawn by borrowers.

(5) Derivatives EAD amounts represent EAD for financial instruments whose value depends on the value of an underlying asset.

	As at 31 December 2015			
	On-balance(3)	Off-balance(4)	Derivatives(5)	Total EAD
	(unaudited, in € millions)			
AIRB approach(1)				
—of which corporate	8,227	838	647	9,713
—of which retail	8,455	37	—	8,491
—of which institutions	717	—	223	940
—of which securitisations	680	—	22	703
—of which equities	285	16	—	300
	18,364	891	893	20,147
Standardised Approach(2)				
—of which retail	390	83	—	473
—of which sovereign	864	—	—	864
—of which institutions	282	—	122	404
—of which corporate	181	25	19	225
—of which securitisations	—	—	—	—
—of which equities	—	—	—	—
—of which other	213	—	—	213
	1,931	108	140	2,179
Total	**20,294**	**999**	**1,033**	**22,327**

(1) Represents totals as calculated under NIBC's AIRB approach for quantifying the breakdown of EAD amounts.

(2) Represents totals as calculated under the Standardised Approach for quantifying the breakdown of EAD amounts.

(3) On balance sheet EAD amounts represent EAD for amounts drawn by borrowers.

(4) Off balance sheet EAD amounts represent EAD for NIBC's commitments or guarantees in respect of further amounts available to be drawn by borrowers.

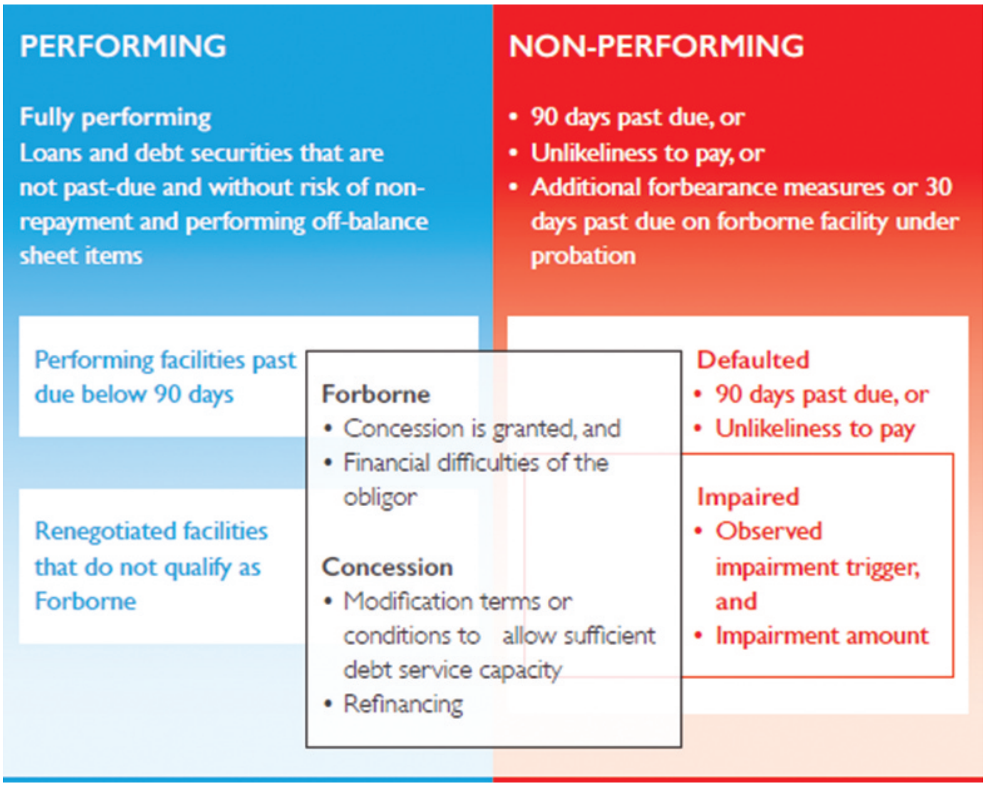
(5) Derivatives EAD amounts represent EAD for financial instruments whose value depends on the value of an underlying asset.

Development of Credit Quality

NIBC monitors the credit quality of its loan portfolio on an ongoing basis, which NIBC believes enables it to take prompt and proactive action to address potentially problematic exposures. NIBC applies different risk management procedures depending on how credit and counterparty exposures are categorised:

- *Non-performing exposure*: in line with the European Banking Authority ("**EBA**") definition, a borrower or facility is considered non-performing if that particular borrower is in default or if a performing forborne facility is extended additional concessions or such forborne facility becomes more than 30 days past due. NIBC's non-performing portfolio contains the defaulted portfolio and forborne exposures that have been granted further concessions.
- *Forborne exposure*: in line with the EBA definition, a facility is considered to be forborne if the borrower is facing financial difficulties and NIBC grants a concession to the borrower in respect of that particular facility, including loans and debt securities. Concessions may only be granted on individual facilities and include modifications to the terms of a facility to allow the borrower sufficient debt service capacity to satisfy its obligations without defaulting, or the partial refinancing of a particular facility. Due to the structured nature of NIBC's credit facilities, NIBC has historically been willing to grant its borrowers temporary financial concessions in the face of financial difficulties, which NIBC believes has resulted in NIBC having a larger forborne exposure portfolio than some of its peers.
- *Defaulted exposure*: in line with the CRR/CRD IV definition, NIBC considers a borrower to be in default when a credit review determines that the borrower is unlikely to pay its obligations in full or is more than 90 days past due on a material obligation. At that point the entire EAD of the borrower's outstanding facilities are classified as defaulted.
- *Impaired exposure*: in line with the IFRS definition, facilities are considered impaired if the Transaction Committee decides to take an impairment charge on a particular facility, at which point the entire EAD of that particular facility is classified as impaired.

The figure below presents an overview of NIBC's defaulted, impaired, non-performing and forborne exposure assessment methodology.



These exposure categories assist NIBC in identifying exposures that require additional attention. NIBC monitors certain early warning signals, including poor financial performance that has led to a request for a covenant waiver or other form of forbearance, in the case of corporate credit facilities, or the tenor of arrears, in the case of mortgage loans, which allow NIBC to identify and work with its clients to resolve credit issues early and avoid further deterioration of the relevant asset. The table below provides an overview of the exposures that are classified within one or more of the credit quality measures as at 31 December 2017, 2016 and 2015. It should be noted that the exposures reported under various measures are partially overlapping.

	As at 31 December					
	2017		2016		2015	
	€ millions	%(1)	€ millions (unaudited)	%(1)	€ millions	%(1)
Defaulted exposure	456	2.5	503	2.7	469	2.6
Impaired exposure	321	1.7	424	2.3	332	1.9
Non-performing exposure	474	2.6	503	2.7	485	2.7
Forborne exposure	891	4.9	809	4.4	619	3.5

(1) Share of the total corporate loans and residential mortgage exposures portfolio.

The provision for incurred but not reported ("**IBNR**") is calculated on the basis of NIBC's expected loss model. The actual loss that has been incurred is extrapolated from the expected loss, taking into account the duration from occurrence to detection of the loss (the loss emergence period, "**LEP**"). LEP is calculated for each segment and is based on the average time until identification of the 90 days overdue status based on expected cash inflows according to the repayment plans. LEP is calculated as the exposure weighted average in months. Depending on the risk monitoring process, a shorter LEP than calculated based on expected cash flows is anticipated. In 2015, NIBC adjusted the LEP of the IBNR provision from three to six months, resulting in an additional charge of €5 million. In 2016, NIBC adjusted the IBNR provision to include items on the Watchlist, resulting in an additional charge of €5 million. In 2017 there were no specific methodology adjustments to the IBNR. There can be no assurance that these provisions will be sufficient to cover existing and/or future information asymmetries.

Corporate Loan Portfolio

Under its Corporate Client Offering, NIBC focuses on a range of corporate clients predominantly in the Netherlands, Germany, which includes private equity clients, institutional investors, high net worth entrepreneurs, and small and medium size companies. NIBC also has operations in the United Kingdom, supporting NIBCs Northwest European Corporate Client Offering. In servicing NIBC's corporate clients, the sector and product teams cooperate closely, combining NIBC's in-depth sector and investor knowledge with product expertise and proven execution capabilities. In 2017, the Corporate Client Offering included approximately 700 clients, with 66 per cent of origination for 2017 in the corporate loan portfolio coming from new transactions or extensions of NIBC's product offering with existing clients and with the remaining 34 per cent of origination in 2017 coming from new clients. Typically, the Corporate Client Offering serves companies with an annual turnover of between €50 million and €500 million. Many of NIBC's corporate clients are family owned or otherwise privately owned businesses, including corporates, institutional investors, financial sponsors (including private equity investors) and HNWEs and family offices.

NIBC's Corporate Client Offering has a diversified and collateralised loan portfolio of €10 billion as at 31 December 2017. NIBC offers its clients a broad range of standard and tailor-made products and services with a typical transaction size of between €10 million to €50 million. Its corporate loan portfolio exposure is well spread across its chosen sectors and sub-sectors: Food, Agriculture, Retail & Health, Industries & Manufacturing, Telecom, Media, Technology & Services, Commercial Real Estate, Infrastructure & Renewables, Offshore Energy and Shipping & Intermodal.

The total size of NIBC's non-performing portfolio has decreased significantly in recent periods, despite an increase in non-performing exposures in the more challenging sub-sectors of Shipping & Intermodal and Offshore Energy, as a result of improving market conditions and the restructuring of several large legacy files, decreasing by €225 million from €658 million as at 31 December 2016 to €432 million as at 31 December 2017 at the NIBC Bank level. NIBC believes that the risk profile of its corporate loan book has improved with no individual client exposure representing more than 1.4 per cent of NIBC's total loan portfolio as at 31 December 2017. This is a result of new origination and further repayments and sales of several larger exposures including the sale of the legacy exposures in the Commercial Real Estate portfolio in 2017.

Quality of Corporate Loan Portfolio

The Corporate Client Offering team prepares full credit reviews, appraising the credit quality and the value of collateral, for each borrower at least annually. These reviews are reviewed by a risk officer and approved by the

Transaction Committee or the risk management department pursuant to delegated authority. On a portfolio level, a formal assessment of the entire corporate loan portfolio is conducted by the Corporate Client Offering team on a quarterly basis, and the results are reported to the Risk Management Committee and Risk Policy & Compliance Committee. NIBC's existing impairments in the corporate loan portfolio are also reviewed and reported to the Transaction Committee and Risk Policy & Compliance Committee as part of this quarterly review process.

NIBC determines that a default has occurred at the borrower level, whereas the impairment amount is charged at the facility level. Therefore, when a borrower is determined to be in default, all facilities of that borrower are classified as defaulted; however, when NIBC recognises an impairment on a particular facility, only NIBC's exposure under that particular facility is classified as impaired. The RDA department calculates the amount of impairment on a given exposure based on the potential loss, which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, taking into account the available collateral securing the loan and any associated corporate derivative exposure related to the facility. In the case of collateral, the foreclosure value of the collateral is offset against the present value of the potential loss. Ultimately, the Transaction Committee is required to approve the impairment amount.

The corporate loan portfolio is well diversified, with top 20 exposures accounting for 12.1 per cent and no individual client exposure representing more than 1.4 per cent of the total portfolio as at 31 December 2017.

Corporate Loans

The tables below provide an overview of forbearance and impairment of NIBC's corporate loans (by industry sector) as at 31 December 2017, 2016 and 2015.

	As at 31 December 2017								
			Forbearance				Impairment		
	% of total corporate loans	Total	Non-performing forborne exposure	Performing forborne exposure	Total forborne exposure	Impairment amount	Impaired exposure	Impairment Amount	Write-offs
	(unaudited, in € millions)								
Corporate loans by industry sector									
Infrastructure & Renewables	17.8	1,595	50	4	53	14	51	15	—
Industries & Manufacturing	15.9	1,430	4	78	82	2	6	3	11
Shipping & Intermodal	14.4	1,297	46	168	213	15	48	16	11
Commercial Real Estate(1)	14.6	1,310	97	—	97	38	98	39	5
Telecom, Media Technology & Services	13.3	1,198	19	14	33	—	—	—	6
Offshore Energy	10.4	934	173	153	326	50	92	50	16
Food, Agriculture, Retail & Health	13.5	1,216	10	7	17	3	10	3	3
Other (IBNR Corporate Loans)	—	—	—	—	—	17	—	17	—
Total corporate loans (drawn and undrawn)	**100**	**8,980**	**398**	**423**	**821**	**140**	**305**	**143**	**52**

(1) Commercial Real Estate excluding legacy exposures had a "Total" corperate loan exposure of €1,213 million. "Impaired Exposure" of €1 million and an "Impairment Amount" of €1 million.

	As at 31 December 2016								
			Forbearance				Impairment		
	% of total corporate loans	Total	Non-performing forborne exposure	Performing forborne exposure	Total forborne exposure	Impairment amount	Impaired exposure	Impairment Amount	Write-offs
	(unaudited, in € millions)								
Corporate loans by industry sector									
Infrastructure & Renewables	17.5	1,618	51	32	83	14	52	15	—
Industries & Manufacturing	14.8	1,364	15	2	17	8	28	15	10
Shipping & Intermodal	16.4	1,512	56	203	259	28	58	28	—
Commercial Real Estate	11.9	1,095	158	—	158	50	159	51	8
Telecom, Media Technology & Services	13.6	1,257	—	45	45	—	9	6	7
Offshore Energy	13.4	1,233	66	136	202	28	87	31	—
Food, Agriculture, Retail & Health	12.5	1,149	7	—	7	4	7	4	4
Other (IBNR Corporate Loans)	—	—	—	—	—	17	—	17	—
Total corporate loans (drawn and undrawn)	**100**	**9,227**	**353**	**418**	**771**	**148**	**399**	**166**	**30**

	As at 31 December 2015								
			Forbearance				Impairment		
	% of total corporate loans	Total	Non-performing forborne exposure	Performing forborne exposure	Total forborne exposure	Impairment amount	Impaired exposure	Impairment Amount	Write-offs
	(unaudited, in € millions)								
Corporate loans by industry sector									
Infrastructure & Renewables	22.2	1,990	52	36	87	14	45	14	—
Industries & Manufacturing	14.1	1,266	38	17	55	12	30	12	17
Shipping & Intermodal	17.2	1,537	36	—	36	2	10	2	33
Commercial Real Estate	11.4	1,022	206	—	206	56	160	57	—
Telecom, Media Technology & Services	10.8	968	32	56	88	14	23	14	—
Offshore Energy	14.3	1,282	49	54	102	23	49	23	—
Food, Agriculture, Retail & Health	10.0	896	11	6	18	7	11	7	—
Other (IBNR Corporate Loans)	—	—	—	—	—	9	—	9	—
Total corporate loans (drawn and undrawn)	**100**	**8,961**	**424**	**169**	**592**	**136**	**328**	**138**	**51**

Corporate Loans—CCR

NIBC uses the AIRB approach to assess the creditworthiness of corporate loan borrowers and to determine NIBC's resulting regulatory capital requirement. A borrower's internal rating is a key factor in the assessment and pricing of loans offered by NIBC. Such ratings are also used to monitor the quality of the corporate loan portfolio. NIBC uses an internal through-the-cycle CCR scale which consists of 10 grades (1-10) and a total of 22 notches, each of which corresponds to the rating scales of the main international credit rating agencies. CCRs 9 and 10 are assigned to counterparties that have already defaulted and therefore carry a PD of 100 per cent.

The table below provides the distribution of the drawn and undrawn corporate loan exposure according to NIBC's CCR categories. Not rateable ("**NR**") counterparties are entities for which NIBC's corporate rating tools were not suitable at the time of rating. As at 31 December 2017, only 0.19 per cent of the corporate loans were NR, compared with 0.09 per cent as at 31 December 2016 and 0.19 per cent as at 31 December 2015.

Breakdown of corporate loan exposure per CCR

		As at 31 December		
Internal CCR grades	**Internal CCR notches**	**2017**	**2016**	**2015**
		(unaudited, in %)		
1–3	AAA/AA/A	1.72	2.03	2.41
4	BBB	14.67	15.77	18.41
5	BB	38.46	33.17	25.99
6	B	36.86	38.94	44.21
7	CCC	3.76	5.07	1.49
8	CC/C	0.04	0.30	0.94
9–10	D	4.30	4.64	6.37
NR	n/a	0.19	0.09	0.19
	Total	**100**	**100**	**100**

Corporate Loans—LGD

LGD is a measure of anticipated loss for corporate loans of a non-defaulted counterparty. NIBC's internal LGD scale consists of 7 grades (A-F) and 10 notches, each of which represents a different degree of recoverability and loss expectations. NIBC's LGD ratings are facility, rather than borrower, specific. NIBC's weighted average LGD, which is calculated from non-defaulted loans, remained stable with a weighted average B-1 grade with an average LGD of 15.3 per cent as at 31 December 2017, compared with B-1 grade and 15.3 per cent as at 31 December 2016 and B-2 grade and 15.4 per cent as at 31 December 2015.

The majority of NIBC's corporate loan exposures are secured by some level of collateralisation, which results in NIBC's LGDs being concentrated in LGD categories corresponding to higher recoveries as a result of NIBC's ability to execute on this collateral.

The table below describes the distribution of drawn and undrawn corporate loan exposures per LGD grades for the non-defaulted portion of the portfolio. The letters refer to NIBC's LGD grades and notches and the numbers in parentheses refer to the loss percentage assigned to each LGD rating.

	As at 31 December					
	2017		2016		2015	
	Drawn	Undrawn	Drawn	Undrawn	Drawn	Undrawn
	(unaudited, in %)					
A-1+ (2.5%)	5.00	2.09	5.13	1.99	6.12	2.03
A-2 (7.5%)	15.78	2.30	16.85	2.61	14.93	2.97
B-1 (12.5%)	33.38	7.90	31.67	5.50	32.38	6.00
B-2 (18%)	10.51	3.03	12.78	2.57	11.83	1.83
B-3 (25%)	7.44	1.35	10.63	1.58	9.74	2.56
C-1 (33%)	7.14	1.40	5.99	0.76	6.13	1.04
C-2 (42.5%)	1.55	0.26	0.98	0.04	1.62	0.17
D (55%)	0.36	0.02	0.69	0.02	0.39	0.03
E (70%)	0.06	0.00	0.05	0.00	0.01	0.01
F (90%)	0.06	0.00	0.06	0.00	0.04	0.00
NR	0.30	0.08	0.07	0.02	0.10	0.09

The primary types of collateral securing the corporate loan portfolio are tangible assets, such as real estate, vessels, rigs and equipment. Exposures in the Shipping & Intermodal and Offshore Energy client sectors are primarily secured by moveable 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. NIBC regularly tests LtV ratios and has vessels 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 following tables present the breakdown of the corporate loan amounts in arrear as at 31 December 2017, 2016 and 2015.

	As at 31 December 2017						
	Exposure(1)		Outstanding(2)		Amount in arrear		
Age of payment in arrear	Total	% of Exposure	Total	% of On-Balance(3)	Total	% of On-Balance	Impairment Amount
	(unaudited, in € millions, except percentages)						
1–5 days	5	0.1	5	0.1	1	0.0	—
6–30 days	15	0.2	15	0.2	5	0.1	—
31–60 days	9	0.1	9	0.1	1	0.0	—
61–90 days	—	—	—	—	—	—	—
Subtotal less than 90 days	29	0.3	29	0.4	7	0.1	—
Over 90 days	155	1.7	154	2.1	42	0.6	32
No payment in arrear	8,796	98.0	7,211	97.5	0	—	110
Total corporate loans	**8,980**	**100**	**7,395**	**100**	**49**	**0.7**	**143**

(1) Represents exposure as a sum of drawn and undrawn.

(2) Represents outstanding balance sheet drawn amounts.

(3) Represents proportion of outstanding balance sheet drawn amounts.

	As at 31 December 2016						
	Exposure(1)		Outstanding(2)		Amount in arrear		
Age of payment in arrear	Total	% of Exposure	Total	% of On-Balance(3)	Total	% of On-Balance	Impairment Amount
	(unaudited, in € millions, except percentages)						
1–5 days	44	0.5	43	0.5	18	0.2	—
6–30 days	33	0.4	33	0.4	—	—	—
31–60 days	—	—	—	—	—	—	—
61–90 days	6	0.1	6	0.1	—	—	—
Subtotal less than 90 days	83	0.9	82	1.0	18	0.2	—
Over 90 days	191	2.1	158	2.0	65	0.8	48
No payment in arrear	8,953	97.0	7,657	97.0	—	—	118
Total corporate loans	**9,227**	**100**	**7,897**	**100**	**83**	**1.1**	**166**

(1) Represents exposure as a sum of drawn and undrawn.

(2) Represents outstanding balance sheet drawn amounts.

(3) Represents proportion of outstanding balance sheet drawn amounts.

	As at 31 December 2015						
	Exposure(1)		Outstanding(2)		Amount in arrear		
Age of payment in arrear	Total	% of Exposure	Total	% of On-Balance(3)	Total	% of On-Balance	Impairment Amount
	(unaudited, in € millions, except percentages)						
1–5 days	47	0.5	35	0.5	7	0.1	3
6–30 days	—	—	—	—	—	—	—
31–60 days	14	0.2	12	0.2	12	0.2	7
61–90 days	—	—	—	—	—	—	—
Subtotal less than 90 days	61	0.7	47	0.6	20	0.3	10
Over 90 days	61	0.7	61	0.8	38	0.5	32
No payment in arrear	8,839	98.6	7,385	98.6	—	—	96
Total corporate loans	**8,961**	**100**	**7,494**	**100**	**57**	**0.8**	**138**

(1) Represents exposure as a sum of drawn and undrawn.

(2) Represents outstanding balance sheet drawn amounts.

(3) Represents proportion of outstanding balance sheet drawn amounts.

Investment Loans

Investment loans are typically unsecured subordinated loans with certain equity characteristics, such as attached warrants and conversion features. In many cases, NIBC provides investment loans in combination with senior financing facilities, although such investments made in connection therewith are also classified as investment loans. NIBC monitors the credit quality of its investment loans as a separate portfolio and not as part of the corporate loan portfolio. NIBC's investment loans consist of indirect investments made through funds managed by NIBC or by certain third party fund managers and direct investments by NIBC in the borrower. Indirect investments are approved by the investment committees of the relevant funds managed by NIBC or by such third party fund managers, subject to the investment guidelines stipulated in the fund agreements between the manager of the fund and the investors. Direct investments and fund investments are approved by the Investment Committee.

Impairments of indirect investments are determined by the manager of the relevant fund. Corporate Client Offering investment officers monitor the credit quality of counterparties in the direct and indirect investment loan portfolio. On a quarterly basis, the entire direct and indirect investment loan portfolio is assessed for impairment by the Investment Committee, and the results are reported to the Risk Policy & Compliance Committee. All existing impairments in the investment loan portfolio are reviewed as part of this quarterly review process. All impairments in the investment loan portfolio are reviewed and approved by the Investment Committee before they are reported to the Investment Committee.

The tables below provide an overview of impairment in NIBC's investment loans (by industry sector) as at 31 December 2017, 2016 and 2015.

	As at 31 December 2017				
	% of total investment loans	Total	Impairment		
			Impaired exposure	Impairment Amount	Write-offs
	(unaudited, in € millions)				
Investment loans by industry sector					
Infrastructure & Renewables	10	22	—	—	—
Industries & Manufacturing	12.7	28	—	—	—
Shipping & Intermodal	—	—	—	—	—
Commercial Real Estate	10	22	—	—	—
Telecom, Media Technology & Services	14.5	32	9	3	—
Offshore Energy	7.7	17	—	—	—
Food, Agriculture, Retail & Health	45	99	6	—	22
Total investment loans	**100**	**220**	**15**	**3**	**22**

	As at 31 December 2016				
	% of total investment loans	Total	Impairment		
			Impaired exposure	Impairment Amount	Write-offs
	(unaudited, in € millions)				
Investment loans by industry sector					
Infrastructure & Renewables	7.7	19	—	—	—
Industries & Manufacturing	2.6	6	—	—	—
Shipping & Intermodal	—	—	—	—	—
Commercial Real Estate	8.1	20	—	—	—
Telecom, Media Technology & Services	28.0	69	3	—	—
Offshore Energy	6.5	16	—	—	—
Food, Agriculture, Retail & Health	47.2	116	22	12	—
Total investment loans	100	246	25	13	

	As at 31 December 2015				
	% of total investment loans	Total	Impairment		
			Impaired exposure	Impairment Amount	Write-offs
	(unaudited, in € millions)				
Investment loans by industry sector					
Infrastructure & Renewables	2.5	4	—	—	—
Industries & Manufacturing	10.6	17	—	—	—
Shipping & Intermodal	—	—	—	—	—
Commercial Real Estate	—	—	—	—	—
Telecom, Media Technology & Services	50.9	82	4	1	—
Offshore Energy	9.9	16	—	—	—
Food, Agriculture, Retail & Health	26.1	42	—	—	—
Other	—	—	—	—	—
Total investment loans	100	161	4	1	—

Residential Mortgage Loan Portfolio

NIBC's Dutch residential mortgage portfolio largely consists of owner occupied mortgages, and includes NIBC Direct loans originated since 2013, white label mortgage loans originated prior to 2008 and buy-to-let mortgage loans originated for investors since January 2015. NIBC has outsourced servicing and administration of its mortgage portfolio to several third-party mortgage servicers, while acceptance, arrear management and special servicing is performed internally by NIBC. NIBC believes that managing arrears in house requires that a dedicated team be focused on preventing and minimising credit losses. The special servicing mortgages loan team is responsible for arrears, client retention, foreclosures, collecting remaining debts and visiting clients and properties that serve as collateral.

As at 31 December 2017, 29 per cent of NIBC's Dutch residential mortgage portfolio had a Dutch government guarantee through the Housing Guarantee Fund, compared with 33 per cent as at 31 December 2016 and 37 per cent as at 31 December 2015. A portion of NIBC's Dutch residential mortgage portfolio has been securitised. In the case of such securitised mortgages, NIBC retains the junior notes, which are consolidated on NIBC's balance sheet.

In line with customary practice, 4.9 per cent, as at 31 December 2017, of NIBC's mortgage loans in the Netherlands have an LtV ratio of greater than 100 per cent. Mortgage loans in the Netherlands typically include additional borrowings to cover costs, and thus an LtV ratio is not a reliable indicator of the non-performance of NIBC's Dutch residential mortgage portfolio. Such mortgages are typically packaged with liens taken out over the borrower's personal savings and assets to provide NIBC with additional assurances against default.

Substantially all of NIBC's German residential mortgage loan portfolio was acquired through two mortgage portfolio purchases in 2007 and consists of highly seasoned loans with low loan-to-market value. The German residential mortgage portfolio was designated by the Managing Board as a closed portfolio in 2011 and NIBC does not originate new mortgages for this legacy portfolio. In order to manage the credit risk of the German residential mortgage loan portfolio, NIBC has implemented standardised procedures to manage all loan amounts in arrears. This activity has been outsourced to NIBC Bank Deutschland AG.

Quality of Residential Mortgage Loan Portfolio

NIBC uses an internally developed AIRB methodology to calculate PD, LGD and EAD for owner-occupied mortgages. For buy-to-let mortgage loans, NIBC uses the Standardised Approach for determining regulatory capital.

- NIBC calculates PD for its mortgage loan portfolio based on factors that include debt-to-income and LtV value ratios, as well as other mortgage loan characteristics, borrower characteristics and payment performance information. NIBC's PD scale is based on a continuous scale ranging from 0 to 100 per cent.
- NIBC calculates EAD based on the outstanding notional at reporting date including estimated foreclosure costs and missed interest.
- NIBC calculates LGD for its mortgage loan portfolio on the basis of a downturn scenario comparable to the downturn in the Dutch mortgage market in the 1980s. In this scenario, 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. NIBC's 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.

NIBC validates its estimates annually based on historical data. For PD and LGD calculations, NIBC back tests its estimates against realised defaults and realised losses to ensure that the model functions as anticipated in a changing economic environment. NIBC is closely following recent regulatory proposals in respect of capital requirements under the Standardised Approach and the proposed capital floors.

The table below presents the PD for NIBC's Dutch residential mortgage portfolio as at 31 December 2017, 2016 and 2015.

	Own book Dutch residential mortgages[(1)]			Securitised Dutch residential mortgages		
	As at 31 December					
	2017	2016	2015	2017	2016	2015
	(unaudited, in %)					
Probability of default						
<=1%	97.5	97.5	97.1	97.4	95.3	95.8
1%> <=2%	0.3	0.4	0.6	0.2	0.3	0.3
2%> <=5%	0.2	0.2	0.2	0.1	0.3	0.3
5%> <100%	1.4	1.3	1.3	1.9	2.4	2.1
100%[(2)]	0.6	0.7	0.8	0.5	1.7	1.5
Total (%)	**100**	**100**	**100**	**100**	**100**	**100**

(1) Excludes buy-to-let mortgages

(2) A PD of 100 per cent indicates a borrower that is close to or more than 90 days in arrears.

Credit risk in NIBC's Dutch residential mortgage portfolio is managed through the following means:

- the underlying property is pledged as collateral;
- as at 31 December 2017, 29 per cent of the Dutch own book residential mortgage portfolio and 8 per cent of NIBC's securitised Dutch mortgage portfolio are covered by the NHG guarantee programme; and for NIBC's securitised Dutch residential mortgages, credit losses greater than the retained positions, excess credit spread and reserve accounts are attributed directly to securitisation programme investors (see "—*Securitisations*" below).

For mortgage loans without a NHG guarantee, the underlying property is the primary collateral, but savings, life insurance and investment deposits may also serve as additional collateral.

NIBC uses the LtIMV as an indicator of potential losses for its Dutch residential mortgage portfolio, which takes into account house price indexation and mortgage seasoning. The indexation is based on the CBS/ Kadaster index, which in turn is based on market observations. The Kadaster ("**Kadaster**") (national property register) is a public government register of real estate and their vested rights (e.g. ownership and mortgages). Kadaster contains transaction data as well as CBS data, which are used to construct a pricing index. The average seasoning of the total Dutch residential mortgage portfolio is 10 years. As at 31 December 2017 5 per cent of NIBC's total Dutch residential mortgage portfolio had an LtIMV above 100 per cent, compared with 9 per cent as at 31 December 2016 and 16 per cent as at 31 December 2015. For the balance of the portfolio, the value is less than or equal to the nominal loan balance outstanding or is a mortgage with an NHG.

The table below presents the LtIMV of NIBC's own book Dutch residential mortgage portfolio as at 31 December 2017, 2016 and 2015.

	As at 31 December		
	2017	**2016**	**2015**
	(unaudited, in %)		
NHG-guaranteed	28.5	33.2	36.6
>=0% and <40%	6.1	5.6	5.3
>=40% and <50%	5.4	4.4	4.0
>=50% and <60%	8.1	6.3	5.4
>=60% and <70%	9.3	8.7	7.1
>=70% and <80%	8.8	6.5	6.4
>=80% and <90%	16.7	10.4	7.8
>=90% and <100%	12.1	15.9	11.4
>=100% and <110%	3.3	5.0	8.4
>=110%	1.6	4.0	7.4
Total	**100**	**100**	**100**

The following tables present a breakdown of NIBC's own book and securitised Dutch residential mortgage loan portfolios as at 31 December 2017, 2016 and 2015.

Dutch own book and securitised residential mortgages Payment in arrear	**As at 31 December**		
	2017	**2016**	**2015**
	(unaudited, in %)		
No payment in arrear	97.9	97.6	97.5
0–30 days	1.2	1.2	1.2
31–60 days	0.1	0.4	0.5
61–90 days	0.3	0.2	0.2
Over 90 days	0.46	0.6	0.7
Total	100	100	100
Total (in €)	**9,093**	**8,747**	**8,463**

NIBC believes that the credit risk in its mortgage loan portfolio is relatively limited compared with the corporate loan portfolio.

Forbearance of Residential Mortgage Loan Portfolio

NIBC has developed and implemented a forbearance policy for its Dutch residential mortgage borrowers in 2013, and this policy is consistent with the policy applied to corporate borrowers discussed in the "—*Corporate Loan Portfolio*" above.

The client retention team of the special servicing department is responsible for assessing the nature and expected duration of the borrower's financial distress, and will determine whether forbearance measures are necessary and the conditions that should apply. The client retention team generally considers forbearance options for borrowers who have not fully met their financial obligations to NIBC.

During the past three years less than 0.5 per cent of NIBC's mortgage loan portfolio was in forbearance. As at 31 December 2017, €41 million of NIBC's Dutch mortgage loan portfolio was in forbearance, of which €25 million was performing and €16 million was non-performing. As at 31 December 2016, €38 million of NIBC's Dutch mortgage loan portfolios was in forbearance, of which €23 million was performing and €15 million was non-performing. As at 31 December 2015, €27 million of NIBC's Dutch own book residential mortgage portfolio was in forbearance, of which €21 million was performing and €6 million non-performing.

Debt Investments

NIBC also invests in debt (bonds) issued by financial institutions and other corporate entities. The size of this sub-portfolio decreased in the course of 2017 to €324 million at 31 December 2017, compared with €459 million as at 31 December 2016 and €482 million as at 31 December 2015. Of NIBC's total debt investments, covered bonds represented 30 per cent as at 31 December 2017, 37 per cent as at 31 December 2016 and 38 per cent as at 31 December 2015. The remaining 70 per cent, 63 per cent and 62 per cent as at 31 December 2017, 2016 and 2015, respectively was senior unsecured debt.

NIBC uses an internal ratings methodology to assess the creditworthiness of a financial institution or corporate issuer and, in many cases, NIBC rates the external debt of such issuers more conservatively than the external rating agencies.

The table below presents a breakdown of NIBC's debt investments by their internal ratings as at 31 December 2017, 2016 and 2015. The totals of €324 million as at 31 December 2017, €459 million as at 31 December 2016 and €482 million as at 31 December 2015 represent the maximum credit risk exposure, without taking into account the presence of any collateral that could be repossessed in case of default.

	As at 31 December 2017							
	AAA	**AA**	**A**	**BBB**	**BB**	**Below BB**	**NR**	**Total**
	(unaudited, in € millions)							
Financial institutions	103	—	126	15	—	3	—	247
Corporate entities	39	—	—	—	—	—	—	39
Sovereigns	21	17	—	—	—	—	—	38
Total debt investments	**162**	**17**	**126**	**15**	**0**	**3**	**0**	**324**

	As at 31 December 2016							
	AAA	**AA**	**A**	**BBB**	**BB**	**Below BB**	**NR**	**Total**
	(unaudited, in € millions)							
Financial institutions	170	5	82	88	—	4	—	349
Corporate entities	8	—	—	11	50	—	—	68
Sovereigns	24	18	—	—	—	—	—	41
Total debt investments	**201**	**23**	**82**	**99**	**50**	**4**	**0**	**459**

	As at 31 December 2015							
	AAA	**AA**	**A**	**BBB**	**BB**	**Below BB**	**NR**	**Total**
	(unaudited, in € millions)							
Financial institutions	183	—	159	21	—	7	—	370
Corporate entities	14	—	9	18	20	7	—	68
Sovereigns	23	21	—	—	—	—	—	44
Total debt investments	**219**	**21**	**168**	**39**	**20**	**14**	**—**	**482**

As at 31 December 2017, 31 December 2016 and 31 December 2015, NIBC's portfolio of debt investments from financial institutions and corporate issuers had no impairments and contained no arrears.

Securitisations

NIBC is an active participant in the securitisation and structuring market, managing a number of programmes and transactions including residential mortgage backed securities ("**RMBS**") programmes, collateralised loan obligations ("**CLO**") programmes, US collateralised debt obligations ("**CDO**") transactions and commercial mortgage-backed securities ("**CMBS**"). The collateral for these securitisation programmes and transactions include residential mortgages, commercial mortgages and leveraged loans. In addition, NIBC has acted as arranger and lead manager on a number of third-party transactions. As at 31 December 2017 there was one synthetic originated securitisation in NIBC's portfolio which carried a book value of nil and therefore NIBC has no exposure in connection with that securitisation.

The table below gives an overview of the cumulative nominal amounts of securitisations as at 31 December 2017, 2016 and 2015 of which NIBC was originator.

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions)		
Residential mortgages	309	660	1,227
Commercial mortgages	76	76	1,513
CLOs	1,789	2,162	2,290
Total	**2,173**	**2,898**	**5,030**

Credit exposure relating to NIBC's activities as an originator of securitised assets 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 relevant asset line item on NIBC's balance sheet. If a securitisation programme is not consolidated on NIBC's balance sheet, NIBC has no further exposure to the securitisation post origination.

NIBC uses an internal-ratings based ("**IRB**") approach for assessing the RWA of its securitisation exposures, both for purchased securitisations as well as for retained notes under NIBC-originated securitisations. Under the IRB approach, the RWA is calculated by multiplying the exposure amount by the appropriate risk weight. The risk weight depends upon the external rating, the granularity and seniority of the pool and on whether the transaction is a re-securitisation. Alternatively, for retained notes of NIBC-originated securitisations, NIBC uses the IRB capital charge when the underlying exposure has not been securitised (which NIBC refers to as the "**KIRB**" approach). This approach is applicable when the capital requirement under the KIRB approach is lower than the capital requirement under the IRB approach for the securitisation exposure class.

The credit quality of the securitisation portfolio is based on an internal composite, following CRR/CRD IV guidelines, including external ratings from Standard & Poor's, Moody's and Fitch. The non-rated portion of the portfolio relates to first-loss positions in both NIBC's own securitisations and third-party securitisations, which have been marked down.

The tables below present the EAD of NIBC's securitisation exposures under the Basel III classifications from the securitisation framework as at 31 December 2017, 2016 and 2015. In the tables below, the "Investor" column represents exposures in which NIBC was the investor in the securitised products and the "Originator" column represents the exposures in which NIBC acted as an originator, including in the roles of an arranger and lead manager.

	As at 31 December 2017		
	Investor	Originator	Total
	(unaudited, in € millions)		
ABS	1	—	1
CDO/CLO	9	11	21
CMBS	11	—	11
RMBS	42	—	42
Total Western European securitisations	**63**	**11**	**74**
NL—RMBS AAA Liquidity Portfolio	307	—	307
EU—ABS AAA Liquidity Portfolio	117	—	117
Total securitisation exposure	**486**	**11**	**498**

	As at 31 December 2016		
	Investor	Originator	Total
	(unaudited, in € millions)		
ABS	1	—	1
CDO/CLO	48	11	59
CMBS	11	—	11
RMBS	64	—	64
Total Western European securitisations	**123**	**11**	**134**
NL—RMBS AAA Liquidity Portfolio	356	—	356
EU—ABS AAA Liquidity Portfolio	162	—	162
Total securitisation exposure	**640**	**11**	**652**

	As at 31 December 2015		
	Investor	Originator	Total
	(unaudited, in € millions)		
ABS	1	—	1
CDO/CLO	58	14	71
CMBS	14	25	39
RMBS	77	—	77
Total Western European securitisations	**149**	**38**	**188**
NL—RMBS AAA Liquidity Portfolio	344	—	344
EU—ABS AAA Liquidity Portfolio	171	—	171
Total securitisation exposure	**664**	**38**	**703**

Investment Risk

Investment risk, as it relates to NIBC's equity investments, is the risk that the value of NIBC's investment will deteriorate. NIBC's investments include private equity, infrastructure equity and real estate equity investments, which can be divided into direct and indirect investments. Indirect investments are those made through funds (where the funds may be managed by NIBC or a third party) and direct investments are all other investments and consist of investments in private and listed common equity securities, preference shares, warrants and interests in funds managed by NIBC or by third parties over which NIBC does not exercise control.

NIBC's investment process is based on the following investment risk management principles:

- NIBC seeks to ensure that investment risk exposures are authorised independently from the business originators.
- NIBC performs systematic risk analysis of the investment, with a view to identifying, measuring, and evaluating all risks.
- NIBC embeds "know your customer" principles, corporate social responsibility and customer due diligence as integral parts of the overall investment process.

Management of investment exposures

Direct equity investments and commitments to third party funds are required to be approved by the Investment Committee, while indirect investments through funds are approved by the investment committees of the relevant fund, subject to the investment guidelines stipulated in the agreements between the manager of the fund and investors.

NIBC's equity investment portfolio generally consists of illiquid investments. As the size of NIBC's investment portfolio is limited, NIBC assesses concentration risk for each individual asset before the investment is made, as well as the market, sector and geographical exposure profiles.

All investment exposures are reviewed by the investment manager on a quarterly basis, and the results are reported and approved by the Investment Committee. 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* (Edition December 2015) and IAS 39. All valuations are approved by the Investment Committee before they are reported to the Risk Policy & Compliance Committee.

The exit strategy for each particular investment is reviewed and updated in each quarterly review. Divestment proposals for direct investments are submitted for approval to the Investment Committee while divestment proposals for indirect investments are submitted for approval to the investment committee of the relevant NIBC Fund.

Composition of investment exposure

The table below presents the total amounts and the breakdown of the equity investments portfolio by industry sector and geographic region. NIBC's off-balance commitments amounted to €12 million, €19 million and €16 million as at 31 December 2017, 2016 and 2015, respectively.

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions)		
Sectors			
Infrastructure & Renewables	129	116	109
Industries & Manufacturing	16	14	27
Shipping & Intermodal	—	—	—
Commercial Real Estate	39	19	11
Telecom, Media, Technology & Services	98	101	110
Offshore Energy	3	—	—
Food, Agriculture, Retail and Health	57	13	43
Total	**343**	**262**	**300**
Regions			
The Netherlands	268	200	225
Germany	10	—	—
United Kingdom	24	15	13
Rest of Europe	4	6	28
North America	37	42	34
Total	**343**	**262**	**300**

Interest Rate Risk

Interest rate risk refers to the sensitivity of NIBC's interest income and/or market value to adverse interest rate movements. When interest rates rise or fall, interest cash flows and/or their present value also change. Movements in interest rates can therefore have a major impact on both interest income and NIBC's market value.

NIBC defines interest rate risk in the banking book ("**IRRBB**") as the risk of losses from interest rate sensitive positions in non-trading activities due to movements in interest rates. IRRBB is measured and monitored by the risk management function. NIBC has developed an IRRBB framework, which is used to measure and monitor IRRBB from both an economic value perspective (impact on economic value) and from an earnings perspective (impact on net interest income). Any significant breach of IRRBB limits is required to be reported to the chief risk officer ("**CRO**") immediately.

To monitor the impact on economic value, NIBC calculates interest basis point value ("**BPV**") and interest value at risk ("**VaR**") measures on a daily basis and for review by the market risk department.

To monitor the impact on net interest income, NIBC uses a combination of static and dynamic (changes to the current portfolio composition) analyses. The dynamic analyses consider NIBC's strategy by modelling the development of the balance sheet with NIBC's business plan and taking into account both refinancing and reinvestments. Earnings at risk ("**EatR**") are calculated as the 12-month earnings impact due to a 200 bps gradual upwards or downwards interest rate shift per currency.

As part of NIBC's interest rate risk analysis, NIBC considers a set of possible scenarios, including scenarios intended as stress testing and vulnerability identification, based on historical events and on possible future events.

NIBC hedges substantially all of its interest-bearing assets to 3-month EURIBOR/LIBOR, as a result of which NIBC's non-interest bearing capital is effectively financing very short-term assets and as a result the interest return on NIBC's non-interest bearing capital fluctuates according to the short-term interest rates earned on those assets. To stabilise earnings, given these fluctuations, NIBC accepts a certain economic value risk exposure in its interest rate mismatch book, and refers to this exposure as its strategic mismatch exposure. The interest rate mismatch book exclusively contains swaps in €, US$ and GBP. Apart from the mismatch book, interest rate risk is also present in NIBC Bank's liquidity portfolio, collateral portfolio, debt investments portfolio, mortgage book and corporate treasury book. The liquidity portfolio, collateral portfolio and debt investments portfolio consist mostly of investments in financial institutions and securitisations, while the corporate treasury book contains mainly the funding and the corporate loans of the bank. The mortgage loan book consists of the "old" (white label) mortgage loan portfolio and German residential mortgage loans accounted on fair value and mortgages originating under the NIBC Direct label accounted on amortised cost.

The tables below present certain interest rate risk statistics of the banking book as at 31 December 2017, 2016 and 2015. BPV represents the economic value impact of a 1 basis point upward shift of interest rate curves. EatR represents the 12-month earnings impact due to a 200 basis point gradual upward shift of interest rate curves (resulting in a 100 basis upward shift on average).

	As at 31 December 2017					
	Economic value perspective (BPV)			Earnings perspective (EatR)		
	Mismatch	Other	Total	Mismatch	Other	Total
	(unaudited, in € millions)					
EUR	(91)	291	199	(1,954)	16,046	14,092
USD	0	(4)	(4)	—	(343)	(343)
GBP	(68)	8	(60)	(1,377)	445	(932)
Other	—	0	0	—	296	296
Total	**(159)**	**294**	**135**	**(3,331)**	**16,445**	**13,114**

	As at 31 December 2016					
	Economic value perspective (BPV)			Earnings perspective (EatR)		
	Mismatch	Other	Total	Mismatch	Other	Total
	(unaudited, in € millions)					
EUR	(120)	335	216	(1,900)	17,260	15,360
USD	(72)	0	(71)	(1,400)	970	(430)
GBP	(91)	8	(82)	(1,200)	(900)	(2,100)
Other	0	0	0	0	20	20
Total	**(282)**	**344**	**62**	**(4,500)**	**17,350**	**12,850**

	As at 31 December 2015					
	Economic value perspective (BPV)			Earnings perspective (EatR)		
	Mismatch	Other	Total	Mismatch	Other	Total
	(unaudited, in € millions)					
EUR	(147)	130	(16)	(2,525)	15,625	13,100
USD	(80)	8	(72)	(1,442)	2,632	1,190
GBP	(124)	7	(117)	(2,070)	(2,830)	(4,900)
Other	0	3	3	0	(500)	(500)
Total	**(350)**	**148**	**(202)**	**(6,038)**	**14,928**	**8,890**

Market Risk

Market risk is the risk of loss as a result of changes in market variables, including interest rates, exchange rates and share prices, as well as other variables that are not directly observable, such as volatility and correlations. NIBC defines market risk as:

- the risk of losses in the trading book arising from adverse movements in market rates;
- the risk of losses in the banking book from NIBC's credit spread risk position and equity positions (exclusively non-tradable securities);
- the risk of losses in both the banking and trading book from adverse movements in foreign currencies.

In the trading book, excluding NIBC Markets, NIBC takes short-term positions in the €, GBP and US$ yield curves. The limits for the trading book are moderate and are monitored on a daily basis and reported to the Asset and Liability Committee on a biweekly basis. NIBC's policy is not to take any active currency positions.

When currency positions exceed small facilitating limits, NIBC's policy is to enter into hedging transactions. NIBC's overall open foreign currency position was €3.5 million as at 31 December 2017, prior to hedging.

The predominant market risk drivers for NIBC are interest rate risk (in the trading book only) and credit spread risk (in both the trading and banking books). The capital requirement for market risk is based on internal models for the trading book, excluding NIBC Markets, and on the Standardised Approach for NIBC Markets. The capital requirement for the overall foreign currency position of the bank is calculated in accordance with the Standardised Approach.

The objectives of the market risk function are to measure, report and limit the market risk of NIBC in accordance with NIBC's market risk framework. NIBC has defined interest rate risk, credit spread risk and traded equity risk limits and monitors their positions on a daily basis, reporting to the Asset and Liability Committee once every two weeks. The risk management and control function is independent of any trading activities. Any significant breach of market risk limits is required to be reported to the CRO for immediate action. Market risk analyses all "overshootings" (i.e. occasions where either the hypothetical or actual profit and loss account exceeds the VaR) in the trading book and reports them to both the CRO and the DNB in accordance with Article 366 point 5 of the CRR.

NIBC uses multiple risk metrics to monitor and manage market risk. These include interest BPV, credit BPV, interest VaR and credit VaR. These metrics are calculated on a daily basis and are reviewed by the market risk department.

In addition to the VaR, NIBC has developed a number of stress tests. These stress tests consist of both historical events and potential extreme market conditions. Market risk stress tests are conducted and reported regularly, both at portfolio level and on a consolidated basis.

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 US$, GBP and JPY. NIBC uses matched funding and other measures to apply its policy of not taking any currency positions. Any currency position open at month end as a result of movements in the fair value of assets or liabilities or interest income in foreign currencies is typically hedged by entering into foreign exchange rate spot transactions.

Operational Risk

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

NIBC's operational risk management function monitors and controls operational risk, develops policies and processes to manage operational risk and provides methodology and tools. These tools enable NIBC to assess whether the operational risk profile of NIBC fits within its operational risk appetite and provide an integrated view of the operational risk and control self-assessments performed by all business units and countries, action planning, and event and loss registration and support the constant process of evaluating and reducing operational risk, and planning mitigation measures. Furthermore, the operational risk department also coordinates the development of forward-looking scenario analysis and supports business continuity and information security.

Liquidity Risk

Overview

Liquidity risk is an entity's inability to fund its assets and meet its obligations as they become due, at an acceptable cost. In order to maintain an adequate liquidity position, NIBC has developed a comprehensive liquidity management framework, which it reviews on an annual basis resulting in a comprehensive ILAAP reporting process to DNB. In recent years, new regulatory requirements have influenced NIBC's liquidity policies. NIBC aims to be an early adopter of such regulatory developments.

NIBC analyses its funding profile by aggregating all assets and liabilities based on their maturities. Based on projections prepared by the business units and reviewed by the Risk Management Committee, and the current asset and liability maturity profiles, NIBC prepares and presents several liquidity stress tests to the Asset and Liability Committee once every two weeks, based on projections prepared by the business units, which are reviewed by the Risk Management Committee, and the current asset and liability maturity profiles, to monitoring NIBC's liquidity position on an ongoing basis.

List of Maturities

The following tables present the cash flows payable by NIBC in respect of non-derivative financial liabilities relevant to NIBC's liquidity risk profile by the remaining contractual maturities as at 31 December 2017, 2016 and 2015. 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 at nominal amounts. The estimated interest cash flows related to the liabilities are reported as 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.

	As at 31 December 2017						
	Not dated	Payable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	Total
	(unaudited, in € millions)						
Liabilities (undiscounted cash flows)							
Financial liabilities at amortised cost							
Due to other banks	—	257	4	218	1,207	2	1,688
Deposits from customers	—	5,418	812	2,347	2,230	618	11,425
Own debt securities in issue	—	—	—	1,095	2,270	579	3,944
Debt securities in issue related to securitised mortgages and lease receivables	—	—	267	—	—	—	267
Financial liabilities at fair value through profit or loss (including trading)							
Own debt securities in issue	—	—	—	—	37	—	37
Debt securities in issue structured	—	—	—	20	449	697	1,166
Other financial liabilities							
Other liabilities	—	—	—	113	—	—	113
Deferred tax	—	—	—	—	4	—	4
Employee benefits	—	—	—	—	—	3	3
Subordinated liabilities							
Amortised cost	—	—	—	2	—	112	114
Fair value through profit or loss	—	—	—	—	—	330	330
Other							
Liabilities held for sale	104	—	—	—	—	—	104
Total liabilities (excluding derivatives)	**104**	**5,675**	**1,083**	**3,795**	**6,197**	**2,341**	**19,195**

	As at 31 December 2016						
	Not dated	Payable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	Total
	(unaudited, in € millions)						
Liabilities (undiscounted cash flows)							
Financial liabilities at amortised cost							
Due to other banks	—	6	110	63	833	176	1,188
Deposits from customers	—	5,333	744	2,171	2,318	972	11,538
Own debt securities in issue	—	—	—	60	2,044	1,356	3,460
Debt securities in issue related to securitised mortgages and lease receivables	—	—	2	—	—	1,335	1,337
Financial liabilities at fair value through profit or loss (including trading)							
Own debt securities in issue	—	—	—	—	36	—	36
Debt securities in issue structured	—	—	6	17	175	976	1,174
Other financial liabilities							
Other liabilities	—	—	—	275	—	—	275
Deferred tax	—	—	—	—	3	—	3
Employee benefits	—	—	—	—	—	3	3
Subordinated liabilities							
Amortised cost	—	—	—	2	48	68	118
Fair value through profit or loss	—	—	2	7	48	485	542
Liabilities held for sale	—	—	—	—	—	—	—
Total liabilities (excluding derivatives)	**—**	**5,339**	**864**	**2,595**	**5,505**	**5,371**	**19,674**

	As at 31 December 2015						
	Not dated	Payable on demand	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	Total
	(unaudited, in € millions)						
Liabilities (undiscounted cash flows)							
Financial liabilities at amortised cost							
Due to other banks	—	75	287	9	242	216	829
Deposits from customers	—	4,552	939	2,965	2,410	880	11,746
Own debt securities in issue	—	—	67	285	1,589	1,109	3,050
Debt securities in issue related to securitised mortgages and lease receivables	—	—	3	—	49	2,010	2,062
Financial liabilities at fair value through profit or loss (including trading)							
Borrowings	—	—	—	—	77	—	77
Own debt securities in issue	—	—	—	—	1	—	1
Debt securities in issue structured	—	—	2	5	30	179	216
Other financial liabilities							
Other liabilities	—	—	—	110	—	—	110
Current tax	—	—	—	1	—	—	1
Deferred tax	—	—	—	—	1	—	1
Employee benefits	—	—	—	—	—	4	4
Liabilities held for sale	42	—	—	—	—	—	42
Subordinated liabilities							
Amortised cost	—	—	—	—	2	118	120
Fair value through profit or loss	—	—	2	7	38	378	425
Total liabilities (excluding derivatives)	**42**	**4,627**	**1,300**	**3,382**	**4,439**	**4,894**	**18,684**

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 2017, 2016 and 2015. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	As at 31 December 2017				
	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	Total
	(unaudited, in € millions)				
Derivatives held for trading					
Interest rate derivatives (net settled)					
Inflow	411	867	2,285	671	4,234
Outflow	(417)	(1,005)	(2,543)	(922)	(4,887)
Credit derivatives					
Inflow	—	—	—	1	1
Outflow	—	—	—	—	—
Derivatives held for hedging					
Interest rate derivatives (net settled)					
Inflow	11	110	249	25	395
Outflow	(9)	(84)	(306)	(218)	(617)
Total inflow	**422**	**977**	**2,534**	**696**	**4,630**
Total outflow	**(426)**	**(1,089)**	**(2,849)**	**(1,140)**	**(5,504)**

	As at 31 December 2016				
	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	Total
	(unaudited, in € millions)				
Derivatives held for trading					
Interest rate derivatives (net settled)					
Inflow	476	986	2,279	717	4,458
Outflow	(498)	(1,018)	(2,327)	(749)	(4,592)
Credit derivatives					
Inflow	—	—	—	—	—
Outflow	—	—	—	—	—
Derivatives held for hedging					
Interest rate derivatives (net settled)					
Inflow	10	70	296	33	409
Outflow	(14)	(49)	(297)	(52)	(412)
Total inflow	**486**	**1,056**	**2,575**	**750**	**4,867**
Total outflow	**(512)**	**(1,067)**	**(2,624)**	**(801)**	**(5,004)**

	As at 31 December 2015				
	< 3 months	≥ 3 months < 1 year	≥ 1 year < 5 years	≥ 5 years	Total
	(unaudited, in € millions)				
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)
Credit derivatives					
Inflow	—	—	—	—	—
Outflow	—	—	—	—	—
Derivatives held 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)**

Capital Management

Capital management within NIBC focuses on monitoring and managing both external capital adequacy requirements and internal capital adequacy targets. The central focus of capital management is on safeguarding NIBC's capital position and stability. Medium term capital and funding planning is included in NIBC's periodic forecasts of the balance sheet and income statement which are prepared at least twice a year. These plans have a three-year horizon and are discussed annually by the Supervisory Board in June and thereafter as part of the budgeting process for NIBC at least once a year.

Recent AT1 security issuance

In September 2017, NIBC Bank issued €200 million aggregate principal amount of Additional Tier 1 ("**AT1**") capital securities at a coupon of 6.0 per cent. The capital securities qualify as AT1 capital as described under the CRR. The capital securities are perpetual and unsecured. In addition, the capital securities are deeply subordinated, meaning that the rights and claims of the security holders are junior to, amongst others, the rights and claims of holders of deposits, senior debt and subordinated Tier 2 debt in the event of e.g. liquidation or bankruptcy of NIBC Bank.

The principal amount of the capital securities will be written down if the CET1 ratio of NIBC Bank or NIBC falls below 5.125 per cent. Following such reduction, the principal amount may, at NIBC Bank's discretion, be written-up to the original principal amount if certain conditions are met. In addition, the capital securities may be subject to a permanent write-down or conversion into equity in circumstances where the competent resolution authority would determine that NIBC Bank has reached the point of non-viability or the occurrence of a bail-in.

Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process ("**ICAAP"**) of each institution refers to the process in which risks and related capital are internally measured, allocated and managed, and by which the adequacy of available capital is assessed. An intensive update of this process is executed once a year and reviewed by and discussed with the DNB. An important outcome of this annual review are the SREP-levels (minimum required levels) for the regulatory solvency ratios.

The internal capital requirements of NIBC under the ICAAP are based upon an internal economic capital framework. The ICAAP includes a reconciliation to regulatory capital. In addition to this, NIBC has set up an extensive framework of historical and theoretical stress scenarios that analyse the impact of severe shocks in the credit risk and market risk environment. The outcomes of these stress scenarios—which are executed semi-annually, are compared with the available capital.

EU rules in response to framework of Basel Committee

The rules implemented by the EU in response to the framework of the Basel Committee require that banks hold sufficient buffer capital to cover the risks arising from banking operations.

Pillar I of the Basel Committee requirements ("**Pillar I**") provides guidelines for calculating the minimum capital buffer prescribed by regulators to cover credit risk, market risk, operational risk and credit valuation assessment risk. The rules allow the capital adequacy requirements relating to these risks to be calculated in different ways with varying degrees of sophistication. Banks are free to choose which of these methods they use, subject to certain conditions. The methods of calculation chosen for NIBC's risk management structure are subject to various qualitative conditions and are described elsewhere in this "Risk Management" Section.

The table below provides a breakdown of NIBC's capital adequacy requirements under the applicable EU regulations implementing the Basel regulatory framework.

	As at 31 December		
	2017	**2016**	**2015**
	(audited, in € millions, unless otherwise indicated)		
Tier 1			
Called-up share capital	148	148	1,408
Share premium	1,138	2,279	525
Eligible reserves	602	(654)	(248)
Net profit not included in CET1 capital	(66)	(25)	—
Regulatory adjustments	(169)	(244)	(321)
CET1 capital	1,653	1,504	1,363
Additional Tier 1 capital	97	—	—
Total Tier 1 capital	1,750	1,504	1,363
CET1 ratio (fully loaded) (in %)	19.3	15.1	13.9
Tier 1 ratio (fully loaded) (in %)	20.4	15.1	13.9
Tier 2			
Qualifying subordinated liabilities	152	284	257
Total Tier 2 capital	**152**	**284**	**257**
Total BIS capital	**1,902**	**1,788**	**1,620**
BIS ratio (fully loaded) (in %)	22.2	18.0	16.7

SUPERVISION AND REGULATION

This section describes in summary a selection of laws and regulations which the Company and certain of its Dutch subsidiaries are subject to. This section is intended as general information only and does not purport to present a comprehensive or complete description of all laws and regulations applicable to NIBC which could be of relevance to Shareholders.

NIBC Bank qualifies as a credit institution within the meaning of the CRR. NIBC Bank is authorised by DNB to pursue the business of a bank in the Netherlands, in accordance with the Dutch Financial Supervision Act. Under its banking licence NIBC Bank may also conduct investments services and activities and ancillary services, as well as certain other financial services. NIBC Financing N.V., NIBC Direct Hypotheek B.V., NIBC Direct Hypotheken B.V., B.V. NIBC Mortgage Backed Assets, Hypinvest B.V., Hypinvest Hypotheken B.V. and Quion 30 B.V. are financial service providers acting under the collective licence of NIBC Bank as affiliated undertakings. NIBC Bank is under prudential and integrity supervision by DNB. Since the entry into force of the SSM on 4 November 2014, NIBC Bank is subject to indirect supervision by the ECB. The SSM is comprised of the ECB and the national competent authorities of participating EU Member States. In addition, NIBC Bank is supervised by the AFM for the purpose of conduct of business supervision.

On the basis of its Dutch banking licence, NIBC Bank can benefit from an EU passport to carry on banking activities throughout the EEA, either by establishing a branch or provision of services on a cross border basis. NIBC Bank is relying on an EU passport to carry on banking activities in various EEA Member States on a cross border basis and NIBC Bank has established branches in Belgium, Germany and the United Kingdom. These branches are primarily subject to home member state supervision. However, some regulatory requirements of the host member states (i.e. the jurisdiction in which the branch is established) apply to the branches. Furthermore, NIBC Bank has a wholly owned subsidiary, NIBC Bank Deutschland AG, which holds a German banking licence. Similar or other requirements may apply to the Dutch subsidiaries of the Company, including the abovementioned financial services providers.

This section is mainly based on the supervisory laws and regulations of the Netherlands and the EU that apply to banks (such as NIBC Bank) as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect. In addition, NIBC is subject to supervisory laws and regulations of other jurisdictions in which it is active. See "*Risk Factors—NIBC is exposed to regulatory scrutiny and potential significant claims for violation of the duty of care owed by it to clients and third parties. A negative outcome of proceedings, settlements, action taken by supervisory and other authorities, legislation, sector-wide measures, and other arrangements for the benefit of clients and third parties could materially adversely affect NIBC's reputation as well as its business, results of operations, financial condition and prospects.*" and "*Risk Factors—NIBC operates in an industry that is highly regulated and subject to significant regulatory change, which could result in NIBC's failure to comply with certain requirements or with significantly increased legal and compliance costs, and non-compliance could result in monetary and reputational damages, all of which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.*" This section does not provide information on supervisory laws and regulations of other jurisdictions than the Netherlands, nor on tax laws and regulations to which NIBC is subject.

Banking Union

The 2007 financial crisis revealed shortcomings in bank supervision and in particular a widespread misjudgement of the actual risks posed by banks' activities and investments, and has made clear that the regulation and supervision of bank activities needed to be harmonised across the EU and especially in the euro area. One of the EU's responses to correct the perceived shortcomings was to establish a banking union with three key areas, referred to as the three pillars, the SSM, the SRM (including the recovery and resolution framework laid down in the BRRD) and the DGS (together the "**Banking Union**"). Harmonised prudential rules laid down in CRD IV and CRR ("**Single Rulebook**") are also part of the Banking Union and aim to complete the reforms that the EU implemented in the wake of the financial crisis to make the financial system more stable and resilient.

SSM

The first pillar, the SSM, was set up by two regulations: (i) Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions ("**SSM Regulation**") and (ii) Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the ECB and national competent authorities and with national designated authorities. The SSM Regulation came into force on 4 November 2013. The SSM Regulation provides the tasks the ECB must carry out within the SSM, composed of the ECB and national competent authorities ("**NCA**"). For "significant" banking groups that meet certain criteria of size, importance for the economy of the EU or any Member States participating in the Banking Union, and significance of cross-border activities, whereby in principle a total value of assets of more than €30 billion is considered "significant", this means that supervision of them is carried out by joint supervisory teams consisting of ECB and NCA staff members. The ECB conducts regular reviews of all banks authorised within the participating countries. According to the ECB's list of supervised entities (cut-off date for significance decisions: 5 December 2017) NIBC Bank has not been designated as significant. As such, NIBC Bank is only subject to indirect supervision by the ECB. NIBC Bank has been designated as a high-priority less significant institution by the ECB, as a result of which the ECB plays a more active role in the supervision over NIBC Bank, compared with other, non high-priority less significant institutions.

SRM

The second pillar, the SRM, was set up by Regulation (EU) No 806/2014 of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 ("**SRM Regulation**") and by the agreement on the transfer and mutualisation of contributions to the Single Resolution Fund of 21 May 2014. The SRM Regulation provides for a single resolution framework ("**SRM**"), a European single resolution board ("**SRB**") and a single resolution fund ("**Single Resolution Fund**"). Under the BRRD, EU Member States are required to appoint a national resolution authority ("**NRA**"). In the Netherlands, DNB has been appointed as NRA. The SRM establishes a SRB (consisting of a Chair, Vice-Chair and four further full-time members, and one representative from the ECB, one from the European Commission and one from the relevant NRAs) that will manage (through the NRAs or directly) the failing of any bank in the eurozone and in other EU Member States participating in the European Banking Union. One of the aims of the SRM is a consistent application of the instruments and authorities granted to NRAs under the BRRD. The SRB is directly responsible for dealing with banking groups that fall under direct supervision of the ECB under the SSM, as well as any cross border banking groups established within participating Member States. According to the SRB's list of other cross border groups dated 6 December 2017, NIBC Bank and its subsidiary NIBC Bank Deutschland AG are part of a cross border banking group and as such subject to the direct responsibility of the SRB. The SRB will be the single resolution authority for NIBC ultimately in charge of the decision to initiate the resolution, while operationally the decision will be implemented in cooperation with NRAs and by the NRAs making use of their powers pursuant to the BRRD.

Single Rulebook

Until 1 January 2014, EU bank regulation and supervision had been based on directives which left room for divergence in national implementing rules. This created a regulatory patchwork throughout the EU. The Single Rulebook aims to provide a single set of harmonised prudential rules which banks throughout the EU must comply with. These uniform and harmonised rules are mainly provided for by CRD IV, CRR, BRRD and DGS Directive.

Supervisory Authorities

DNB

NIBC Bank is required to hold a licence for its operations and is subject to regulation and supervision by authorities in the Netherlands, such as DNB. DNB is, among other things, responsible for: (i) the supervision of NIBC Bank's compliance with the prudential requirements, including the requirements relating to: (a) own funds, securitisation, large exposures, liquidity and net stable funding, leverage, supervisory reporting and public disclosure of information on those matters, and (b) governance arrangements, including the fit and proper requirements for the managing and supervisory directors of NIBC Bank, as well as the managing and supervisory directors of the Company as parent company of NIBC Bank, risk management processes, internal control mechanisms, remuneration policies and practices and effective internal capital adequacy assessment processes, including internal ratings based models; (ii) the supervision of NIBC Bank's compliance with other supervisory laws and regulations relevant for their business, such as anti-money laundering legislation; (iii) the carrying out of supervisory reviews and stress tests to determine whether NIBC Bank's arrangements, strategies, processes and mechanisms and their own funds ensure a sound management and coverage of risks; and (iv) the carrying out of supervisory tasks in relation to recovery plans, early intervention and, where EU law grants the required authority to competent authorities, structural changes to prevent financial stress or failure.

ECB

As at 4 November 2014, NIBC Bank (and NIBC as a whole) is subject to indirect supervision by the ECB under the SSM. In this respect, the ECB may give instructions to DNB or even assume direct supervision of the prudential aspects of their business. The ECB is furthermore the competent authority to assess applications for authorisation and notifications of the acquisition and disposal of qualifying holdings in banks and to grant a declaration of no objection for such holdings.

AFM

The AFM is the competent authority for the supervision of NIBC's compliance with a wide range of conduct of business laws and regulations that are applicable to NIBC's activities, and laws and regulations regulating the securities markets, such as those with respect to securities offerings to the public and admission of securities to trading on a regulated market, transparency obligations for issuers of securities, and market abuse.

Other Relevant Authorities

European Supervisory Authorities

As part of the European System of Financial Supervision, three European Supervisory Authorities ("**ESAs**") were instituted through Regulations 2010/1093, 2010/1095 and 2010/1094 of the European Parliament and of the Council of 24 November 2010: the EBA for the banking sector, the European Securities and Markets Authority ("**ESMA**") for the financial markets sector, and the European Insurance and Occupational Pensions Authority for the insurance and occupational pensions sector.

The ESAs' main tasks are to contribute to the establishment of high-quality common regulatory and supervisory standards and practices, in particular by: providing opinions to EU institutions, developing guidelines, recommendations, and draft regulatory and implementing technical standards, and contributing to the consistent application of legally binding EU acts. The ESAs take a leading role in promoting transparency, simplicity and fairness in the market for consumer financial products or services across the internal market. In addition, the ESAs contribute to and participate actively in the development and coordination of effective and consistent recovery and resolution plans, procedures in emergency situations and preventive measures to minimise the systemic impact of any failure.

The ESAs' recommendations and guidelines are primarily directed to the national supervisory authorities, which are required to provide reasons for any deviations from the ESAs' supervisory practices under the 'comply or explain' principle. However, under specific circumstances, for example if a national supervisory authority fails to ensure that a financial firm complies with requirements directly applicable to it, the relevant ESA may adopt an individual decision addressed to the national supervisory authority, or even to such financial firm, requiring the necessary action to comply with its obligations under EU law.

By identifying and addressing what detriment clients may experience in their dealings with financial firms, the ESAs seek to foster client protection in financial services across the EU. The role and tasks of the ESAs related to consumer protection and financial activities include, among others: developing training standards for the industry, contributing to the development of common disclosure rules, monitoring existing and new financial activities, issuing warnings if a financial activity poses a serious threat and temporarily prohibiting or restraining certain financial activities, provided certain conditions are met.

ESMA has an important role in the area of collective investment management by issuing technical advice to the European Commission, developing guidelines to market participants, preparing regulatory and implementing technical standards, and issuing opinions and Q&As.

ACM

The ACM enforces both competition law and certain consumer protection laws in the Netherlands. Its activities include general competition oversight, regulation of the energy, telecommunications, postal services and transport markets, and consumer protection. See "*Risk Factors—NIBC operates in an industry that is highly regulated and subject to significant regulatory change, which could result in NIBC's failure to comply with certain requirements or with significantly increased legal and compliance costs, and non-compliance could result in monetary and reputational damages, all of which could have a material adverse effect on NIBC's* *business, results of operations, financial condition and prospects.* for an example of the ACM's scrutiny of the SME loan market.

DPA

The DPA is responsible for supervising compliance with data protection laws in the Netherlands.

Sound and Controlled Business Operations

Governance and Risk Management

Robust Governance Arrangements

Banks must have robust governance arrangements, which include (i) a clear organisational structure with well-defined, transparent and consistent lines of responsibility; (ii) effective processes to identify, manage, monitor and report the risks they are or might be exposed to; (iii) adequate internal control mechanisms, including sound administration and accounting procedures; and (iv) remuneration policies and practices that are consistent with and promote sound and effective risk management. The robust governance arrangements shall be comprehensive and proportionate to the nature, scale and complexity of the risks inherent in the business models and business activities of banks.

The governance arrangements for banks are further detailed in the EBA Guidelines on Internal Governance of 27 September 2011, which contain requirements on the corporate structure and organisation, the management body, the risk management framework and the internal control framework (which form the second and third line of a bank's three lines of defence model), and requirements relating to information systems and communication and business continuity management. Further guidance on governance principles was published by the Basel Committee in July 2015 in revised principles on corporate governance for banks. The Basel Committee's guidance on governance principles includes principles on governance of group structures, risk management including risk identification, monitoring and controlling, and risk communication, compliance and internal audit. On 26 September 2017 the EBA published Guidelines on Internal Governance, in line with the new requirements in this area introduced in CRD IV and also taking into account the proportionality principle and the aforementioned Basel guidance. The guidelines will replace the EBA Guidelines on Internal Governance of 27 September 2011 on 30 June 2018.

Requirements and Responsibilities of the Managing Board and Supervisory Board

Members of a bank's managing board and supervisory board must at all times be of good repute and possess sufficient knowledge, skills and experience to perform their respective duties and act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management, and oversee and monitor their decision-making. The managing board and the supervisory board must possess adequate collective knowledge, skills and experience to be able to understand the bank's activities, including the main risks. All members of the managing board and the supervisory board must commit sufficient time to perform their functions and must in particular devote sufficient time to consideration of risk issues. The managing board and supervisory board must be actively involved and must ensure that adequate resources are allocated to the assessment of risks and shall establish reporting lines for all material risks and risk policies and changes thereof. The EBA has set out the process, criteria and minimum requirements for suitability assessments in its Guidelines on the assessment of the suitability of members of the management body and key function holders of 22 November 2012. On 26 September 2017 EBA and ESMA published Joint Guidelines on the Assessment of the Suitability of the Members of Management Body and Key Function Holders. These new joint ESMA and EBA guidelines aim at further improving and harmonising suitability assessments within the EU financial sectors and so ensure sound governance arrangements in financial institutions. The EBA guidelines of 22 November 2012 will be repealed after the entry into force of the new joint ESMA and EBA guidelines on 30 June 2018.

In light hereof, the members of both the management and supervisory boards of NIBC Bank as well as the members of the Managing Board and Supervisory Board must have been tested and newly proposed members of these boards must be tested by DNB on integrity (*betrouwbaarheid*) and suitability (*geschiktheid*). This requirement for integrity and suitability screening also applies to persons that will be acting under the responsibility of the bank, who will fulfil a management position directly below the managing board and who will be responsible for natural persons whose activities can have a significant impact on the risk profile of the bank (the so-called second echelon).

Pursuant to the Dutch Financial Supervision Act and the regulations promulgated thereunder, the managing board of a bank (such as NIBC Bank) shall retain overall responsibility for such bank's risks and is primarily responsible for defining and overseeing the implementation of the governance arrangements that ensure effective and prudent management, including the segregation of duties in the bank and the prevention of conflicts of interest. The managing board must in particular (i) have the overall responsibility of the bank and approve and oversee the implementation of the bank's strategic objectives, governance framework and corporate culture; (ii) approve and periodically review the strategies and policies for taking up, managing, monitoring and mitigating the risks the bank is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle; (iii) ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards; (iv) oversee the process of disclosure and communications; (v) be responsible for effective oversight of senior management; and (vi) monitor and periodically assess the effectiveness of the bank's governance arrangements and take appropriate steps to remedy deficiencies.

A bank (such as NIBC Bank) must have a supervisory board, which oversees the managing board and provides advice to it. Pursuant to the Dutch Financial Supervision Act and policy from DNB, the supervisory board must have at least three members, acting independently. Together with the nature, size, complexity and inherent risks of the bank, DNB will assess the independent functioning of the supervisory board, taking into account the following elements:

- the members of the supervisory board should be able to act independently and to form balanced judgements (*independence in mind*);
- the members of the supervisory board avoid or control any semblance of conflicting interests (*independence in appearance*); and
- the supervisory board as a whole enjoys a sufficient degree of formal independence (*independence in state*), meaning that at least 50 per cent of the members of the supervisory board should be formally independent.

See "*Management, Employees and Corporate Governance—Managing Board*" and "*Management, Employees and Corporate Governance—Supervisory Board*" for a summary of certain information concerning the Managing Board and the Supervisory Board.

Banker's Oath & Disciplinary Law (tuchtrecht)

All employees of a bank, having an employment agreement with the bank or performing activities that influence the risk profile of the bank or are directly involved in the provision of financial services to clients are required to take the banker's oath (the "**Banker's Oath**") and are as such subject to disciplinary law.

Integrity Risks

Banks must have an adequate policy to ensure a sound pursuit of their business operations and must set up their business operations in such a way that sound business operations are ensured. To this end, they must, among other things, have an integrity policy, manage conflicts of interest, set up procedures to report breaches of applicable regulations and to report incidents to the supervisory authority, perform customer due diligence, and perform systematic analyses of their integrity risks. The integrity policy must at least cover the following topics: (i) conflicts of interest; (ii) avoiding that the bank and or staff violate the law, or act in a way that could impair the public's trust in the bank or in the financial markets; (iii) preventing that public's trust in the bank or in the financial markets may be affected on account of the bank's customers; and (iv) preventing other acts performed by the bank or its employees that are so contrary to generally accepted standards that they seriously damage confidence in the bank or in the financial markets. The integrity policy must be set out in procedures and measures. Furthermore, banks must comply with the Act for the Prevention of Money Laundering and Financing of Terrorism (*Wet ter voorkoming van witwassen en financieren van terrorisme*). This act implements the Third EU Anti-Money Laundering Directive (Directive 2005/60/EC) and imposes requirements regarding, inter alia, customer due diligence and reporting of unusual transactions. This directive provides more clarity on the interpretation of anti-money laundering ("**AML**") and countering financing of terrorism ("**CFT**") requirements and is prescriptive in some of the customer due diligence measures to be taken. Member States should have implemented the Fourth EU Anti-Money Laundering Directive (Directive 2015/849/EU) by 26 June 2017. The Dutch Ministry of Finance confirmed that the entry into force of the implementation of the Fourth EU Anti-Money Laundering Directive has been delayed. A legislative proposal has been sent to the Dutch Parliament on 16 October 2017. Meanwhile the Fifth Anti-Money Laundering Directive is being prepared. It contains a set of proposed amendments to the Fourth EU Anti-Money Laundering Directive, looking to strengthen its core provisions in light of intervening terrorist events in Europe.

Financial Risks

Banks must set up their business operations in such a way as to ensure prudent business operations. To this end, banks must have governance arrangements, processes and mechanisms taking into account the following financial risks: (i) credit and counterparty risk, (ii) residual risk, (iii) concentration risk, (iv) securitisation risk, (v) market risk, (vi) interest risk arising from non-trading book securities, (vii) operational risk and outsourcing risks, (viii) liquidity risk, (ix) the risk of excessive leverage, and (x) the risk related to large exposures.

Banks must have in place sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed. This is referred to as the Internal Capital Adequacy Assessment Process ("**ICAAP**"). The ICAAP is subject to regular internal review to ensure that it remains comprehensive and proportionate to the nature, scale and complexity of the activities of the bank.

Banks must have in place robust strategies, policies and systems for the identification, measurement management and monitoring of funding positions, so as to ensure that institutions maintain adequate levels of liquidity buffers and adequate funding. This is referred to as the internal liquidity adequacy assessment process ("**ILAAP**").

Remuneration

Banks are required to have a remuneration policy that is consistent with and promotes sound and effective risk management, does not encourage risk-taking that exceeds the level of tolerated risk and is in line with the business strategy, objectives, values and long-term interests of the bank.

On 7 February 2015, the Act on Remuneration Policies in Financial Enterprises (*Wet beloningsbeleid financiële ondernemingen*) ("**ARPFE**") entered into force which is also applicable to Dutch-based banks. The ARPFE introduces a cap for variable remuneration of 20 per cent of the fixed remuneration for all staff working under the responsibility of a financial undertaking with its seat in the Netherlands. In the ARPFE, the following exceptions to the 20 per cent cap are included: (i) for staff who predominantly work in the Netherlands for which their remuneration does not exclusively follow from a collective labour agreement, the 20 per cent cap does not apply on an individual basis, but it applies to the average variable remuneration of such staff whereby the maximum variable remuneration is capped at 100 per cent of the fixed remuneration of each individual, (ii) for staff that work predominantly outside of the Netherlands, there is an individual variable remuneration cap of 100 per cent of fixed remuneration, (iii) for staff that work predominantly outside the EU, an individual variable remuneration cap of 200 per cent of fixed remuneration applies, subject to shareholder approval and notification to the regulator, (iv) for staff of an international holding company in case in a period of five years at least 75 per cent of all persons working within the group worked predominantly outside the Netherlands for three years, (v) for branches in the Netherlands of CRD-IV governed financial institutions and (vi) the 20 per cent cap does not apply to managers of AIF's and UCITS and certain investment firms without external clients that trade on their own account and are a local undertaking. In addition, the ARPFE also covers a number of other topics, such as strict conditions on severance pay, prohibition on guaranteed bonuses and claw-back and malus of variable remuneration and severance pay. See also "*Management, Employees and Corporate Governance—Remuneration—Restrictions on Remuneration*".

SREP and Pillar II Measures

DNB is responsible for carrying out supervisory reviews and stress tests in order to determine whether the arrangements, strategies, processes and mechanisms put in place by a bank and the own funds and liquid assets held by it ensure the sound management and coverage of its risks. The supervisory review of, among other things, a bank's ICAAP and ILAAP is referred to as the SREP. While undertaking the reviews and stress tests, DNB seeks to apply the European supervisory methodology to the extent possible.

As part of the annual SREP, DNB assesses the Company's capital adequacy. This assessment covers both the Pillar I risks mentioned in CRR, as well as Pillar II risks not included in the total risk exposure amount, including for interest rate risk in the banking book. The total capital requirement for Pillar I and Pillar II, including supervisory add-ons, is expressed as a percentage of a bank's total risk weighted assets (and is referred to as its minimum CET1 ratio). Fluctuations in total risk weighted assets therefore influence a bank's minimum CET1 ratio.

Excluding the applicable combined buffer requirement (of 1.25 per cent for 2017) and the Pillar II guidance (which is not disclosed and not relevant for the maximum distributable amount), the required SREP-level for NIBC's minimum own funds as at 31 December 2017 amounted to 12.0 per cent. This requirement consists of an 8 per cent Pillar I requirement and a 4 per cent Pillar II requirement. The minimum CET1 ratio was 8.5 per cent as at 31 December 2017, consisting of the minimum Pillar I requirement (4.5 per cent) and the Pillar II requirement (4.0 per cent). In addition, NIBC was required to comply with phasing in the combined buffer requirements, consisting of a capital conservation buffer (1.25 per cent) and a countercyclical buffer (0.0 per cent.) in 2017. This translates into an aggregate minimum CET1 ratio of 9.75 per cent for 2017. Taking into account the removal of an add-on in SREP capital the moment that we no longer have owner-occupied mortgage loans at fair value through profit or loss, which due to the implementation of IFRS 9 is the case at 1 January 2018, the aggregate minimum CET1 ratio decreases from 9.75 per cent to 9 per cent. In the years 2018 and 2019 the CET1 requirement will increase, as the capital conservation buffer will be further phased-in (by 0.625 per cent point per annum to a maximum of 2.5 per cent point). This will result in an expected aggregate minimum CET1 ratio of 9.63 per cent for 2018 and 10.25 per cent for 2019 based on current SREP and RWAs at 1 January 2018. NIBC's medium-term objective for its CET1 ratio is above 14 per cent, based on current regulation.

The DNB annually reassess the outcome of the ICAAP and ILAAP as part of the SREP. The assessment by the DNB may trigger an adjustment of the minimum SREP capital requirements and of capital management in general.

Capital and Liquidity Requirements

Basel I, II and III

The Basel Committee sets international minimum supervisory standards in relation to capital adequacy and liquidity. In July 1988, the Basel Committee adopted risk-based capital guidelines referred to as the Basel Capital Accord ("**Basel I**"). Basel I called for a minimum capital ratio of capital to risk-weighted assets of 8 per cent. In November 1991, April 1995 and January 1996 Basel I was amended to, among other things, recognise the effects of the bilateral netting of banks' credit exposures in derivative products and to incorporate capital requirements for market risks arising from exposures to foreign exchange, traded debt securities, equities, commodities and options.

In June 1999, the Basel Committee issued a proposal for a new capital adequacy framework to replace Basel I. This led to the release of the Revised Capital Framework in June 2004 ("**Basel II**"). Basel II comprised three pillars: (i) minimum risk-based capital requirements (Pillar I), which expanded the principles set out in Basel I, (ii) requirements for banks to assess the adequacy of their capital and a supervisory review of the bank's internal assessment process (Pillar II), and (iii) disclosure requirements to strengthen market discipline and encourage sound banking practices (pillar 3). On 13 July 2009, the Basel Committee issued proposals to enhance Basel II ("**Basel II Enhancements**"). The Basel II Enhancements introduced, among other things: (i) a strengthened definition of hybrid capital, (ii) higher risk weights for re-securitisation exposures (among other collateralised debt obligations) to better reflect their inherent risks, (iii) supplementary guidance to Pillar II by addressing the flaws in risk management practices, by raising standards for firm-wide governance and risk management, capturing the risk of off-balance sheet exposure and securitisation activities, managing risk concentrations, and providing incentives for banks to better manage risk and returns over the long term, and (iv) enhancements to pillar 3 (market discipline) by strengthening disclosure requirements for, among other things, securitisations, off-balance sheet exposures and trading activities.

In December 2009, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework in its documents entitled "Strengthening the resilience of the banking sector" and "International framework for liquidity risk measurement, standards and monitoring". On 16 December 2010 (with various revisions taken place since the first publication) the Basel Committee published a framework referred to as Basel III: A global regulatory framework for more resilient banks and banking systems (the "**Basel III Framework**"). The Basel III Framework sets out requirements for higher and better quality capital, better risk coverage, the introduction of a non-risk-based leverage ratio requirement, and the introduction of a liquidity standard and a stable funding requirement. The Basel Committee's package of reforms included increasing the minimum CET1 (or equivalent) requirement to 4.5 per cent (after the application of stricter regulatory adjustments). The Tier 1 capital requirement was also increased to 6 per cent. In addition, banks were required to maintain, in the form of CET1 (or equivalent), a capital conservation buffer of 2.5 per cent to withstand future periods of stress, bringing the total minimum CET1 (or equivalent) requirements to 7 per cent. In the event of excess credit growth in any given country resulting in a system-wide build-up of risk, a countercyclical buffer of up to 2.5 per cent of CET1 (or other fully loss absorbing capital) may be applied as an extension of the conservation buffer. Furthermore, banks considered to have systemic importance are required to have loss absorbing capacity beyond these standards.

The Basel Committee's reforms also introduced a leverage ratio of 3 per cent in order to limit an excessive build-up of leverage on a bank's balance sheet. During the period of 1 January 2013 to 1 January 2017 the Basel Committee monitored banks' leverage data on a semi-annual basis in order to assess whether the proposed design and calibration of a minimum leverage ratio of 3 per cent is appropriate over a full credit cycle and for different types of business models. This assessment included consideration of whether a wider definition of exposures and an offsetting adjustment in the calibration would better achieve the objectives of the leverage ratio. The Basel Committee also closely monitored accounting standards and practices to address any differences in national accounting frameworks that are material to the definition and calculation of the leverage ratio. The Basel Committee's reforms have also introduced two international minimum liquidity requirements (i) a liquidity coverage ratio ("**LCR**") and (ii) a net stable funding ratio ("**NSFR**"). The objective of the LCR is to strengthen the short-term resilience of the liquidity risk profile of banks. Banks are required to maintain an adequate buffer of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet banks' liquidity needs for a 30 day liquidity stress scenario. The NSFR is a 'test' to promote resilience over a longer period by requiring banks to hold a minimum amount of stable sources of funding relative to the liquidity profiles of the assets and the potential contingent liquidity needs arising from off-balance sheet commitments.

On 22 December 2014, the Basel Committee published consultations for revised standardised RWA calculations and on the application of capital floors. As a result, it may be required that banks which apply advanced approaches to risk categories, apply the higher of (i) the RWA floor based on (new) standardised approaches and (ii) the RWA based on advanced approaches in the denominator of their ratios. Since then, the Basel Committee consulted additional changes to the standardised approach for credit risk in December 2015 ("Revisions to the Standardised Approach for credit risk—second consultative document") and invited interested parties to provide written comments by 11 March 2016. The Basel Committee also published proposals to reduce the variation in credit risk weighted assets that are calculated using internal models (FIRB and AIRB) and to impose floors on input parameters ("Reducing variation in credit risk-weighted assets—constraints on the use of internal model approaches", issued for comments in March 2016), for which the consultation closed on 24 June 2016. On 7 December 2017, the Basel Committee published the finalised Basel III reforms as improvements to the global regulatory framework ("**Basel III Reforms**") (informally referred to as Basel IV). Basel III Reforms seeks to restore credibility in the calculation of RWA and improve the comparability of banks' capital ratio. The most important changes involve stricter rules for internal models. Internal models for operational risk will no longer be permitted; a standardised approach must be applied instead. The rules for calculating RWAs for credit risk will be tightened, under the standardised approach as well as under the internal ratings-based (IRB) approach. This includes changes to the requirements for the risk-weighting of mortgages. In the revised standardised approach mortgage risk weights depend on the loan-to-value (LtV) ratio of the mortgage (instead of the existing single risk weight to residential mortgages). In accordance with Basel III Reforms, banks 'calculations of RWAs generated by internal models cannot, in aggregate, fall below 72.5 per cent of the RWA computed by the standardised approaches. This limits the benefit the Company can gain from using internal models to 27.5 per cent. The implementation will be gradual, with the new regulation being implemented in 2022 followed by a 5 year phase-in period. A 50 per cent floor comes into effect at the start of 2022, followed by 5 per cent increases every year until 2026, when 70 per cent will be the floor. The final 72.5 per cent floor will be in effect in 2027. Although the impact of Basel III Reforms remains subject to considerable uncertainty and transposition by the EU legislature, the implementation of the standardised RWA floors could have a significant impact on the calculation of NIBC's risk weighted assets if differences occur in risk weighted assets calculated on the basis of advanced approaches and such calculation on the basis of new standardised rules. Although the exact translation of the new Basel III Reforms into local legislation is uncertain, NIBC expects it can manage the effects and will remain solidly capitalised above its required levels based on its current understanding of the Basel III Reforms. See "*Risk Factors—NIBC is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and NIBC may have insufficient capital resources or liquidity to meet these requirements, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.*" for more information on the impact that the proposals could have on NIBC's capital requirements.

CRD, CRD II, III and IV and CRR

In 1989, the capital requirements set forth in Basel I were implemented in the European Economic Community mainly by Council Directive 89/299/EEC of 17 April 1989 on the own funds of credit institutions, defining own funds, and by Council Directive 89/647/EEC of 18 December 1989 on a solvency ratio for banks setting forth the required ratio of own funds to risk-adjusted assets and off-balance sheet items ("**Capital Directives**"). In 1993, Council Directive 1993/6/EEC of 15 March 1993 on the capital adequacy of investment firms and credit institutions was adopted ("**Directive 1993/6/EEC**"). In 2000, Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions ("**Directive 2000/12/EC**") was adopted. Directive 2000/12/EC repealed various previous directives, including the Capital Directives.

In 2006, the capital requirements set forth in Basel II were implemented in the EEA by Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (together "**CRD**"). CRD repealed Directive 1993/6/EEC and Directive 2000/12/EC. The rules on capital requirements reflect the flexible and risk-based approach of Basel II. CRD was amended by, among others, Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management ("**CRD II**") and Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies ("**CRD III**") which implemented the Basel II Enhancements in the EEA and in addition introduced remuneration requirements.

In 2014, the strengthened capital, liquidity and leverage ratio requirements for banks and investment firms set forth in the Basel III Framework were implemented in the EEA by CRD IV. In addition to CRD IV, the CRR was adopted. CRD IV replaced the preceding capital requirements directives and was transposed into Dutch law mainly by the Implementing law CRD IV and CRR (*Implementatiewet richtlijn en verordening kapitaalvereisten*) that came into force on 1 August 2014. The application in full of all measures under CRD IV (including any national implementation thereof in the Netherlands) will have to be completed before 1 January 2019. CRR has been applicable to banks since 1 January 2014. CRR, as EU Regulation, is directly applicable in the EEA and does not require transposition into national law. Differences between the Basel III Framework on the one hand and CRD IV and CRR on the other do exist. Only CRD IV as transposed into Dutch law and CRR, as well as the regulations pursuant to that legislation, are binding on NIBC. CRR has been amended by Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council ("**CDR**") with regard to the leverage ratio, and a proposal for the Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements and amending Regulation (EU) No 648/2012 (COM(2016) 850 final) has been published on 23 November 2016.

The DNB has issued the Regulation on specific provisions CRD IV and CRR (*Regeling specifieke bepalingen CRD IV en CRR*), a regulation in which the DNB has set out how it uses certain options and discretions which CRR grants to NCAs and implements a number of (transitional) provisions set out in CRR including regarding the required CET1 capital ratio of 4.5 per cent and Tier 1 capital ratio of 6 per cent, confirming that these ratios apply as at 1 January 2014, and the method for calculating the maximum distributable amount.

CRR establishes a single set of harmonised prudential rules which applies directly to all banks in the EEA as at 1 January 2014 with particular requirements being phased-in over a period of time, to be fully applicable by 2023. The harmonised prudential rules include minimum own funds requirements (4.5 per cent CET1 capital ratio, 6 per cent Tier 1 capital ratio and 8 per cent total capital ratio, obtained by dividing the relevant capital measure by a risk exposure amount calculated on the basis of a standardised method or a more tailor-made method using internal models and calculations in order to quantify the risks run by the bank which include credit risks, market risks and operational risks), an obligation to maintain a liquidity buffer (in such an amount to adhere to an LCR of 60 per cent for 1 October 2015, 70 per cent for 1 January 2016, 80 per cent for 1 January 2017 and 100 per cent for 1 January 2018) and reporting requirements relating to the liquidity buffer, and a requirement to report on the bank's NSFR, allowing the competent supervisory authority to assess the availability of stable funding. CRR also includes the obligation to report on the bank's leverage ratio (this requirement is similar to the leverage ratio requirement set out in the Basel III Framework, however, CRR does not provide for a requirement to meet a minimum ratio but merely for a reporting requirement). The leverage ratio is a non-risk based measure, defined as the Tier 1 capital (numerator) divided by an exposure measure (denominator). The exposure measure is calculated as the sum of the exposure values of all assets and off-balance sheet items in accordance with the principles set out in CRR. On 18 January 2015, the CDR entered into force. CDR amends the calculation of the leverage ratio calculated in accordance with CRR. Among other amendments, CDR specifies that when a clearing member guarantees the exchange traded derivative transactions of clients towards CCPs, it must include the guarantee in the exposure measure. See "*Risk Factors—NIBC is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and NIBC may have insufficient capital resources or liquidity to meet these requirements, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.*".

On 23 November 2016 the European Commission published the Banking Reform Package, a comprehensive package of proposed amendments primarily centred around CRD IV, CRR and the BRRD. The Banking Reform Package is part of the on-going upgrade of CRD IV to amongst others implement international standards adopted in furtherance of Basel III and seeks to bring the EU's existing minimum MREL requirement under the BRRD in line with the FSB's TLAC Standard for G-SIIs.

Capital Buffers

Further to CRD IV, a minimum combined buffer requirement will be imposed on top of the minimum CET1 capital requirement of 4.5 per cent of a bank's total risk exposure amount ("**TREA**"). The Dutch legislator has implemented the combined buffer requirement in the Dutch Financial Supervision Act and the implementing Decree on prudential rules FSA (*Besluit Prudentiële regels Wft*). The implementing rules entered into force on 1 August 2014. The combined buffer requirement consists of the following elements:

(1) capital conservation buffer (*kapitaalconserveringsbuffer*): set at 2.5 per cent of RWA (TREA);

(2) bank-specific countercyclical capital buffer (*contracyclische kapitaalbuffer*): the bank-specific countercyclical capital buffer rate shall consist of the weighted average of the countercyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located; this rate will be between 0 per cent and 2.5 per cent of RWA (TREA) (but may be set higher than 2.5 per cent);

(3) systemic relevance buffer (*systeemrelevantiebuffer*): the systemic relevance buffer shall consist of a buffer for G-SIIs and for O-SIIs to be determined by the DNB. The buffer rate for O-SIIs can be up to 2 per cent of RWA (TREA). The buffer rate for G-SIIs can be between 1 per cent and 3.5 per cent of RWA (TREA); and

(4) systemic risk buffer (*systeemrisicobuffer*): set as an additional loss absorbency buffer to prevent and mitigate long term non-cyclical systemic or macro-prudential risks not covered by CRR, of a percentage between 1 per cent and 3 per cent of RWA (TREA) (but may be set higher than 3 per cent). The buffer rate will be reviewed annually by the DNB.

When a bank is subject to a systemic relevance buffer and a systemic risk buffer, either (i) the higher of these buffers applies or (ii) these buffers are cumulative, depending on the location of the exposures which the systemic risk buffer addresses.

The combined buffer requirement must be met with CET1 capital and will be gradually phased-in in quartiles from 1 January 2016 to fully apply by 1 January 2019.

If a bank fails, or as a result of a distribution of dividend, payment of variable remuneration or payment under the terms of the AT1 issuance would fail, to meet the combined capital buffer requirement, it is prohibited from making distributions in connection with its CET1 capital. In addition, banks may be prohibited from distributing more than the maximum distributable amount calculated in accordance with the Dutch CRD IV and CRR. See "*Risk Factors—NIBC is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and NIBC may have insufficient capital resources or liquidity to meet these requirements, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects.*".

Structural Supervision

Declaration of No-Objection for Transactions performed by a Bank

The Dutch Financial Supervision Act provides that banks with a seat in the Netherlands must obtain a declaration of no-objection from the DNB before, among other things: (i) acquiring or increasing a qualifying holding (a 'qualifying holding' is a direct or indirect holding of 10 per cent or more of the issued share capital of an enterprise, or the ability to exercise directly or indirectly 10 per cent or more of the voting rights in an enterprise, or the ability to exercise directly or indirectly a comparable degree of control in an enterprise) in a bank, investment firm or insurer with its corporate seat in a state which is not part of the EEA, or in a financial institution that has not obtained a supervisory status certificate, if the balance sheet total of that bank, investment firm, insurer, or financial institution at the time of the acquisition or increase amounts to more than 1 per cent of the bank's consolidated balance sheet total, (ii) acquiring or increasing a qualifying holding in an enterprise, that is not a bank, investment firm, financial institution or insurer with its corporate seat in or outside the Netherlands, if the amount paid for the acquisition or increase, together with the amounts paid for a previous acquisition or increase of a holding in such enterprise, amounts to more than 1 per cent of the consolidated available equity capital of the bank, (iii) taking over, directly or indirectly, all or a substantial part of the assets and liabilities of another enterprise or institution, if the total amount of the assets or the liabilities to be taken over amounts to more than 1 per cent of the bank's consolidated balance sheet total, (iv) merging with another enterprise or institution, if the balance sheet total of the enterprise or institution involved in the merger exceeds 1 per cent of the consolidated balance sheet total of the bank or (v) proceeding with a financial or corporate reorganisation.

Declaration of No-Objection for a Qualifying Holding in a Bank

In addition, each person is required to obtain a declaration of no-objection from the ECB (if it concerns a bank) or the DNB (in other cases) before it can hold, acquire or increase a qualifying holding in, among others, a bank or investment firm with its corporate seat in the Netherlands, or exercise any voting power in connection with such holding. The Dutch Financial Supervision Act further provides that the DNB must be notified in advance of any change in a qualifying holding in, among others, a bank or investment firm (i) as a result of which the size of this holding increases beyond the following thresholds: 20 per cent, 33 per cent or 50 per cent, or as a result of which the bank or investment firm concerned becomes a subsidiary or (ii) as a result of which the size of this holding falls below 10 per cent, 20 per cent, 33 per cent or 50 per cent or as a result of which the bank or investment firm ceases to be a subsidiary. The above requirement to obtain a declaration of no objection for a qualifying holding in a bank implements the requirements relating to qualifying holdings in banks as set out in CRD IV.

Supervision of Banking Services and Activities

General

The Dutch Financial Supervision Act provides for a comprehensive framework for the conduct of business requirements that must be met by banks providing financial products and services, including investment services, in or from the Netherlands. The competent authority responsible for carrying out conduct of business supervision in the Netherlands is the AFM.

Also in the interest of the stability of the financial system, conduct of business supervision focuses on ensuring orderly and transparent financial market processes, proper relationships between market participants and the exercise of due care by financial firms in dealing with clients.

Information Obligations

The Dutch Financial Supervision Act, the Decree on Conduct of Business Supervision of Financial Firms FMA (*Besluit Gedragstoezicht financiële ondernemingen Wft*) and other regulations, including rules issued by the AFM, provide for detailed requirements in respect of the information that must be made available to clients, such as in relation to the contents and presentation thereof. A substantial part of the regulations implements European legislation, such as MiFID, PSD and the directives on consumer credit and mortgage lending. Banks are required to comply with these information obligations when providing financial services including investment services.

Duty of Care

Due to their position in Dutch society (*maatschappelijke functie*) and their specific expertise, under Dutch law, financial institutions in the Netherlands owe a duty of care (*zorgplicht*) to society. A financial institution, such as a bank, in dealing with its clients, must therefore comply with specific rules relating to duty of care provided by the Dutch Financial Supervision Act and the Decree on Conduct of Business Supervision of Financial Firms FMA, which include provisions on client classification, disclosure requirements and know your-customer obligations. Pursuant to the General Banking Conditions (*Algemene Bankvoorwaarden*) used by Dutch financial institutions, a financial institution must always act in accordance with its duty of care, irrespective of whether the service or product is sold to a professional client or a non-professional client. Moreover, the duty of care does not end when the client has purchased a given product or service, but the financial institution may have to take action upon (known) changes in circumstances affecting the client, in particular if the product or service has a long lifecycle. The duty of care applies to the entire relationship between client and financial institution, including to the steps taken by the latter when the client does not meet its obligations such as foreclosing on collateral or demanding additional security. In addition, financial institutions must, among other things, inform clients about costs that will be charged upon termination of agreements. Financial institutions are subject to a certain level of duty of care which applies to all customer facing activities (for example distribution services) even when the underlying product does not originate (the process of obtaining or granting a loan) from the financial institution. The scope of the duty of care standards referred to above differs depending on the type of service rendered or product sold, and the nature of (the activities of) the clients and third parties affected. If a duty of care is violated, claims may be based on general principles of contract, tort, securities or other law, including for violation of standards of reasonableness and fairness, error, wrongful treatment or faulty due diligence. Actions may be brought individually by persons that suffered losses or damages, or on behalf of a large number of—sometimes initially unnamed persons—in class-action style proceedings. Proceedings may be brought in court or before the Dutch financial institute for out of court settlements of financial disputes, Kifid (*Klachteninstituut Financiële Dienstverlening*).

See also "*Risk Factors—NIBC is exposed to regulatory scrutiny and potential significant claims for violation of the duty of care owed by it to clients and third parties. A negative outcome of proceedings, settlements, action taken by supervisory and other authorities, legislation, sector-wide measures, and other arrangements for the benefit of clients and third parties could materially adversely affect NIBC's reputation as well as its business, results of operations, financial condition and prospects*".

In addition, European and national regulations increasingly require financial institutions to provide elaborate disclosure to clients on services and products, such as through key investor information documents, to permit clients to more reliably assess the service or product and to enable them to compare it with similar services or products offered by other providers. Increased price transparency rules have entered into force or are envisaged by proposed European regulations for various services and products, such as those based on MiFID II and the PRIIPS Regulation.

On 1 January 2014, a general obligation to take into account clients' and other beneficiaries' interests came into force. Under this new obligation provided for in the Dutch Financial Supervision Act, banks advising on certain financial products such as consumer credit must act in the interest of the client. The AFM has the possibility to enforce this obligation only in case of evident abuse (*evidente misstanden*) that may harm clients' confidence in the bank or in the financial markets generally. See also "*Risk Factors—NIBC is exposed to regulatory scrutiny and potential significant claims for violation of the duty of care owed by it to clients and third parties. A negative outcome of proceedings, settlements, action taken by supervisory and other authorities, legislation, sector-wide measures, and other arrangements for the benefit of clients and third parties could materially adversely affect NIBC's reputation as well as its business, results of operations, financial condition and prospects*".

Knowledge and Competence Requirements for Staff

Banks must ensure that their staff possess and keep up-to-date an appropriate level of knowledge and competence required for the provision of financial services and investment services.

Ban and restrictions on Inducements

In the Netherlands an inducement ban applies, to the extent inducement fees are not paid directly by a client, to advising and providing intermediary services relating to specific complex financial products or other products such as mortgage loans.

In addition, as at 3 January 2018, the restrictions on inducements in respect of investment services have been extended. The restrictions now include:

1) Investment firms providing investment services to non-professional investors shall not pay or receive any commission or benefit in connection with the provision of such services, unless (amongst others) (a) such commission or benefit, paid or received in connection with underwriting or placement services, (i) is clearly disclosed to the non-professional clients; (ii) is capable of enhancing the quality of the service provided; and (iii) does not impair compliance with the investment firm's duty to act in the best interests of the client; or (b) such benefit qualifies as an "acceptable minor non-monetary benefit" and such benefit has been clearly disclosed to the non-professional client;

2) Investment firms providing investment services (other than the provision of independent investment advice or portfolio management) to professional clients shall not receive any commission or benefit in connection with the provision of such services, unless (amongst others) (a) such commission or benefit (i) is clearly

disclosed to the professional clients; (ii) is capable of enhancing the quality of the service provided; and (iii) does not impair compliance with the firm's duty to act in the best interests of the client; or (b) the benefit qualifies as an "acceptable minor non-monetary benefit" and such benefit has been clearly disclosed to the professional client. This also applies in respect of the payment of commissions or benefits;

3) Investment firms providing independent investment advice or portfolio management to professional clients are not allowed to accept or retain, and should on-pay to the professional client, any commission or benefit received in connection with the provision of such services, unless (amongst others) the benefit qualifies as an "acceptable minor non-monetary benefit" and such benefit has been clearly disclosed to the professional client.

Furthermore, under MiFID II research provided to an investment firm may qualify as an inducement and be subject to the aforementioned ban or restrictions. Research shall not qualify as an inducement if: (a) it is either directly paid for by the investment firm out of its own resources or (b) it is received in return for payments from a special "research payment account" which is funded by charges to clients, not by third parties.

Retail Client Offering

Savings and Deposit Taking

Dutch law does not provide for specific regulation relating to savings or deposit taking by banks. However, banks are subject to the general information and duty of care obligations when advising or offering savings or deposit taking products.

Consumer Lending

Banks offering consumer credit are subject to specific regulations applicable to the offering of consumer credit in addition to the general obligations relating to duty of care and, among others, the provision of information.

Prior to the conclusion of an agreement that entails consumer credit, banks offering such credit must provide the client with information which the client needs for an adequate assessment of the offer.

Prior to the conclusion of a credit agreement, a bank offering consumer credit must obtain information on the client's financial situation and assess, in order to prevent over-indebtedness, whether concluding the credit agreement is sensible from the client's point of view. If a client is provided with credit advice, the bank providing such advice must collect information about the client's financial position, knowledge, experience, objectives and risk tolerance, insofar as this is reasonably relevant for the advice. The provided advice, insofar as reasonably possible, must be based on the collected information and it must explain the considerations underlying the advice insofar as this is necessary for a proper understanding of the advice.

During the term of the credit agreement, the bank offering consumer credit must in a timely fashion supply to the client information on, among other things, essential changes in the information initially supplied, insofar as those changes are reasonably relevant to the client.

The compensation banks may receive for offering consumer credit (costs of credit) is restricted by law.

If the consumer credit is less than €40,000 additional rules apply to the offering of such credit. These rules are set out in Book 7 of the Dutch Civil Code and include requirements applicable to the credit agreement.

Mortgage Lending

In the Netherlands, increasing restrictions apply to the principal residential mortgage loan market for consumers. These restrictions have been introduced to improve customer protection against the risks of over indebtedness and to mitigate the macroeconomic risks of mortgage lending. Banks offering mortgage loans to consumers are therefore subject to specific regulations applicable to the offering of mortgage loans to consumers, in addition to the general obligations relating to the provision of information and duty of care applicable to consumer credit.

Banks offering mortgage loans to consumers must among other things (i) offer mortgage loans that are based on actual fixed and long-term income information from the client (ii) take into account loan-to-income requirements set by the Temporary Regulation on Mortgage Loans (*Tijdelijke regeling hypothecair krediet*) and (iii) take into account LtV requirements. As at 1 January 2018, the maximum LtV is 100 per cent.

As at 1 January 2018, the maximum loan amount granted under the NHG is related to the average purchase price of houses in the Netherlands (€265,000) increased with the maximum loan to value (100 per cent if no energy saving measures have been installed or 106 per cent if energy saving measures have been installed).

Separately, as at 1 July 2012, the transfer tax on house purchases has been lowered from 6 per cent to 2 per cent to stimulate the housing market. To promote competition in the mortgage market, new transparency rules have been introduced. These rules require creditors to publish their interest rates on their websites and to provide specific information on offers and renewal of offers to new and existing clients. The regulation on tax deductibles has been amended.

Traditionally, interest due on principal residence mortgage loans can be set off against the home owner's taxable income from employment (*belastbaar inkomen uit werk en woning*). The taxable income from employment is classified into brackets and is taxed at statutory progressive rates, up to 51.9 per cent (rate for 2018). In addition, since 2013 under Dutch legislation on the tax deductibility of loan repayments, interest payments are fully deductible from the borrower's taxable income only when the mortgage loan is redeemed fully (100 per cent) during the term of the loan based on an annuity or linear scheme. For mortgage loans to be eligible for such tax treatment, the maximum term of the loan should be 360 months. For tax payers with mortgage loans that existed as at 31 December 2012, there is a grandfathering provision, which deemed that the outstanding loan amount as at 31 December 2012 is not affected by the tax deduction rules. However, since 2014, the maximum rate against which interest on housing loans can be deducted for all mortgage loans, new and existing, has been gradually reduced by 0.5 per cent each year. Thus, the current maximum mortgage interest relief rate is 49.5 per cent in 2018 for tax payers in the highest income tax rate bracket. Over the next 23 years, this will be reduced to a maximum mortgage interest relief rate of 38 per cent. Increasing numbers of tax payers will be affected once the maximum deductibility rate reaches the lower income tax brackets.

In addition, with a view to reducing the mortgage debt and LtV rate of home owners, the Dutch government has increased the elevated gift tax exemption for 2018 to €100,000. This fiscal incentive may also impact NIBC Bank' mortgage book as clients could use these amounts for pre-payment on existing house loans or use when buying a new house. Directive 2014/17/EU of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 ("**Mortgage Credit Directive**") aims to afford high level consumer protection throughout the EEA. The directive applies to credit agreements which are secured either by a mortgage or by another comparable security or the purpose of which is to acquire or retain property rights in land or in an existing or projected building. As at implementation of the Mortgage Credit Directive, when granting, intermediating or advising on consumer mortgage credit, banks must (i) act honestly, fairly, transparently and professionally, taking into account the rights and interests of their prospective and existing clients, (ii) in the pre-contractual phase, include certain standardised information in any advertising for credit agreements with consumers detailing information on the interest rate or indicating figures relating to costs (ii) provide their services based on information about the prospective client's or clients' circumstances, any disclosed information and on reasonable assumptions about risks to the client's situation over the term of the mortgage credit agreement, (iii) provide the consumer with the personalised information (presented in the European Standardised Information Sheet) needed to compare the credits available on the market, assess their implications and make an informed decision on whether to conclude a credit agreement, and (iv) ensure that, before concluding a credit agreement, a thorough assessment of the consumer's creditworthiness is made. The directive also imposes requirements on early repayment. Consumers must have the right to discharge fully or partially their obligations under a credit agreement prior to its expiry. In such cases, the consumer shall be entitled to a reduction in the total cost of the credit, such reduction consisting of the interest and the costs for the remaining duration of the contract. The Mortgage Credit Directive requires Member States to implement it into their national laws by latest 21 March 2016. The Netherlands missed this deadline and implemented the directive on 14 July 2016. NIBC has fully implemented the Mortgage Credit Directive. Furthermore, the AFM has published guidelines on how to interpret the rules of the implementation in respect of early mortgage repayment charges on 20 March 2017. These guidelines resulted in NIBC being required to make certain adjustments to its calculation of prepayment penalties which resulted in a loss to NIBC of approximately €500,000. See "*Risk Factors—Recent amendments to legislation applicable to mortgages in the Netherlands may have a significant impact on NIBC's mortgage business. This could materially and adversely affect NIBC's business, results of operations, financial condition and prospects*".

Furthermore, specific requirements apply in respect of remuneration of staff involved in the mortgage lending business. The remuneration policy for (i) staff responsible for the assessment of creditworthiness of prospective clients must include measures to avoid conflicts of interest, in particular by providing that remuneration is not contingent on the number or proportion of mortgage loan applications accepted, and (ii) staff providing advisory services must not prejudice their ability to act in the consumer's best interest and in particular must not be contingent on sales targets.

Payment Services and Payment Accounts

In 2009, European legislation on payment services mainly set out in the PSD was implemented in the Netherlands and aimed at opening up payment services to competition from newly licensed payment institutions and increasing consumer protection by introduction of information requirements and uniform operational rules for payment service providers. The new PSD laid the foundation for the creation of a single market in payments and constitutes the legal framework for a single euro payments area.

A revised European payment services directive was formally adopted on 25 November 2015. PSD2 introduces additional requirements with respect to payment services in the EEA and supports the emergence of new players in the payment services area and the development of innovative mobile and internet payments in Europe. Banks will be obliged to allow access to the accounts of their customers for the so-called third party payment service providers offering payment initiation services or account information services. The regulation on interchange fees, accompanying PSD2, introduces, among other things, maximum levels of interchange fees for transactions based on consumer debit and credit cards. PSD2 should have been implemented in the Netherlands by 13 January 2018. This implementation has been delayed.

MiFID, MiFID II, MiFIR, PRIIPS

On 21 April 2004, MiFID was adopted. MiFID regulates the provision of investment services and investment activities and replaced the Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field, which established the single European passport for investment firms. MiFID provides a harmonised regime for investment services and investment activities and aims to increase competition and reinforce investor protection. It streamlines supervision on the basis of home country control and enhances the transparency of markets. Furthermore, MiFID has harmonised conduct of business rules, including best execution, conflicts of interest, client order handling rules, rules on inducements and introduced a suitability test and an appropriateness test. When advising a client or performing portfolio management activities a bank must: (i) in the interest of the client, obtain information about the latter's financial position, knowledge, experience, objectives and risk tolerance, insofar as this is reasonably relevant to the advice or the portfolio management, and (ii) ensure that its advice or manner of managing the portfolio, insofar as reasonably possible, is based on the information referred to under (i) (suitability test). When providing investment services other than advice or portfolio management, the bank must perform an appropriateness test relating to the client's knowledge and experience in the investment field relevant to the specific investment service. However, when transmitting and executing client orders at their initiative, and the orders relate to specific (non-complex) financial instruments such as (i) shares admitted to trading on a regulated market, and (ii) instruments normally traded on the money market (this is the execution-only regime), the appropriateness test does not have to be performed. MiFID was implemented into the Dutch Financial Supervision Act on 1 November 2007.

On 15 May 2014, MiFID II and MiFIR were adopted by the European Parliament and the Council. MiFID II and MiFIR introduce new rules that among other things:

1) regulate high frequency trading by requiring among other things (i) firms engaged in high frequency trading to be authorised to perform their activities, and (ii) trading venues to set limits on the order to trade ratio and set minimum tick sizes in shares and similar financial instruments;

2) enhance the levels of client protection by (i) prohibiting investment firms from receiving payments (inducements) from third parties when providing independent advice and portfolio management, (ii) limiting the list of (non-complex) financial instruments in respect of which the execution-only regime without appropriateness test is available: execution only services can, for example, no longer be performed in respect of structured undertakings for collective investment in transferable securities ("**UCITS**") and (iii) extending the information requirements in relation to the best execution obligations;

3) extend the organisational requirements and conduct rules by introducing product governance arrangements such as a product approval process and by prohibiting title transfer collateral arrangements in relation to retail clients' dealings in financial instruments;

4) extend the application of certain organisational requirements and conduct rules to selling of and advising on structured deposits;

5) extend and amend the current market structures by introducing (i) a new trading platform, the organised trading facility ("**OTF**"), (ii) a trading obligation for derivatives subject to the EMIR clearing obligation, and transactions in these derivatives will be required to take place on a regulated market, a multilateral trading facility ("**MTF**") or an OTF, if the derivative is sufficiently liquid and (iii) a trading obligation for shares that have been admitted for trading on a regulated market, an MTF or OTF unless exceptions apply,

for instance where the transaction does not involve a retail counterparty and the transaction does not contribute to the price formation process;

6) increase market transparency by extending the pre- and post-trade transparency regime to non-equities;

7) enhance the availability and quality of trading data; and

8) extend the scope of the reporting obligation to financial instruments traded on an MTF or OTF and financial instruments having an instrument traded on a regulated market as an underlying asset, and require additional information to be included in the transaction reports.

The exact scope and substance of most of MiFID II's rules are clarified in delegated acts, i.e. secondary legislation. On 18 May 2016, the permanent representatives committee, on behalf of the Council of the EU, confirmed the agreement with the European Parliament on the one year delay of both the application date of MiFID II/MiFIR (i.e. until 3 January 2018) and the transposition deadline (i.e. until 3 July 2017). Furthermore, MiFID II has been amended by Directive (EU) 2016/1034 of the European Parliament and of the Council of 23 June 2016 amending Directive 2014/65/EU on markets in financial instruments and MiFIR by Regulation (EU) 2016/1033 of the European Parliament and of the Council of 23 June 2016 amending Regulation (EU) No 600/2014 on markets in financial instruments, Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC and the rules and regulations promulgated pursuant thereto (the "**Market Abuse Regulation**") and Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories. As at 3 January 2018, MiFID II has been fully implemented into Dutch law.

On 26 November 2014, Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (the "**PRIIPS Regulation**") was adopted. PRIIPS include an investment, where, regardless of the legal form of the investment, the amount repayable to the retail investor is subject to fluctuations because of exposure to reference values or to the performance of one or more assets which are not directly purchased by the retail investor, or an insurance-based investment product (an insurance product which offers a maturity or surrender value and where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations). Before PRIIPS are made available to retail investors, the PRIIPS manufacturer must draw up for that product a key information document and publish it on its website. The key information document must comply with specific requirements set out in the PRIIPS Regulation. Also persons advising on or selling PRIIPS must provide retail investors with the key information document before a retail investor is bound by any contract or offer. Competent authorities have among other powers the power to prohibit or suspend the marketing of PRIIPS, or impose substantial administrative fines. The PRIIPS Regulation applies from 1 January 2018. The legislation implementing the PRIIPS Regulation in the Dutch Financial Supervision Act has been adopted and published on 11 December 2017 and has entered into force at 1 January 2018.

Asset Separation Securities and Derivatives Positions

As at 1 April 2016 new rules regarding asset separation for, inter alia, banks that act as intermediaries in derivative transactions were implemented in the Dutch Securities Giro Act (*Wet giraal effectenverkeer*). The new rules include asset protection rules introduced by MiFID which have not yet been fully implemented into Dutch law and also include certain aspects of EMIR requirements. Previously, only holders of certain categories of securities were protected, i.e. securities that were included in a so-called collective deposit (*verzameldepot*). The new rules require that all derivative positions entered into by an intermediary with a third party (a central counterparty ("**CCP**") or another intermediary) in connection with a derivative position of a client, and all related rights and obligations arising from the exchange of collateral, are separated from the other assets and liabilities of the intermediary. If the intermediary becomes bankrupt, these separated assets will fall outside the bankruptcy estate. The trustee in bankruptcy is required to cooperate with a CCP in the transfer of the derivative positions and the related collateral of the bankrupt intermediary to another intermediary. In order to facilitate the transfers, intermediaries are required to have adequate administration in place to be able to easily identify, at any given moment, the corresponding transactions with a third party (and the related collateral) for each client derivative position. The protection for the holders of derivative positions only applies in relation to intermediary risk. If a bank is acting as a principal in the derivative transaction with the client, there is no protection under the new rules. Intermediaries are therefore required to inform their derivative clients whether they are acting as an intermediary or whether they are acting for their own account in relation to a derivative position and hence whether the protection applies to the client or not.

Corporate Client Offering

Corporate Lending, Lease and Commercial Finance

Dutch regulation does not provide for specific regulations relating to corporate lending, leasing and commercial finance services. However, when providing corporate lending, leasing and commercial finance services an entity may be deemed to provide other services that are regulated services such as insurance mediation services.

EMIR

EMIR aims to reduce counterparty risks related to OTC derivative trading and increases the transparency within the OTC derivatives market by requiring OTC derivatives which are declared subject to a clearing obligation to be cleared through central counterparties ("**CCPs**"), and by requiring counterparties to implement certain risk mitigation requirements with respect to non-centrally cleared OTC derivative transactions. EMIR also requires all derivative transactions (OTC or traded on a regulated market) to be reported to registered trade repositories. EMIR applies directly to any entity (financial or non-financial) established in the EU that has entered into a derivative transaction, and applies indirectly to non-EU counterparties trading with EU counterparties.

EMIR introduced a number of regulatory requirements for counterparties to OTC derivatives contracts, including: (i) a mandatory clearing obligation for certain classes of OTC derivatives contracts (the "**Clearing Obligation**"); (ii) a collateral exchange obligation for OTC derivatives contracts not subject to clearing (the "**Collateral Obligation**"); (iii) daily valuation and other risk mitigation requirements for OTC derivatives contracts not subject to clearing; and (iv) certain reporting and record keeping requirements.

Under EMIR, (a) financial counterparties ("**FC**s") and (b) non-financial counterparties whose positions in OTC derivatives (excluding hedging positions) exceed a specified clearing threshold ("**NFC+s**"), must clear through a CCP certain OTC derivatives contracts that are entered into on or after the effective date for the Clearing Obligation for each relevant counterparty pair and class of derivatives (the "**Clearing Start Date**"). Unless an exemption applies, FCs and NFC+s must clear any such OTC derivative contracts entered into between each other and with certain third country equivalent entities (i.e. those that would have been subject to the Clearing Obligation if they were established in the EU).

The process for implementing the Clearing Obligation is under way and a timeframe for compliance has been established for the first class of transactions (being certain interest rate derivative contracts in US$, €, GBP and JPY (the "**G4 Rates RTS**"), with the Clearing Start Date for such G4 Rates RTS contracts with most NFC+s being 21 December 2018. Timeframes for mandatory clearing of certain other classes of OTC derivatives transaction have also been established.

For non-centrally cleared OTC derivatives, NIBC will need to comply with certain operational risk management requirements, including timely confirmation, portfolio reconciliation, record keeping and the exchange of regulatory collateral. The implementation of EMIR increases reporting requirements on outstanding and new derivative contracts. As from 12 February 2014, an obligation to report both exchange traded and OTC derivative transactions to a registered trade repository or (where no trade repository is available to record the details of a derivative contract) to ESMA has been in place.

Certain OTC derivatives contracts entered into by NFC+ and FC entities (and/or third country equivalent entities) that are not cleared by a CCP are subject to the Collateral Obligation (to the extent an exemption does not apply). The requirement to post initial margin pursuant to the Collateral Obligation under EMIR is being phased in and applied from 1 September 2016 for certain counterparties. The requirement to post variation margin pursuant to the Collateral Obligation under EMIR applied from 4 February 2017 for the most systemically important entities and from 1 March 2017 for the remainder of FCs and NFC+s (the **Collateral Obligation Start Date**). In general, the Collateral Obligation applies in respect of OTC derivative contracts entered into or materially amended on or after the relevant Collateral Obligation Start Date.

As an FC, NIBC may, depending on its counterparty, be subject to a requirement to either (i) post or collect variation margin or (ii) to post or collect initial margin on or after the Collateral Obligation Start Date. The regulatory technical standards for risk-mitigation techniques for OTC-derivatives contracts not cleared by a CCP under EMIR contains certain exemptions from such requirements.

Notwithstanding the above descriptions of the Clearing Obligation and the Collateral Obligation, it should also be noted that changes will be made to the EMIR framework in the context of the EMIR review process which is ongoing and expected to be finalised during the course of 2018. The proposed changes impact, among other things, the classification of counterparties under EMIR, the reporting obligation and the Clearing Obligation.

Securities Financing Transactions

On 17 June 2015, the European Commission, the European Parliament and the Council reached agreement on a regulation on reporting and transparency of securities financing transactions, to improve the transparency of securities lending and repurchase transactions. In addition, the regulation restricts the rehypothecation of customer assets, received as collateral. The proposed regulation aims to enhance financial stability by ensuring that information on securities financing transactions is reported to central trade repositories and to investors in collective investment undertakings. On 29 October 2015, the European Parliament adopted the agreed text of the regulation. On 16 November 2015, the Council formally adopted Regulation (EU) 2015/2365 of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2015 ("**SFT Regulation**"). The SFT Regulation entered into force on 12 January 2016.

Recovery and Resolution

The BRRD was adopted by the European Parliament and the Council on 15 May 2014. Member States should have implemented the BRRD by 1 January 2015 (except for the bail-in tool which had to be implemented by 1 January 2016). The Netherlands implemented the BRRD in November 2015 with legislation which substantially replaced the previous provisions of the Dutch Financial Supervision Act in relation to bank and investment firm resolutions. The BRRD provides a set of tools available to competent authorities to intervene sufficiently early and quickly in an unsound or failing bank or investment firm (or certain group entities) so as to ensure the continuity of the bank's or investment firm's (or its group's) critical financial and economic functions, while minimising the impact of its failure on the economy and financial system. In furtherance of the BRRD, the SRM Regulation described above has established uniform rules and a uniform procedure for the resolution of entities within the Banking Union. As mentioned above under "*CRD, CRD II, III and IV and CRR*", on 23 November 2016 the EU Commission published the Banking Reform Package, including proposed amendments to the BRRD and the SRM Regulation. It also seeks to bring the MREL requirement under the BRRD and SRM Regulation in line with the FSB's TLAC standard for G-SIIs. See "*Risk Factors—NIBC may be subject to the intervention and resolution powers under the Dutch Financial Supervision Act, the BRRD and the SRM Regulation, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects, and consequently its ability to pay dividends*".

Recovery and Resolution Plans

Banks and investment firms are required to draw up and maintain a recovery plan. This plan must provide for a wide range of measures that could be taken to restore a bank's or investment firm's financial condition in case it significantly deteriorates. Banks and investment firms must submit the plan to the competent supervisory authority for review and update the plan annually or after changes in their legal or organisational structure, business or financial situation that could have a material effect on the recovery plan. Recovery measures could include the strengthening of the bank's or investment firm's capital or divesting part of its business.

The SRB, as the single resolution authority will draw up a resolution plan for NIBC providing for resolution actions it may take if the Company or NIBC Bank fail or are likely to fail. In drawing up the resolution plan, SRB will identify any material impediments to the resolvability. Where necessary, the SRB may require the removal of such impediments. The SRB may also require a bank to issue additional capital instruments or liabilities. The BRRD and SRM Regulation require furthermore that banks and investment firms at all times meet a robust MREL. The required level of MREL is set on a case by case basis by the SRB and is based on criteria set forth in the BRRD and the SRM Regulation and further detailed in the Commission Delegated Regulation (EU) 2016/1450 with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities and depends on the assessment of the level of MREL that is required to successfully implement the resolution plan.

In addition to the adoption of the laws, regulations and other measures described herein, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the FSB consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. The FSB has developed proposals to enhance the TLAC of global systemically important banks in resolution. On 9 November 2015, the FSB issued the final TLAC Standard for global systemically important banks ("**G-SIB**s"). NIBC Bank is not a G-SIB. Like the MREL for EU banks and investment firms, the TLAC Standard has been designed so that failing credit institutions (G-SIBs in this case) will have sufficient loss-absorbing and recapitalisation capacity available in resolution for authorities to implement an orderly resolution that minimises impacts on financial stability, maintains the continuity of critical functions, and avoids exposing public funds to loss. The TLAC Standard defines a minimum requirement for the instruments and liabilities that should be readily available for bail-in within resolution at G-SIBs, but does not limit authorities' powers under the applicable resolution law to expose other liabilities to loss through bail-in or the application of other resolution tools. Although the TLAC Standard will not be applicable to NIBC , the MREL requirements that are applicable to NIBC under the BRRD and SRM Regulation will likely change in the future as a result of the implementation of the TLAC standard into EU law. For instance, the liabilities eligible for the MREL are expected to be aligned with the eligibility criteria provided in the TLAC standard (with certain exceptions and options for the resolution authorities). This may entail a limitation of liabilities eligible for MREL compared with the current eligibility requirements. There is a possibility that such and other future capital and buffer requirements applicable to NIBC will increase and that as a result NIBC will be required to strengthen or diversify its capital position. This may result in higher capital and funding costs for NIBC, and as a result may materially and adversely affect the Company's profits and its possible ability to pay dividends.

Furthermore, the European Commission also proposes to harmonise the priority ranking of unsecured debt instruments under national insolvency proceedings with the adoption of a new directive, amending the BRRD (the "**Amendment Directive**"), which includes the introduction of a new statutory category of unsecured debt available in all EU Member States and which would rank just below the most senior debt and other senior liabilities for the purposes of resolution, while still being part of the senior unsecured debt category (so called "senior non-preferred debt"). On 14 December 2017, the Council of the EU published the revised text of the proposed Amendment Directive as regards the ranking of unsecured debt instruments in insolvency hierarchy. On 27 December 2017, the Amendment Directive has been published in the official journal and entered into force on 28 December 2017. Member States must bring into force the laws, regulations and administrative provisions necessary to comply with the Amendment Directive ultimately by 29 December 2018.

Early Intervention

If a bank infringed or, due to a rapidly deteriorating financial condition, were likely to infringe capital or liquidity requirements in the near future, the DNB would have the power to impose early intervention measures on such bank. A rapidly deteriorating financial condition could, for example, occur in the case of a deterioration in the liquidity situation, an increasing level of leverage and non-performing loans. Intervention measures include the power to require changes to the legal or operational structure of a bank, or the business strategy, and the power to require the managing board to convene a general meeting, failing which the DNB can directly convene a general meeting, in both cases with the power of the DNB to set the agenda and require certain decisions to be considered for adoption by the general meeting.

Pre-Resolution Measures and Resolution Measures

If a bank reaches a point of non-viability the SRB in close cooperation with the NRA could take pre-resolution measures. These measures include the write-down and cancellation of shares and the conversion of capital instruments such as a bank's AT1 or Tier 2 instruments into shares.

If a bank meets the conditions for resolution, the SRB may take one or more resolution measures. Conditions for resolution are: (i) the bank fails or is likely to fail (point of non-viability), (ii) having regard to the circumstances, there is no reasonable prospect that any alternative private sector or supervisory action would, within a reasonable timeframe, prevent the bank from failing, and (iii) the resolution measure is in the public interest. A bank is considered to fail or likely to fail if there are objective elements to support a determination that in the near future the bank will infringe capital requirements, the bank's liabilities will exceed its assets, the bank will infringe regulatory liquidity requirements or the bank will be unable to pay debts and liabilities as they fall due.

The SRB, has four resolution tools and powers which may be used alone or in combination: (i) sale of business—which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; including a transfer of the shares or other instruments of ownership; (ii) bridge institution—which enables resolution authorities to transfer all or part of the business of the firm, including a transfer of the shares or other instruments of ownership, to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation—which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind down (this can be used together with another resolution tool only); and (iv) a bail-in tool that would enable the write-down of shares or the write-down and conversion of debt into equity, or the cancellation thereof, to strengthen the financial condition of the failing bank and allow it to continue as a going concern subject to appropriate restructuring. If the SRB considered that the application of the instruments would not be in the public interest, it could instruct application for bankruptcy or emergencies regulations under Dutch law instead.

According to the SRM Regulation, the NRAs shall take the necessary action to implement decisions of the SRB. They shall do so by the powers granted to them under the BRRD, as implemented in national law. In addition to certain general powers, the NRAs have also been granted certain ancillary powers. NRAs may for instance decide to cancel or modify the terms of a contract to which the bank is a party or replace the bank as a party thereto. Furthermore, subject to certain conditions, the NRA may decide to temporarily suspend the exercise of certain rights of counter parties vis-à-vis the bank or the performance of payment or delivery obligations by the bank. In addition, certain counterparty rights may be excluded in the event such rights come into existence or become enforceable as a result of any early intervention or resolution measure or any event in connection therewith (subject to further conditions). There are discussions ongoing on an EU level to extend the NRAs suspension powers, including a new moratorium tool that can be employed in the early intervention phase.

Resolution Fund

The Single Resolution Fund is financed by ex-ante individual contributions from banking entities included in the SRM. The individual contribution of each bank is based on a flat contribution (that is pro-rata based on the amount of liabilities excluding own funds and covered deposits, in comparison to the total liabilities, excluding own funds and covered deposits, of all participating banks) and a risk based contribution. In addition, where the funds of the Single Resolution Fund are not sufficient to cover the losses, costs or other expenses incurred by the use of the Single Resolution Fund in resolution actions, extraordinary ex-post contributions from the participating banks may be raised to a maximum of three times the annual amount of the individual contribution. The funding obligation entered into force on 1 January 2016, and in principle after eight years from that date, the available financial means of the Single Resolution Fund must in principle be at least 1 per cent of the amount of covered deposits of all participating banks. Even though the funding obligation for the Single Resolution Fund entered into force on 1 January 2016, NIBC had already made contributions to the relevant national resolution funds, provided for by the BRRD (the "**National Resolution Funds**"), in 2015. As at 1 January 2016, NIBC has no longer been held to contribute to the National Resolution Funds and the contributions received by the National Resolution Funds on this date are to be transferred to the Single Resolution Fund and deducted from the contributions payable thereto.

A bank is only eligible for contribution by the Single Resolution Fund after a resolution action is taken, if the holders of instruments of ownership such as the Shareholders, the holders of relevant capital instruments and other eligible liabilities have made a contribution (by means of a write-down, conversion or otherwise) to loss absorption and recapitalisation equal to an amount not less than 8 per cent of the total liabilities (including own funds and measured at the time of the resolution action). Any such contribution by the Single Resolution Fund may furthermore not exceed 5 per cent of its available funds.

Intervention Act

Through the coming into force of the Act on Special Measure for Financial Enterprises (the "**Dutch Intervention Act**"), the DNB and the Dutch Minister of Finance have been granted the power to take various measures in respect of banks and insurance companies that show signs of a dangerous development regarding the entity's own funds, solvency or liquidity and it can reasonably be foreseen that this development cannot be sufficiently or timely reversed.

The Dutch Intervention Act was amended on 26 November 2015 as a result of the entry into force of BRRD. The scope of the intervention measure to transfer shares, assets or liabilities on the basis of a transfer plan has been limited to insurance companies (and thus no longer applies to banks). However, the scope of the powers granted to the Dutch Minister of Finance under the Dutch Intervention Act has remained the same. The Dutch Minister of Finance may, with immediate effect, take measures or expropriate assets or liabilities of, claims against or securities issued by or with the cooperation of a financial firm (*financiële onderneming*) or its parent, in each case if it has its corporate seat in the Netherlands, if in the Minister's opinion the stability of the financial system is in serious and immediate danger as a result of the situation in which the firm finds itself. Provisions of Dutch law and the firm's articles of association may be set aside. Examples of immediate measures include the suspension of voting rights or the suspension of board members. The measures may only be used if other measures do not or no longer work, or are insufficient. In addition, to ensure such measures are utilised appropriately, the Dutch Minister of Finance must consult with the DNB in advance. A decision by the Dutch Minister of Finance to intervene must be taken in agreement with the Dutch Prime Minister. The Dutch Minister of Finance must further inform the AFM of his intentions, whereupon the AFM must give an instruction to Euronext Amsterdam to suspend trading in any securities that are expropriated. In the case of expropriation, the beneficiary of the relevant asset will be compensated for any damage that directly and necessarily results from the expropriation. It is unlikely that such compensation will cover all losses of the relevant beneficiary. The legislative history of the act in implementing the BRRD in the Netherlands makes clear that this power would only be a measure of last resort if the SRM does not work.

Emergency Regime

The Dutch Financial Supervision Act provides for an emergency regime (*noodregeling*) which the court can declare in respect of a bank at the request of the DNB if the latter perceives signs of a dangerous development regarding the bank's own funds, solvency or liquidity and it can reasonably be foreseen that this development cannot be sufficiently or timeously reversed. As at the date of the emergency, only court-appointed administrators have the authority to exercise the powers of the representatives of the bank. In addition, the emergency regime provides for special measures for the protection of the interests of the creditors of the bank. A bank can also be declared bankrupt by the court.

Deposit Guarantee Scheme

In the Netherlands, the provisions of the DGS Directive have been implemented as at 26 November 2015. Under the new rules, the funding of the old DGS has been changed from an ex-post funded system to a partially ex-ante funded system. This means that participating banks will have to contribute to the scheme on a periodic basis rather than face charges when an actual insolvency event occurs requiring them to compensate the clients of the affected banks. The available funds in the DGS will in principle need to be 0.8 per cent of the amount of covered deposits held with the participating banks in 2024. Contributions will be based on the covered deposits of the bank and risk based contributions, but Member States may also impose minimum contributions. Under the new rules the scope of clients for whom the deposit guarantee will be available has been broadened (in addition to consumer deposits, deposits of businesses of customers have also been included, whereas in the old DGS only companies that were allowed to publish abridged annual accounts fell within its scope), the transparency and information requirements to customers have been amended and the period for making payments under the DGS has been shortened from 20 business days to seven business days. See "*Risk Factors—NIBC may be subject to risk associated with deposit guarantee schemes and similar funds, which may increase NIBC's costs and have a material adverse effect on NIBC's business, results of operations, financial condition and prospects, and consequently its ability to pay dividends*".

Investor Compensation Scheme

The Dutch Financial Supervision Act provides for an investor compensation scheme which aims to compensate persons that have entrusted money or financial instruments to, among others, banks or investment firms, in the event that the financial firms concerned are unable to fulfil their obligations ensuing from claims relating to investment services or ancillary services.

The Decree on Special Prudential Measures, Investor Compensation and Deposit Guarantee FMA (*Besluit bijzondere prudentiële maatregelen, beleggerscompensatie en depositogarantie Wft*) provides for rules requiring, among others, banks and investment firms to bear the costs of the investor compensation scheme. The amount due is mainly calculated on the basis of the amount of moneys and number of financial instruments held.

The investor compensation scheme can be invoked by private individuals and small undertakings (i.e. undertakings which may publish an abridged balance sheet). However, the investor compensation scheme cannot be involved by, among others, the following entities (i) private individuals who are managing board members of the defaulting bank or investment firm or shareholders who have an interest of 5 per cent or more in the defaulting bank or investment firm (or a group company of the defaulting bank or investment firm), or their immediate family members, (ii) professional investors (such as, among others, banks, investment funds, insurance companies, pension funds and large undertakings), and (iii) professional market parties.

Claims with respect to money or securities (i) that cannot be returned to the investor because the bank or the investment firm concerned is unable to perform its obligations, and (ii) related to the performance of certain investment services, are eligible for compensation. The investor compensation scheme guarantees an amount not exceeding €20,000 per person, but does not reimburse investment losses.

Fund Management

NIBC Infrastructure Partners I B.V., NPEX Ondernemersfonds Beheerder B.V. and Rotterdam Port Fund Management B.V. (in the latter a 50 per cent shareholding is held) is active in the area of collective investment management, commonly known as fund management. The main piece of EU legislation in this area is the AIFM Directive. The AIFM Directive, together with the underlying AIFM Regulation 231/2013 of 19 December 2012, establishes a framework for the regulation and supervision of the AIF industry, particularly hedge funds, real estate and private equity funds, but essentially covers all non-UCITS investment funds. The AIFM Directive provides for a comprehensive set of rules for fund management activities in the EU. The AIFM Directive was implemented in the Dutch Financial Supervision Act on 22 July 2013.

NIBC Infrastructure Partners I B.V., NPEX Ondernemersfonds Beheerder B.V. and Rotterdam Port Fund Management B.V. are registered with the AFM as exempted AIFMD managers ("light regime").

Dutch Data Protection Legislation

NIBC is subject to complex and evolving Dutch, European and other jurisdiction's laws and regulations regarding the processing (including collection, use, handling, retention, sharing and protection) of personal data. These data protection laws apply to personal data concerning customers, employees, third parties and other individuals who interact with NIBC. NIBC's use of personal data and IT-systems gives rise to increased risk of non-compliance under the relevant legal frameworks. Where NIBC processes, or procures third party service providers to process personal data in jurisdictions that do not offer a similar level of data protection, NIBC is subject to an increased risk of non-compliance with data protection legislation. IT-security breaches may lead to unlawful use of personal data for which NIBC is responsible, as well as notification obligations towards financial and other supervisory bodies (e.g., data protection authorities) or affected individuals, damage to NIBC's reputation and claims from individuals.

The Dutch Data Protection Act (*Wet bescherming persoonsgegevens*, the "**WBP**") entered into force on 1 September 2001. The WBP implements EU Directive 95/46/EC of 4 October 1995 on the protection of individuals with regard to the processing of personal data and the free movement of such data and imposes restrictions on the collection, use and other forms of processing of personal data. Under the WBP, personal data may only be processed if the criteria for making personal data processing legitimate are met. If the personal data processing is indeed legitimate (i.e., if the statutory criteria apply), then such processing must at all times comply with the rules set out in the WBP.

The General Data Protection Regulation (the "**GDPR**") was adopted on 27 April 2016. The GDPR will enter into force on 25 May 2018 and will immediately apply across the EU on that date. The GDPR imposes more stringent data protection obligations than under the current EU Data Protection Directive and WBP, resulting in higher compliance burdens. The GDPR requires NIBC to be able to demonstrate its compliance with data protection principles. In addition, the GDPR increases sanctions for data protection compliance violations of up to a maximum of €20,000,000 or 4 per cent of NIBC's global annual net turnover, whichever is higher.

Under the GDPR, data controllers must notify the relevant DPA within 72 hours after becoming aware of potentially serious data security breaches unless the breach is unlikely to result in a risk to the rights and freedoms of natural persons. In some cases, the data subjects must also be informed of the breach. In the Netherlands, the Act on Data Breach Notifications (*Wet Meldplicht datalekken*) entered into force on 1 January 2016. This legislation introduced a mandatory notification for data controllers, who are subject to the WBP, for security breaches of personal data that adversely affect the privacy or personal data. NIBC has to maintain an internal register recording all security breaches experienced by NIBC and its third party service providers. The legislation also increases sanctions for violations of the WBP. The legislation also enables the DPA to impose higher fines for violations of the Dutch Data Protection Act, up to a maximum of either €820,000 or 10 per cent of NIBC's annual net turnover per violation. However, when the EU GDPR enters into force on 25 May 2018, the GDPR sanctions regime replaces the existing Dutch sanctions regime.

Latest Developments

On 30 September 2015 the European Commission published an action plan on building a Capital Markets Union ("**CMU**"). The key objectives of the CMU are to improve the free movement of capital by removing the barriers to cross-border investments and to diversify the sources of funding. The CMU aims to complement Europe's tradition of bank financing by (i) unlocking more investments from the EU and the rest of the world, (ii) connecting financing more effectively to investment projects across the EU, (iii) making the financial system more stable, (iv) reinforcing financial integration and (v) increasing competition. On 8 June 2017 the European Commission published the Mid-Term Review as a number of important new initiatives to ensure that the CMU action Plan remains fit for purpose. Those new initiatives concern (i) strengthen the powers of European Securities and Markets Authority to promote the effectiveness of consistent supervision across the EU and beyond, (ii) deliver a more proportionate regulatory environment for SME listing on public markets, (iii) review the prudential treatment of investment firms, (iv) assess the case for an EU licensing and passporting framework for fintech activities, (v) present measures to support secondary markets for non-performing loans (NPLs) and explore legislative initiatives to strengthen the ability of secured creditors to recover value from secured loans to corporates and entrepreneurs, (vi) ensure follow-up to the recommendations of the High Level Expert Group on Sustainable Finance, (vii) facilitate the cross-border distribution and supervision of UCITS and AIFs, (viii) provide guidance on existing EU rules for the treatment of cross-border EU investments and an adequate framework for the amicable resolution of investment disputes, (ix) propose a comprehensive EU strategy to explore measures to support local and regional capital market development.

In addition, on 30 September 2015, the European Commission published proposals for establishing a framework for simple, transparent and standardised securitisations and new regulatory capital requirements for securitisations for banks in CRR. This consultation closed on 6 January 2016. The proposal followed a consultation with stakeholders and took into account initiatives at global (IOSCO) and European levels (EBA). The Commission's aim is to restore investor confidence in securitisation transactions and contribute to reviving the real economy through increased financing and targeted risk allocation. Following such consultation, Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (the "**Securitisation Regulation**") and the Securitisation Prudential Regulation was adopted. The Securitisation Regulation lays down a general framework for securitisation and established due diligence, risk-retention and transparency requirements for parties involved in securitisations, criteria for credit granting, requirements for selling securitisations to retail clients, a ban on resecuritisation, requirements for SSPEs as well as conditions and procedures for securitisation repositories. The Securitisation Regulation will apply from 1 January 2019.

Also, on 30 September 2015 the European Commission started a public consultation on covered bonds to assess the convenience of a possible future integrated European covered bond framework. The framework aims to improve funding conditions throughout the EU and facilitate cross-border investment and issuance in Member States currently facing practical or legal challenges in the development of their covered bond markets. The consultation closed on 6 January 2016. The European Commission aims to come with a proposal for an EU Covered Bonds Directive in early 2018.

On 30 November 2015, the European Commission published its proposal for a regulation to amend the Prospectus Directive to reduce barriers to the listing of smaller companies. Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC entered into force on 20 July 2017. It will apply from 21 July 2019, with the exception of certain provisions which will apply earlier.

On 29 June 2016, the Benchmark Regulation was published in the European official journal and applies from 1 January 2018. The Benchmark Regulation will contribute to the accuracy and integrity of benchmarks used in financial instruments and financial contracts or to measure the performance of investment funds by, among others, (i) ensuring that benchmark administrators are subject to prior authorisation and supervision depending on the type of benchmark, requiring greater transparency on how a benchmark is produced, (ii) ensuring the appropriate supervision of critical benchmarks, such as EURIBOR/LIBOR, the failure of which might create risks for market participants and for the functioning and integrity of markets, and (iii) requiring EU supervised entities to only use benchmarks of administrators that are duly authorised/registered.

The European Commission furthermore published on 10 December 2015 a Green Paper on retail financial services "Better products, more choice, and greater opportunities for consumers and businesses" to boost consumer choice and competition in cross border retail financial services and insurance. The consultation period for this Green Paper ended on 18 March 2016. On 23 March 2017 the European Commission presented an Action Plan that sets out ways to provide European consumers with greater choice and better access to financial services across the EU. The European Commission has identified three main strands of further work to move a step closer to a genuine Single Market for financial services: (i) increase consumer trust and empower consumers when buying services at home or from other Member States, (ii) reduce legal and regulatory obstacles affecting businesses when seeking to expand abroad, and (iii) support the development of an innovative digital world which can overcome some of the existing barriers to the Single Market. On

23 March 2017, the European Commission presented a Consumer Financial Services Action Plan: Better products and more choice for European consumers. The European Commission has identified three main strands of further work to move a step closer to a genuine Single Market for financial services: (i) increase consumer trust and empower consumers when buying services at home or from other Member States; (ii) reduce legal and regulatory obstacles affecting businesses when seeking to expand abroad; and (iii) support the development of an innovative digital world which can overcome some of the existing barriers to the Single Market.

International Regulation

FATCA

On 18 December 2013, the US and the Netherlands entered into the U.S.-Netherlands IGA to facilitate the implementation of the provisions of US tax law commonly known as FATCA. All jurisdictions in which NIBC operates have substantially concluded IGAs with the US. NIBC intends to be fully compliant with FATCA and any applicable IGA, and expects FATCA and IGAs to have a continuous impact on client on-boarding processes, client administration and reporting systems. See "*Risk Factors—Major changes in laws and regulations and in their interpretation could materially and adversely affect NIBC's business, results of operations, financial condition and prospects*".

Information exchange and reporting

There are various international and EU initiatives on automatic exchange of information such as the OECD Common Reporting Standard and the EU Directive on Administrative Cooperation in the field of Taxation (Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU), which were implemented on 1 January 2016. In addition, due to Regulation (EU) 2016/867 of the ECB of 18 May 2016, financial institutions will have to report new analytical datasets as of September 2018 referred to as AnaCredit. A project team is preparing NIBC for the new AnaCredit reporting requirements. The first tests have been concluded successfully, and preparations are on-going to ensure operational readiness. See "*Risk Factors— Major changes in laws and regulations and in their interpretation could materially and adversely affect NIBC's business, results of operations, financial condition and prospects*".

Sanction Regulation

Sanctions are political instruments in the foreign and security policy of countries and international organisations (such as the United Nations and EU). Sanctions regimes imposed by governments, including those imposed by the EU, US, including the Office of Foreign Assets Control, or other countries or international bodies prohibit NIBC and its clients from engaging in trade or financial transactions with certain countries, businesses, organisations and individuals. These legislative, regulatory and other measures include anti-terrorism measures, international sanctions, blockades, embargoes, blacklists and boycotts imposed by, among others, the EU, the United States and the United Kingdom, but also by individual countries. Violation of sanctions regimes may have material implications such as criminal penalties, administrative fines and the prohibition to do business in the country that proclaimed the sanctions.

CAPITALISATION AND INDEBTEDNESS

The information below should be read together with the Financial Statements as included in this Prospectus beginning on page F-1, or incorporated by reference, as well as the information under "*Operating and Financial Review*". The tables below are prepared for illustrative purposes only and, because of their nature, may not give a true picture of NIBC's financial condition following the Offering.

The following table sets out NIBC's capitalisation as at 31 December 2017.

Capitalisation	As at 31 December 2017
	(unaudited, in € millions)
Total Current debt	
Guaranteed(1)	7,860
Secured(2)	967
Unguaranteed/Unsecured	1,108
	9,935
Total Non-Current debt (excluding current portion of long-term debt)	
Guaranteed(3)	2,269
Secured(4)	2,651
Unguaranteed/Unsecured	4,084
	9,004
Equity	
Share Capital	148
Legal reserves(5)	224
Other reserves(6)(7)	1,749
	2,121
Total capitalisation	**21,060**

(1) Total retail savings secured by DGS, and institutional deposits attracted under the *Einlagensicherungsfonds* (ESF), with a remaining maturity up to one year.

(2) Total senior secured notes and securitisations with a remaining maturity up to one year.

(3) Total retail savings secured by DGS, and institutional deposits attracted under the *Einlagensicherungsfonds* (ESF), with a remaining maturity of more than one year.

(4) Total of senior secured notes and securitisations with a remaining maturity of more than one year.

(5) Legal reserves is affected by NIBC's implementation of IFRS 9.

(6) Other reserves include the Share premium (€1,138 million), Capital securities (€203 million), Equity attributable to other non-controlling interests (€3 million) and the portion of retained earnings not including legal reserves.

(7) Other reserves is affected by NIBC's implementation of IFRS 9.

Other than the impact of IFRS 9 as at 1 January 2018, which decreased Legal reserves by €81 million and Other reserves by €179 million, there has been no material change in NIBC's capitalisation since 31 December 2017. See "*Operating and Financial Review—Critical Accounting Policies—IFRS 9*" for additional information on the further impact of IFRS9

On 9 March 2018, the General Meeting resolved to decrease the issued capital of the Company by means of reduction of the nominal value of each Ordinary Share in issue from €1.00 to €0.02. After the lapse of a two month period and of any objections having been filed, the capital reduction will be effected by way of a notarial deed. After the capital reduction an amount of €144,563,101.62 will be deducted from the amount of "Share capital" and added to the amount of "Other reserves" and the total amount of "Equity" will remain unchanged. See "*Description of Share Capital and Corporate Structure—Shares and Share Capital—Authorised and issued share capital*" for further information.

The following table sets out NIBC's indebtedness as at 31 December 2017.

Indebtedness	As at 31 December 2017
	(unaudited, in € millions)
Cash[(1)]	1,445
Cash equivalents[(2)]	338
Trading securities[(3)]	898
Liquidity[(4)]	**2,681**
Current financial receivables[(5)]	**1,332**
Current bank debt[(6)]	(781)
Current portion of non-current debt[(7)]	(9,991)
Other current financial debt[(8)]	(117)
Current financial debt	**(10,889)**
Net current financial indebtedness	**(6,876)**
Non-current bank loans[(9)]	(1,378)
Bonds issued[(10)(11)]	(4,194)
Other non-current loans[(12)]	(3,565)
Non-current financial indebtedness	**(9,137)**
Net financial indebtedness	**(16,013)**

(1) Cash and freely available balances at central banks.

(2) Loans and receivables—banks with a remaining maturity of 3 months or less.

(3) Trading securities reflects all listed debt instruments.

(4) Liquidity is not equal to the liquidity buffer held for liquidity contingency purposes.

(5) Total of assets with a remaining maturity up to one year, excluding cash and balances at central banks with a remaining maturity up to one year, financial assets held for trading with a remaining maturity up to one year and loans and receivables—banks with a remaining maturity of 3 months or less.

(6) Total of liabilities held for trading, derivatives, securities financing, due to banks, due to customers and commercial paper/ certificates of depot, all with a remaining maturity up to one year.

(7) Total of senior secured debt, senior unsecured debt, securitisations, subordinated liabilities and saving certificates, all with a remaining maturity up to one year.

(8) Total of provisions, tax, liabilities and other liabilities, all with a remaining maturity up to one year.

(9) Total of due to banks with remaining maturity of more than one year.

(10) Total of issued debt and subordinated with a remaining maturity of more than one year.

(11) Bonds issued is affected by NIBC Bank's issuance of €500 million in Covered Bonds in January 2018.

(12) Total of derivatives, securities financing, due to customers, provisions, tax liabilities and other liabilities, all with a remaining maturity of more than one year.

Apart from the issue by NIBC Bank in January 2018 of €500 million of Covered Bonds repayable on 24 January 2028, there has been no material change in NIBC's indebtedness since 31 December 2017.

For details of NIBC's contingent liabilities and contractual commitments, see "*Operating and Financial Review—Financial Commitments*".

SELECTED CONSOLIDATED FINANCIAL INFORMATION

This section contains selected consolidated financial information of NIBC as at and for the years ended 31 December 2017, 2016 and 2015, which has been derived from the Financial Statements as included in this Prospectus beginning on page F-1 or incorporated by reference. Certain financial information for the year ended 31 December 2015 has been derived from the comparative information as included in the annual audited consolidated financial statements as at and for the year ended 31 December 2016, due to certain reclassifications in the presentation of financial information. See "*Important Information—Presentation of Financial and Other Information—2015 Reclassification*".

This section should be read in conjunction with the information contained in "*Important Information—Presentation of Financial and Other Information*", "*Capitalisation and Indebtedness*", "*Operating and Financial Review*" and the Financial Statements, including the notes thereto, included in this Prospectus or incorporated by reference and other financial data appearing elsewhere in this Prospectus.

Selected Consolidated Income Statement

	Year ended 31 December		
	2017	2016	2015(1)
	(audited, in € millions)		
Interest and similar income	534	539	557
Interest expense and similar charges	192	246	283
Net interest income	**342**	**293**	**274**
Fee and commission income	54	32	37
Fee and commission expense	—	—	1
Net fee and commission income	**54**	**32**	**36**
Investment income	67	23	24
Net trading income	98	34	—
Other operating income	(2)	31	20
Operating income	**559**	**413**	**354**
Personnel expenses and share-based payments	111	102	97
Other operating expenses	102	82	84
Depreciation and amortisation	6	7	8
Regulatory charges and levies	14	15	4
Operating expenses	**233**	**206**	**193**
Impairments of financial assets	56	82	63
Impairments of non-financial assets	—	2	20
Total expenses	**289**	**290**	**276**
Profit before tax	**270**	**123**	**78**
Tax	54	19	8
Profit after tax	**216**	**104**	**70**
Attributable to:			
Shareholders of the company	213	104	70
Holders of capital securities (non-controlling interests).	3	—	—
Other non-controlling interests	—	—	—

(1) Certain financial information for the year ended 31 December 2015 has been derived from the comparative information as included in the annual audited consolidated financial statements as at and for the year ended 31 December 2016, due to certain reclassifications in the presentation of financial information. See "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*".

Selected Consolidated Balance Sheet

	As at 31 December		
	2017	2016	2015(1)
	(audited, in € millions)		
Assets			
Financial assets at amortised cost			
Cash and balances with central banks	1,604	918	746
Due from other banks	965	1,468	1,766
Loans and receivables			
Loans	7,473	7,844	7,294
Residential mortgages own book	4,412	3,346	2,390
Debt investments	59	287	294
Financial assets available-for-sale			
Equity investments	36	41	48
Debt investments	823	1,028	1,064
Financial assets at fair value through profit or loss (including trading)			
Loans	181	210	316
Residential mortgages own book	4,581	4,124	4,111
Securitised residential mortgages	338	1,550	2,266
Equity investments (including investments in associates)	287	204	222
Debt investments	31	60	19
Derivative financial assets	1,021	1,811	2,141
Other			
Investments in associates (equity method)	10	7	7
Intangible assets	3	3	—
Property, plant and equipment	62	50	49
Investment property	—	271	251
Current tax	1	—	—
Deferred tax	38	46	51
Other assets	62	227	47
Assets held for sale	161	—	71
Total assets	**22,148**	**23,495**	**23,153**
Liabilities and equity			
Financial liabilities at amortised cost			
Due to other banks	1,834	1,290	829
Deposits from customers	11,510	11,802	11,746
Own debt securities in issue	4,392	3,855	3,050
Debt securities in issue related to securitised mortgages and lease receivables	267	1,337	2,062
Financial liabilities at fair value through profit or loss (including trading)			
Borrowings	—	49	77
Own debt securities in issue	38	37	36
Debt securities in issue structured	616	620	704
Derivative financial liabilities	863	2,006	2,356
Other			
Other liabilities	113	275	110
Current tax	1	—	1
Deferred tax	4	3	1
Employee benefits	3	3	4
Liabilities held for sale	104	—	42
Subordinated liabilities			
Amortised cost	115	122	120
Fair value through profit or loss	167	276	280
Total liabilities	**20,027**	**21,675**	**21,418**
Equity			
Share capital	148	148	1,408
Share premium	1,138	2,279	525
Revaluation reserve	93	153	60
Retained earnings including profit for period	536	(763)	(258)
Equity attributable to the parent company	**1,915**	**1,817**	**1,735**
Capital securities (non-controlling interest)	203	—	—
Equity attributable to other non-controlling interest	3	3	—
Total equity	**2,121**	**1,820**	**1,735**
Total liabilities and shareholders' equity	**22,148**	**23,495**	**23,153**

(1) Certain financial information for the year ended 31 December 2015 has been derived from the comparative information as included in the annual audited consolidated financial statements as at and for the year ended 31 December 2016, due to certain reclassifications in the presentation of financial information. See "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*".

Selected Consolidated Statement of Cash Flow

	Year ended 31 December		
	2017	2016	2015[3]
	(audited, in € millions)		
Operating activities			
Net profit for the year	216	104	70
Adjustments for non-cash items			
Depreciation, amortisation and impairment losses	(66)	78	91
Changes in employee benefits	—	(1)	—
Share in result of associates	—	—	(1)
Changes in operating assets and liabilities			
Derivative financial instruments	(353)	(20)	(151)
Operating assets[1]	1,101	(935)	(486)
Operating liabilities (including deposits from customers)[2]	188	806	1,250
Cash flows from operating activities	**1,086**	**32**	**773**
Investing activities			
Acquisition of subsidiaries, associates and joint ventures	(3)	—	—
Disposal of subsidiaries, associates and joint ventures	—	—	—
Acquisition of property, plant and equipment	(15)	(8)	(13)
Divestment of investment property	174	—	—
Acquisition of investment property	—	—	(251)
Proceeds from financial assets	—	(22)	(22)
Repayments of financial assets	(67)	—	—
Non-controlling interest	—	3	—
Cash flows from investing activities	**(89)**	**(27)**	**(286)**
Financing activities			
(Decrease) / increase in borrowings	(49)	(29)	77
Proceeds from the issuance of own debt securities	716	1,324	1,100
Repayment of issued own debt securities	(178)	(518)	(113)
Proceeds from the issuance of subordinated liabilities	(22)	4	94
Repayment of issued subordinated liabilities	(125)	(4)	(14)
Proceeds from the issuance of debt securities structured	11	70	109
Repayment of issued debt securities structured	(29)	(147)	(228)
Repayment of issued debt securities related to securitised mortgages and lease receivables	(1,070)	(725)	(1,286)
Proceeds from issued shares	—	—	(3)
Final and interim distribution	(56)	—	—
Proceeds from capital securities	200	—	—
Cash flows from financing activities	**(602)**	**(25)**	**(264)**
Cash and cash equivalents at start of period	**1,215**	**1,244**	**1,021**
Net foreign exchange difference	(6)	(9)	—
Net increase/(decrease) in cash and cash equivalents	573	(20)	223
Cash and cash equivalents at end of period	**1,782**	**1,215**	**1,244**
Reconciliation of cash and cash equivalents:			
Cash and balances with central banks (maturity three months or less)	1,445	777	613
Due from other banks (maturity three months or less)	337	438	631
	1,782	**1,215**	**1,244**
Supplementary disclosure of operating cash flow information:			
Interest paid	192	260	283
Interest received	572	534	573

(1) Includes all assets excluding derivatives, intangible assets and current tax.

(2) Includes all liabilities excluding derivatives.

(3) Certain financial information for the year ended 31 December 2015 has been derived from the comparative information as included in the annual audited consolidated financial statements as at and for the year ended 31 December 2016, due to certain reclassifications in the presentation of financial information. See "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*".

Reconciliation of Reported to Underlying Results

	Year ended 31 December 2017								
	NIBC Holding Reported Results[(1)]	Reconciliation Items Holding[(2)]	NIBC Bank	Reconciliation Items[(3)]	Special Items[(4)]	Underlying Results[(5)]	Corporate Client Offering	Retail Client Offering	Treasury & Group Functions
	(audited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
					(in € millions)				
Net interest income	342	24	366	—	—	366	204	127	35
Net fee and commission income	54	0	54	—	—	54	50	4	0
Investment income	67	0	67	—	—	67	66	—	1
Net trading income	98	(74)	25	—	—	25	37	(2)	(10)
Other operating income	(2)	3	0	—	—	0	0	0	0
Operating income	**559**	**(47)**	**512**	—	—	**512**	**357**	**130**	**25**
Operating Expenses	**233**	**(10)**	**223**	—	—	**223**	**121**	**63**	**39**
Impairments of financial assets	56	(21)	34	—	—	34	34	0	0
Profit before tax	**270**	**(16)**	**255**	—	—	**255**	**201**	**67**	**(13)**
Tax	54	(12)	42	—	—	42	35	16	(10)
Profit after tax	**216**	**4**	**213**	—	—	**213**	**166**	**50**	**(4)**
Result attributable to non-controlling interests	—	0	—	—	—	0	0	0	0
Net profit attributable to:	**216**	**3**	**213**	**—**	**—**	**213**	**166**	**50**	**(4)**
Shareholders of the company	213	3	210						
Holders of capital securities	3	—	3						
Non-controlling interests	—	—	—						

(1) Results of the Company together with its consolidated subsidiaries.

(2) Reconciliation Items Holding between NIBC and NIBC Bank consist of the income statement contributions of NIBC Investment Management N.V., NIBC Investments N.V., BEEQUIP B.V. and Vijlma B.V., which are all direct subsidiaries of the Company, and are hence not included in the results of NIBC Bank.

(3) Reconciliation Items between NIBC Bank and Underlying Results consist of income and expenses in respect of certain investments in non-financial companies over which NIBC has control, and which IFRS requires NIBC to consolidate. There were no Reconciliation Items related to non-financial companies in 2017, as the last of these investments was exited in 2015.

(4) Special Items between NIBC Bank and Underlying Results are material and non-recurring items which NIBC's management view as exceptional. There were no Special Items in 2017.

(5) Underlying results are referred to as "Internal Management Report" items in the financial statements of NIBC and NIBC Bank.

	Year ended 31 December 2016								
	NIBC Holding Reported Results[(1)]	Reconciliation Items Holding[(2)]	NIBC Bank	Reconciliation Items[(3)]	Special Items[(4)]	Underlying Results[(5)]	Corporate Client Offering	Retail Client Offering	Treasury & Group Functions
	(audited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
					(in € millions)				
Net interest income	293	14	306	—	—	306	162	117	27
Net fee and commission income	32	0	32	—	—	32	32	0	(1)
Investment income	23	0	23	—	8	31	33	—	(2)
Net trading income	34	(22)	12	—	—	12	16	(4)	(1)
Other operating income	31	(9)	22	—	(22)	0	0	0	1
Operating income	**413**	**(17)**	**395**	—	**(14)**	**381**	**244**	**114**	**24**
Operating Expenses	**206**	**(3)**	**203**	—	**(9)**	**194**	**118**	**57**	**20**
Impairments of financial assets	84	(12)	72	—	(14)	57	57	1	0
Profit before tax	**123**	**(3)**	**120**	—	**9**	**129**	**69**	**56**	**4**
Tax	19	(1)	18	—	7	25	12	14	0
Profit after tax	**104**	**(2)**	**102**	—	**2**	**104**	**58**	**42**	**4**
Result attributable to non-controlling interests	0	0	0	—	—	0	0	0	0
Net profit before special items	**104**	**(2)**	**102**	—	**2**	**104**	**58**	**42**	**4**
Special items[(4)] net of tax	—	—	—	—	—	(2)	(18)	—	16
Net profit attributable to:	**104**	**(2)**	**102**	—	**—**	**102**	**39**	**42**	**20**
Shareholders of the company	104	(2)	102						
Holders of capital securities	—	—	—						
Non-controlling interests	—	—	—						

(1) Results of the Company together with its consolidated subsidiaries.

(2) Reconciliation Items Holding between NIBC Holding and NIBC Bank consist of the income statement contributions of NIBC Investment Management N.V., NIBC Investments N.V., BEEQUIP B.V. and Vijlma B.V., which are all direct subsidiaries of the Company, and are hence not included in the results of NIBC Bank.

(3) Reconciliation Items between NIBC Bank and Underlying Results consist of income and expenses in respect of certain investments in non-financial companies over which NIBC has control, and which IFRS requires NIBC to consolidate. There were no Reconciliation Items related to non-financial companies in 2016, as the last of these investments was exited in 2015.

(4) Special Items between NIBC Bank and Underlying Results are material and non-recurring items which NIBC's management view as exceptional. The income statement contributions of these Special Items have been excluded from NIBC's underlying results in order to provide additional understanding of the financial performance of NIBC. For the year ended 31 December 2016, such Special Items included the after tax contribution of badwill (negative goodwill) from the acquisition of SNS Securities (subsequently renamed NIBC Markets) of €22 million, an after tax credit loss of €18 million resolving certain pre-financial crisis retail client exposures (consisting of the before-tax impact of a €14 million impairment of financial assets on these exposures, plus the additional before-tax impact of €8 million from the write-down of the equity value of these exposures) and a one-off after-tax expense of €6 million relating to outsourcing of NIBC's technical IT-environment and the integration of NIBC Markets. Compared with the underlying net profit, the combined effect of these Special Items was a decrease in net profit of €2 million for the year ended 31 December 2016.

(5) Underlying results are referred to as "Internal Management Report" items in the financial statements of NIBC and NIBC Bank.

	Year ended 31 December 2015								
	NIBC Holding Reported Results(1)	**Reconciliation Items Holding(2)**	**NIBC Bank**	**Reconciliation Items(3)**	**Special Items(4)**	**Underlying Results(5)**	**Corporate Client Offering**	**Retail Client Offering**	**Treasury & Group Functions**
	(audited)	**(unaudited)**	**(audited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
					(in € millions)				
Net interest income	274	12	286	—	—	286	149	114	22
Net fee and commission income	36	0	36	—	—	36	36	—	—
Investment income	24	—	24	(20)	—	4	3	—	1
Net trading income	0	(11)	(11)	—	—	(11)	7	(8)	(11)
Other operating income	20	(3)	17	(15)	—	2	—	—	1
Operating income	**354**	**(2)**	**352**	**(36)**	—	**316**	**197**	**106**	**13**
Operating Expenses	**193**	**(2)**	**191**	**(15)**	—	**176**	**104**	**48**	**25**
Impairments of financial assets	63	—	63	—	—	63	60	1	2
Impairments of non-financial assets	20	—	20	(20)	—	—	—	—	—
Profit before tax	**78**	**0**	**78**	**(1)**	—	**77**	**33**	**58**	**(14)**
Tax	8	(1)	7	(1)	—	6	0	14	(8)
Profit after tax	**70**	**1**	**71**	**0**	—	**71**	**34**	**43**	**(7)**
Result attributable to non-controlling interests	—	—	0	—	—	0	0	0	—
Net profit before special items	**70**	**1**	**71**	**0**	—	**71**	**34**	**44**	**(7)**
Special items(4) net of tax	—	—	—	—	—	—	—	—	0
Net profit attributable to:	**70**	**1**	**71**	—	—	**71**	**34**	**44**	**(7)**
Shareholders of the company	70	1	71						
Holders of capital securities	—	—	—						
Non-controlling interests	—	—	—						

(1) Results of the Company together with its consolidated subsidiaries.

(2) Reconciliation Items Holding between NIBC Holding and NIBC Bank consist of the income statement contributions of NIBC Investment Management N.V., NIBC Investments N.V., BEEQUIP B.V. and Vijlma B.V., which are all direct subsidiaries of the Company, and are hence not included in the results of NIBC Bank.

(3) Reconciliation Items between NIBC Bank and Underlying Results consist of income and expenses in respect of certain investments in non-financial companies over which NIBC has control, and which IFRS requires NIBC to consolidate. NIBC's management considers these investments to be non-strategic and the activities of these entities are non-financial. Accordingly, NIBC has exited these investments and the last investment of this type was exited during the financial year ended 31 December 2015. The combined effect of these Reconciliation Items did not result in any increase or decrease in underlying profit after tax during the year ended 31 December 2015.

(4) Special Items between NIBC Bank and Underlying Results are material and non-recurring items which NIBC's management view as exceptional. There were no Special Items in 2015.

(5) Underlying results are referred to as "Internal Management Report" items in the financial statements of NIBC and NIBC Bank.

Reconciliation of NIBC to NIBC Bank

	As at 31 December 2017		
	NIBC Holding financial position[(1)]	Reconciliation Items[(2)]	NIBC Bank financial position
	(audited)	(unaudited) (in € millions)	(audited)
Assets			
Financial assets at amortised cost			
Cash and balances with central banks	1,604	—	1,604
Due from other banks	965	3	962
Loans and receivables			
Loans	7,473	(276)	7,749
Residential mortgages own book	4,412	—	4,412
Debt investments	59	—	59
Financial assets available-for-sale			
Loans	—	—	—
Equity investments	36	—	36
Debt investments	823	—	823
Financial assets at fair value through profit or loss (including trading)			
Loans	181	—	181
Residential mortgages own book	4,581	—	4,581
Securitised residential mortgages	338	—	338
Equity investments (including investments in associates)	287	—	287
Debt investments	31	—	31
Derivative financial assets	1,021	—	1,021
Other			
Investments in associates (equity method)	10	—	10
Intangible assets	3	3	—
Property, plant and equipment	62	18	44
Deferred tax	38	31	8
Other assets	62	—	62
Assets held for sale	161	161	—
Current tax	1	—	1
Investment property	—	—	—
Total assets	**22,148**	**(61)**	**22,209**
Liabilities			
Financial liabilities at amortised cost			
Due to other banks	1,834	(1)	1,835
Deposits from customers	11,510	(26)	11,535
Own debt securities in issue	4,392	—	4,392
Debt securities in issue related to securitised mortgages and lease receivables	267	—	267
Financial liabilities at fair value through profit or loss (including trading)			
Own debt securities in issue	38	—	38
Debt securities in issue structured	616	—	616
Derivative financial liabilities	863	—	863
Other			
Other liabilities	113	2	111
Current tax	1	—	1
Deferred tax	4	—	4
Employee benefits	3	—	3
Liabilities held for sale	104	104	—
Subordinated liabilities			
Amortised cost	115	—	115
Fair value through profit or loss	167	—	167
Total liabilities	**20,027**	**80**	**19.947**
Equity			
Share capital	148	68	80
Other reserves	1,231	900	331
Retained earnings	323	(1,146)	1,469
Net profit after tax attributable to parent shareholder	213	3	210
Interim and final dividend paid	—	(31)	(31)
Equity attributable to shareholder of the company	1,915	(144)	2,059
Capital securities	203	—	203
Non-controlling interests	3	3	—
Total equity	**2,121**	**(141)**	**2,262**
Total liabilities and equity	**22,148**	**(61)**	**22,209**

(1) Financial position of the Company together with its consolidated subsidiaries.

(2) Reconciliation items between NIBC Holding and NIBC Bank consist of the balance sheet contribution of NIBC Investment Management N.V., NIBC Investments N.V., BEEQUIP B.V. and Vijlma B.V., which are all direct subsidiaries of the Company, and are hence not included in the financial position of NIBC Bank.

	As at 31 December 2016		
	NIBC Holding financial position[(1)]	Reconciliation Items[(2)]	NIBC Bank financial position
	(audited)	(unaudited)	(audited)
		(in € millions)	
Assets			
Financial assets at amortised cost			
Cash and balances with central banks	918	—	918
Due from other banks	1,468	(40)	1,428
Loans and receivables			
Loans	7,844	425	8,269
Residential mortgages own book	3,346	—	3,346
Debt investments	287	—	287
Financial assets available-for-sale			
Loans	—	24	24
Equity investments	41	—	41
Debt investments	1,028	—	1,028
Financial assets at fair value through profit or loss (including trading)			
Loans	210	—	210
Residential mortgages own book	4,124	—	4,124
Securitised residential mortgages	1,550	—	1,550
Equity investments (including investments in associates)	204	—	204
Debt investments	60	—	60
Derivative financial assets	1,811	6	1,817
Other			
Investments in associates (equity method)	7	—	7
Intangible assets	3	(3)	—
Property, plant and equipment	50	(6)	44
Deferred tax	46	(46)	—
Other assets	227	(4)	223
Assets held for sale	—	—	—
Investment property	271	(271)	—
Total assets	**23,495**	**85**	**23,580**
Liabilities			
Financial liabilities at amortised cost			
Due to other banks	1,290	—	1,290
Deposits from customers	11,802	25	11,827
Own debt securities in issue	3,855	—	3,855
Debt securities in issue related to securitised mortgages and lease receivables	1,337	—	1,337
Financial liabilities at fair value through profit or loss (including trading)			
Own debt securities in issue	37	—	37
Debt securities in issue structured	620	—	620
Derivative financial liabilities	2,006	—	2,006
Borrowings	49	(49)	—
Other			
Other liabilities	275	(40)	235
Deferred tax	3	—	3
Employee benefits	3	—	3
Liabilities held for sale	—	—	—
Subordinated liabilities			
Amortised cost	122	—	122
Fair value through profit or loss	276	—	276
Total liabilities	**21,675**	**(64)**	**21,611**
Shareholder's' equity			
Share capital	1,408	(1,328)	80
Other reserves	678	(284)	394
Retained earnings	(373)	1,766	1,393
Net profit attributable to parent shareholder	104	(2)	102
Interim and final dividend paid	—	—	—
Total parent shareholder's equity	**1,817**	**152**	**1,969**
Non-controlling interests	3	(3)	—
Total shareholder's equity	**1,820**	**149**	**1,969**
Total liabilities and shareholder's equity	**23,495**	**85**	**23,580**

(1) Financial position of the Company together with its consolidated subsidiaries.

(2) Reconciliation items between NIBC Holding and NIBC Bank consist of the balance sheet contribution of NIBC Investment Management N.V., NIBC Investments N.V., BEEQUIP B.V. and Vijlma B.V., which are all direct subsidiaries of the Company, and are hence not included in the financial position of NIBC Bank.

	As at 31 December 2015[3]		
	NIBC Holding financial position[1]	Reconciliation Items[2]	NIBC Bank financial position
	(audited)	(unaudited) (in € millions)	(audited)
Assets			
Financial assets at amortised cost			
Cash and balances with central banks	746	—	746
Due from other banks	1,766	(21)	1,745
Loans and receivables			
Loans	7,294	374	7,668
Residential mortgages own book	2,390	—	2,390
Debt investments	294	—	294
Financial assets available-for-sale			
Loans	—	18	18
Equity investments	48	—	48
Debt investments	1,064	—	1,064
Financial assets at fair value through profit or loss (including trading)			
Loans	316	—	316
Residential mortgages own book	4,111	—	4,111
Securitised residential mortgages	2,266	—	2,266
Equity investments (including investments in associates)	222	—	222
Debt investments	19	—	19
Derivative financial assets	2,141	10	2,151
Other			
Investments in associates (equity method)	7	—	7
Intangible assets	—	—	—
Property, plant and equipment	49	—	49
Deferred tax	51	(51)	—
Other assets	47	(3)	44
Assets held for sale	71	—	71
Investment property	251	(251)	—
Total assets	**23,153**	**76**	**23,229**
Liabilities			
Financial liabilities at amortised cost			
Due to other banks	829	—	829
Deposits from customers	11,746	27	11,773
Own debt securities in issue	3,050	—	3,050
Debt securities in issue related to securitised mortgages and lease receivables	2,062	—	2,062
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	2,356	(6)	2,350
Borrowings	77	(77)	—
Other			
Other liabilities	110	(18)	92
Deferred tax	1	—	1
Employee benefits	4	—	4
Liabilities held for sale	42	—	42
Current tax	1	(1)	—
Subordinated liabilities			
Amortised cost	120	—	120
Fair value through profit or loss	280	—	280
Total liabilities	**21,418**	**(75)**	**21,343**
Shareholder's equity			
Share capital	1,408	(1,328)	80
Other reserves	585	(287)	298
Retained earnings	(328)	1,765	1,437
Net profit attributable to parent shareholder	70	(1)	71
Interim and final dividend paid	—	—	—
Total parent shareholder's equity	**1,735**	**151**	**1,886**
Non-controlling interests	—	—	—
Total shareholder's equity	**1,735**	**151**	**1,886**
Total liabilities and shareholder's equity	**23,153**	**76**	**23,229**

(1) Financial position of the Company together with its consolidated subsidiaries.

(2) Reconciliation items between NIBC Holding and NIBC Bank consist of the balance sheet contribution of NIBC Investment Management N.V., NIBC Investments N.V., BEEQUIP B.V. and Vijlma B.V., which are all direct subsidiaries of the Company, and are hence not included in the financial position of NIBC Bank.

(3) Certain financial information for the year ended 31 December 2015 has been derived from the comparative information as included in the annual audited consolidated financial statements as at and for the year ended 31 December 2016, due to certain reclassifications in the presentation of financial information. See "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*".

Selected Non-IFRS Financial Measures, APMs and Capital Metrics

The table below sets forth selected alternative performance measures used by NIBC for the years ended 31 December 2017, 2016 and 2015. See *"Important Information—Presentation of Financial and Other Information"* for more details.

	As at and for the year ended 31 December		
	2017	2016	2015
	(unaudited, in € millions, unless otherwise indicated)		
Net interest margin for NIBC Holding(1) (in %)	1.60	1.47	1.34
Dividend payout ratio for NIBC Holding(2) (in %)	45	25	0
Underlying cost-to-income ratio of NIBC Bank(3) (in %)	44	51	56
Return on equity for NIBC Holding(4) (in %)	11.9	6.0	4.2
Total corporate and investment loans (drawn and undrawn)	9,200	9,473	9,122
Total corporate banking assets (drawn and undrawn)	9,825	10,243	9,894
Total retail banking assets(5)	9,146	8,831	8,580
Cost of risk for NIBC Holding(6) (in %)	0.62	0.74	0.73
Cost of risk for NIBC Bank(7) (in %)	0.38	0.61	0.71
Impairment ratio for NIBC Bank(8) (in %)	0.20	0.34	0.39
NPL ratio for NIBC Holding(9) (in %)	2.6	2.7	2.7
Impairment coverage ratio for NIBC Bank(10) (in %)	46	33	34
Loan-to-deposit ratio for NIBC Holding(11) (in %)	148	145	139
Total number of FTEs as of the end of the relevant period for NIBC	689	716	644

(1) Net interest income, expressed as a percentage of twelve-month average interest bearing assets.

(2) Dividends declared in relation to a given period, expressed as a percentage of net profit attributable to parent shareholders for the period.

(3) Underlying operating expenses, expressed as a percentage of underlying operating income.

(4) Net profit attributable to parent shareholders, expressed as a percentage of total shareholders' equity at the beginning of the relevant period, post-proposed dividend.

(5) Total retail banking assets include effect of netting savings values.

(6) Ratio of (i) the sum of the Company's impairments and the credit losses on the fair value of residential mortgages and loans (which are recognised in NIBC's net trading income) to (ii) the total risk weighted assets averaged over the reporting period.

(7) Ratio of (i) the sum of NIBC Bank's impairments and the credit losses on the fair value of residential mortgages and loans (which are recognised in NIBC Bank's net trading income) to (ii) NIBC Bank's total risk weighted assets averaged over the reporting period.

(8) Ratio of (i) NIBC Bank's underlying impairments of financial assets to (ii) the average carrying value of various asset items constituting NIBC's loans and residential mortgages.

(9) Total non-performing exposure for all corporate loans and residential mortgages, divided by the total exposure for corporate and investment loans (drawn and undrawn) and residential mortgages.

(10) Impairment amounts recognised on corporate and retail exposures, divided by impaired corporate and retail exposures. Impairment amounts include amounts recognised as IBNR.

(11) Ratio of NIBC's total loans and residential mortgages (both own book and securitised) to total deposits from customers.

The table below sets forth selected capital metrics used by NIBC for the years ended 31 December 2017, 2016 and 2015. See "*Important Information—Presentation of Financial and Other Information*" for more details.

	As at and for the year ended 31 December		
	2017	**2016**	**2015**
	(unaudited, in € millions, unless otherwise indicated)		
Risk-weighted assets(1)	8,584	9,930	9,848
Leverage ratio (fully loaded)(2) (in %)	7.7	6.5	6.1
CET1 ratio (fully loaded)(3) (in %)	19.3	15.1	13.9
Tier 1 ratio (fully loaded)(4) (in %)	20.4	15.1	13.9
BIS ratio (fully loaded)(5) (in %)	22.2	18.0	16.7
Liquidity coverage ratio(6) (in %)	196	124	201
Net stable funding ratio(7) (in %)	117	112	113

(1) Assets after being adjusted by a prescribed risk-weighting factor that reflects the relative risk attached to the relevant classes of assets. Risk-weighted assets are used to calculate the minimum amount of capital NIBC is required to hold.

(2) Tier 1 capital (fully loaded) expressed as a percentage of the aggregate of all of NIBC's exposure values of its assets and certain off-balance sheet items, calculated in accordance with the principles set out in the CRR and CRD IV. Tier 1 capital is calculated on a fully loaded basis, and includes share capital, share premium, retained earnings, accumulated other comprehensive income and other reserves and issued and paid up AT1 instruments, adjusted for certain deductions set out in the CRR/CRD IV, such as goodwill, shortfall, repurchased own shares and other eligible items.

(3) CET1 capital (fully loaded) expressed as a percentage of NIBC's total RWA. CET1 capital is calculated on a fully loaded basis.

(4) Tier 1 capital (fully loaded) expressed as a percentage of the total of NIBC's RWA. Tier 1 capital is calculated on a fully loaded basis and includes share capital, share premium, retained earnings, accumulated other comprehensive income and other reserves and issued and paid up AT1 instruments, adjusted for certain deductions set out in the CRR/CRD IV, such as goodwill, shortfall, repurchased own shares and other eligible items.

(5) NIBC's BIS ratio (fully loaded) is NIBC's total capital expressed as a percentage of NIBC's total RWA.

(6) The ratio of high quality liquid assets to the balance of anticipated cash outflows and cash inflows over a 30 calendar day stress period, calculated according to the Commission Delegated Regulation (EU) No 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions.

(7) The amount of available stable funding relative to the amount of required stable funding, and is based on NIBC's interpretation of the current Basel Committee guidelines, which may change in the future. "Available stable funding" is defined as the portion of capital and liabilities expected to be available over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance-sheet exposures.

SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in connection with the Financial Statements as included in this Prospectus beginning on page F-1 or incorporated by reference, as well as "*Operating and Financial Review*".

Average Balance Sheets and Interest Rate Data

The tables below set forth average balances of assets and liabilities of NIBC for the years ended 31 December 2017, 2016 and 2015. The table below has been calculated on the basis of average year-end balances.

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions)		
Assets			
Financial assets at amortised cost			
Cash and balances with central banks	1,261	832	610
Due from other banks	1,217	1,617	2,027
Loans and receivables			
Loans	7,659	7,569	7,144
Residential mortgages own book	3,879	2,868	1,734
Debt investments	173	290	327
Financial assets available-for-sale			
Equity investments	38	44	51
Debt investments	926	1,046	1,005
Financial assets at fair value through profit or loss (including trading)			
Loans	195	263	345
Residential mortgages own book	4,352	4,117	3,776
Securitised residential mortgages	944	1,908	2,993
Equity investments (including investments in associates)	246	213	249
Debt investments	46	39	28
Derivative financial assets	1,416	1,976	2,496
Other			
Investment property	136	261	126
All other assets(1)	335	279	238
Average assets	**22,822**	**23,324**	**23,146**

	As at 31 December		
	2017	2016	2015
	(unaudited, in € millions)		
Liabilities			
Financial liabilities at amortised cost			
Due to other banks	1,562	1,060	994
Deposits from customers	11,656	11,774	11,042
Own debt securities in issue	4,123	3,452	2,557
Debt securities in issue related to securitised mortgages and lease receivables	802	1,700	2,705
Financial liabilities at fair value through profit or loss (including trading)			
Borrowings	24	63	39
Own debt securities in issue	38	36	36
Debt securities in issue structured	618	662	764
Derivative financial liabilities	1,435	2,181	2,787
Other			
All other liabilities(2)	201	199	130
Liabilities held for sale	52	21	21
Subordinated liabilities			
Amortised cost	119	121	94
Fair value through profit or loss	221	278	267
Average liabilities	**20,851**	**21,547**	**21,437**

(1) Includes investments in associates (equity method), intangible assets, PPE, current tax, deferred tax and assets held for sale.

(2) Includes current tax, deferred tax and employee benefits.

The table below sets forth the amount of net interest income generated from, and the average portfolio spread of interest bearing assets and liabilities of NIBC Bank for the years ended 31 December 2017, 2016, and 2015. The average portfolio spreads presented are calculated using the weighted average of all credit spreads on each asset or liability on a monthly basis. The average portfolio spread per year is the sum of monthly spreads divided by 12 months, and the interest figures shown are the product of the average volume and average portfolio spread for each item.

	NIBC Bank N.V.								
	Year ended 31 December								
	2017			2016			2015		
	Average Volume	Average Portfolio Spread	Interest	Average Volume	Average Portfolio Spread	Interest	Average Volume	Average Portfolio Spread	Interest
	€ millions	%	€ millions	€ millions	% (unaudited)	€ millions	€ millions	%	€ millions
Assets									
Corporate Loans	8,287	2.77	230	8,081	2.71	219	7,516	2.52	189
Residential Mortgages	8,786	2.50	219	8,182	2.58	211	7,695	2.53	195
Debt Investments	1,066	0.34	4	1,353	0.40	5	1,453	0.40	6
Cash and Banks	2,361	(0.07)	(2)	2,148	(0.08)	(2)	2,364	(0.07)	(2)
Amortising fees Corporate Client Offering			41			39			42
Other Corporate Client Offering			14			9			22
Interest bearing assets[1]	**20,499**	**2.47**	**506**	**19,765**	**2.47**	**482**	**19,028**	**2.38**	**452**
Liabilities									
Retail on demand	5,506	0.53	29	4,997	0.74	37	4,697	0.97	45
Retail term deposits	3,919	1.48	58	5,037	1.68	85	4,745	1.75	83
Institutional ESF deposits	1,525	0,82	13	1,321	0.88	12	1,127	0.86	10
Wholesale unsecured	3,503	1.41	49	2,881	1.50	43	2,452	1.38	34
Wholesale secured	4,553	0.58	27	4,535	0.88	40	5,041	1.09	55
Interest bearing liabilities[1]	**19,006**	**0.92**	**176**	**18,771**	**1.15**	**216**	**18,062**	**1.26**	**227**
Net interest income from business			330			266			226
Net interest income from mismatch[2]			14			29			44
Net interest from TLTRO			5						
Other			17			11			17
Net interest income			**366**			**306**			**286**

(1) Based on net notional interest-bearing assets and liabilities.

(2) Represents net interest income from NIBC's strategic interest rate mismatch position.

Analysis of Changes in Interest Income—Volume and Rate Analysis

The following table analyses the change in NIBC's net interest income resulting from fluctuations in the average volumes and average portfolio spread for each period presented. Averages are calculated on the basis of the monthly average balance sheet totals set forth in the preceding table. The average portfolio spreads presented are calculated using the weighted average of all underlying spreads on each asset or liability on a monthly basis. The average portfolio spread per year is the sum of monthly portfolio spreads divided by 12 months.

	2017 compared with 2016			2016 compared with 2015		
	Increase / (Decrease) due to changes in:					
	Average Volume	Average Portfolio Spread	Net Change	Average Volume	Average Portfolio Spread	Net Change
	(unaudited, in € millions)					
Assets						
Corporate loans	6	6	11	14	15	30
Residential mortgages	16	(7)	8	12	4	16
Debt investments	(1)	(1)	(2)	—	—	—
Cash and banks	(0)	—	—	—	—	—
Amortising fees Corporate Client Offering	—	—	2	—	—	(3)
Other Corporate Client Offering	—	—	5	—	—	(13)
Interest bearing assets	**20**	**(2)**	**24**	**26**	**19**	**29**
Interest Expense from Liabilities						
Retail on demand	(4)	11	7	(3)	12	9
Retail time deposits	19	8	27	(5)	3	(2)
Institutional ESF deposits	(2)	1	(1)	(2)	—	(2)
Wholesale unsecured	(9)	3	(6)	(6)	(3)	(9)
Wholesale secured	(0)	13	13	6	10	15
Interest bearing liabilities	**4**	**37**	**40**	**(10)**	**(1)**	**(11)**
Net interest from business	24	35	64	16	40	40
Net interest from mismatch[(1)]			(15)			(14)
Net interest from TLRO			6			
Other			6			(6)
Change in net interest income	**24**	**35**	**60**	**16**	**40**	**20**

(1) Represents net interest income from NIBC's strategic interest rate mismatch position.

Investment Portfolio

NIBC's investment portfolio is comprised of: financial assets at amortised cost (debt investments), financial assets available for sale (equity investments and debt investments) and financial assets at fair value through profit and loss (including trading) (equity investments (including investments in associates) and debt investments). For an analysis of these items see Notes 18, 19, 20, 24 and 25 to the Financial Statements for the year ended 31 December 2017 beginning on pages F-72 and F-77 and Notes 17, 18, 19, 23 and 24 to the Financial Statements for the year ended 31 December 2016 beginning on pages F-274 and F-280, respectively.

Loan Portfolio

Outstanding Loans and Advances by Industry Sector

See "*Risk Management—Credit Risk—Corporate Banking Portfolio*".

Credit Quality of Loans and Other Financial Assets

See "*Risk Management—Credit Risk—Quality of Corporate Loan Portfolio*" and "*Risk Management—Credit Risk—Quality of Residential Mortgage Loan Portfolio*".

Age Analysis of Past Due Accounts

See "*Risk Management—Credit Risk—Arrears*" and "*Risk Management—Credit Risk—Quality of Residential Mortgage Loan Portfolio*".

Contractual Maturities of Assets and Liabilities

See "*Risk Management—Liquidity Risk—List of Maturities*".

OPERATING AND FINANCIAL REVIEW

This section should be read in conjunction with the audited consolidated financial information of NIBC as at and for the years ended 31 December 2017, 2016 and 2015, and should be read in conjunction with the information contained in "Risk Factors", "Important Information—Presentation of Financial and Other Information", "Capitalisation and Indebtedness", "Selected Consolidated Financial Information" and the Financial Statements, including the notes thereto, included in this Prospectus, or incorporated by reference, and other financial data appearing elsewhere in this Prospectus. Certain figures in this section may not add up exactly due to rounding. In addition, certain percentages in this section have been calculated using rounded figures.

NIBC uses the following segmentation: Corporate Client Offering, Retail Client Offering and Treasury and Group Functions. NIBC's two core segments (Corporate Client Offering and Retail Client Offering) represent the significant majority of its financial results and financial position for the periods presented.

Overview

NIBC is a mid-size Dutch head-quartered bank offering selected corporate and retail banking products and services. The business model of NIBC consists of a focused product offering with strong sector expertise for mid-market corporates and a distinct retail franchise in its selected markets.

NIBC's primary operational segments are its Corporate Client Offering segment and its Retail Client Offering segment. NIBC's Corporate Client Offering offers its mid-market corporate clients specific products across a broad spectrum of advising, structuring, financing and co-investing across debt and equity through a dedicated sector approach, with a focus on chosen sub-sectors and products Northwest Europe with a focus on the Netherlands and Germany. The Retail Client Offering is an offering that primarily consists of mortgage lending in the Netherlands and online retail savings products and services in the Netherlands, Germany and Belgium via the NIBC Direct brand.

NIBC serves its clients from offices in The Hague, Amsterdam, Frankfurt, London and Brussels. For its Corporate Client Offering, NIBC provides services to approximately 700 corporate clients. Additionally, 800 investor clients and 300 leasing clients are serviced by the Corporate Client Offering. For its Retail Client Offering, NIBC serves approximately 400,000 retail clients. The Corporate Client Offering segment is operationally organised by sectors and products while the Retail Client Offering segment is organised by product. The figure below presents an overview of the product and service offering of both operational segments.

Note: Unaudited figures presented as at 31 December 2017 for NIBC Bank .

NIBC's activities also include its Group Functions, which consist of departments that provide essential support and control to the operational segments. These departments include Treasury and Asset & Liability Management, Risk Management, HR & Corporate Communications, Internal Audit, Legal, Compliance & Regulator Affairs, Operations & Facilities, IT, Finance & Tax, and Strategy & Development.

Recent Developments

In January 2018 NIBC's business developed in line with management's expectations. Profitability for the month of January 2018 was above that for the comparable period in 2017, and the level of corporate and mortgage loans on NIBC's balance sheet was roughly at the same level as at 31 December 2017, adjusted for the impact on mortgage loans from the implementation of IFRS 9.

With respect to funding, in January and February 2018, besides smaller debt issues and repayments from the normal course of business, the only substantial transaction executed in 2018 was the issue of €500 million of Covered Bonds repayable on 24 January 2028. The spread on the Covered Bonds is 0.05 per cent over mid-swaps.

On 27 February 2018, NIBC committed to invest €56 million into funds operated by J.C. Flowers & Co. for the acquisition of HSH Nordbank AG by a consortium including J.C. Flowers & Co. The acquisition of HSH Nordbank AG is subject to various conditions, including regulatory approvals. If the purchase of HSH Nordbank AG is completed, NIBC will hold an indirect equity interest of 5 per cent in HSH Nordbank AG. It is estimated that NIBC's investment will have an impact on NIBC's CET1 ratio of negative 0.4 per cent.

Key Factors Affecting Business and Results of Operations

Macroeconomic and Financial Market Conditions in Europe, and particularly in the Netherlands

The macroeconomic environment in Europe, and particularly in the Netherlands and Germany, affects NIBC's financial performance and results of operations, in particular with respect to the performance of the housing market, the retail savings market, business and consumer confidence, the corporate lending market, interest rates and specific regulatory actions related to the economy. The overall performance of the Dutch, German and, to a lesser extent, the wider European economy drives economic activity, business investment, real estate prices and aggregate savings balances, which affect NIBC's performance. The economy of the Netherlands, in particular, is heavily export oriented and, therefore, highly sensitive to regional and global economic conditions. The wider European economy has experienced a significant degree of turbulence and a period of recession that commenced in 2008 with the start of the global financial crisis. Should significant periods of market disruption recur, NIBC may experience an increase in defaults and impairments, limited access to external funding sources, the failure of significant market counterparties or other negative consequences. See "*Risk Factors—Risks Relating to NIBC's Business and Industry—Insolvencies in the financial sector or the default of sovereign debtors could, due to the worldwide interdependency of the financial markets, have an adverse effect on the entire financial sector, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects*".

Economic indicators in the Netherlands have recently exhibited signs of improvement, including a gradual improvement in employment rate, increased consumer consumption levels, continued low interest rates, improved business and consumer confidence and an improved housing market, and NIBC believes that these signs of economic recovery will provide a favourable environment for the development of NIBC's strategy and results of operations in the future. Specifically, house prices in the Netherlands, which affect NIBC's mortgage business through its Retail Client Offering segment, are broadly correlated with economic growth and have grown significantly since mid-2015, in line with the Dutch economy's recovery, resulting in positive developments in NIBC's residential mortgage lending portfolio. The percentage of NIBC's owner-occupied mortgage loans in arrears (for more than 90 days) has decreased from 0.7 per cent as at 31 December 2015 to 0.5 per cent as at 31 December 2017. On the other hand, the maturity and relative saturation of the residential mortgage origination market in the Netherlands has also meant that origination volumes and credit spreads have more recently been under pressure. NIBC believes that competition in the residential mortgage market has been increasing as existing players attempt to maintain origination volumes and new entrants, which include foreign entities, pension funds and insurance companies, enter the market. Furthermore, business confidence and economic output in the Netherlands and Germany, which are correlated with demand for NIBC's commercial lending products and fee and commission business through its Corporate Client Offering segment, have improved since 2014, resulting in increased demand for NIBC's products and services. Demand for NIBC's corporate lending products has increased and NIBC's corporate loan portfolio (drawn and undrawn) has grown from €9,122 million as at 31 December 2015 to €9,200 million as at 31 December 2017. While upheaval in the Offshore Energy and Shipping & Intermodal client sectors has resulted in a reduction in NIBC's lending activity in these sectors (declining from a total loan portfolio of €2.8 billion as at 31 December 2015 for these sectors to €2.2 billion as at 31 December 2017), growth in the corporate lending sectors, including leveraged finance, have more than offset this decline. Aggregate savings balances, which represent the supply of savings held by consumers available for banks as a source of funding, have also grown in recent years. These developments reflect the upturn in Dutch GDP growth in recent quarters, which has further supported the performance of NIBC.

Interest Rates and Net Interest Income

The level of interest rates, which is dependent to a large extent on general economic conditions, affects NIBC's results. In particular, fluctuations in interest rates have a direct effect on net interest income, which contributed the significant majority of NIBC's revenue during the period under review. Net interest income has increased largely as a result of the decrease of NIBC's cost of funds (which declined from 122 basis points in 2015 to 101 basis points in 2016 and 87 basis points in 2017), higher loan volume in NIBC's corporate loan portfolio, and an increase in the size of NIBC's residential mortgage portfolio. Driven by these two asset classes, NIBC's average interest-earning assets increased from €15.2 billion as at 31 December 2015 to €16.3 billion as at 31 December 2016 and €17 billion as at 31 December 2017. NIBC has focused at the same time on reducing its funding costs relative to its interest income, which has resulted in an increase in net interest income from €274 million for the year ended 31 December 2015, to €293 million for the year ended 31 December 2016 and to €342 million for the year ended 31 December 2017.

Several factors have had an impact on the absolute levels of net interest income in the period under review, including the volume of assets held which generate interest income (specifically residential mortgages and corporate loans), and the interest margin NIBC earns on those assets, after funding costs are taken into account; the general interest rate environment, which impacts levels of borrower demand; and general conditions in the capital markets, including available investment yields on fixed-income securities and NIBC's cost of funds.

Generally, NIBC's net interest income declines with falling interest rates and increases with rising interest rates due to the generally corresponding reduction or increase in its interest margin, see "*Risk Factors—Risks Relating to NIBC's Business and Industry—Volatility in and the current low interest rate environment has affected in the past and may continue to materially and adversely affect NIBC's business, financial condition, results of operations and prospects*". Interest rates in the European Monetary Union have declined steadily during the period under review to their current historical low. The result has been the current low interest rate environment in the Netherlands, in Europe and globally which has maintained prevailing interest rates at or near zero for a substantial period of time. The European Central Bank and certain other monetary authorities have instituted and maintained negative interest rates on reserves maintained by commercial banks with central banks. As a result of the current environment of low interest rates, NIBC's interest-earning assets (in particular residential mortgage loans and corporate loans) generate ever-lower yields upon origination or refinancing, and other loans and securities held in the investment portfolio are also generating lower levels of interest income, compared with historical levels. However, NIBC's net interest income has increased during the period under review as a result of several factors, including growth in the volume of NIBC's corporate loan portfolio, an increase in the size of NIBC's residential mortgage portfolio, as well as NIBC's focus on the quality and tenor of its corporate loan portfolio and mortgage book. NIBC's focus on reducing its cost of funds and funding spread, which has resulted in average credit spreads on NIBC's interest-bearing liabilities decreasing from 126 basis points in 2015, to 115 basis points in 2016 and 92 basis points in 2017, has been partially offset by a decrease in net interest income resulting from NIBC's strategic interest rate mismatch exposures, as interest rate volatility has declined and yield curves have flattened. The Company manages its interest rate mismatch exposures according to a policy framework approved by the Asset and Liability Committee (part of its IRRBB framework) by which it hedges most of its interest-bearing assets to 3-month EURIBOR/LIBOR. Due to the very low interest rate environment and flat yield curves during the last few years, the Company determined that it would not be prudent to increase its mismatch exposures in such an environment. Accordingly, these exposures, and the interest income resulting from such exposures, have gradually reduced during the period under review.

NIBC's focus on growing its loan portfolio has resulted in an overall increase in net interest income over the periods under review. At the same time, NIBC's interest expenses have decreased as the interest rate paid by NIBC on savings and deposits as well as on wholesale funding (issued debt securities as presented on the balance sheet) has decreased. This decrease was driven by the decrease in base rates as well as the decrease of NIBC's cost of funds and of its average credit spreads on NIBC's interest-bearing liabilities.

NIBC seeks to limit the impact of changing interest rates on its net interest income by hedging its exposures. For additional information, see "*Risk Management—Interest Rate Risk*".

In addition, NIBC is subject to costs resulting from its liquidity buffer, as a result of negative interest rates charged by the DNB, which cannot be fully passed on to customers in the form of zero or below zero interest rates on customer savings. NIBC offers savings rates to customers, which have decreased, largely in line with

3 month EURIBOR rates, from an average of 1.25 per cent in 2015 to an average of 0.45 per cent in 2017 in the Netherlands, from an average of 0.96 per cent in 2015 to an average of 0.40 per cent in 2017 in Germany and from an average of 1.29 per cent in 2015 to an average of 0.28 per cent in 2017 in Belgium. NIBC's net interest margin is driven by the rates it charges on its corporate loans and residential mortgages, relative to its cost of funds. NIBC's cost of funds was 1.22 per cent, 1.01 per cent and 0.87 per cent for the years ended 31 December 2015, 2016 and 2017, respectively. NIBC's net interest margin has increased during the period under review, from 1.34 per cent in the year ended 31 December 2015, to 1.47 per cent in the year ended 31 December 2016 and to 1.60 per cent in the year ended 31 December 2017. If interest rates decline further, NIBC's net interest income and net interest margin may also decline. However, if interest rates start rising again, in a sustained fashion NIBC may be able to increase its net interest income and net interest margin, but also faces higher potential for defaults by borrowers, particularly in times of economic uncertainty.

Growth in Non-Interest Income and Income Diversification

NIBC seeks to increase the proportion of its operating income attributable to fees and other income and other non-interest income. In line with its Strategic Priority 3: Diversification of income, NIBC seeks to (i) further promote its originate-to-manage product through both its retail clients and its institutional clients, (ii) increase focus on high value added lending solutions that generate fee income in addition to interest income, (iii) maintain a focused corporate finance advisory franchise, (iv) transform and expand its newly acquired capital markets and corporate finance platform, and (v) target growth of its Equity Solutions offering in conjunction with its mezzanine products. As described in more detail below, these initiatives have promoted growth in NIBC's net fee and commission income, investment income and net trading income over the periods under review.

- Net fee and commission income is primarily driven by loan origination volumes (both in its corporate loan portfolio as well as originate-to-manage residential loans) impacting arrangement, structuring and distribution fees, transaction volumes for agency and underwriting services, investment management services, advisory and brokerage fees and other, including investment banking services such as corporate finance advisory, fees for the provision of loans and guarantees and other services. Net fee and commission income is also affected by economic developments in general (i.e., fewer payments and fewer fees overall as a result of lower economic activity) and the performance of capital markets in particular (lower number and volume of transactions resulting in decreased transaction and asset management fees). Transaction fees also benefit from volatility, even if markets go down. Demand for NIBC's advisory services, and its net fee and commission income for advisory services, are generally highest during conditions of either rapid economic growth, characterised by high levels of M&A and equity capital markets activity, or in the context of a poor business environment featuring higher levels of loan non-performance and corporate distress. Net fee and commission income also includes NIBC's investment management fee business, for which the performance fees strongly depend on the performance of underlying equity and mezzanine funds. The performance of such funds is related to sentiment and developments in the equity markets. As a result, net fee and commission income has varied significantly during the period under review, amounting to €36 million for the year ended 31 December 2015 compared with €32 million for the year ended 31 December 2016 and €54 million for the year ended 31 December 2017. Furthermore, the acquisition of SNS Securities (subsequently renamed NIBC Markets) in June 2016 positively affected net fee and commission income by contributing €4 million in the year ended 31 December 2016 and €7 million in the year ended 31 December 2017. See "—*Acquisitions and Divestments*". Substantially all net fee and commission income in the period under review was generated in the Corporate Client Offering segment. The Retail Client Offering segment generated nil commission income in the year ended 31 December 2016 and €4 million in the year ended 31 December 2017, with the increase due to the launch of NIBC's originate-to-manage product in 2016. NIBC believes that its originate-to-manage product will increase contribution to its fee income in future periods.
- On 30 June 2016, NIBC completed the acquisition of SNS Securities (subsequently renamed NIBC Markets), which operates as part of the Corporate Client Offering segment as NIBC Markets. The acquisitions of SNS Securities combined with NIBC's existing corporate finance services means NIBC, through NIBC Markets, is able to offer investment banking services, including equity capital markets, debt capital markets, private placements, mergers and acquisition advisory and equity research. Net fee and commission income from these activities amounted to €4 million in the year ended 31 December 2016 and to €7 million in the year ended 31 December 2017.
- Investment income consists of gains less losses from financial assets, dividend income and share in result of associates, primarily relating to equity investments, and is driven by sensitivity to the sentiment in the

equity markets and can therefore be more volatile year on year. In 2017, the equity investment portfolio performed well on the back of economic upturn in the Northwest European economies, leading to an increase of NIBC's investment income from €24 million as at 31 December 2015 to €67 million as at 31 December 2017. The improvement in investment income in 2017 was mainly driven by a higher valuation of NIBC's portfolio.

- Net trading income consists of all gains less 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 less losses on financial assets and financial liabilities, excluding those presented under investment income. In 2017, €99 million of net trading income was related to the sell down of the Vijlma B.V. portfolio, compared with €22 million in 2016. In addition, the revaluation of residential mortgages accounted at fair value through profit or loss, as well as the acquisition of SNS Securities (subsequently renamed NIBC Markets), results from hedging the mortgage pipeline, hedging ineffectiveness, and an early redemption of a funding transaction all contributed to the 2017 net trading income result.

Equity Participations

As part of its Mezzanine and Equity Solutions Corporate Client Offering, NIBC's Equity Solutions offering acquires minority equity stakes in unlisted companies for NIBC's own account, where the size of the investment is evaluated on a case-by-case basis by the Investment Committee. Equity participations are offered as part of Project Equity, Equity Solutions and Fund Solutions pillars of Mezzanine and Equity Solutions Corporate Client Offering Equity Solutions does not involve distressed, turnaround or early-stage investments. During the period under review, NIBC has increased its equity participations held, from €300 million as at 31 December 2015 to €262 million as at 31 December 2016 to €343million as at 31 December 2017.

In addition, in certain cases, NIBC has acquired control of certain non-strategic investments (e.g., Vijlma and Olympia), for instance after conversion of debt to equity upon default by the borrower. Although NIBC will typically aim to sell its interests in both controlled and non-controlled investments in due course, those investments over which NIBC has control according to IFRS are consolidated in NIBC's results of operations during the periods held. During the period under review, NIBC has decreased the total value of its controlled investments from €11 million as at 31 December 2015 to negative €1 million as at 31 December 2016 and nil as at 31 December 2017 (excluding the Vijlma transactions).

Results from NIBC's equity participations are shown as investment income on its consolidated income statement, which reflects gains less losses from financial assets, dividend income from those participations and share in result of associates.

Operating Expenses

NIBC's level of operating expenses, and its ability to leverage its cost base and infrastructure to generate higher levels of profit before tax, is a key driver of its results. NIBC's ability to grow its profitability depends in part on its ability to expand its business in line with its strategy while managing its total operating expenses. NIBC has sought to leverage its scalable, fixed cost platforms by efficiently managing its costs through banking on its agile and empowered organisational structure, investing permanently in relevant systems and fine tuning the organisation, among others, though a reorganisation of parts of the capital markets activities as well as outsourcing IT operations, centralising certain functions and providing an ability to adjust to peaks and troughs in demand for various products.

NIBC's ongoing changes in its business and strategy have resulted in certain additional or non-recurring expenses which have increased NIBC's cost base, resulting in higher costs in the recent past, although NIBC seeks to adapt to any changes, additions and new regulations without increasing its overall staff costs. The acquisition of SNS Securities (subsequently renamed NIBC Markets) in June 2016 contributed €11 million to NIBC's operating expenses in the year ended 31 December 2016 and €21 million (of which €5 million was non-recurring) in the year ended 31 December 2017. In addition, in common with other European financial institutions, NIBC has experienced an increase in regulatory charges during the period under review, primarily resulting from contributions to the DGS scheme and from the resolution levy following the implementation in November 2015 of the BRRD in the Netherlands. As a result, regulatory charges in operating expenses increased from €4 million in the year ended 31 December 2015 to €15 million in the year ended 31 December 2016 and €14 million in the year ended 31 December 2017. Regulatory requirements also have a significant impact on NIBC's IT related expenses, which increased by €12 million in 2017, compared with 2016 and 2015. This increase mainly relates to the strengthening of the Bank's current infrastructure, improvement of business platforms, including phasing out of some legacy systems, regulatory projects such as MiFID II and IFRS 9 and an IT transition programme started in the second half of the financial year 2016, see "*Business—Information Technology*" for information on the IT transition programme.

Excluding the increase in operating expenses attributable to SNS Securities and the above-described regulatory and related charges, NIBC's expenses have remained relatively stable during the period under review as a result of its efforts to control operating expenses, while its business, revenues and operations have grown. As a result, NIBC Bank's underlying cost-to-income ratio decreased from 56 per cent in 2015, to 51 per cent in 2016 and to 44 per cent in 2017. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

Levels of Non-Performing Loans, Impaired Loans and Forbearance

NIBC endeavours to manage its credit risk so as to maintain a high quality balance sheet and minimise its level of non-performing loans, impaired loans and forborne exposures. See "*Risk Management—Credit Risk—Development of Credit Quality*" and "*Risk Management—Credit Risk—Breakdown of Credit Risk Portfolio*". Non-performing loans on NIBC's balance sheet have declined during the period under review, amounting to €485 million as at 31 December 2015, to €475 million as at 31 December 2017, and representing a stable NPL ratio, which was calculated as 2.7 as at 31 December 2015, 2.7 as at 31 December 2016, and 2.6 as at 31 December 2017, even as the Company's total assets grew over the same period, demonstrating the improvement in credit quality. Due to such growth in assets, accompanied by a stable NPL ratio, total impaired loans on NIBC's balance sheet have decreased during the period under review, amounting to €332 million as at 31 December 2015and €321 million as at 31 December 2017. Furthermore, forborne exposures have increased during the period under review, from €619 million for the year ended 31 December 2015, €809 million for the year ended 31 December 2016 and €891 million for the year ended 31 December 2017.

The increases in total forborne exposures are primarily a result of challenging conditions in the Offshore Energy client sector. NIBC is closely monitoring its exposures to clients in the Offshore Energy client sector, and believes the increase in forborne exposures in this sector is the result of general market conditions rather than the specific performance or financial condition of any particular borrower or borrowers in this sector. An asset quality review of the corporate loan book, conducted by the DNB in 2016 resulted in additional impairments of €20 million in the year ended 31 December 2016, constituting 5 per cent of total impaired loans or 0.1 per cent of NIBC's total loan exposure including mortgages as at 31 December 2016. In the same year the calculation of the IBNR provision was adjusted, resulting in an additional charge of €5 million. From 1 January 2018, with the implementation of IFRS 9, NIBC will no longer utilise an IBNR provision. At the same time, the Dutch macroeconomic environment has also been generally improving and relatively stable, reducing the stress on borrowers which might have undermined their ability to service their loans.

NIBC's proactive approach to restructuring and high collateralisation for its loans enables the Company to actively manage potential loan losses, with NIBC Bank's cost of risk and impairment ratio trending downwards during the period under review, as demonstrated by the decrease in NIBC Bank's cost of risk from 0.71 per cent in 2015 to 0.61 per cent in 2016 and to 0.38 per cent in 2017, and the decrease in NIBC Bank's impairment ratio from 0.39 per cent as at 31 December 2015 to 0.20 per cent as at 31 December 2017.

Acquisitions and Divestments

As a result of the financial crisis in 2008 and the loan restructuring process resulting from it, NIBC acquired certain significant shareholdings in companies under stress following a restructuring of its loan portfolio and, in specific cases, also acquired or absorbed operations (including assets and liabilities) as part of the restructuring process. These restructured loans had an impact on NIBC's business, financial position and results of operations during the period under review, particularly in terms of their impact on the line items share of profit of associates, which had consequently experienced significant variation during the period under review. However, because NIBC's exposure to these assets has now been substantially reduced, they are not expected to have a significant impact on NIBC's business going forward.

BEEQUIP

In July 2016, NIBC acquired a 75 per cent strategic stake against a consideration of €9 million in the newly established equipment leasing company BEEQUIP. NIBC has also committed itself to provide BEEQUIP with capital to finance its growth plans. At present, BEEQUIP focuses on the financing and leasing transactions related to handling both new and second hand equipment for SME businesses in the infrastructure, earthmoving, construction and logistics sectors.

Olympia

In September 2015, NIBC committed to a plan to sell its non-financial company Olympia, which was consequently classified as a disposal group held for sale. In February 2016, NIBC reached an agreement on the sale for a consideration of €9 million of Olympia to a third party, which was closed on 2 June 2016.

SNS Securities (renamed NIBC Markets)

On 30 June 2016, NIBC acquired all shares in SNS Securities, for a total consideration of €4 million, including cash paid and liabilities assumed. The results of operations of SNS Securities (subsequently renamed NIBC Markets) have been consolidated with the results of NIBC since 1 July 2016. In January 2017, NIBC announced that, despite their contribution to NIBC Markets, the activities of NIBC Vermogensbeheer services (which provides third party execution and specialised asset management service) was no longer part of the strategic priorities of NIBC due to its current and expected scale and profitability, increasing regulatory pressures and resulting resource requirements, as a result of which NIBC decided to discontinue these services in the first half of 2017. NIBC completed the reorganisation of NIBC Markets prior to the end of 2017.

Sell down of German residential real estate portfolio (the "Vijlma" transaction)

Beginning in 2015 and until the end of 2017, NIBC undertook a project to resolve and sell down a substantial German residential real estate portfolio acquired by the Company in mid-2015 pursuant to certain restructuring transactions. The portfolio was held by a subsidiary of the Company, Vijlma B.V., which in turn held the portfolio through 77 special purpose vehicles. The commercial real estate legacy portfolio was sold to reduce the lenders', one of which was NIBC Bank, "at risk" loan exposure to historic financing arrangements provided by the lenders in connection with the real estate portfolio. The real estate portfolio was sold in a number of clusters and the gross receipts from the sales, totalling €391 million, have fully repaid the historic financing arrangement (a portion of which remains to be settled in 2018).

Regulatory Developments

NIBC conducts its business in an environment that is highly regulated by financial services laws and regulations, corporate governance and administrative requirements and policies, in most or all of the locations in which it operates or enters into transactions with clients or other parties. Principal regulators include the DNB and AFM in the Netherlands, the BAFIN and Deutsche Bundesbank in Germany, the SRB and the ECB. Regulations are subject to constant change and this environment has affected, and will continue to affect, NIBC's results of operations in a number of ways. The Basel III Framework implemented through CRD IV and the CRR have resulted in NIBC being subject to stricter and higher capital and liquidity requirements. Future changes may also affect the scope, coverage, or calculation of capital and RWAs, all of which could require NIBC to reduce business levels or to raise capital. Furthermore, additional regulation often imposes additional regulatory expenses, including, in the Netherlands, mandatory contributions to the DGS and the National Resolution Funds.

The cost of regulatory requirements are reflected in part in the regulatory charges and levies line item on NIBC's consolidated income statement, which is comprised of expenses for the resolution levy after the implementation in November 2015 of the BRRD in the Netherlands and the DGS. Regulatory charges in operating expenses increased from €4 million in the year ended 31 December 2015 to €15 million in the year ended 31 December 2016 and €14 million in the year ended 31 December 2017. Since the implementation of the DGS Directive in 2015, banks with guaranteed saving deposits under a Dutch banking license, such as NIBC, have been required to *ex-ante* fund the DGS. The contributions are based on the level of deposits guaranteed and the risk profile of the bank, as determined by the DNB. Additionally, NIBC has been required to make annual contributions to the National Resolution Fund starting in 2015. Since 1 January 2016, NIBC has been required to make contributions to the Single Resolution Fund. However, any contributions received by the National Resolution Fund since such date are transferred to the Single Resolution Fund and deducted from the contributions payable thereto, as a result of which NIBC's total resolution fund contributions have not materially increased. NIBC has also been required to pay an annual contribution for the supervision of the European Central Bank starting in 2015.

Segmental Analysis

In 2016, NIBC changed its single operating segment to three reporting segments: Corporate Client Offering, Retail Client Offering and Treasury and Group Functions. This change has been implemented primarily to improve transparency in reporting of the business units and to reflect its management structure at the Executive

Committee level. The comparative figures have been adjusted accordingly. The new format of presentation has no effect on the overall historical group results or financial position of NIBC.

NIBC's operating segments consist of the following:

- **Corporate Client Offering**: Corporate Client Offering offers mid-market corporate clients specific products across a broad spectrum of advising, structuring, financing and co-investing across debt and equity through a dedicated sector approach, with a focus on chosen sub-sectors and products in Northwest Europe with a focus on the Netherlands and Germany. NIBC also has operations in the United Kingdom, supporting NIBCs Northwest European Corporate Client Offering. The segment services the following sectors: Food, Agriculture, Retail & Health, Industries & Manufacturing, Telecom, Media, Technology & Services, Commercial Real Estate, Infrastructure & Renewables, Shipping and Intermodal and Offshore Energy.
- **Retail Client Offering**: NIBC's Retail Client Offering products are partially offered through NIBC Direct. NIBC Direct offers consumers online savings products in the Netherlands, Germany and Belgium and mortgage products in the Netherlands. NIBC Direct also offers brokerage services in Germany.
- **Treasury and Group Functions**: Group Functions supports and controls all business activities for NIBC. The main focus areas include the realisation of NIBC's treasury functions, asset and liability management and risk management. Group Functions consists of: Treasury & Asset Liability Management, Risk Management, HR & Corporate Communications, Internal Audit, Legal, Compliance & Regulatory Affairs, Sustainability, Operations & Facilities, IT, Finance & Tax and Strategy & Development. A substantial part of NIBC's operating expenses as well as the full time equivalents of certain Group Functions are allocated to Corporate Client Offering and Retail Client Offering.

Transfer prices between operating segments are at an arm's length basis in a manner similar to transactions with third parties.

Inter-segment income and expenses are eliminated on consolidation level.

Certain financial assets and liabilities are not allocated to Corporate Client Offering and Retail Client Offering as they are held within the Treasury and Group Functions segment and consist primarily of cash, debt investments, derivative assets and liabilities as well as majority of NIBC's funding. As the assets of Corporate Client Offering and Retail Client Offering are largely funded internally with transfer pricing, the majority of NIBC's external funding is held within Treasury and Group Functions.

Non-IFRS Financial Measures, APMs and Capital Metrics

NIBC uses several non-IFRS financial measures, which it considers to be APMs, to measure the performance of its business. Although these measures are derived from the Financial Statements, they are not a measure of financial performance under IFRS, nor have these measures been reviewed by an independent auditor, consultant or expert. As these terms are defined by NIBC's management, they may not be comparable to similar terms used by other companies. (For more information relating to NIBC's use of non-IFRS financial measures, please see, "*Important Information—Presentation of Financial and Other Information*—Non-IFRS Financial Measures, APMs and Capital Metrics".)

	As at or for the year ended 31 December		
	2017	**2016**	**2015**
	(unaudited, in € millions, unless otherwise indicated)		
Net interest margin for NIBC Holding(1) (in %)	1.60	1.47	1.34
Dividend payout ratio for NIBC Holding(2) (in %)	45	25	0
Underlying cost-to-income ratio of NIBC Bank(3) (in %)	44	51	56
Return on equity for NIBC Holding(4) (in %)	11.9	6.0	4.2
Total corporate and investment loans (drawn and undrawn)	9,200	9,473	9,122
Total corporate banking assets (drawn and undrawn)	9,825	10,243	9,894
Total retail banking assets(5)	9,146	8,831	8,580
Cost of risk for NIBC Holding(6) (in %)	0.62	0.74	0.73
Cost of risk for NIBC Bank(7) (in %)	0.38	0.61	0.71
Impairment ratio for NIBC Bank(8) (in %)	0.20	0.34	0.39
NPL ratio for NIBC Holding(9) (in %)	2.6	2.7	2.7
Impairment coverage ratio for NIBC Bank(10) (in %)	46	33	34
Loan-to-deposit ratio for NIBC Holding(11) (in %)	148	145	139
Total number of FTEs as of the end of the relevant period for NIBC	689	716	644

(1) Net interest income, expressed as a percentage of twelve-month average interest bearing assets.

(2) Dividends declared in relation to a given period, expressed as a percentage of net profit attributable to parent shareholders for the period.

(3) Underlying operating expenses, expressed as a percentage of underlying operating income.

(4) Net profit attributable to parent shareholders, expressed as a percentage of total shareholders' equity at the beginning of the relevant period, post-proposed dividend.

(5) Total retail banking assets include effect of netting savings values.

(6) Ratio reflects balances after netting of savings values of (i) the sum of the Company's impairments and the credit losses on the fair value of residential mortgages and loans (which are recognised in NIBC's net trading income) to (ii) the total risk weighted assets averaged over the reporting period.

(7) Ratio of (i) the sum of NIBC Bank's impairments and the credit losses on the fair value of residential mortgages and loans (which are recognised in NIBC Bank's net trading income) to (ii) NIBC Bank's total risk weighted assets averaged over the reporting period.

(8) Ratio of (i) NIBC Bank's underlying impairments of financial assets to (ii) the average carrying value of various asset items constituting NIBC's loans and residential mortgages.

(9) Total non-performing exposure for all corporate loans and residential mortgages, divided by the total exposure for corporate and investment loans (drawn and undrawn) and residential mortgages.

(10) Impairment amounts recognised on corporate and retail exposures, divided by impaired corporate and retail exposures. Impairment amounts include amounts recognised as IBNR.

(11) Ratio of NIBC's total loans and residential mortgages (both own book and securitised) to total deposits from customers.

In addition, NIBC presents certain measures which are capital metrics and risk exposures reported under the Basel framework, and have been disclosed in the Financial Statements.

	As at or for the year ended 31 December		
	2017	**2016**	**2015**
	(unaudited, in € millions, unless otherwise indicated)		
Risk-weighted assets(1)	8,584	9,930	9,848
Leverage ratio (fully loaded)(2) (in %)	7.7	6.5	6.1
CET1 ratio (fully loaded)(3) (in %)	19.3	15.1	13.9
Tier 1 ratio (fully loaded)(4) (in %)	20.4	15.1	13.9
BIS ratio (fully loaded)(5) (in %)	22.2	18.0	16.7
Liquidity coverage ratio(6) (in %)	196	124	201
Net stable funding ratio(7) (in %)	117	112	113

(1) Assets after being adjusted by a prescribed risk-weighting factor that reflects the relative risk attached to the relevant classes of assets. Risk-weighted assets are used to calculate the minimum amount of capital NIBC is required to hold.

(2) Tier 1 capital (fully loaded) expressed as a percentage of the aggregate of all of NIBC's exposure values of its assets and certain off-balance sheet items, calculated in accordance with the principles set out in the CRR and CRD IV. Tier 1 capital is calculated on a fully loaded basis, and includes share capital, share premium, retained earnings, accumulated other comprehensive income and other reserves and issued and paid up AT1 instruments, adjusted for certain deductions set out in the CRR/CRD IV, such as goodwill, shortfall, repurchased own shares and other eligible items.

(3) CET1 capital (fully loaded) expressed as a percentage of NIBC's total RWA. CET1 capital is calculated on a fully loaded basis.

(4) Tier 1 capital (fully loaded) expressed as a percentage of the total of NIBC's RWA. Tier 1 capital is calculated on a fully loaded basis and includes share capital, share premium, retained earnings, accumulated other comprehensive income and other reserves and issued and paid up AT1 instruments, adjusted for certain deductions set out in the CRR/CRD IV, such as goodwill, shortfall, repurchased own shares and other eligible items.

(5) NIBC's BIS ratio (fully loaded) is NIBC's total regulatory capital expressed as a percentage of NIBC's total RWA.

(6) The ratio of high quality liquid assets to the balance of anticipated cash outflows and cash inflows over a 30 calendar day stress period, calculated according to the Commission Delegated Regulation (EU) No 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions.

(7) The amount of available stable funding relative to the amount of required stable funding, and is based on NIBC's interpretation of the current Basel Committee guidelines, which may change in the future. "Available stable funding" is defined as the portion of capital and liabilities expected to be available over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance-sheet exposures.

Financial Position

Assets

The following table sets out certain balance sheet information of NIBC as at 31 December 2017, 2016 and 2015:

	As at 31 December		
	2017	2016	2015[(1)]
	(audited, in € millions)		
Assets			
Financial assets at amortised cost			
Cash and balances with central banks	1,604	918	746
Due from other banks	965	1,468	1,766
Loans and receivables			
Loans	7,473	7,844	7,294
Residential mortgages own book	4,412	3,346	2,390
Debt investments	59	287	294
Financial assets available-for-sale			
Equity investments	36	41	48
Debt investments	823	1,028	1,064
Financial assets at fair value through profit or loss (including trading)			
Loans	181	210	316
Residential mortgages own book	4,581	4,124	4,111
Securitised residential mortgages	338	1,550	2,266
Equity investments (including investments in associates)	287	204	222
Debt investments	31	60	19
Derivative financial assets	1,021	1,811	2,141
Other			
Investments in associates (equity method)	10	7	7
Intangible assets	3	3	—
Property, plant and equipment	62	50	49
Investment property	—	271	251
Current tax	1	—	—
Deferred tax	38	46	51
Other assets	62	227	47
Assets held for sale	161	—	71
Total assets	**22,148**	**23,495**	**23,153**

(1) Certain financial information for the year ended 31 December 2015 has been derived from the comparative information as included in the annual audited consolidated financial statements as at and for the year ended 31 December 2016, due to certain reclassifications in the presentation of financial information. See "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*".

Total assets decreased from €23,495 million as at 31 December 2016 to €22,148 million as at 31 December 2017, a decrease of 6 per cent, primarily as a result of a decrease in derivative financial assets and, to a lesser extent, of debt investments. Derivative financial assets decreased primarily as a result of a review of NIBC's interest rate hedging strategy, improved counterparty netting, mid- to long-term interest rate movements, as well as maturing derivative contracts. The decrease in debt investments was primarily due to net sales and maturity redemptions. Total assets increased from €23,153 million as at 31 December 2015 to €23,495 million as at 31 December 2016, an increase of 1 per cent. The increase in total assets was primarily a result of an increase in the loans at amortised costs and residential mortgages, partially offset by a decrease in securitised residential mortgages and derivative financial assets.

Financial Assets at Amortised Cost

Cash and balances with central banks consist of cash and balances held with the Dutch Central Bank and the Deutsche Bundesbank, including cash and balances held for statutory reserve purposes. Cash and balances with central banks increased from €918 million as at 31 December 2016 to €1,604 million as at 31 December 2017, an increase of 75 per cent, primarily due to an increase in the current account balance held at the Dutch Central

Bank from €707 million to €1,224 million. Cash and balances with central banks increased from €746 million as at 31 December 2015 to €918 million as at 31 December 2016, an increase of 23 per cent, primarily due to an increase in the current account balance held at the Dutch Central Bank from €532 million as at 31 December 2015 to €707 million as at 31 December 2016.

Due from other banks primarily consists of cash collateral placements under credit support annex agreements, cash from RMBS special purpose vehicles ("**SPV**") and current (nostro) accounts for bank customers. Due from other banks decreased from €1,468 million as at 31 December 2016 to €965 million at 31 December 2017, a decrease of 34 per cent, primarily due to a decrease in deposits from €1,030 million as at December 2016 to €628 million as at 31 December 2017 and a decrease in current accounts from €398 million as at 31 December 2016 to €338 million as at 31 December 2017. Due from other banks decreased from €1,766 million as at 31 December 2015 to €1,468 million at 31 December 2016, a decrease of 17 per cent, primarily due to a decrease in deposits from €1,135 million as at 31 December 2015 to €1,030 million as at 31 December 2016 and a decrease in current accounts from €631 million as at 31 December 2015 to €438 million as at 31 December 2016.

Loans and receivables (at amortised cost) consist of loans to corporate clients, including mezzanine loans, residential mortgages own book (originated or acquired since 2008) and unlisted debt investments. Loans, representing loans to corporate clients, decreased from €7,844 million as at 31 December 2016 to €7,473 million as at 31 December 2017, a decrease of 5 per cent, reflecting an increase of €3.1 billion in loan originations offset by prepayments, contractual repayments and exchange rate effects. Loans increased from €7,294 million as at 31 December 2015 to €7,844 million as at 31 December 2016, an increase of 8 per cent, primarily driven by €3.1 billion in the origination, partly offset by prepayments and contractual repayments of €2.8 billion. Residential mortgages own book increased from €3,346 million as at 31 December 2016 to €4,412 million as at 31 December 2017, an increase of 32 per cent, primarily driven by mortgage origination. Residential mortgages own book increased from €2,390 million as at 31 December 2015 to €3,346 million as at 31 December 2016, in increase of 40 per cent, primarily driven by increased mortgage origination, particularly of NIBC Direct mortgages. Although this increase was partly offset by prepayments and contractual repayments, as the majority of the prepayments and contractual repayments during the period were in residential mortgages own book originated or acquired in the period up to 2008, and were therefore reflected as residential mortgages own book in financial assets at fair value through profit or loss, the offsetting impact of prepayments and contractual repayments are not reflected in residential mortgages own book at amortised cost. Under IFRS 9, from 1 January 2018 all residential mortgages own book at fair value through profit or loss have been transferred to residential mortgages own book at amortised cost.

Financial assets available-for-sale

Debt investments (available for sale) primarily consist of listed debt investments generally issued by financial institutions, held to meet liquidity coverage requirements. All debt investments are non-government, except for €38 million relating to sovereign debt held as at 31 December 2017. Debt investments decreased from €1,028 million as at 31 December 2016 to €823 million at 31 December 2017, a decrease of 20 per cent, primarily due to net sales and maturity redemptions. Debt investments held decreased from €1,064 million as at 31 December 2015 to €1,028 million as at 31 December 2016, a decrease of 3 per cent, primarily due to business as usual cash and liquidity management.

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

Residential mortgages own book consists of residential mortgages originated or acquired before 2008 and primarily issued in the Netherlands, with a small portfolio in Germany (€53 million as at 31 December 2017). Under IFRS 9, from 1 January 2018 all residential mortgages own book at fair value through profit or loss have been transferred to residential mortgages own book at amortised cost. (See "*—Critical Accounting Policies and Judgements*".) Residential mortgages own book increased from €4,124 million as at 31 December 2016 to €4,581 million as at 31 December 2017, an increase of 11 per cent, primarily driven by transfers from securitised residential mortgages, offset by redemptions related to cancellation of mortgages, contractual repayments and prepayments. Residential mortgages own book remained flat at €4,124 million as at 31 December 2016 compared with €4,111 million as at 31 December 2015, reflecting an increase due to transfers from securitised residential mortgages, offset by redemptions related to cancellation of mortgages, contractual repayments and prepayments.

Securitised residential mortgages consist of Dutch residential mortgages securitised in SPVs. Under IFRS 9, from 1 January 2018 all securitised residential mortgages own book at fair value through profit or loss have been transferred to residential mortgages own book at amortised cost. Securitised residential mortgages decreased from €1,550 million as at 31 December 2016 to €338 million as at 31 December 2017, a decrease of 78 per cent, primarily driven by transfers to residential mortgages own book as amortised cost, as well as contractual repayments and prepayments . Securitised residential mortgages decreased from €2,266 million as at 31 December 2015 to €1,550 million as at 31 December 2016, a decrease of 32 per cent, primarily as a result of transfers to residential mortgages own book at amortised cost, as well as contractual repayments and prepayments.

As at 31 December 2017 the carrying amounts for residential mortgages own book and securitised mortgages included a total fair value adjustment of €331 million (compared with €423 million as at 31 December 2016 and €455 million as at 31 December 2015). As at 31 December 2017, a €107 million positive revaluation before tax on the outstanding mortgages and related hedges was accounted for in the balance sheet (compared with €98 million as at 31 December 2016 and €96 million as at 31 December 2015). NIBC's implementation of IFRS 9 on 1 January 2018 will result in a one-off loss of the revaluation amount on mortgage loans amounting to €321 million before tax in the year ended 31 December 2018. The net of tax amount will be charged directly through shareholders' equity. For more information, see *"—Operating and Financial Review—Critical Accounting Policies—IFRS 9"*.

Derivative financial assets consist of derivatives to hedge the risks of fluctuating interest rates and foreign exchange rates and, to a limited extent, of derivatives for money market trading with a VaR limit of €2.25 million. Derivative financial assets decreased from €1,811 million as at 31 December 2016 to €1,021 million as at 31 December 2017, a decrease of 44 per cent, primarily as a result of a review of NIBC's interest rate hedging strategy, improved counterparty netting, mid- to long-term interest rate movements, as well as maturing derivative contracts. Derivative financial assets decreased from €2,141 million as at 31 December 2015 to €1,811 million as at 31 December 2016, a decrease of 15 per cent, primarily as a result of mid- to long-term interest rate movements as well as maturing derivative contracts.

Other

Other asset items include investments in associates (evaluated based on the equity method), intangible assets, property, plant and equipment, investment property, current and deferred tax and certain other assets including receivables, accruals and pending settlements.

Other decreased from €604 million as at 31 December 2016 to €337 million as at 31 December 2017, a decrease of 44 per cent, primarily as a result of a decrease in the specific line item "other assets", from €227 million as at 31 December 2016 to €62 million as at 31 December 2017, mainly related to pending settlements of NIBC Markets related to brokerage activities, which were €8 million as at 31 December 2017, compared with €173 million as at 31 December 2016, and the €110 million decrease in investment property (as at 31 December 2017, classified as assets of disposal group classified as held for sale). Other increased from €476 million as at 31 December 2015 to €604 million as at 31 December 2016, primarily as a result of the consolidation of NIBC Markets from June 2016. Of the €128 million increase, €173 million relates to pending settlements of NIBC Markets related to brokerage activities, that have been accounted for in the balance sheet, with the offset amount relating principally to the sale of Olympia Nederland Holding B.V. in 2016. These transitory amounts are related to the brokerage activities and are to be settled within three days.

The line item "Assets held for sale" increased from nil as at 31 December 2016 to €161 million as at 31 December 2017, an increase of 161 per cent, primarily as a result of the decision in 2017 of NIBC's management to sell the Vijlma portfolio. Also included within other asset items is investment property which NIBC purchased in 2015 at a value €251 million and which was valued at €271 million as at 31 December 2016, before being sold in 2017. As at 31 December 2017 this investment property is included in Assets of disposal group classified as held for sale.

Liabilities

The following table sets out certain balance sheet information of NIBC as at 31 December 2017, 2016 and 2015:

	As at 31 December		
	2017	2016	2015[(1)]
	(audited, in € millions)		
Liabilities			
Financial liabilities at amortised cost			
Due to other banks	1,834	1,290	829
Deposits from customers	11,510	11,802	11,746
Own debt securities in issue	4,392	3,855	3,050
Debt securities in issue related to securitised mortgages and lease receivables	267	1,337	2,062
Financial liabilities at fair value through profit or loss (including trading)			
Borrowings	—	49	77
Own debt securities in issue	38	37	36
Debt securities in issue structured	616	620	704
Derivative financial liabilities	863	2,006	2,356
Other			
Other liabilities	113	275	110
Current tax	1	—	1
Deferred tax	4	3	1
Employee benefits	3	3	4
Liabilities held for sale	104	—	42
Subordinated liabilities			
Amortised cost	115	122	120
Fair value through profit or loss	167	276	280
Total liabilities	**20,027**	**21,675**	**21,418**

(1) Certain financial information for the year ended 31 December 2015 has been derived from the comparative information as included in the annual audited consolidated financial statements as at and for the year ended 31 December 2016, due to certain reclassifications in the presentation of financial information. See "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*".

Total liabilities decreased from €21,675 million as at 31 December 2016 to €20,027 million as at 31 December 2017, a decrease of 8 per cent, primarily as a result of a decrease in derivative financial liabilities and a decrease in debt securities in issue related to securitised mortgages and lease receivables, partly offset by an increase in own debt securities in issue. Total liabilities increased from €21,418 million as at 31 December 2015 to €21,675 million as at 31 December 2016, an increase of 1 per cent, primarily due to an increase in own debt securities in issue and due to other banks, partially offset by a decrease in debt securities in issue related to securitised mortgages and lease receivables.

Financial Liabilities at Amortised Cost

Due to other banks consists of amounts drawn from its ECB under the targeted longer term refinancing operation ("**TLTRO**") programme and cash collateral received from third parties related to credit support annex agreements. Due to other banks increased from €1,290 million as at 31 December 2016 to €1,834 million as at 31 December 2017, an increase of 42 per cent, primarily as a result of an increase in amounts drawn under the TLTRO programme, from €900 million as at 31 December 2016 to €1,343 million as at 31 December 2017. Due to other banks increased from €829 million as at 31 December 2015 to €1,290 million as at 31 December 2016, an increase of 56 per cent, primarily as a result of an increase in amounts drawn under the TLTRO programme from €241 million to €900 million as at 31 December 2015 and 2016, respectively. The additional drawdown on the TLTRO programme added to the improvement of the Company's funding mix, making use of advantageous pricing. The increase in the TLTRO programme was partly offset by a decrease in payable on demand and cash collateral received from third parties.

Deposits from customers consist of retail on demand and term deposits and deposits from institutional and corporate clients (including institutional deposits under the German ESF). Deposits from customers decreased from €11,802 million as at 31 December 2016 to €11,510 million as at 31 December 2017, a decrease of 2 per cent, primarily as a result of a controlled decrease in retail deposits, from €9,723 million as at

31 December 2016 to €9,324 million as at 31 December 2017, partly offset by an increase in institutional/ corporate deposits. Deposits from customers remained flat at €11,746 million as at 31 December 2015 compared with €11,802 million as at 31 December 2016 primarily due to an increase in deposits from institutional and corporate clients, offset by a controlled outflow in retail deposits.

Own debt securities in issue consist of covered bonds issued under NIBC's conditional pass-through covered bond programme, senior unsecured bonds issued under NIBC's euro medium term notes programme and commercial paper issued under NIBC's euro commercial paper programme. Own debt securities in issue increased from €3,855 million as at 31 December 2016 to €4,392 million as at 31 December 2017, an increase of 14 per cent, primarily as a result of the issuance of a €500 million senior unsecured bond. In addition, in September 2017, NIBC Bank launched a €200 million AT1 offering, fulfilling NIBC Bank's AT1 allowance and improving NIBC's Tier 1 ratio (fully loaded). Furthermore, in October 2017, NIBC redeemed its outstanding 7.625 per cent US$ 146 million hybrid Tier 1 issue. Own debt securities in issue increased from €3,050 million as at 31 December 2015 to €3,855 million as at 31 December 2016, in increase of 26 per cent, primarily as a result of the issue of a ten year conditional pass-through covered bond of €500 million aggregate principal amount in June 2016 and the placement of a senior unsecured bond of €500 million aggregate principal amount in of which €300 million was issued in March 2016, followed by a tap of an additional €200 million aggregate principal amount in September 2016. These additional issuances were offset in part by redemptions at maturity and early repurchases of certain outstanding debt securities.

Debt securities in issue related to securitised mortgages and lease receivables consist of residential mortgage backed securities and leasing asset backed securities. Debt securities in issue related to securitised mortgages and lease receivables decreased from €1,337 million as at 31 December 2016 to €267 million as at 31 December 2017, a decrease of 80 per cent, primarily as a result of sales and/or redemptions of €1,070 million. Debt securities in issue related to securitised mortgages and lease receivables decreased from €2,062 million as at 31 December 2015 to €1,337 million as at 31 December 2016, a decrease of 35 per cent, primarily as a result of sales and/or redemptions of €725 million of such debt securities in 2016.

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

Derivative financial liabilities consist of derivatives to hedge the risks of fluctuating interest rates and foreign exchange rates and, to a limited extent, of derivatives for money market trading with a VaR limit of €2.25 million. Derivative financial liabilities decreased from €2,006 million as at 31 December 2016 to €863 million as at 31 December 2017, a decrease of 57 per cent, primarily as a result of a review of NIBC's interest rate hedging strategy, improved counterparty netting, mid- to long-term interest rate movements, as well as maturing derivative contracts . Derivative financial liabilities decreased from €2,356 million as at 31 December 2015 to €2,006 million as at 31 December 2016, a decrease of 15 per cent, primarily as a result of interest rate movements and settlement of derivative contracts.

Other

Other liabilities consist of payables, other accruals, pending settlements and reorganisation provisions. Other liabilities decreased from €281 million as at 31 December 2016 to €113 million as at 31 December 2017, a decrease of 20 per cent, primarily as a result of a decrease in pending settlements, from €136 million as at 31 December 2016 to €7 million as at 31 December 2017, partly offset by an increase in payables, from €29 million as at 31 December 2016 to €64 million as at 31 December 2017. Other liabilities increased from €110 million as at 31 December 2015 to €275 million as at 31 December 2016, an increase of 150 per cent, primarily as a result of the consolidation of NIBC Markets from June 2016. Of the €165 million increase, €136 million relates to pending settlements of NIBC Markets related to brokerage activities, that have been accounted for in the balance sheet. Further, the line item "Liabilities held for sale" increased from nil as at 31 December 2016 to €104 million as at 31 December 2017, an increase of 104 per cent, as a result of the sale of the Vijlma portfolio, of which a portion is still to be settled in 2018.

Description of Key Income Statement Line Items

Net Interest Income

Net interest income consists of interest income from interest-earning assets including loans, residential mortgages, financial derivatives and other fixed-income instruments designated at amortised cost, held for trading and at fair value through profit or loss, net of interest expense from interest-bearing liabilities including deposits, debt securities, financial derivatives and other subordinated liabilities designated at amortised cost and fair value through profit or loss.

Interest income and interest expense are recognised in the income statement on an accrual basis, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated cash flows over the life of the financial instrument, or a shorter period when appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, NIBC takes into account all contractual terms of the financial instrument (such as, for example, early repayment), any fees and points paid or received under the contract, transaction costs and all other premiums or discounts, but not future losses due to uncollectible amounts. Once a financial asset or a group of similar financial assets is impaired, interest income is recognised using the same rate of interest as used for discounting the future cash flows for the purpose of measuring the impairment loss.

Net Fee and Commission Income

Net fee and commission income consists of agency and underwriting fees, investment management fees, advisory fees, brokerage fees, originate-to-manage fees and other fees net of non-interest expense. Fees and commission income and expenses are generally recognised on an accrual basis when the service has been provided. Loan commitment fees that are likely to be drawn down are deferred together with the related 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 with a third party—such as the arrangement of the acquisition of shares or other securities or the purchase or sale of business—are recognised on completion of the underlying transaction. Portfolio and other management advisory 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 provided continuously over an extended period of time. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

Investment Income

Investment income consists of gains less losses from financial assets (including income from the company's Equity Solutions product offering), dividend income and share in result of associates. Gains less losses from financial assets consist of realised gains or losses from debt investments and equity investments as available for sale and gains or losses from associates and equity investments at fair value through profit or loss and impairment losses on equity investments. Dividend income is recognised in the income statement when NIBC's right to receive payment is established. Share in result of associates includes gains and losses related to investments in associates.

Net Trading Income

Net trading income consists of 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 less losses on financial assets and financial liabilities excluding those presented under investment income. Net trading income includes income from debt securities (designated at fair value through profit or loss), debt investments (designated at fair value through profit or loss), residential mortgages own book and securitised residential mortgages, loans (designated at fair value through profit or loss), assets and liabilities held for trading, other interest rate instruments, investment property, foreign exchange and other trading income, which includes fair value hedges of interest rate risk, cash flow hedges of interest rate risk and other net trading income.

Other Operating Income

Other operating income consists of income items not directly attributable to the ordinary activities and consequently not included in the net interest income net fee and commission income, investment income or net trading income, and includes badwill (negative goodwill) recognised on certain acquisitions.

Personnel Expenses and Share-Based Payments

Personnel expenses and share-based payments are recognised on an accrual basis. Personnel expenses comprise all expenses related to personnel on the payroll of NIBC and consist of fixed salaries and costs of temporary staff, variable compensation including cash bonuses, share-based and deferred bonuses including expenses relating to previous years' grants, pension and other post-retirement charges including expenses related to a defined-contribution plan and other post-retirement charges/releases including own contributions of employees, social security charges including other staff expenses and staff cost of non-financial companies included in the consolidation.

Other Operating Expenses

The majority of the other operating expenses relate to information technology and business process outsourcing. Business process outsourcing relates to servicing expenses for residential mortgages and retail savings. Other operating expenses also include fees of external independent auditor. Other operating expenses are recognised on an accrual basis when the service has been provided or fulfilled.

Regulatory Charges and Levies

Regulatory charges and levies comprise expenses for the DGS and the resolution levy. Since the implementation of the DGS in 2015, banks with guaranteed saving deposits under a Dutch banking license, such as NIBC, are required to fund the DGS.

Impairments of Financial Assets

The impairments of financial assets consist of impairments on loans and receivables (including both corporate loans and residential mortgages own book), which are classified at amortised cost, debt investments classified at amortised cost, debt investments classified available-for-sale, and residential mortgages own book classified at amortised cost, in each case net of any impairment reversals.

Tax

Taxes consist of current income taxes and deferred income taxes.

Results of Operations

The following table sets forth the components of NIBC's net result for the periods indicated.

	For the year ended 31 December		
	2017	2016	2015(1)
	(audited, in € millions)		
Interest and similar income	534	539	557
Interest expense and similar charges	192	246	283
Net interest income	**342**	**293**	**274**
Fee and commission income	54	32	37
Fee and commission expense	—	—	1
Net fee and commission income	**54**	**32**	**36**
Investment income	67	23	24
Net trading income	98	34	—
Other operating income	(2)	31	20
Operating income	**559**	**413**	**354**
Personnel expenses and share-based payments	111	102	97
Other operating expenses	102	82	84
Depreciation and amortisation	6	7	8
Regulatory charges and levies	14	15	4
Operating expenses	**233**	**206**	**193**
Impairments of financial assets	56	82	63
Impairments of non-financial assets	—	2	20
Total expenses	**289**	**290**	**276**
Profit before tax	**270**	**123**	**78**
Tax	54	19	8
Profit after tax	**216**	**104**	**70**
Attributable to:			
Shareholders of the company	213	104	70
Holders of capital securities (non-controlling interests).	3	—	—
Other non-controlling interests	—	—	—

(1) Certain financial information for the year ended 31 December 2015 has been derived from the comparative information as included in the annual audited consolidated financial statements as at and for the year ended 31 December 2016, due to certain reclassifications in the presentation of financial information. See "*Important Information—Presentation of Financial and Other Information—2015 Reclassifications*".

Vijlma

Vijlma relates to a specific German commercial real estate legacy exposure, of which the underlying assets (investment property) were sold in 2017, and for which the final settlement will take place in 2018. The Vijlma transaction affected the line items relating to net interest income, net trading income, impairments of financial assets and tax, as discussed further below.

The different effects of Vijlma, a vehicle that manages a German legacy real estate portfolio, on the various line items in the consolidated income statement of NIBC Bank and NIBC Holding is especially driven by the fact that NIBC Bank operates as lender of record for Vijlma, while NIBC Holding, as majority shareholder, acts as parent company of Vijlma.

NIBC Bank, in its role of lender of record, presents the Vijlma-related results before tax in its consolidated income statement under the line items Net interest income (interest margin), Net trading income (sales fees) and Impairments of financial assets (release of impairments). However, NIBC Holding, as parent company, presents the Vijlma-related results before tax in its consolidated income statement under the line item Net trading income. NIBC's Vijlma-related net trading income consists of the revaluation result of the real estate portfolio, operating income (especially rental income of the real estate portfolio) and operating expense.

The impact of Vijlma in 2017 on NIBC Holding's profit after tax amounted to €53 million.

For additional information about the Vijlma transaction, please see *"Business—Material agreements—Sell down of German residential real estate portfolio (the "Vijlma" transaction)"*.

Net Interest Income

Years Ended 31 December 2017 and 2016

Net interest income increased from €293 million for the year ended 31 December 2016 to €342 million for the year ended 31 December 2017, an increase of 17 per cent. Underlying net interest income increased from €306 million for the year ended 31 December 2016 to €366 million for the year ended 31 December 2017, an increase of 20 per cent. This increase was primarily a result of the improvement of the Company's funding profile and the reduction in related funding costs, also supported by an increase of client business in both the Corporate Client Offering and the Retail Client Offering, but partially offset by currency effects as a result of the strong Euro. The Vijlma portfolio accounted for €17 million of the underlying net increase income in 2017. NIBC's cost of funds improved from 101 basis points for the year ended 31 December 2016 to 87 basis points for the year ended 31 December 2017. The differences between NIBC's net interest income figures and its underlying net interest income figures relate to the fact that the Company's income statement contributions include those of NIBC Investment Management N.V., NIBC Investments N.V., BEEQUIP B.V. and Vijlma B.V., which are all direct subsidiaries of the Company, and are hence not included in the results of NIBC Bank. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

Net interest income from the Corporate Client Offering segment increased from €162 million for the year ended 31 December 2016 to €204 million for the year ended 31 December 2017, an increase of 26 per cent. Ten per cent points of this 26 per cent increase was related to the Vijlma portfolio. The remaining increase was mainly driven by a higher portfolio spread in 2017 and lower cost of funds. Although the Company's corporate loan portfolio decreased in 2017, the average size of the drawn loan portfolio in 2017 was roughly equal to that of 2016, indicating that the decrease in the size of the portfolio did not have a negative effect on net interest income in 2017. Despite origination spreads decreasing, the portfolio spread increased from 274 basis points for the year ended 31 December 2016 to 279 basis points for the year ended 31 December 2017, partially driven by the origination of loans during the period at more attractive credit spreads than the existing portfolio.

Net interest income from the Retail Client Offering segment increased from €117 million for the year ended 31 December 2016 to €127 million for the year ended 31 December 2017, an increase of 9.0 per cent. This increase resulted in part from was mainly driven by the increase of the mortgage portfolio from €8.8 billion as at 31 December 2016 to €9.1 billion as at 31 December 2017, and lower cost of funds, partially offset by a decrease of the average portfolio spread from 262 basis points for the year ended 31 December 2016 to 244 basis points for the year ended 31 December 2017, reflecting lower spreads on origination in 2017.

Years Ended 31 December 2016 and 2015

Net interest income increased from €274 million for the year ended 31 December 2015 to €293 million for the year ended 31 December 2016, an increase of 7 per cent. Underlying net interest income increased from €286 million for the year ended 31 December 2015 to €306 million for the year ended 31 December 2016, an increase of 7 per cent. This increase was primarily a result of an increase in loan portfolios and spreads in both the Corporate Client Offering and Retail Client Offering segments, as well as improvements in NIBC's funding profile that resulted, on average, in lower cost of funds, resulting in spreads on NIBC's interest-bearing liabilities decreasing from 122 basis points in the year ended 31 December 2015 to 101 basis points in the year ended 31 December 2016. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

Net interest income from the Corporate Client Offering segment increased from €149 million for the year ended 31 December 2015 to €162 million for the year ended 31 December 2016, an increase of 9 per cent. This increase resulted in part from an increase in corporate loans from €7,610 million as at 31 December 2015 to €8,054 million as at 31 December 2016, an increase of 6 per cent, primarily as a result of loan origination of €3.1 billion, partially offset by repayment and prepayments in all sectors with relatively higher repayment and prepayments in the Infrastructure & Renewables, Shipping & Intermodal, Food, Agriculture, Retail & Health and Telecom, Media, Technology & Services sectors. Of roughly equal importance to the increase in loan volume, the net interest income in the Corporate Client Offering segment was also positively affected by improvements in origination spreads, resulting in an increase of the portfolio spread from 262 basis points for the year ended 31 December 2015 to 274 basis points for the year ended 31 December 2016.

Net interest income from the Retail Client Offering segment increased from €114 million for the year ended 31 December 2015 to €117 million for the year ended 31 December 2016, an increase of 3 per cent. This increase resulted largely from growth in the mortgage portfolio which grew from €8,767 million as at 31 December 2015 to €9,020 million as at 31 December 2016, an increase of 3 per cent, primarily as a result of new mortgage origination of €1.1 billion, offset by repayment and prepayments. The buy-to-let portfolio grew by €252 million to €371 million as at 31 December 2016, and the NIBC Direct portfolio grew by €705 million to €3 billion as at 31 December 2016. Also contributing to growth in net interest income in the Retail Client Offering segment, and the portfolio spread increased from 258 basis points for the year ended 31 December 2015 to 262 basis points for the year ended 31 December 2016, partially driven by the growth of NIBC's buy to let mortgage portfolio, which also contributed to the increase in net interest income for the Retail Client Offering segment.

Net Fee and Commission Income

Years Ended 31 December 2017 and 2016

Net fee and commission income increased from €32 million for the year ended 31 December 2016 to €54 million for the year ended 31 December 2017, an increase of 69 per cent. Underlying net fee and commission income increased from €32 million for the year ended 31 December 2016 to €54 million for the year ended 31 December 2017, an increase of 69 per cent. This increase was primarily a result of higher performance fees related to equity investments, a doubling of M&A and advisory fees (partially driven by the successful execution of one large client transaction) and fees generated by continued growth, primarily in the Corporate Client Offering, but also in the Retail Client Offering. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

Years Ended 31 December 2016 and 2015

Net fee and commission income decreased from €36 million for the year ended 31 December 2015 to €32 million for the year ended 31 December 2016, a decrease of 11 per cent. The decrease was due in part to higher investment management fees earned in the year ended 31 December 2015 compared with the year ended 31 December 2016, as a result of higher performance fees charged to clients. Other fee categories for the year ended 31 December 2016 remained relatively stable compared with the year ended 31 December 2015, with the exception of fees relating to the mergers and acquisitions and advisory businesses, which decreased during the year ended 31 December 2016.

Investment Income

Years Ended 31 December 2017 and 2016

Investment income increased from €23 million for the year ended 31 December 2016 to €67 million for the year ended 31 December 2017, an increase of 191 per cent. Underlying investment income increased from €31 million for the year ended 31 December 2016 to €67 million for the year ended 31 December 2017, an increase of 116 per cent. This increase was primarily a result of a higher valuation of the Company's portfolio, which was in turn driven by the general upturn of the economy in North Western Europe. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

Years Ended 31 December 2016 and 2015

Investment income decreased from €24 million for the year ended 31 December 2015 to €23 million for the year ended 31 December 2016, a decrease of 4 per cent. Underlying investment income increased from €4 million for the year ended 31 December 2015 to €31 million for the year ended 31 December 2016. This increase in underlying investment income was primarily a result of improved performance in the equity markets in 2016, which resulted in higher revaluations of equity investments related to the Equity Solutions offering. Underlying investment income for the year ended 31 December 2015 was affected by a write-off of €20 million on a non-financial company transferred to "held for sale" and eventually sold in the year ended 31 December 2016. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

Net Trading Income

Years Ended 31 December 2017 and 2016

Net trading income increased from €34 million for the year ended 31 December 2016 to €98 million for the year ended 31 December 2017, an increase of 188 per cent. Underlying net trading income increased from €12 million for the year ended 31 December 2016 to €25 million for the year ended 31 December 2017. Excluding the revaluation gains of €25 million from the Vijlma transaction, underlying net trading income decreased from €12 million for the year ended 31 December 2016 to a loss of €1 million for the year ended 31 December 2017. This decrease was primarily a result of higher revenues in the year ended 31 December 2016 that included €9 million of revaluation gains on corporate loans at fair value through profit or loss, mainly from the repayment of a loan that was previously valued at below par, higher losses, by €7 million, in the year ended 31 December 2017, compared with the year ended 31 December 2016, from hedges of the mortgage loan pipeline and hedging ineffectiveness, partially compensated by higher revaluation gains on mortgages in the year ended 31 December 2017 of €14 million, compared with €9 million in the year ended 31 December 2016. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

Years Ended 31 December 2016 and 2015

Net trading income increased from nil for the year ended 31 December 2015 to €34 million for the year ended 31 December 2016. Underlying net trading income increased from a loss of €11 million for the year ended 31 December 2015 to €12 million for the year ended 31 December 2016. This increase was primarily a result of certain accounting changes, gains from the acquisition of NIBC Markets on 30 June 2016, certain revaluations and favourable movements in foreign currencies. The underlying net trading income for the year ended 31 December 2015 was affected by a loss of €17 million attributable to own credit risk related to fair value changes in NIBC's funding portfolio. NIBC elected to adopt IFRS 9 as at 1 January 2016 and, as a result, own credit related fair value changes relating to the portion of NIBC's funding portfolio accounted for at fair value through profit or loss ("**FVtPL**"), which was previously accounted for under net trading income, began to be accounted for under other comprehensive income from 1 January 2016. Underlying net trading income for the year ended 31 December 2016 also benefitted from income of €5 million from NIBC Markets, which was consolidated from 30 June 2016, and the revaluation (including credit losses) of NIBC's mortgage book at FVtPL, which resulted in a gain of €9 million in the year ended 31 December 2016 compared with a gain of €3 million for the year ended 31 December 2015. This improvement in underlying net interest income partially offset the loss of certain revenues from repurchased funding that did not recur in the year ended 31 December 2016 compared with a gain of €3 million realised in the year ended 31 December 2015. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

Other Operating Income

Years Ended 31 December 2017 and 2016

Other operating income decreased, from €31 million for the year ended 31 December 2016 to—€2million for the year ended 31 December 2017, a decrease of 106 per cent. Underlying operating income was unchanged between 31 December 2016 and 31 December 2017, remaining at nil. (For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.)

Years Ended 31 December 2016 and 2015

Other operating income increased from €20 million for the year ended 31 December 2015 to €31 million for the year ended 31 December 2016, an increase of 55 per cent. Underlying other operating income remained largely stable at €2 million for the year ended 31 December 2015 compared with €nil for the year ended 31 December 2016. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

Personnel Expenses and Share-Based Payments

Years Ended 31 December 2017 and 2016

Personnel expenses and share-based payments increased from €102 million for the year ended 31 December 2016 to €111 million for the year ended 31 December 2017, an increase of 9 per cent. This increase was primarily a result of an increase in payroll expenses and reorganisation expenses relating to SNS Securities (subsequently renamed NIBC Markets).

Years Ended 31 December 2016 and 2015

Personnel expenses and share-based payments increased from €97 million for the year ended 31 December 2015 to €102 million for the year ended 31 December 2016, an increase of 5 per cent. This increase was primarily the result of an increase in the average number of full-time equivalents ("**FTEs**"), as a result of the acquisition of SNS Securities (subsequently renamed NIBC Markets) on 30 June 2016, partially offset by the election to outsource certain IT functions to an external supplier, which resulted in 36 redundancies and a further assessment of the workforce following the integration of NIBC Markets. As a result, the increase in personnel expenses in the year ended 31 December 2016 included €5 million that was recognised as one-off expenses relating to these redundancies.

Other Operating Expenses

Years Ended 31 December 2017 and 2016

Other operating expenses increased from €82 million for the year ended 31 December 2016 to €102 million for the year ended 31 December 2017, an increase of 24 per cent. This increase was primarily a result of the inclusion of the other operating expenses of SNS Securities (subsequently renamed NIBC Markets), higher external servicing expenses in the Retail Client Offering and IT related expenses relating to the strengthening of the Company's current infrastructure, improvement of business platforms and regulatory projects such as MiFID II and IFRS 9.

Years Ended 31 December 2016 and 2015

Other operating expenses decreased from €84 million for the year ended 31 December 2015 to €82 million for the year ended 31 December 2016, a decrease of 2 per cent. Underlying other operating expenses increased from €76 million for the year ended 31 December 2015 to €77 million for the year ended 31 December 2016, an increase of 1 per cent. This increase was primarily a result of operating expenses of NIBC Markets, which was acquired in June 2016, partly offset by a decrease in costs related to the outsourcing of certain business processes relating to the residential mortgage and retail savings businesses. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

Regulatory Charges and Levies

Years Ended 31 December 2017 and 2016

Regulatory charges decreased by 7 per cent to €14 million for the year ended 31 December 2017 compared with €15 million for the year ended 31 December 2016. The decrease mainly related to lower expenses for the deposit guarantee scheme, mainly due the decrease in NIBC's retail savings volumes.

Years Ended 31 December 2016 and 2015

Regulatory charges and levies increased from €4 million for the year ended 31 December 2015 to €15 million for the year ended 31 December 2016. This increase was primarily a result of the introduction and application of the DGS in 2016, which resulted in a surcharge of €10 million during the year ended 31 December 2016, and to a lesser extent to the Company's payment of resolution fund contributions.

Impairments of Financial Assets

Years Ended 31 December 2017 and 2016

Impairments of financial assets decreased from €82 million for the year ended 31 December 2016 to €56 million for the year ended 31 December 2017, a decrease of 32 per cent. Underlying impairments of financial assets decreased from €57 million the year ended 31 December 2016 to €34 million for the year ended 31 December 2017, a decrease of 40 per cent. Excluding an impairment release of €21 million related to the Vijlma transaction, underlying impairments of financial assets decreased from €57 million in the year ended 31 December 2016 to €55 million for the year ended 31 December 2017, a decrease of 4 per cent. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

Years Ended 31 December 2016 and 2015

Impairments of financial assets increased from €63 million for the year ended 31 December 2015 to €82 million for the year ended 31 December 2016. Underlying impairments of financial assets decreased from €63 million for the year ended 31 December 2015 to €57 million for the year ended 31 December 2016, a decrease of 10 per cent. The elevated level of impairment in the years ended 31 December 2015 and 2016 reflects the continuing volatile economic environment, particularly in the Offshore Energy sector and the Shipping & Intermodal sector. Impairments for the year ended 31 December 2016 include additional impairments of €20 million resulting from an asset quality review conducted by the DNB in 2016 and additional charges of €5 million in each of 2015 and 2016, resulting from adjusting the LEP of the IBNR provision from three to six months in 2015 and from adjusting the IBNR provision to include more items on the Watchlist in 2016. From 1 January 2018, with the implementation of IFRS 9, NIBC will no longer utilise an IBNR provision. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

Tax

Years Ended 31 December 2017 and 2016

Tax increased from €19 million for the year ended 31 December 2016 to €54 million for the year ended 31 December 2017, an increase of 184 per cent. Underlying tax increased from €25 million for the year ended 31 December 2016 to €42 million for the year ended 31 December 2017, an increase of 68 per cent. Of this €17 million increase, €16 million related to the Vijlma transaction. For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*. NIBC's effective tax rate was 20 per cent during the year ended 31 December 2017 and 15 per cent during the year ended 31 December 2016.

Years Ended 31 December 2016 and 2015

Tax increased from €8 million for the year ended 31 December 2015 to €19 million for the year ended 31 December 2016. Underlying tax increased from €6 million for the year ended 31 December 2015 to €25 million for the year ended 31 December 2016. This increase was primarily a result of the €52 million increase in profit before tax for the year ended 31 December 2016, compared with the year ended 31 December 2015, which was mainly attributable to non-taxable items in special items in 2016, in particular to the badwill (negative goodwill) gain of €22 million relating to the Company's acquisition of SNS Securities (subsequently named NIBC Markets). For more information relating to underlying financial information, please see, *"Selected Consolidated Financial Information—Reconciliation of Reported to Underlying Results"*.

NIBC's effective tax rate was 15 per cent during the year ended 31 December 2016 and 10 per cent during the year ended 31 December 2015.

Liquidity and Capital Resources

Liquidity

NIBC has developed a comprehensive liquidity management framework within which it manages its liquidity position during both normal and adverse market conditions. NIBC manages the maturity profile of its liabilities in relation to its asset base to maintain liquidity buffers which enable it to meet current and potential requirements at a consolidated and subsidiary level. NIBC's liquidity management framework is reviewed on an annual basis.

In the recent years, new regulatory requirements have influenced NIBC's liquidity policies and NIBC aims to be an early adopter of such requirements, as this enables it to proactively translate these changes into relevant liquidity actions. NIBC's liquidity positions are managed by the Asset and Liability Committee. Liquidity forecasts and stress tests are prepared and performed and reported to the Asset and Liability Committee on a bi-weekly basis using projections from the business units and maturity profiles of NIBC's different portfolios. For more on liquidity, see "*Risk Management—Liquidity Risk*".

NIBC's ability to generate cash from operations depends on its future operating performance, which is, in turn, dependent to some extent on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond NIBC's control. For more information, see "*Risk Factors*".

Cash Flows

The following table summarises NIBC's cash flows for the periods indicated:

	Year ended 31 December		
	2017	**2016**	**2015**
	(audited, in € millions)		
Cash and cash equivalents at 1 January	**1,215**	**1,244**	**1,021**
Cash flows from/(used in) operating activities	1,086	32	773
Cash flows from/(used in) investing activities	89	(27)	(286)
Cash flows from/(used in) financing activities	(602)	(25)	(264)
Net increase/(decrease) in cash and cash equivalents	**573**	**(20)**	**223**
Net foreign exchange difference	**(6)**	**(9)**	**—**
Cash and cash equivalents at 31 December	**1,782**	**1,215**	**1,244**

Financial Year Ended 31 December 2017 Compared with Financial Year Ended 31 December 2016

Cash flows from operating activities increased from €30 million for the year ended 31 December 2016 to €1,086 million for the year ended 31 December 2017. This was primarily as a result of positive cash flow effects related to amounts due from and due to other banks (contributing €946 million in 2017), as well as by amounts drawn under the TLTRO programme, cash collateral received from third parties and several reverse repurchase transactions with third parties. Furthermore, the decrease in the Company's loan portfolios in 2017 resulted in a positive cash flow effect of €880 million, partly offset by an increased cash outflow related to derivative financial instruments in the amount of €353 million, and a decrease in deposits from customers in the amount of €292 million in 2017.

Cash flows used in investing activities improved from an outflow €27 million for the year ended 31 December 2016 to an inflow of €89 million for the year ended 31 December 2017. This was primarily as a result of the positive cash flow effect resulting from divestment of investment property in the amount of €174 million in 2017.

Cash flows used in financing activities increased from €34 million for the year ended 31 December 2016 to €602 million for the year ended 31 December 2017. This was primarily as a result of the redemption of residential mortgage backed securities in 2017, partly offset by issuance of a senior unsecured bond, resulting in a positive cash flow of €500 million for the year ended 31 December 2017, and the AT1 settlement.

The above resulted in net cash and cash equivalents increasing by €573 million, or 47 per cent, from €1,215 million for the year ended 31 December 2016 to €1,782 million for the year ended 31 December 2017.

Financial Year Ended 31 December 2016 Compared with Financial Year Ended 31 December 2015

Cash flows from operating activities decreased from €773 million for the year ended 31 December 2015 to €30 million for the year ended 31 December 2016, a decrease of 96 per cent. This was primary as a result of growing portfolios and pending transaction settlements related to NIBC Markets N.V. in operational assets resulting in a negative effect of €451 million compared with the previous year and a decrease in proceeds from operating liabilities of €444 million compared with the previous year. The decrease in cash flows from operating activities in the year ended 31 December 2016 was partly offset by a €34 million improvement in profit after tax for the year ended 31 December 2016 and decreased cash outflow related to derivative financial instruments of €131 million.

Cash flows from investing activities improved from an outflow of €286 million for the year ended 31 December 2015 to an outflow of €27 million for the year ended 31 December 2016. This was primary as a result of the restructuring of loans related to the acquisition of €251 million in investment property pursuant to the Vijlma transaction. (For additional information, please see *"Business—Material agreements—Sell down of German residential real estate portfolio (the "Vijlma" transaction)".*)

Cash flows from financing activities improved from an outflow of €264 million for the year ended 31 December 2015 to an outflow of €25 million for the year ended 31 December 2016. This was primarily a result of an increase in proceeds from the issuance of own debt securities of €224 million and a decrease in cash outflow related to the repayment of issued debt securities related to securitised mortgages and lease receivables of €561 million. These positive effects on cash flows from financing activities were partly offset by an increase in repayment of issued own debt securities of €405 million in the year ended 31 December 2016 compared with the prior year.

The above resulted in net cash and cash equivalents decreasing by €22 million, or 2 per cent, from €1,244 million as at 31 December 2015 to €1,215 million as at 31 December 2016.

Capital

Working Capital and Capital Management

NIBC is of the opinion that its working capital is sufficient for its present requirements, that is for at least 12 months following the date of this Prospectus.

For information on NIBC's capital management policies and capital position, see "*Risk Management—Capital Management*". NIBC's current own funds are sufficient to comply with the own funds requirements, as set out in the CRR. NIBC's current liquidity position is sufficient to comply with the liquidity requirements, as set out in the CRR.

Capital Expenditure

NIBC's capital expenditure largely relates to the acquisition and maintenance of real estate property, IT and communications equipment and operating software. During the period under review NIBC incurred capital expenditure primarily as a result of the introduction of the NIBCity programme in 2015. NIBCity programme introduced a flexible working environment and required corresponding renovation of NIBC's head office in The Hague and further investments in IT equipment are part of implementing the programme.

Capital expenditure was €4 million for the year ended 31 December 2017. This was largely as a result of a €2 million investment in buildings and a €1 million investment in IT equipment.

Capital expenditure was €2 million for the year ended 31 December 2016. This was largely as a result of investments in IT equipment.

Capital expenditure was €13 million for the year ended 31 December 2015. This was largely as a result of the introduction of the NIBCity programme leading to capital expenditures of €9 million in buildings and €4 million in IT equipment.

Material Indebtedness and Other Material Liabilities

Covered Bond Programme

Under its covered bond programme, pursuant to a base prospectus dated 21 July 2017, NIBC Bank may from time to time issue conditional pass-through covered bonds ("**Covered Bonds**") with the maximum aggregate nominal amount outstanding not exceeding €5.0 billion. All Covered Bonds issued prior to December 2017 remained outstanding as at 31 December 2017.

In October 2013, NIBC Bank issued €500 million of Covered Bonds repayable on 8 October 2018. The interest rate on the Covered Bonds is 1.75 per cent per annum.

In April 2014, NIBC Bank issued €500 million of Covered Bonds repayable on 8 April 2019. The interest rate on the Covered Bonds is 1.25 per cent per annum.

In April 2015, NIBC Bank issued €500 million of Covered Bonds repayable on 22 April 2022. The interest rate on the Covered Bonds is 0.25 per cent per annum.

In June 2016, NIBC Bank issued €500 million of Covered Bonds repayable on 1 June 2026. The interest rate on the Covered Bonds is 0.625 per cent per annum.

In January 2018, NIBC Bank issued €500 million of Covered Bonds repayable on 24 January 2028. The interest rate on the Covered Bonds is 1.00 per cent per annum.

Residential Mortgage-Backed Securities

NIBC Bank uses residential mortgage loan receivables owned by it for the purpose of its residential mortgage-backed securities ("**RMBS**"). NIBC Bank has securitised a part of its residential mortgages loan book through RMBS transactions. A characteristic of these RMBS transactions is that the beneficial title to the securitised mortgage loan receivables is transferred to a separate entity for securitisation purposes, and that securitisation entity then issues various classes of notes. The notes issued create a payment obligation of the securitisation entity rather than on NIBC Bank. The current RMBS transactions and the outstanding notes under each are as follows:

On 24 February 2011, the Essence IV B.V. securitisation entity issued €597 million class A mortgage-backed notes, €62 million class B mortgage-backed notes and €7 million class C mortgage-backed notes, all repayable in February 2060. The first optional redemption date took place on 9 February 2016 on which the Notes have not been called. As at 31 December 2017, there were €259.4 million in mortgage-backed notes outstanding under the Essence IV B.V. RMBS transaction. NIBC Bank holds all notes issued by Essence IV B.V.

On 1 February 2013, the Dutch MBS XVIII B.V. securitisation entity issued €500 million class A mortgage-backed notes, €8 million class B mortgage-backed notes, €7 million class C mortgage-backed notes, €7 million class D mortgage-backed notes, €4.5 million class E mortgage-backed notes and €2.7 million class F mortgage-backed notes, all repayable in February 2045. As at 31 December 2017, there were €309.5 million mortgage-backed notes outstanding under the Dutch MBS XVIII B.V. RMBS transaction. The first optional redemption date took place on 2 February 2018, on which date the notes were called by NIBC.

On 24 November 2014, the Essence V B.V. securitisation entity issued €666.4 million class A mortgage-backed notes, €52.5 million class B mortgage-backed notes and €9,400,000 class C mortgage-backed notes, all repayable in December 2063. The first optional redemption date will take place on 9 December 2019. As at 31 December 2017, there were €1,079 million mortgage-backed notes outstanding under the Essence V B.V. RMBS transaction. NIBC Bank holds all notes issued by Essence V B.V.

On 13 May 2016, the Essence VI B.V. securitisation entity issued €547.2 million class A mortgage-backed notes, €81.1 million class B mortgage-backed notes and €5,100,000 class C mortgage-backed notes, all repayable in May 2065. The first optional redemption date will take place on 9 May 2023. As at 31 December 2017, there were €1,267.2 million mortgage-backed notes outstanding under the Essence VI B.V. RMBS transaction. NIBC Bank holds all notes issued by Essence VI B.V.

On 18 May 2017, the Essence VII B.V. securitisation entity issued €778.4 million class A mortgage-backed notes, €121.5 million class B mortgage-backed notes and €6.9 million class C mortgage-backed notes, all repayable in May 2057. The first optional redemption date will take place on 9 May 2024. As at 31 December 2017, all of the €907 million mortgage-backed notes were outstanding under the Essence VII B.V. RMBS transaction. NIBC Bank holds all notes issued by Essence VI B.V.

Commercial Mortgage-Backed Securities

On 19 December 2003, the Stellae-I B.V. securitisation entity issued €108.5 million senior class A mortgage backed notes, payable in October 2029. As at 31 December 2017, €8.4 million mortgage-backed notes were outstanding under the Stellae-I B.V. transaction.

Collateralised Loan Obligation Transactions

NIBC Bank currently manages the Adriana Infrastructure CLO 2008-I B.V. CLO transaction, which has invested in infrastructure related loans. Adriana Infrastructure CLO 2008-I B.V. has issued both class A senior notes and class B subordinated notes, all due in October 2044. The principal amount outstanding of notes under the Adriana Infrastructure CLO 2008-I B.V. CLO as at the end of December 2017 was GBP 519.2 million. NIBC Bank structured the Adriana Infrastructure CLO in order to attract matched GBP long-term funding for its GBP denominated infrastructure loan book. NIBC Bank holds all subordinated notes issued by Adriana Infrastructure CLO 2008-1 B.V. and consolidates the entire vehicle.

Repurchase / TLTRO

NIBC Bank has entered into various targeted longer-term refinancing operations ("**TLTROs**") with the ECB. TLTROs are Eurosystem operations that provide financing to credit institutions for periods of up to four years. They offer long-term funding at attractive conditions to banks in order to further ease private sector credit conditions and stimulate bank lending to the real economy.

As at 31 December 2017, NIBC Bank had €1,343 million in TLTROs with the ECB.

Senior Notes

Under its debt issuance programme, as most recently supplemented by a supplement dated 3 January 2018, NIBC Bank, with a consortium of international banks acting as dealers, may from time to time issue notes with the maximum aggregate nominal amount outstanding not exceeding €20 billion.

On 26 January 2015, NIBC Bank issued €300 million senior notes repayable on 26 July 2018. The interest rate on these senior notes is fixed at 2.00 per cent per annum.

On 23 March 2015, NIBC Bank issued €200 million senior notes repayable on 26 July 2018. The interest rate on these senior notes is fixed at 2 per cent per annum.

On 24 March 2016, NIBC Bank issued €300 million senior notes repayable on 24 September 2019. The interest rate on these senior notes is fixed at 2.25 per cent per annum.

On 17 June 2016, NIBC Bank issued CHF 100 million senior notes repayable on 17 June 2019. The interest rate on these senior notes is fixed at 1.375 per cent per annum.

On 29 September 2016, NIBC Bank issued €200 million senior notes repayable on 24 September 2019. The interest rate on these senior notes is fixed at 2.25 per cent per annum.

On 31 January 2017, NIBC Bank issued €500 million senior notes repayable on 31 January 2022. The interest rate on these senior notes is fixed at 1.50 per cent per annum.

Subordinated Notes

On 10 February 2003, NIBC Bank issued €10 million callable subordinated zero coupon notes repayable on 10 February 2043.

On 11 December 2003 NIBC Bank issued US$ 200 million perpetual debt securities. The securities are perpetual and have no fixed redemption date, however are redeemable in full on any interest payment date falling on or after 11 December 2013. As at 31 December 2017, the outstanding amount of the securities was US$ 60.1 million.

On 21 February 2005, NIBC Bank issued €100 million subordinated fixed rate and CMS-linked notes repayable on 21 February 2040. The interest rate on the fixed rate subordinated notes was 7.00 per cent per annum until 21 February 2007 and thereafter the notes became floating interest rate notes. As at 31 December 2017, outstanding amount of the securities was €55.4 million.

On 24 March 2005 NIBC Bank issued US$ 100 million CMS-linked perpetual debt securities. The securities are perpetual and have no fixed redemption date, however are redeemable in full on any interest payment date falling on or after 24 March 2015. As at 31 December 2017, the outstanding amount of the securities was US$ 90.5 million.

On 30 March 2006 NIBC Bank issued €100 million fixed/floating rate perpetual debt securities. The securities are perpetual and have no fixed redemption date, however are redeemable in full on any interest payment date falling on or after 30 March 2011. As at 31 December 2017, the outstanding amount was €50 million.

On 24 March 2015, NIBC Bank issued €50 million subordinated notes repayable on 24 March 2025. The interest rate on these subordinated notes is fixed at 4.00 per cent per annum.

On 29 September 2017 NIBC Bank issued €200 million undated deeply subordinated additional tier 1 fixed rate resettable callable capital securities. The interest rate on these securities is fixed at 6 per cent until 15 October 2024. The securities have no fixed maturity date, however are redeemable in full on any interest payment date falling on or after 15 October 2024.

Euro-Commercial Paper

NIBC Bank also established a euro-commercial paper programme ("**ECP Programme**") on 7 July 2017 under which it can issue notes up to a maximum aggregate amount of €3 billion. As at 31 December 2017 the aggregate EUR-equivalent notional of the commercial paper issued under the ECP Programme was €50 million.

Contractual Obligations

The following table summarises NIBC's undiscounted material non-derivative contractual obligations as at 31 December 2017. The following table includes both principal and future interest payments that NIBC will be required to make.

	As at 31 December 2017						
	Not dated	Payable on demand	Due within 3 months	Due between 3 months and 12 months	Due between 1 year and 5 years	Due after 5 years	Total
	(audited, in € millions)						
Due to other banks		8	114	334	1,276	102	1,834
Deposits from customers		5,418	999	2,345	2,208	540	11,510
Own debt securities in issue		0	1	1,111	2,288	992	4,392
Debt securities in issue related to securitised mortgages and lease receivables		0	0	267	0	0	267
Debt securities in issue structured		0	1	3	27	112	616
Subordinated liabilities		0	0	2	75	199	277
Other	104	0	0	113	4	3	281
Total liabilities (excluding derivatives)	**104**	**5,426**	**1,115**	**4,175**	**5,879**	**1,948**	**18,647**

Financial Commitments

The table below presents NIBC's contractual commitments and contingent liabilities as at 31 December 2017, 2016 and 2015.

	As at 31 December		
	2017	2016	2015
	(audited, in € millions)		
Committed facilities with respect to corporate loans	1,533	1,303	1,416
Committed facilities with respect to residential mortgages	158	708	407
Capital commitments with respect to equity investments	12	19	25
Guarantees granted	65	76	41
Irrevocable letters of credit	35	18	12
Total financial commitments	**1,803**	**2,124**	**1,901**

Off Balance Sheet Activities

As part of the funding and credit risk mitigation activities, NIBC transfers or pledges the cash flows of selected financial assets to third parties and pledges assets as collateral for derivative transactions. The financial assets transferred or pledged primarily include residential mortgages, other loan portfolios, debt investments and cash collateral.

The Company's asset encumbrance ratio, calculated as encumbered assets and total collateral received re-used over total assets and total collateral re-used, was 26 per cent as at 31 December 2017 (compared with 29 per cent as at 31 December 2016 and 29 per cent as at 31 December 2015)[1].

The table below presents assets transferred or pledged, and liabilities with pledges issued against them, as collateral as at 31 December 2017, 2016 and 2015.

	As at 31 December		
	2017	2016	2015
	(audited in € millions)		
Liabilities			
Due to other banks/Own debt securities in issue	3,443	2,896	1,865
Debt securities in issue related to securitised loans and mortgages	691	1,945	2,802
Derivative financial liabilities	566	888	1,128
Total	**4,700**	**5,729**	**5,795**
Assets			
Debt investments/Residential mortgages own book	4,085	3,471	1,902
Securitised loans and mortgages	944	2,170	3,619
Cash collateral (due from other banks)	669	1,004	1,128
Total	**5,698**	**6,645**	**6,649**

1 The terms "received re-used" and "re-used" are used as per the guidelines of the European Banking Authority.

Critical Accounting Policies and Judgements

In the process of applying the accounting policies, NIBC uses estimates and assumptions which can have a significant impact on the amounts recognised in the financial statements. These estimates and assumptions are based on the most recent information available. The actual amounts may differ in the future. The principal estimates and assumptions relate to impairments on available-for-sale investments, loans and advances to the public and private sectors, investments in associates using the equity method, property, plant and equipment, goodwill, intangible assets and assets acquired through foreclosures. They also relate to the determination of the fair value of financial instruments, deferred tax positions, share-based payments, employee benefits and provisions.

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.

Own liabilities designated at fair value through profit or loss

At 31 December 2017, the fair value of these liabilities was estimated to be €821 million (31 December 2016: €933 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 bank estimates its own credit risk from market observable data such as NIBC senior unsecured issues and secondary prices for its traded debt.

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 flow would increase or decrease the fair value of these own financial liabilities at 31 December 2017 by €3.3 million (31 December 2016: €4.0 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 flow (after expected prepayments) to present value using inter-bank zero-coupon rates, adjusted for a credit 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).

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 securitisation 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 an element of the spread to take into account 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 at 31 December 2017 of approximately €15 million (31 December 2016: €16 million) on the fair value of the mortgages. A 1 per cent point shift in the assumption NIBC makes about expected prepayments would have had an impact as at 31 December 2017 of approximately €10 million (31 December 2016: €13 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 2017, the fair value of this portfolio was estimated to be €323 million (31 December 2016: €245 million). This portfolio is reported as equity investments (including investments in associates) at fair value through profit or loss (31 December 2017: €287 million; 31 December 2016: €204 million) and as equity investments at available for sale (31 December 2017: €36 million; 31 December 2016: €41 million).

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 2017, for each of NIBC's impaired corporate loans, the net present value of the estimated cash flows had been 5 per cent lower or higher than estimated, NIBC would have recognised an additional impairment loss or gain of €7.3 million (31 December 2016: €18.4million).

Impairment of equity investments 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 "significant" or "prolonged", the effect would have been a €0.4 million (2015: €0.1 million) reduction in the profit before tax (investment income) in 2016, and €0.6 million in 2017.

IFRS 9

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The effective date of IFRS 9 is 1 January 2018. NIBC's implementation of IFRS from 1 January 2018 will have the most significant impact in the following areas:

Impact of IFRS 9 with respect to assets

For NIBC the main impact of IFRS 9 from 1 January 2018 is the reclassification of the mortgage loan portfolio at fair value through profit or loss to amortised cost, in line with the hold to maturity business model and with general market practice. This reclassification will result in a one-off loss of the revaluation amount on the mortgage loans amounting to €321 million before tax in the year ended 31 December 2018. The net of tax amount will be charged directly through shareholders' equity. As this reduction of equity at transition date includes the one-sided effect of interest rates with the associated hedges remaining unadjusted, the impact is materially larger than only the underlying credit revaluation of the related mortgage loans. This one sided effect will result in a future positive pull-to-par effect through operating income for an estimated amount equal to the before tax revaluation loss of €224 million on the related hedging swaps over the remaining life of the reclassified portfolio. Based on the interest rate maturity and characteristics of the underlying seasoned mortgage loans and hedges, the Company estimates that approximately 85% of this positive effect on operating income will be realised in the period 2018 to 2024, of which the Company expects the majority to be realised through net interest income. The magnitude of this loss at 1 January 2018 has a negative impact on NIBC's fully loaded CET1 ratio of 3.6 per cent as at that date. In addition to the reclassification of the fair value through profit or loss mortgage loan portfolio, the change from an incurred loss impairment model to an expected credit loss impairment model will affect the required level of loan provisions. NIBC has developed new models to comply with the new requirements of ECL under IFRS 9. In the first half of 2018 further testing will be performed. Based on the current calculations, NIBC estimates a downward transition impact of 0.4 per cent points on 1 January 2018 on NIBC's CET 1 ratio. Overall, there will be a reduction of capital following the transition to IFRS 9, but as at 1 January 2018 the Company expects to display a solid CET1 ratio of 15.3 per cent, above both its current SREP level requirements and the Company's medium-term objectives.

Impact of IFRS 9 with respect to liabilities

Part of the unsecured funding portfolio was classified at fair value through profit or loss prior to IFRS going into effect. As at 1 January 2016, following the early application of 'IFRS 9 - own credit requirements', the fair value changes from liabilities designated at fair value through profit or loss are accounted for as comprehensive income directly to shareholders' equity. As at 31 December 2017 a debit of €86 million (compared with €171 million as at 31 December 2016) on the financial liabilities at fair value through profit or loss was accounted for in the balance sheet due to own credit spread movements. As NIBC has already applied IFRS 9 for these liabilities, no further impact has resulted from the full transition to IFRS 9 on 1 January 2018.

Impairment of financial assets

Based on expected credit losses calculations NIBC considers the increase resulting from IFRS 9 in the total level of impairment allowance to be moderate. The transition to IFRS 9 has contributed to a 0.4 per cent decrease in the fully loaded CET1 ratio of the Company as at 1 January 2018. Following the transition to IFRS 9, a more volatile impairment charge is expected in future periods, as a result of fluctuations in the macroeconomic environment. With the introduction of IFRS 9, NIBC will no longer report incurred but not reported (IBNR) impairment losses. This will partially offset the impact of ECL impairment allowances.

Hedge accounting

IFRS 9 allows entities to continue with hedge accounting under IAS 39 after 1 January 2018. NIBC will continue to apply IAS 39 for hedge accounting, including the application of the EU carve out.

Reporting

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

Effect on deferred tax assets

IFRS 9 is expected to cause a decrease in CET1 capital, a one-off net loss to shareholders' equity and an increase in the deferred tax asset ("**DTA**") line item. Deferred tax assets can be used in subsequent years to offset taxable profits without affecting the income statement. The transition to IFRS 9 will affect shareholders' equity 'net of tax', but fully loaded CET1 capital 'before tax'. The reason that the effect on fully loaded CET1 capital is 'before tax' is that the DTA is a deduction item in fully loaded CET1 capital. This also implies–with respect to the impact of profitability on shareholders' equity and CET1 capital–that the future growth of shareholders' equity is driven by future net of tax profits minus dividends, but the growth of fully loaded CET1 capital will be driven by before tax profits net of dividends—as long as the DTA exists. The growth of CET1 capital changes to net of tax profits minus dividends as soon as the DTA is fully utilised.

Overall transition impact

The overall initial application effect of IFRS 9, including both the reclassification effect and the impairment effect, on the Company's fully loaded CET1 capital ratio is an aggregate decrease of 4.0 per cent as at 1 January 2018, which has not lead to a breach of the minimum SREP level requirements. This is the result of a total impact on regulatory capital of €0.3 billion. Over the coming years, the Company expects that return on equity for NIBC Holding will be affected by the implementation of IFRS 9 due to (a) the lower level of equity and (b) improved earnings over the life of the portfolio.

See also "—*NIBC is subject to changes in financial reporting standards or policies which could materially adversely affect NIBC's reported results of operations and financial condition.*"

MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

General

Set out below is a summary of relevant information concerning the Company's Managing Board, the Supervisory Board, the Executive Committee and NIBC's employees. The full text of the Articles of Association, the Managing Board Rules, the Supervisory Board Rules and an unofficial English translation of the Articles of Association are available on NIBC's website (nibc.com/about-us/corporate-governance). This section also describes the compliance of NIBC with the Dutch Corporate Governance Code (the "**Dutch Corporate Governance Code**") and the Dutch Banking Code (the "**Dutch Banking Code**").

Management Structure

The Company maintains a two-tier board structure consisting of a Managing Board (*raad van bestuur*) and a Supervisory Board (*raad van commissarissen*). The Managing Board is responsible for the day-to-day management, which includes, among other things, formulating NIBC's strategy and policies and setting and achieving NIBC's objectives. The Supervisory Board supervises and advises the Managing Board.

The Dutch Civil Code's (the "**Dutch Civil Code**") full large company regime (*volledig structuurregime*) applies to the Company. Under Dutch law, a 'structure company' (*structuurvennootschap*) is a company that meets the following criteria: (i) according to the balance sheet with explanatory notes the sum of the issued share capital of the company and its reserves amounts to at least €16,000,000; (ii) the company or a dependent company (*afhankelijke maatschappij*) has, pursuant to a legal obligation, established a works council; and (iii) the company and its dependent companies together normally employ at least 100 employees in the Netherlands. Companies to which the full large company regime applies are obliged by law to have a supervisory board. The members of the Supervisory Board are appointed according to a procedure (see *"—Supervisory Board"*) in which not only the Supervisory Board and the General Meeting, but also the Works Council plays an important role. The Supervisory Board has extensive powers under the full large company regime. Major strategic and organisational decisions taken within a company require the approval of the Supervisory Board. Pursuant to the full large company regime, the members of the Managing Board are appointed by the Supervisory Board. For a more detailed description of the appointment of the Managing Board, see "*—Managing Board*".

Managing Board

Powers and function

The Managing Board is the corporate body entrusted with the management, the strategy and the operations of the Company under the supervision of the Supervisory Board. In performing its duties, the Managing Board should focus on long-term value creation for the company and its affiliated enterprise, and take into account the stakeholder interests that are relevant in this context. The Managing Board is required to keep the Supervisory Board informed, to consult with the Supervisory Board on important matters and to submit certain important decisions to the Supervisory Board for its approval as more fully described below. At least once a year, the Managing Board must provide the Supervisory Board with a written report outlining NIBC's strategy, the general and financial risks faced by NIBC and NIBC's management and control system.

The Managing Board may perform all acts necessary or useful for achieving the Company's corporate purposes, except for those expressly attributed to the General Meeting or the Supervisory Board as a matter of Dutch law or pursuant to the Articles of Association.

The Managing Board as a whole is entitled to represent the Company. Additionally, two members of the Managing Board acting jointly are authorised to represent the Company as well as one member of the Managing Board acting jointly with an officer with a general power of attorney (subject to certain restrictions). Furthermore two officers with general power of attorney (e.g. proxy holders) acting jointly may represent the Company subject to certain restrictions.

Managing Board Rules

In accordance with the Articles of Association, the Managing Board has adopted rules governing the Managing Board's principles and best practices (the "**Managing Board Rules**"). The Managing Board Rules describe the duties, tasks, composition, procedures and decision-making of the Managing Board.

Composition, appointment and removal

The Managing Board Rules provide that the Managing Board consists of at least two members. The Supervisory Board appoints the members of the Managing Board. Prior to appointing a member of the Managing Board, the Supervisory Board must notify the General Meeting of such intended appointment. A member is appointed for a maximum period of four years. The Supervisory Board appoints a chairman from among the members of the Managing Board and may also appoint a vice-chairman.

The Articles of Association provide that the Supervisory Board shall not remove a member of the Managing Board before the General Meeting has been consulted on the intended removal. The Supervisory Board has the authority to suspend a member of the Managing Board and any suspension may be extended one or more times, but not for more than three months. If no decision has been made to remove the suspension or to dismiss the member of the Managing Board by the end of that period, the suspension shall end.

Members of the Managing Board

As at the date of this Prospectus, the Managing Board is composed of the following members:

Name	Age	Position	Member since	Term
Paulus de Wilt	53	Chief Executive Officer/Chairman	7 April 2014	7 April 2022
Herman Dijkhuizen	57	Chief Financial Officer/Vice-chairman	1 October 2013	1 October 2021
Reinout van Riel	47	Chief Risk Officer	15 August 2016	15 August 2020

Paulus de Wilt is the chief executive officer and has been chairman of the Managing Board since 2014. He studied Business Economics at Erasmus University in Rotterdam. Prior to joining NIBC, he spent 25 years at ABN AMRO Bank N.V. holding several positions in retail and corporate banking. Mr De Wilt was the chief executive officer of Newbank, a carve-out of ABN AMRO Bank N.V.'s corporate banking division from 2007 to 2009, and was the General Director of Retail Banking responsible for retail banking activities of ABN AMRO Bank N.V. and was the chairman of the supervisory boards of several subsidiaries of ABN AMRO Bank N.V. from 2009 to 2014. In addition to his experience at ABN AMRO Bank N.V., from 2009 to 2014, Mr de Wilt was a member of the supervisory board of ABN AMRO Verzekeringen, a joint venture between Delta Lloyd and ABN AMRO Bank N.V. Mr De Wilt is Dutch.

Herman Dijkhuizen is the chief financial officer of the Managing Board since 2013 and vice-chairman of the Managing Board since 2017. Mr Dijkhuizen worked at KPMG in the Netherlands from 1979 until 2013 in various roles including as a partner of KPMG between 1994 and 2013, as a member of KPMG's managing board from 2006 to 2012 and as the chairman of the audit committee institute of KPMG between 2012 and 2013. During his more than 30 years at KPMG, he served numerous clients, particularly in the financial services sector. Mr Dijkhuizen's international experience at KPMG includes operating as an expatriate partner in Germany and leading a number of large international engagements as an auditor and advisor. In addition to his role as chief financial officer of the Company, Mr Dijkhuizen also serves as the vice-chairman of the supervisory board of Stichting VU, as chairman of the supervisory board of UNICEF the Netherlands and as a member of the Nationaal Comité 4 en 5 Mei. In the past, Mr Dijkhuizen has also been a member of boards and committees of several organisations including Stichting Steun Emma (2013–2017), Talent Naar De Top (2013–2015) and Enactus (2009–2012). Mr Dijkhuizen is Dutch.

Reinout van Riel is the chief risk officer and has been a member of Managing Board since 2016. He holds a master's degree in Civil Law from Erasmus University in Rotterdam. From 1995 to 2013, Mr Van Riel worked for ABN AMRO Bank N.V. and Royal Bank of Scotland plc in several senior positions, based in Amsterdam, Brussels and Frankfurt, in credit portfolio management, global transaction services and as Head of Recoveries & Litigation EMEA at Royal Bank of Scotland plc. Prior to joining NIBC, from 2013 to 2016, Mr Van Riel was the chief portfolio officer and member of the managing board of the property management company, Propertize B.V. In addition, Mr Van Riel is currently a member of the supervisory committee of Schoolvereniging Baarn. Mr Van Riel is Dutch.

The business address of the members of the Managing Board is the Company's registered address, Carnegieplein 4, 2517 KJ in The Hague, the Netherlands.

Decision-making

The Managing Board holds in principle one meeting every week, or more (or less) often as deemed necessary or desirable for the proper functioning of the Managing Board by one or more members. The meetings of the Managing Board are in principle combined with the meetings of the Executive Committee. Pursuant to the

Managing Board Rules, resolutions of the Managing Board shall pass resolutions with a simple majority in a meeting in which at least the majority of the Managing Board members is present or represented. The Managing Board may also adopt resolutions without having a meeting, provided such resolutions are adopted in writing and that the proposed resolution has been submitted to all members of the Managing Board entitled to vote and none of them opposes this manner of adopting a resolution. Adoption of resolutions in writing will be effected by written statements from all members of the Managing Board in office. The non-statutory members of the Executive Committee are invited to attend meetings of the Managing Board, unless otherwise decided by the chairman of the Managing Board. The non-statutory Executive Committee members may participate in the discussions in meetings of the Managing Board, but are not entitled to a vote.

Resolutions of the Managing Board entailing a significant change in the identity or character of the Company or its business are subject to the approval of the General Meeting, including in any case:

(a) the transfer of (nearly) the entire business of the Company to a third party;

(b) entering into or terminating long term co-operation of the Company or a subsidiary with another legal entity or company or as fully liable partner in a limited partnership (*commanditaire vennootschap*) or general partnership (*vennootschap onder firma*), if this co-operation or termination is of major significance for the Company; and

(c) acquiring or disposing of a participation in the capital of a company representing at least one third of the sum of the assets of the Company as shown on its balance sheet plus explanatory notes or, if the Company prepares a consolidated balance sheet, its consolidated balance sheet plus explanatory notes according to the last adopted annual accounts of the Company, by the Company or a subsidiary.

Any such resolution shall only be submitted to the General Meeting after the Works Council has been timely granted the opportunity to determine its point of view before the date of the notice of such General Meeting. The absence of the statement of the Works Council shall not affect the decision-making concerning such proposal. If the Works Council determines its point of view in respect of the proposal, the Managing Board shall inform the Supervisory Board and the General Meeting of such point of view. The Works Council may have its point of view explained in the General Meeting.

In addition, resolutions of the Managing Board identified in the Articles of Association, the Managing Board Rules or identified pursuant to a resolution of the Supervisory Board from time to time on the basis of the relevant provisions in the Articles of Association require the prior approval of the Supervisory Board.

These include:

(a) issue and acquisition of Shares and debentures at the expense of the Company or of debentures at the expense of a limited partnership or general partnership in respect of which the Company is a partner with full liability;

(b) cooperation in the issuance of depositary receipts for Shares;

(c) the application for admission of the securities under (a) and (b) above to trading an a trading venue (*handelsplatform*) as referred to in Section 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) or a comparable trading venue from a state that is not a member state, or, as the case may be, the cancellation of such admission;

(d) entering into or termination of a long term cooperation of the Company or a dependent company (*afhankelijke maatschappij*) with another legal entity or company or, as a partner with full liability, in a limited partnership or general partnership if such cooperation or termination is of fundamental importance for the Company;

(e) participation by the Company or a dependent company (*afhankelijke maatschappij*) in the capital of another company if the value of such participation is at least one quarter of the amount of the issued capital plus reserves of the Company according to its balance sheet and explanatory notes, as well as significantly increasing or reducing such participation;

(f) investments requiring an amount equal to at least one quarter of the issued capital plus reserves of the Company according to its balance sheet and explanatory notes;

(g) proposal to amend these Articles of Association;

(h) proposal to dissolve the Company;

(i) petition for bankruptcy and a request for suspension of payments (*surseance van betaling*);

(j) termination of the employment of a considerable number of employees of the Company or of a dependent company (*afhankelijke maatschappij*) simultaneously or within a short period of time;

(k) significant change in the employment conditions of a considerable number of the employees of the Company or of a dependent company (*afhankelijke maatschappij*); and

(l) proposal to reduce the Company's issued capital.

The Managing Board is also required to submit for the Supervisory Board's approval: (a) the operational and financial objectives of the Company; (b) the strategy designed to achieve the objectives; (c) the parameters to be applied in relation to the strategy; (d) the risk appetite of the Company; (e) all proposals regarding remuneration as required under the Company's "Governance of Remuneration Policies: Roles and Responsibilities"; (f) corporate social responsibility issues that are relevant to the enterprise; (g) division of tasks by the members of the Managing Board; (h) appointing and dismissing the senior internal auditor; and (i) annual budget.

After consultation with the Managing Board, the Supervisory Board is entitled to require other resolutions of the Managing Board to be subject to its approval. Such resolutions must be clearly specified and notified to the Managing Board in writing.

In each of the above-mentioned situations, the lack of approval (whether from the General Meeting or from the Supervisory Board) does not affect the authority of the Managing Board or the members of the Managing Board to represent the Company.

Conflict of interest

Dutch law provides that a member of the Managing Board of a Dutch public limited liability company may not participate in the decision-making on resolutions (including deliberations in respect of these) if he or she has a direct or indirect personal conflict of interest. This rule applies to the Company. If no resolution can be taken as a consequence of all members of the Managing Board having a conflict of interest, the resolution concerned must be presented to the Supervisory Board. In addition, if a member of the Managing Board does not comply with the provisions on conflicts of interest, the resolution concerned is subject to nullification (*vernietigbaar*) and this member may be liable towards the Company. Every member of the Managing Board shall immediately report any (potential) conflict of interest concerning a member of the Managing Board to the chairman of the Supervisory Board and all other members of the Managing Board and shall provide all relevant information. The Supervisory Board will decide whether there is a conflict of interest without the relevant member of the Managing Board being present.

Resolutions to enter into transactions in relation to which a member of the Managing Board has a conflict of interest, require the approval of the Supervisory Board. All transactions in which there are conflicts of interest with Managing Board members shall be agreed on terms that are customary in the sector concerned and shall be disclosed in the Company's Managing Board report.

Potential conflict of interest and other information

The Company is not aware of any potential conflicts of interest between the private interests or other duties of each of the members of the Managing Board on the one hand and the interests of the Company on the other hand. According to best practice principle 2.7 of the Dutch Corporate Governance Code, the Company will report all transactions where a conflict of interest has been established in its annual report. There is no family relationship between any member of the Managing Board and any member of the Supervisory Board.

During the last five years, none of the members of the Managing Board: (i) has been convicted of fraudulent offenses; (ii) has served as a director or officer of any entity subject to bankruptcy proceedings, receivership or liquidation; or (iii) has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer.

The Company is not aware of any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any member of the Managing Board was selected as a member of such management body of the Company.

Employment agreements of the Managing Board

The members of the Managing Board are employed by NIBC Bank on the basis of an employment agreement for an indefinite term, which is governed by Dutch employment law. The employment agreements can be terminated by observing a notice period of two months by the member of the Managing Board and four months by NIBC Bank. If the employment agreement is terminated by NIBC Bank, the member of the Managing Board is entitled to a severance payment equal to his fixed annual gross salary at the time of termination. However, such member of the Managing Board will not be entitled to such severance payment if, among other reasons, the employment agreement is terminated due to an urgent cause and/or serious culpable acts or omissions of the member of the Managing Board or if statutory obligations, including but not limited to Section 1:125 of the Dutch Financial Supervision Act and/or the DNB Regulation on Sound Remuneration Policies 2017, preclude such payment.

Executive Committee

Powers and function

Similar to the Managing Board, the Executive Committee is entrusted with the management, the strategy and the operations of the Company under the supervision of the Supervisory Board.

Composition, appointment and removal

The Executive Committee consists of the members of the Managing Board and certain non-statutory members being the heads of NIBC's Corporate Client Offering and Retail Client Offering. The chairman of the Managing Board is also the chairman of the Executive Committee. The Managing Board has the authority to appoint, suspend and dismiss the non-statutory members of the Executive Committee.

Executive Committee

The Executive Committee is composed of the following members:

Name	Age	Position	Member since
Paulus de Wilt . .	53	Chief Executive Officer/Chairman	7 April 2014(1)
Herman Dijkhuizen	57	Chief Financial Officer/Vice-chairman	1 October 2013(1)
Reinout van Riel .	47	Chief Risk Officer	15 August 2016(1)
Saskia Hovers . . .	49	Non-statutory member (responsible for Corporate Client Offering Sectors)	1 January 2017
Michel Kant	47	Non-statutory member (responsible for Retail Client Offering)	1 January 2017
Caroline Oosterbaan	46	Non-statutory member (responsible for Corporate Client Offering Products)	1 January 2017

(1) Member of the Managing Board from this date; member of the Executive Committee since 1 January 2017.

For information in respect of the members of the statutory members of the Executive Committee, being the Managing Board, see "—*Managing Board*".

Saskia Hovers is the head of corporate banking sectors and a member of the Executive Committee since 2017. Ms Hovers holds a master's degree in Economics from the University of Tilburg and completed her post-doctoral studies in Financial Economics at TIAS School of Business and Society. Ms Hovers joined NIBC Bank in 2001, holding various senior roles including managing director and head of the Offshore Energy (formerly the oil and gas sector), Shipping & Intermodal, Commercial Real Estate and Infrastructure & Renewables sector departments and head of NIBC's Asset and Cash Flow Finance franchise. In 2014, Ms Hovers was appointed as the head of corporate banking—sectors, responsible for all sector origination teams across NIBC's core markets. Prior to joining NIBC, Ms Hovers was a senior vice president at Fortis working in the offshore project finance team and also held various corporate finance roles at MeesPierson N.V. Ms Hovers is Dutch.

Michel Kant is the head of retail banking and has been a member of the Executive Committee since 2017. Mr Kant holds a master's degree in Economics from Vrije Universiteit in Amsterdam. Mr Kant joined NIBC Bank's structuring team in 2001 holding various roles in the Netherlands and London office and became the head of mortgage capital markets responsible for capital market transactions, portfolio divestments and acquisitions and warehouse financing. In 2007, Mr Kant became the head of consumer banking and transformed NIBC's Retail Client Offering to its current form including the development of retail savings and owner-occupied and buy-to-let mortgages under the NIBC Direct brand. Prior to joining NIBC, Mr Kant worked in mergers and acquisitions at Amsterdamse Investeringbank and in corporate finance at Bank Labouchere / Dexia, where he was responsible for several mergers and acquisition deals and securitisation transactions. Mr Kant is Dutch.

Caroline Oosterbaan is the head of corporate banking products and a member of the Executive Committee since 2017. Ms Oosterbaan holds a master's degree in Business Economics from Erasmus University in Rotterdam. Ms Oosterbaan joined NIBC Bank in 2013 as head of mergers and acquisitions and in 2014 was appointed as the head of corporate banking sectors before becoming the head of corporate banking products, responsible for all of NIBC's Corporate Client Offering products. In addition to her role at NIBC, Ms Oosterbaan is a member of the supervisory board at Westland Kaas Groep and Stichting Fonds Cultuur+Financiering, a member of the advisory board at Rotterdam School of Management, Erasmus University, a member of the Erasmus Hoogeschoolraad and a member of Studiegezelschap voor Economische Politiek. Prior to joining NIBC, Ms Oosterbaan held various corporate finance and consulting positions including as a partner at NIG Finance and at Eastlane, senior vice president of relationship banking at ABN AMRO Bank N.V. and a consultant at OC&C Strategy Consultants. Ms Oosterbaan is Dutch.

The business address of the members of the Executive Committee is the Company's registered address, Carnegieplein 4, 2517 KJ in The Hague, the Netherlands.

Decision-making

The Executive Committee holds in principle one meeting every week, or more (or less) often as deemed necessary or desirable for the proper functioning of the Executive Committee by the chairman of the Executive Committee. The meetings of the Executive Committee are in principle combined with the meetings of the Managing Board. The non-statutory members of the Executive Committee are invited to attend meetings of the Managing Board, unless otherwise decided by the chairman of the Managing Board. The non-statutory Executive Committee members may participate in the discussions in meetings of the Managing Board, but are not entitled to a vote.

For information on the decision making process of the Managing Board see "*—Managing Board—Decision-making*".

Conflict of interest

In case of a conflict of interest between the Company and a non-statutory member of the Executive Committee, the conflicted member of the Executive Committee will not take part in the discussion on a subject or transaction in which he or she has a conflict of interest. Non-statutory members of the Executive Committee shall immediately report any (potential) conflict of interest to the chairman of the Managing Board.

Resolutions to enter into transactions in relation to which a non-statutory member of the Executive Committee has a conflict of interest, require the approval of the Supervisory Board. All transactions in which there are conflicts of interest with non-statutory members of the Executive Committee shall be agreed on terms that are customary in the sector concerned and shall be disclosed in the Company's Managing Board report.

Potential conflict of interest and other information

The Company is not aware of any potential conflicts of interest between the private interests or other duties of each non-statutory member of the Executive Committee on the one hand and the interests of the Company on the other hand. According to best practice principle 2.7 of the Dutch Corporate Governance Code, the Company will report all transactions where a conflict of interest has been established in its annual report. There is no family relationship between any non-statutory members of the Executive Committee and any member of the Supervisory Board.

During the last five years, none of the non-statutory members of the Executive Committee: (i) has been convicted of fraudulent offenses; (ii) has served as a director or officer of any entity subject to bankruptcy proceedings, receivership or liquidation; or (iii) has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer.

The Company is not aware of any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any non-statutory members of the Executive Committee was selected as a member of such management body of the Company.

Supervisory Board

Powers and function

The Supervisory Board supervises the conduct and policies of the Managing Board and the general course of affairs of the Company and its business. The Supervisory Board also provides advice to the Managing Board. In performing their duties, the members of the Supervisory Board are required to be guided by the interests of the Company which includes the interests of the business associated with it. The Managing Board must provide the Supervisory Board in good time with the information it needs to carry out its duties. The Supervisory Board has drawn up a profile for its size and composition taking into account the nature of the business of the Company, the Company's activities and the desired expertise and background of its members. The Supervisory Board is obliged to discuss the profile at its adoption and subsequently with each change in the General Meeting and with the Works Council.

Supervisory Board Rules

In accordance with the Articles of Association, the Supervisory Board has adopted rules governing the Supervisory Board's principles and best practices (the "**Supervisory Board Rules**"). The Supervisory Board Rules describe the duties, tasks, composition, procedures and decision-making of the Supervisory Board.

Composition, appointment and removal

The Articles of Association provide that the Supervisory Board must consist of a minimum of three members, which number is to be determined by the Supervisory Board. Only natural persons may be appointed as members of the Supervisory Board. The General Meeting appoints the member of the Supervisory Board pursuant to and in accordance with on a nomination by the Supervisory Board. The Supervisory Board considers candidates for nomination on an ad hoc basis taking into account the rotation schedule for Supervisory Board members and the requirements of the Articles of Association.

The General Meeting can overrule a nomination by the Supervisory Board by an absolute majority of the votes cast, representing at least one-third of the issued share capital. If the General Meeting with an absolute majority of the votes cast overrules the nomination, but this majority does not represent at least one-third of the Company's issued share capital, then a new meeting may be convened in which the nomination can be overruled by an absolute majority of the votes cast irrespective of the capital present or represented at the meeting.

The General Meeting and the Works Council may recommend candidates to the Supervisory Board to be nominated as members of the Supervisory Board. The Supervisory Board is required to nominate a candidate recommended by the Works Council in respect of one-third of the members of the Supervisory Board. The Supervisory Board Rules provide that each member of the Supervisory Board shall be appointed for a maximum period of four years and will retire at the first General Meeting after expiry of their term of appointment. A member's term of office shall lapse in accordance with the rotation schedule drawn up by the Supervisory Board. A member of the Supervisory Board may be re-appointed for additional four year terms. Pursuant to the Supervisory Board Rules, members of the Supervisory Board will in principle be appointed for a maximum of three four-year terms.

If the Supervisory Board objects to the recommendation of the Works Council, it must notify the Works Council of its objections stating its reasons. The Supervisory Board should enter into consultation with the Works Council in order to reach agreement on the recommendation. If it is apparent to the Supervisory Board that no agreement can be reached between the Supervisory Board and the Works Council, a designated representative of the Supervisory Board will request the Enterprise Chamber to declare the Supervisory Board's objections valid (*gegrond*). If the Enterprise Chamber declares the Supervisory Board's objections invalid (*ongegrond*), the Supervisory Board will nominate the candidate recommended by the Works Council for appointment. If the Enterprise Chamber declares the Supervisory Board's objections valid, the Works Council will have an opportunity to make a new recommendation.

Furthermore, pursuant to the Dutch full large company regime, the General Meeting is not authorised to dismiss individual members of the Supervisory Board. Upon application, the Enterprise Chamber of the Amsterdam Court of Appeals (*Ondernemingskamer van het Gerechtshof Amsterdam*) (the "**Enterprise Chamber**") may remove a member of the Supervisory Board if the Company cannot reasonably be required to maintain that member of the Supervisory Board because he or she derelicts his or her duties, for other important reasons or on account of any far-reaching change of circumstances. The application can be made by the Company represented for this purpose by a representative that can be designated by, amongst others, the General Meeting.

The General Meeting can dismiss the Supervisory Board in its entirety for reasons of lack of confidence, by an absolute majority of the votes cast, representing at least one-third of the issued share capital (whereby the possibility to hold a second General Meeting in which no quorum applies is excluded). The resolution to dismiss the Supervisory Board shall have immediate effect and the Managing Board is required to request the Enterprise Chamber without delay to appoint one or more members to the Supervisory Board on a temporary basis.

All current members of the Supervisory Board meet the fit and proper requirements of the Dutch Financial Supervision Act. The Company intends to comply with provisions 2.1.7(i), 2.1.7(ii) and 2.1.8 of the Dutch Corporate Governance Code regarding independence of the Supervisory Board.

The Supervisory Board may suspend any of its members at any time. The suspension shall lapse by law if the Company, represented by the Supervisory Board, has not requested the Enterprise Chamber within one month after commencement of the suspension to dismiss the suspended members of the Supervisory Board on legal grounds. The General Meeting can dismiss the Supervisory Board in its entirety for reasons of lack of confidence, by an absolute majority of the votes cast, representing at least one-third of the issued share capital (whereby the possibility to hold a second General Meeting in which no quorum applies is excluded). The resolution to dismiss the Supervisory Board shall have immediate effect and the Managing Board is required to request the Enterprise Chamber without delay to appoint one or more members to the Supervisory Board on a temporary basis.

Members of the Supervisory Board

As at the date of this Prospectus, the Supervisory Board is composed of the following members:

Name	Age	Position	Member since	Term
W.M. van den Goorbergh	69	Chairman	14 December 2005	16 May 2019*
D.M. Sluimers	64	Vice-chairman	1 January 2016	1 January 2020
R.L. Carrión	65	Member	29 September 2017	29 September 2021
M. Christner	45	Member	14 January 2011	12 January 2019
J.C. Flowers	60	Member	29 October 2012	29 October 2020
A. de Jong	63	Member	14 December 2005	14 December 2018**
K.M.C.Z Steel	71	Member	19 August 2014	19 August 2018
A.H.A. Veenhof***	72	Member	30 March 2006	30 March 2018

* Mr Van den Goorbergh has been reappointed on 25 January 2018 for a fourth term of a maximum of one year up to 16 May 2019. The extension after the 12 year period has been requested by the Company for continuity purposes following completion of the Offering. In light of this, the term of the extension has been limited to one year.

** Reappointed on 11 September 2017 for a fourth term of a maximum of one year term up to 14 December 2018. The extension after the 12 year period has been requested by the Company for continuity purposes following completion of the Offering. In light of this, the term of the extension has been limited to one year.

*** Mr Veenhof will step-down from the Supervisory Board on 30 March 2018 following the end of his third term.

The business address of the members of the Supervisory Board is the Company's registered address, Carnegieplein 4, 2517 KJ in The Hague, the Netherlands.

W.M. van den Goorbergh was appointed to the Supervisory Board in 2005 and is the current Chairman of the Supervisory Board. In addition to this role at the Company, Mr Van den Goorbergh is currently the chairman of the supervisory boards of Coöperaties DELA and Leyden Academy on Vitality and Ageing B.V., the chairman of Stichting Adminstratiekantoor ANWB, Vereniging AEGON, Stichting Stabat Mater, Stichting Administratiekantor Heijmans, Stichting Leefbaarheid Luchthaven Eindhoven and a member of Commissie van Beroep Tuchtrecht Banken. Mr Van den Goorbergh was the former vice-chairman and chief financial officer of the executive board of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland). In addition, Mr Van den Goorbergh was the chairman of the supervisory board of De Welten Groep Holding B.V. (2003–2014), a member of the supervisory board of Mediq N.V. (2006–2014), vice-chairman of the board of Katholieke Universiteit Nijmegen (2004–2014), chairman of the board of directors of KPC Groep (1997–2014) and a member of the supervisory board of Bank Nederlandse Gemeenten N.V. (2003–2015). Further he was the chairman of the board of Stichting 2018 Eindhoven Brabant (2012–2014) and the chairman of the supervisory board of Nexus Instituut (2002–2014). Mr. Van den

Goorbergh holds a master's degree and PhD in Economics from the University of Tilburg. Mr Van den Goorbergh is Dutch.

D.M. Sluimers was appointed to the Supervisory Board in 2016 and is the current vice-chairman of the Supervisory Board. In addition to this role at the Company, Mr Sluimers is a member of the supervisory boards of Akzo Nobel N.V., Atradius N.V., Atradius Credit Insurance N.V. and Euronext Paris. He is also a member of the board of directors of FWD Group Limited and member of the advisory board of Spencer Stuart Executive Search. Mr Sluimers was the former chairman of the executive board of the Algemene Pensioen Groep N.V. (APG Group) (2008–2015). In addition, Mr Sluimers is currently a member of the board of governors of the Netherlands State Academy of Finance and Economics (*Rijksacademie voor Financien en Economie*), extraordinary state councillor at the Council of State, a member of the board of trustees at Erasmus University Trust, a board member at the Amsterdam Concert Hall Fund and an advisor at Quore Capital and Hemingway Corporate Finance. Most recently, Mr Sluimers was a member of the board of directors of the Research Institute Netspar (2009–2015), member of the management at Holland Financial Centre (2007–2015), member of the board of trustees at the International Financial Reporting Standards Foundation (2011–2015) and member of the supervisory board at Golfteam Holland (2007–2015). Mr. Sluimers holds an Economics degree from the Erasmus University in Rotterdam and a Political Science degree from the University of Amsterdam. Mr Sluimers is Dutch.

R.L. Carrión was appointed to the Supervisory Board in 2017. Mr Carrión is currently an operating partner at J.C. Flowers & Co., an affiliate of the Selling Shareholders. In addition to this role at J.C. Flowers & Co., Mr Carrión is the executive chairman and chairman of the board of Popular, Inc. Mr Carrión was previously the president (2010–2014) and chief executive officer (1991–2017) of Popular, Inc., and he is on the board of directors at Verizon Communications and Centro Financiero BHD. Furthermore, Mr Carrión is a member of the International Olympic Committee and trustee and president of Banco Popular Foundation. Mr Carrión was also a Class A Director at the Federal Reserve Bank of New York (2008–2015). Mr. Carrión received a bachelor of finance and commerce from the Wharton School of Finance, University of Pennsylvania and a master's degree in Information Services from the Massachusetts Institute of Technology. Mr. Carrión is Puerto Rican.

M. Christner was appointed to the Supervisory Board in 2011. Mr Christner is currently a managing director at J.C. Flowers & Co., an affiliate of the Selling Shareholders. In addition to this role at J.C. Flowers & Co., he is the chief executive officer of Vall Banc S.A.U and until 2017 was also the chairman of Vall Banc S.A.U and is also the chairman of the supervisory board of Lunis Vermoegensverwaltung AG. Most recently, Mr Christner was also a member of the supervisory board of Fidea N.V. (2012–2015) and deputy chairman of Eurovita Assicurazioni (2011–2017). From 2000 to 2007, Mr Christner was a member of the Financial Institutions Group at Morgan Stanley in London. Mr. Christner received an M.A. in Business Administration and Applied Computer Science from the University of Cologne. Mr Christner is German.

J.C. Flowers was appointed to the Supervisory Board in 2012. Mr Flowers was previously a member of the Supervisory Board from 2005 to 2009. Mr Flowers is currently the chief executive officer and managing director at J.C. Flowers & Co., an affiliate of the Selling Shareholders. In addition to this role at J.C. Flowers & Co., he is a member of the board of directors at Shinsei Bank Limited. Most recently, Mr Flowers was a member of the board of trustees at the New York Philharmonic Orchestra (2001–2017). Mr Flowers worked at The Goldman Sachs Group, Inc. from 1979 until 1998 and was a partner at The Goldman Sachs Group, Inc. from 1988 to 1998. Mr. Flowers received an A.B. magna cum laude in Applied Mathematics from Harvard College. Mr Flowers is American.

A. de Jong was appointed to the Supervisory Board in 2005. In addition to his role at the Company, Mr De Jong is the chairman of the supervisory board of De Jong Beheer Sliedrecht. Mr De Jong was a former managing director at Credit Suisse First Boston Ltd, and was responsible for investment banking activities in the Benelux. Mr De Jong is also the chairman of the board of trustees of The Highbury Centre and was previously a general trustee of The Free Church of Scotland (2012–2015). Mr. De Jong holds a master's degree in Economy from the University of Amsterdam and a master's degree in Theology from the Edinburgh Theological Seminary / University of Glasgow. Mr De Jong is Dutch.

K.M.C.Z Steel was appointed to the Supervisory Board in 2014. In addition to her role at the Company, Ms Steel is a managing director at Kasteel bvba, member of the board of directors at Fidea Verzekeringen N.V. and Flanders Investment and Trade, the chairperson of the board of directors at Merit Capital N.V. and a member of the advisory board of IntoLaw advocaten bvba. In addition, Ms Steel is the chairperson of the board at the Foundation Maarten Van Severen vzw and a board member at each of The Community Gent vzw, Victoria Deluxe vzw and the Bank Managers Alumni Association vzw. Ms Steel was also a board member of the Brussels Philharmonic vzw (2001–2016) and Amarant vzw (2012–2016) and was a member of the advisory committee of the Vlaamse Federatie van Beleggers (2012–2015). Ms Steel holds a master's degree and PhD in Economic Science from the University of Gent. Ms Steel is Belgian.

A.H.A. Veenhof was appointed to the Supervisory Board in 2006. In addition to this role at the Company, Mr Veenhof is member of the Scientific Advisory Board (*Wetenschappelijke Advies Raad*) of the Dutch Heart Foundation (*Hart stichting*) and provides coaching of start-up companies in cooperation with MIT-VMS at O3NL. Mr Veenhof was the former president and chief executive officer of Philips DAP and a member of the group management committee at Philips (1996–2003) and former chief executive officer of Koninklijke Wessanen N.V. (2003–2009). Mr Veenhof was also the chairman of the supervisory board of Maastricht University (2006–2013). Mr Veenhof holds an Economics degree from the University of Groningen and a Business Administration degree from the University of Nyenrode. Mr Veenhof is Dutch.

Decision-making

The Supervisory Board shall hold at least four meetings per year and may hold additional meetings if requested by one or more members of the Supervisory Board. Pursuant to the Supervisory Board Rules, resolutions of the Supervisory Board can only be validly adopted if the majority of the members are present or represented. The Supervisory Board may also adopt resolutions outside a meeting, provided that the motion in question has been submitted to all of its members and none of them has objected to this form of decision-taking and each of them participated in the voting. If no larger majority is stipulated by Dutch law or pursuant to the Articles of Association or the Supervisory Board Rules, the Supervisory Board may adopt resolutions with a simple majority of the votes cast.

Conflict of interest

Similar to the rules that apply to the members of the Managing Board described above, Dutch law also provides that a member of the Supervisory Board of a Dutch public limited liability company may not participate in the decision-making on resolutions (including deliberations in respect of these) if he or she has a direct or indirect personal conflict of interest. This rule also applies to the Company. If no resolution can be taken as a consequence of all members of the Supervisory Board having a conflict of interest, the resolution concerned will be adopted by the General Meeting. If a member of the Supervisory Board does not comply with the provisions on conflicts of interest, the resolution concerned is subject to nullification (*vernietigbaar*) and this member may be liable towards the Company. Every member of the Supervisory Board shall immediately report any (potential) conflict of interest concerning a member of the Supervisory Board to the chairman of the Supervisory Board and shall provide all relevant information, including relevant information concerning his or her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree as defined under Dutch law. The Supervisory Board will decide whether there is a conflict of interest without the relevant member of the Supervisory Board being present.

Pursuant to the Supervisory Board Rules, in case of a conflict of interest, as defined in the Supervisory Board Rules, between the Company and a member of the Supervisory Board, the conflicted member of the Supervisory Board will not take part in the discussion and in the decision-making process on a subject or transaction in which he or she has a conflict of interest. Resolutions to enter into transactions, in relation to which a member of the Supervisory Board has a conflict of interest, require the approval of the Supervisory Board. All transactions in which there are conflicts of interest with members of the Supervisory Board shall be agreed on terms that are customary in the sector concerned and shall be disclosed in the Company's Managing Board report.

Potential conflict of interest and other information

Other than the circumstances disclosed below, the Company is not aware of any potential conflicts of interest between the private interests or other duties of each of the members of the Supervisory Board on the one hand and the interests of the Company on the other hand. According to best practice principle 2.7 of the Dutch Corporate Governance Code, the Company will report all transactions where a conflict of interest has been established in its annual report. There is no family relationship between any member of the Supervisory Board and any member of the Managing Board.

Mr Carrión, Mr Christner and Mr Flowers were appointed as members of the Supervisory Board as the shareholder representatives of the Selling Shareholders and Mr Flowers is the beneficial owner of certain interests in the Selling Shareholders and, as a result, indirectly owns Ordinary Shares through the Selling Shareholders.

Mr Flowers is the chief executive officer and managing director at J.C. Flowers & Co. which is the investment advisor and an affiliate to the Selling Shareholders and he is also a director of New NIB Limited which is the ultimate general partner of the Selling Shareholders.

Mr Christner and Mr Flowers, through their investments in funds related to J.C. Flowers & Co., hold indirect interests (either debt or equity) in several financial institutions which could be considered competitors to NIBC.

Due to the circumstances described above with respect to Mr Carrión, Mr Christner and Mr Flowers and their various roles at the Company, the Selling Shareholders and at J.C. Flowers & Co. and their interests in investment vehicles and funds related to J.C. Flowers & Co., a conflict of interest may arise. The Supervisory Board does not expect that the circumstances described above will cause any of the Supervisory Board members to have a conflict with the duties they have towards the Company. However, the Supervisory Board Rules include arrangements to ensure that the Supervisory Board will in each relevant situation handle and decide on any (potential) conflict of interest, also in this respect. A Supervisory Board member shall not participate in the deliberation and decision making process if he or she has a direct or indirect personal conflict of interest. See *"—Supervisory Board—Conflict of interest"*. The Supervisory Board will procure that relevant transactions, in relation to which it has been determined that a conflict of interest exists, are published in the annual report.

During the last five years, none of the members of the Supervisory Board: (i) has been convicted of fraudulent offenses; (ii) has served as a director or officer of any entity subject to bankruptcy proceedings, receivership or liquidation; or (iii) has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer.

Other than as disclosed in *"Shareholder Structure and Related Party Transactions—Related Party Transactions—Relationship Agreement"*, the Company is not aware of any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any member of the Supervisory Board was selected as a member of such management body of the Company.

Former Supervisory Board members appointed by Selling Shareholders

Mr D.R. Morgan and Mrs S.A. Rocker are former members of the Supervisory Board and were nominated as shareholder representatives of the Selling Shareholders. Both, Mr Morgan and Mrs Rocker resigned in June 2017. Mr Morgan and Mrs Rocker are beneficial owners of minority interest in investment vehicles related to the Selling Shareholders and J.C. Flowers & Co.

Supervisory Board Committees

The Supervisory Board has appointed four committees from among its members to assist in the decision making of the Supervisory Board: the audit committee (the "**Audit Committee**"), the risk policy & compliance committee (the "**Risk Policy & Compliance Committee**"), the remuneration & nominating Committee (the "**Remuneration & Nominating Committee**") and the related party transactions committee (the "**Related Party Transactions Committee**"). These committees advise the Supervisory Board on matters relating to their respective areas of interest. The Supervisory Board has the power to appoint other fixed and/or ad hoc committees from among its members.

Audit Committee

According to the charter of the Audit Committee, the Audit Committee advises the Supervisory Board on its responsibilities by presenting proposals and recommendations in the following areas:

(a) financial reporting processes, including integrity and quality of NIBC's financial reporting and the effectiveness of NIBC's internal risk management and control systems;

(b) auditing processes, the relations with the external auditor, the role and functioning of the internal audit department, and compliance with recommendations and following up of comments by the internal and external auditors;

(c) processes by which NIBC monitors compliance with legislation and regulations;

(d) NIBC's tax policy;

(e) funding of NIBC;

(f) applications of information and communication technology, including cyber security risks; and

(g) corporate governance and internal governance.

The Audit Committee consists of at least three members of the Supervisory Board, to be appointed by the Supervisory Board. The current members of the Audit Committee are: Mr Sluimers (chairman), Mr Christner, Ms Steel and Mr Van Den Goorbergh.

The Audit Committee will meet at least four times a year, and also as often as one or more of its members consider necessary. The Audit Committee shall meet with the external auditor as often as it considers necessary, but at least once a year without the presence of the members of the Managing Board.

The roles and responsibilities of the Audit Committee as well as the composition and the manner in which it discharges its duties are set out in the charter of the Audit Committee available on the Company's website.

Risk Policy & Compliance Committee

According to the charter of the Risk Policy & Compliance Committee, the Risk Policy & Compliance Committee advises the Supervisory Board on its responsibilities relating to the supervision of NIBC's risk appetite, risk profile and risk policy.

The Risk Policy & Compliance Committee's responsibilities include supervising the organisation, design and functioning of the Company's entire risk management framework in a proactive and forward-looking way. More specifically, the Risk Policy & Compliance Committee:

(a) approves NIBC's risk appetite framework; monitors that the risk profile of NIBC remains within the risk appetite statements and approves deviations. Assesses whether the commercial activities in the general sense are appropriate in the context of NIBC's risk appetite;

(b) approves major policy changes and major changes in portfolio management principles that can significantly alter the risk profile of NIBC, in the areas of NIBC's business lines;

(c) assesses and comments on proposals relating to the acceptance of certain counterparty risks (private individuals, legal entities and countries), for the account and risk of NIBC;

(d) assesses and comments on proposals or reports relating to the taking, mitigation and/or monitoring of credit, market, investment, liquidity, operational and compliance/regulatory risks, and of any other material risk NIBC is exposed to;

(e) assesses the impairment policy of NIBC (specific impairments will be submitted for information); and

(f) assesses the introduction of material new products or services, as well as the introduction of significant (process) changes within NIBC.

The Risk Policy & Compliance Committee consists of at least three members of the Supervisory Board, to be appointed by the Supervisory Board. The current members of the Risk Policy & Compliance Committee are: Mr De Jong (chairman), Mr Van Den Goorbergh and Ms Steel.

The Risk Policy & Compliance Committee will meet at least three times a year, and also as often as one or more of its members consider necessary.

The roles and responsibilities of the Risk Policy & Compliance Committee as well as the composition and the manner in which it discharges its duties are set out in the charter of the Risk Policy & Compliance Committee available on the Company's website.

Remuneration & Nominating Committee

According to the charter of the Remuneration & Nominating Committee, the Remuneration & Nominating Committee acts as adviser to the Supervisory Board in all areas (policies, processes and governance) of remuneration and management development.

The duties of the Remuneration & Nominating Committee with respect to remuneration include but are not limited to: (a) preparing and presenting to the Supervisory Board a remuneration policy proposal, based on a central and independent assessment of the existing remuneration principles, policies and practices, taking into account all elements of compensation and material benefits for (i) Supervisory Board members, (ii) Managing Board members (iii) non-statutory Executive Committee members and (iv) NIBC as a whole and Identified Staff in particular, with regard to their overall effectiveness, alignment with NIBC's values and principles, strategy, risk appetite, and long-term interests and, based on such assessment, presenting proposals for any (material) changes to these remuneration principles, policies and practices; (b) preparing and presenting a proposal to the Supervisory Board of the annual funding of the total compensation pool; (c) assessing and deciding on (i) the composition of the group Identified Staff, (ii) the scenario, ex ante and ex-post risk analyses regarding the possible outcomes of the variable remuneration components and the effects thereof on (a) the risks, capital, liquidity and solvency of the Company, (b) the remuneration of the members of the Managing Board (c) the remuneration of Identified Staff and, where appropriate (d) any malus adjustments and/or claw backs, including effective follow-up of the identified effects and related risks; (d) preparing and presenting proposals regarding the remuneration of the Supervisory Board, Managing Board members and non-statutory members of the Executive Committee; (e) assessing and deciding on the remuneration of (i) Identified Staff members and particularly Heads of Control Functions, (ii) the highest variable incomes (>100 per cent of base salary), and (iii) any material welcome in the first year and exit packages (>100 per cent of base salary) and preparing discussions in case of (proposed) exceptions to the existing policies; (f) preparing and presenting the annual remuneration report covering such things as the remuneration policy for the Managing Board and the Supervisory Board and the practical application of these and any additional required disclosures of NIBC's remuneration policies, processes and practices and ensuring that the annual Supervisory Board remuneration report as well as any additional remuneration related disclosures will be posted on the Company's website; (g) preparing and presenting proposals for the downward adjustment of any and all variable remuneration, in case of exceptional circumstances in which the remuneration would have unfair or unintended effects; (h) presenting and presenting proposals for and (material) changes to bank wide or (S)BU specific compensation programmes with an equity or phantom equity character.

The duties of the Remuneration & Nominating Committee with respect to nomination include but are not limited to: (a) preparing and presenting proposals for the selection criteria and individual profiles to be drawn up in case of a vacancy in the Managing and/or Supervisory Board and (b) presenting proposals for appointments and re-appointments to the Supervisory Board, its committees and the Managing Board, including the proposed terms and conditions of their employment agreements/letters of appointment.

The Remuneration & Nominating Committee consists of at least three Supervisory Directors, to be appointed by the Supervisory Directors. The chairman of the Supervisory Board will be a member of the Remuneration & Nominating Committee. The current members of the Remuneration & Nominating Committee are: Mr Veenhof (chairman), Mr Sluimers and Mr Van Den Goorbergh.

The Remuneration & Nominating Committee will meet at least three times a year, and also as often as one or more of its members consider necessary.

The roles and responsibilities of the Remuneration & Nominating Committee as well as the composition and the manner in which it discharges its duties are set out in the charter of the Remuneration & Nominating Committee available on the Company's website.

Related Party Transactions Committee

According to the charter of the Related Party Transactions Committee, the Related Party Transactions Committee assists the Supervisory Board in assessing material agreements of any kind with a person or group of persons who hold(s), directly or indirectly, at least 10 per cent of the Company's issued and outstanding share capital or of the voting powers at the General Meeting or otherwise directs its activities, or any person affiliated with such person, whereby an agreement shall in any event be considered material if the amount involved exceeds €10 million.

The Related Party Transactions Committee consists of three members of the Supervisory Board, to be appointed by the Supervisory Board. The current members of the Related Party Transactions Committee are: Mr Van Den Goorbergh (chairman), Mr De Jong, Mr Veenhof and Ms Steel.

The Related Party Transactions Committee meets as often as the Managing Board or as one or more of its members consider necessary.

The roles and responsibilities of the Related Party Transactions Committee as well as the composition and the manner in which it discharges its duties are set out in the charter of the Related Party Transactions Committee available on the Company's website.

Remuneration

Managing Board

The Supervisory Board establishes the remuneration of the individual members of the Managing Board, in accordance with NIBC's remuneration policy as proposed by the Supervisory Board and adopted by the General Meeting. Its aim is a balanced and sustainable remuneration package that is in line with the market, puts the interests of clients at centre stage and aligns the interests of NIBC, its stakeholders and the members of the Managing Board.

In principle, NIBC's remuneration policy is reviewed on the basis of the development and performance of the business and the individual members of the Managing Board, pay trends in the relevant environment for NIBC, and changes in the Dutch consumer price index. In accordance with paragraph 3 of Annex A of the DNB Regulations on Sound Remuneration Policies 2017, the Supervisory Board re-assesses the remuneration policy periodically and at least annually. The current remuneration policy for the year 2018 has been reviewed by the Supervisory Board in December 2017 and has been adopted by the General Meeting on 25 January 2018. The remuneration policy has been updated to reflect the legislation on remuneration for financial services companies including recent changes. In addition, after a thorough review of the Managing Board member's remuneration taking into account relevant benchmarks, the Supervisory Board proposed to adjust the salaries of the CEO and the members of the Managing Board as per 1 January 2018 to €825,000 gross for the CEO and €600,000 for the other members of the Managing Board. NIBC's remuneration policy will in any case be reviewed again in the second half of 2018 in the light of circumstances at that time.

Members of the Managing Board may not accept personal loans or guarantees from NIBC, other than in the normal course of business and subject to the prior approval of the Supervisory Board, as permitted by the Dutch Corporate Governance Code. There are no loans granted by NIBC to members of the Managing Board as at the date of this Prospectus. See "*Shareholder Structure and Related Party Transactions—Related Party Transactions—Key management personnel*".

Remuneration for the Managing Board in 2017

The total remuneration received by the Managing Board in 2017 in the form of salary amounted to €2.2 million. The table below provides an overview of the remuneration of each member of the Managing Board for the financial year 2017.

	Total salary	Salary paid in cash	Salary granted in deferred cash	Salary granted in PSUs and RPSUs	Pension contributions	Disability insurance contribution	Net expenses compensation
Paulus de Wilt	€960,000	€848,000	€32,000	€80,000	€119,881	€7,298	€104,019
Herman Dijkhuizen	€660,000	€583,000	€22,000	€55,000	€ 92,525	€7,298	€ 88,068
Reinout van Riel	€660,000	€583,000	€22,000	€55,000	€ 63,472	€7,298	€ 66,534

Annual base salary

Members of the Managing Board receive a total fixed remuneration consisting of an annual fixed gross salary, including holiday allowance, paid in cash, in 12 equal monthly payments. The Supervisory Board evaluates the annual fixed gross salary of the members of the Managing Board by considering the remuneration proposal prepared by the Remuneration & Nominating Committee, which takes into account, among other things, the performance of NIBC and the individual member of the Managing Board, the experience, capability and marketability of the member of the Managing Board and the general developments in the markets. The total fixed gross salary offered is competitive and is set by considering the market median fixed salary offered by European industry peers and other financial institutions, which are comparable to NIBC.

Variable remuneration

NIBC awards variable remuneration to the Managing Board based on both financial as well as non-financial performance of NIBC, individual performance and general market developments. For the members of the Managing Board, the variable compensation is delivered in a pre-defined mix (same as for other Identified Staff): 30 per cent in cash, 20 per cent in deferred cash, 30 per cent in Phantom Share Units ("**PSUs**") and 20 per cent in restricted phantom share units ("**RPSUs**"). For the Managing Board, the holding period of the equity-linked instruments is set at five years as required by law. The variable income component for the Managing Board in 2017 is set at a target level of 15 per cent of base salary (with a maximum of 20 per cent of base salary).

In addition, pursuant to historic variable compensation schemes, some of the Managing Board members were granted equity-linked instruments in the form of depositary receipts which had certain vesting and retention conditions. Historically, there were a number of different variations of depositary receipts issued to Managing Board members, but prior to the date of this Prospectus all variations have been converted into one type of common depositary receipts ("**Depositary Receipts**").

The amount of cash, deferred cash, PSUs and RPSUs in the form of variable remuneration paid or granted to the Managing Board members as at 31 December 2017 is set out in the table below:

	Cash	Deferred cash(1)	PSUs(2)	RPSUs(2)
Paulus de Wilt	€48,000	€32,000	€48,000	€32,000
Herman Dijkhuizen	€33,000	€22,000	€33,000	€22,000
Reinout van Riel	€33,000	€22,000	€33,000	€22,000

(1) Deferred cash granted over 2017.

(2) Will be delivered on 1 April 2018.

The number of Depositary Receipts held by the Managing Board members as at the date of this Prospectus is set out in the table below:

	Depositary Receipts
Paulus de Wilt	94,396
Herman Dijkhuizen	47,180
Reinout van Riel	—

For further information on the deferred cash, PSUs, RPSUs and Depositary Receipts generally, see below "—*Variable Remuneration*".

Pensions and disability insurance

The members of the Managing Board participate in the NIBC pension plan, in line with the arrangements available to all other employees. The retirement age for the members of the Managing Board is 68. There are no contractual early retirement provisions. In addition, Managing Board members are entitled to certain other employee benefits, including contribution towards disability insurance. *See also* "—*Pension Schemes*"

Other emoluments

Expenses incurred by the members of the Managing Board in the performance of their duties are reimbursed in full. Members of the Managing Board are eligible for some other emoluments such as the use of company cars.

Severance payments

Severance pay is set at one year's fixed gross salary, which is in keeping with current legal and regulatory requirements. See also "—*Managing Board—Employment agreements for the Managing Board*".

Remuneration for the non-statutory members of the Executive Committee in 2017

The table below sets out the aggregate remuneration of the members of the non-statutory members of the Executive Committee for the financial year 2017.

	Total salary	Salary paid in cash	Salary granted in deferred cash	Salary granted in PSUs and RPSUs	Pension contributions	Disability insurance contribution	Net expenses compensation
Non-statutory members Executive Committee	1,192,500	987,750	58,500	146,250	122,326	12,857	151,010

The amount of cash, deferred cash, PSUs and RPSUs in the form of variable remuneration paid or granted to the non-statutory members of the Executive Committee as at 31 December 2017 is set out in the table below:

	Cash	Deferred cash(1)	PSUs(2)	RPSUs(2)
Non-statutory members Executive Committee	€87,750	€58,500	€87,750	€58,500

(1) Deferred cash granted over 2017.

(2) Will be delivered on 1 April 2018.

The number of Depositary Receipts held by the non-statutory members of the Executive Committee as at the date of this Prospectus is set out in the table below:

	Depositary Receipts
Non-statutory members Executive Committee	34,845

Supervisory Board

The remuneration of members of the Supervisory Board is set by the General Meeting based on a proposal of the Supervisory Board. The remuneration of Supervisory Board members is proportional to the time and effort required to perform their duties linked to the membership of the Supervisory Board and the relevant Supervisory Board committees and is independent of the Company's financial results. The Company does not grant any variable remuneration, Ordinary Shares or options for Ordinary Shares to Supervisory Board members in lieu of remuneration. Members of the Supervisory Board may not accept personal loans or guarantees from the Company, other than in the normal course of business and subject to the prior approval of the Supervisory Board. As at the date of this Prospectus, there were no outstanding loans to members of the Supervisory Board.

Remuneration for the Supervisory Board in 2017 and 2018

The table below provides an overview of the remuneration of each member of the Supervisory Board for the financial year 2017. The total remuneration received by the Supervisory Board in 2017 amounted to €572,500. In addition to the remuneration, expenses incurred by the members of the Supervisory Board in the performance of their duties, are reimbursed in full.

	General remuneration	Committee remuneration	Total remuneration
W.M. van den Goorbergh	75,000	27,500	102,500
D.M. Sluimers	55,000	22,500	77,500
R.L. Carrión	12,500	2,500	15,000
M. Christner	50,000	10,000	60,000
J.C. Flowers	50,000	—	50,000
A. de Jong	50,000	15,000	65,000
K.M.C.Z. Steel	50,000	20,000	70,000
A.H.A. Veenhof	50,000	15,000	65,000
S.A. Rocker(1)	25,000	3,750	28,750
D.R. Morgan(1)	30,000	8,750	38,750

(1) Former members of the Supervisory Board, see "*—Supervisory Board—Former Supervisory Board members appointed by Selling Shareholders*".

A summary of the remuneration scheme for the members of the Supervisory Board for 2018 is provided below.

	Chairman	Vice-Chairman	Member
Base remuneration for Supervisory Board	€75,000	€60,000	€50,000
Audit Committee	€15,000	—	€10,000
Risk Policy & Compliance Committee	€15,000	—	€10,000
Remuneration & Nominating Committee	€15,000	—	€10,000
Related Party Transaction Committee	—	—	—

The remuneration scheme for the members of the Supervisory Board for 2018 is equal to the remuneration scheme for 2017.

The members of the Supervisory Board are not entitled to participate in the NIBC pension plan.

Variable Remuneration

Variable remuneration components

The Company provides variable compensation to the Executive Committee and Identified Staff through a plan called NIBC Choice. NIBC Choice governs all variable compensation components in the form of equity, equity-related and deferred cash compensation. The Managing Board has absolute discretion to determine which employees may be granted variable compensation and the form of the variable compensation.

Deferred Cash, PSUs and RPSUs

Deferred cash variable compensation is subject to a three-year vesting period with one third of the deferred cash vesting each year on 1 April. The deferred cash bonus is not subject to any interest earnings during the deferral period.

PSUs and RPSUs are linked to the value of underlying Ordinary Shares in that one PSU or one RPSU is equal to one Ordinary Share. As PSUs and RPSUs are equity linked, the value of these instruments may fluctuate with the value of the Ordinary Shares. PSUs and RPSUs are both settled in cash.

PSUs vest immediately once they have been granted but are subject to a retention period of one year. RPSUs are subject to a three-year vesting period with one third of the RPSUs granted vesting each year on 1 April. Upon vesting, RPSUs convert into PSUs and therefore will be subject to a one year retention period before being cash settled.

PSUs are eligible for a dividend equivalent payment which is equal to the amount of the dividends accrued on the underlying Ordinary Shares. The accrued dividends for PSUs are paid out at the time they are released. RPSUs are not eligible for dividends.

Depositary Receipt

Depositary Receipts are equity-related instruments that may be granted from time to time and are issued and administered by Stichting Administratiekantoor NIBC Holding (the "**STAK**") in accordance with the trust conditions of the STAK. Depositary Receipts represent the economic interest of the underlying Ordinary Shares. For each Ordinary Share one Depositary Receipt is issued. As at the date of this Prospectus, a total of 2,403,949 Ordinary Shares are held by the STAK in connection with the issued Depositary Receipts. The STAK exercises the voting rights of the underlying Ordinary Shares at its own discretion. However, upon the request of the holder of the Depositary Receipts, the STAK will grant the holder a voting proxy which will entitle the holder to exercise, at their discretion, the voting rights attached to the Ordinary Shares corresponding to their Depositary Receipt. The holders of the Depositary Receipts are entitled to the dividends and other distributions declared payable with respect to the underlying Ordinary Shares.

Historically, there were a number of different variations of depositary receipts, with different vesting and retention periods, issued to some of the Managing Board members, but all variations have been converted into common Depositary Receipts.

As at the date of this Prospectus, all Depositary Receipts on issue have fully vested and no further vesting conditions are applicable.

Depositary Receipts and the Offering

The holders of Depositary Receipts will be given the option to sell the Ordinary Shares corresponding to all or part of their holding of Depositary Receipts in connection with the Offering against cancellation of such Depositary Receipts. The sale of the Depositary Receipts will be settled in cash and the value of the cash payments will be calculated by multiplying the number of Depositary Receipts eligible to be sold by the Offer Price.

Any Ordinary Shares that correspond to Depositary Receipts: (i) which are not sold; or (ii) which the holder chooses not to sell, will continue to be held by the STAK and the corresponding Depositary Receipts may not be converted into Ordinary Shares for a lock-up period of 6 months. Following the lock-up period, the holders of the Depositary Receipts may convert their Depositary Receipts into Ordinary Shares.

Employees must notify the Company of their election to sell their Depositary Receipts during the period commencing on 12 March 2018 at 9.00 CET and ending on 20 March 2018 at 17.00 CET.

The members of the Executive Committee who are current holders of Depositary Receipts have committed to sell their entire holding of Depositary Receipts in connection with the Offering with the proceeds of such sale to be used to acquire Depositary Receipts under the DRPP (defined below).

Offer linked benefit packages

In connection with the Offering, NIBC intends to grant certain benefit packages to its employees. The benefit package consists of:

(a) an Offering related bonus;

(b) a Depositary Receipts purchase program (the "**DRPP**"); and

(c) a retention bonus package for members of the Executive Committee.

The retention bonus package has been approved by the DNB and is in compliance with all applicable laws and regulations including CRD IV, the ARFPE (defined below), the DNB Regulations on Sound Remuneration Policies 2017 (defined below) and the EBA Guidelines (defined below).

Details of each of the benefit packages are as follows:

Offering related bonus

NIBC will award all employees, other than members of the Executive Committee, a gross one-off cash payment which will be an amount equal to an employee's fixed salary for one month. The Executive Committee may also decide that a limited number of employees will be entitled to a larger one-off cash payment due to their personal contribution to the Offering. The amounts qualify as variable remuneration and will fall under the applicable bonus cap as set out in the FSMA.

Depositary Receipt purchase program

All employees of the Company employed as at the date of this Prospectus, but excluding any employees who have, or have been, given notice of termination on or before the date of this Prospectus, will have a one-time opportunity to participate in the DRPP to purchase Depositary Receipts in the Company. Pursuant to the DRPP, all employees, including Executive Committee members, will have the option to contribute a minimum of €500 (or GBP 500 for UK based employees) and up to a maximum amount equal to 50 per cent of their annual fixed salary to purchase Depositary Receipts. The purchase price for the Depositary Receipts acquired through the DRPP will be the Offer Price less a specific discount. However, in order to comply with necessary tax laws and regulations, an employee will only be entitled to a discounted price on the Depositary Receipts if the employee agrees not to dispose of the Depositary Receipt for an agreed lock-up period, which will be between one and five years. The discount will be calculated using a fixed discount percentage which will correspond to the length of the lock-up period agreed by the employee (being 5.5 per cent for a one year lock-up and 18.5 per cent for the 5 year lock-up) and will be applied in order to reflect the value reducing effect of the lock-up period for that specific employee. The Depositary Receipt subject to the lock-up period will be held by the STAK. Following the expiry of the applicable lock-up period, holders of the Depositary Receipts (i) may elect to continue to hold their Depositary Receipts and the STAK will hold the underlying Ordinary Shares corresponding to those Depositary Receipts; or (ii) may request the STAK to convert the Depositary Receipts into Ordinary Shares and transfer the Ordinary Shares to a third party investment account; or (iii) may offer all or part of their entire holding of Depositary Receipts for sale to the STAK against cancellation of such Depositary Receipts with the sale being settled in cash and the value of the cash payments being calculated by multiplying the number of Depositary Receipts cancelled by the price of one Ordinary Share on Euronext Amsterdam as at the date of cancellation.

Employees of NIBC in Belgium, Germany and the United Kingdom that participate in the DRPP will be able to purchase Depositary Receipts with a similar discount and lock-up as comparable to the DRPP for employees of NIBC in the Netherlands notwithstanding different legal and tax requirements in these countries in respect of the offering of securities under the program.

To participate in the DRPP, employees must place their subscription for Depositary Receipts during the period commencing on 12 March 2018 at 9.00 CET and ending on 20 March 2018 at 17.00 CET.

The DRPP is not an on-going plan. Only those NIBC employees who subscribe for Depositary Receipts within the period specified above will be able to purchase Depositary Receipts under the DRPP.

The members of the Executive Committee have committed to acquire 117,407 Depositary Receipts under the DRPP in connection with the Offering. The table below presents information about the ownership of Depositary Receipts to be acquired by the Executive Committee, assuming an issue price equal to the mid-point of the Offer Price Range:

Name	Depositary Receipts acquired via the DRPP at the Settlement Date
Paulus de Wilt	50,198
Herman Dijkhuizen	36,507
Reinout van Riel	Nil
Saskia Hovers	11,696
Michel Kant	10,234
Caroline Oosterbaan	8,772
Total	117,407

Retention bonus package

NIBC will grant a retention bonus package of Depositary Receipts to the members of the Executive Committee. For Managing Board members of the Executive Committee, the monetary value of the retention bonus package will be set at 180 per cent of their fixed annual gross salary. The fixed annual gross salary is €825,000 for the chief executive officer and €600,000 for each of the chief financial officer and chief risk officer, therefore the gross monetary value of the retention bonus package is €1,485,000 for the chief executive officer and €1,080,000 for each of the chief financial officer and chief risk officer. For non-statutory members of the Executive Committee, the monetary value of the retention bonus package will be set at 165 per cent of their fixed annual gross salary. The fixed annual gross salary for each of the non-statutory members of the Executive Committee is €350,000 and therefore the gross monetary value of the retention bonus package for each is €577,500.

Under the retention bonus package, Depositary Receipts will be granted and vest in accordance with the following timeline for all Executive Committee members:

(a) If an Executive Committee member is employed with NIBC as at the Settlement Date, 60 per cent of the total retention bonus package that they are entitled to will be granted on the Settlement Date, which will vest in four tranches: 40 per cent will vest on the Settlement Date, the second tranche of 20 per cent will vest on the first anniversary of the Settlement Date, the third tranche of 20 per cent will vest on the second anniversary of the Settlement Date and the fourth tranche of 20 per cent will vest on the third anniversary of the Settlement Date.

(b) If an Executive Committee member is employed with NIBC as at the first anniversary of the Settlement Date, the remaining 40 per cent of the total retention bonus package that they are entitled to will be granted on the first anniversary of the Settlement Date, which will vest in four tranches: 40 per cent will vest on the first anniversary of the Settlement Date, the second tranche of 20 per cent will vest on the second anniversary of the Settlement Date, the third tranche of 20 per cent will vest on the third anniversary of the Settlement Date and the fourth tranche of 20 per cent will vest on the fourth anniversary of the Settlement Date.

The Supervisory Board has ultimate discretion as to whether the retention bonus package will vest at the times specified above. In determining whether the retention bonus package will vest, the Supervisory Board will consider whether the vesting is sustainable in light of the financial situation of NIBC and whether the vesting is justified based on the performance of: (i) NIBC; (ii) the business unit that the Executive Committee member is responsible for; and (iii) the individual Executive Committee member.

Once vested, the retention bonus package will be settled in Depositary Receipts. The number of Depositary Receipts to be issued pursuant to the retention bonus package awarded at the Settlement Date shall be calculated by converting the gross monetary amount of the retention bonus package into the number of Depositary Receipts corresponding to Ordinary Shares at the Offer Price. The number of Depositary Receipts to be issued pursuant to the retention bonus package awarded at the first anniversary of the Settlement Date shall be calculated by converting the gross monetary amount of the retention bonus package into the number of Depositary Receipts corresponding to the Ordinary Shares at the value of the Ordinary Shares at such date. In addition, for a period of five years from the date of award, being either the Settlement Date or the first anniversary thereof, the members of the Executive Committee may not dispose of any Depositary Receipts received pursuant to the retention bonus package. The lock-up period cannot be waived and the retention bonus package arrangement does not provide for any circumstances which may result in automatic waiver of the lock-up period. Following the expiry of the applicable lock-up period, the Executive Committee member (i) may request the STAK to convert the Depositary Receipts into Ordinary Shares and transfer the Ordinary Shares to a third party investment account; or (iii) may offer all or part of their entire holding of Depositary Receipts for sale to the STAK against cancellation of such Depositary Receipts with the sale being settled in cash and the value of the cash payments being calculated by multiplying the number of Depositary Receipts cancelled by the price of one Ordinary Share on Euronext Amsterdam as at the date of cancellation.

The table below presents information about the ownership of Depositary Receipts that will be held by the Executive Committee pursuant to the retention bonus package as at the Settlement Date and at the end of all lock-up periods, assuming an issue price equal to the mid-point of the Offer Price Range for the purpose of calculating both tranches of retention bonus package:

Name	Depositary Receipts as at the Settlement Date	Depositary Receipts as at the end of all lock-up periods
Paulus de Wilt	22,118	92,159
Herman Dijkhuizen	16,085	67,024
Reinout van Riel	16,085	67,024
Saskia Hovers	8,601	35,839
Michel Kant	8,601	35,839
Caroline Oosterbaan	8,601	35,839
Total	80,091	333,724

The Retention Bonus is subject to the holdback and claw back provisions as set out in the remuneration policy of NIBC and as set out in article 2:135 of the Dutch Civil Code and article 1:126 and 1:127 of the Dutch Financial Supervision Act. See also "*—Restrictions on Remuneration—Adjustment and Claw Back of Bonuses*".

Restrictions on Remuneration

Variable Pay Constraints

As from 1 January 2011, NIBC must comply with variable remuneration constraints that follow from CRD III as implemented in the Decree on Sound Remuneration Policies (*Besluit beheerst beloningsbeleid Wft*) and the DNB Regulation on Sound Remuneration Policies 2011 (*Regeling beheerst beloningsbeleid Wft 2011*). As from 1 January 2014, CRD III has been amended and replaced by CRD IV, introducing, among other things, a bonus maximum of 100 per cent of the annual fixed salary. As a consequence, the DNB Regulation on Sound Remuneration Policies 2011 was updated (*Regeling beheerst beloningsbeleid Wft 2014*) and became effective as from 1 August 2014, and which has lastly been revised as at 8 December 2017 (*Regeling beheerst beloningsbeleid Wft 2017*), which is referred to as "**DNB Regulations on Sound Remuneration Policies 2017**". Further to that, the act prohibiting the payment of variable remuneration to board members and day-to-day policy makers of financial institutions that receive state aid (*Wet bonusverbod staatsgesteunde ondernemingen*) and the Dutch Act on remuneration policy for financial enterprises (*Wet beloningsbeleid financiële ondernemingen*) have been enacted. The abovementioned rules and regulations should be considered in conjunction with the Guidelines on Remuneration Policies and Practices as formally adopted on 10 December 2010 by the Committee of European Banking Supervisors (and continued by the EBA, the "**EBA Guidelines**"), which has been revised and which entered into force as at 1 January 2017. These variable pay constraints are applicable to all operations of credit institutions and investment firms based in Member States (including their operations outside the EU).

The Dutch government has implemented further restrictions on remuneration in the financial industry, most recently through the Act on Remuneration Policies of Financial Enterprises (*Wet beloningsbeleid financiële ondernemingen*) ("**ARFPE**"). The restrictions of the ARFPE, include among others the introduction of a 20 per cent maximum for variable remuneration. The ARFPE has a broader scope than the remuneration rules under CRD IV. For example, the bonus cap of 20 per cent as introduced by the ARFPE does not only apply to Identified Staff, but in principle to all persons working under the responsibility of the entities within NIBC. All applicable remuneration restrictions have been embedded in NIBC's remuneration policy, as revised and applicable from time to time. In accordance with the applicable remuneration restrictions, the variable remuneration of individual employees within NIBC is capped to a maximum of 100 per cent of the fixed remuneration, provided that: (i) the average variable remuneration for all employees of NIBC who work at least 50 per cent of hours worked in the Netherlands and whose remuneration does not follow from a collective labour agreement is subject to a maximum of 20 per cent of the fixed remuneration; and (ii) the bonus cap of

100 per cent also applies to employees of NIBC who work at least 50 per cent of hours worked outside the Netherlands, unless a lower bonus cap applies in those countries on the basis of local legislation and regulations. Furthermore, NIBC's variable remuneration policy reflects remuneration restrictions that apply to, among others, Identified Staff within NIBC (see also "*—Remuneration—Variable remuneration*"). As the application of such rules and principles may include an assessment and interpretation of the remuneration restrictions, it cannot be excluded that a competent supervisory authority takes a different view on the correct application thereof in specific cases (although there is no indication that the competent supervisory authority takes such position).

In addition, NIBC complies with the relevant governance rules and guidelines on remuneration found in the Dutch Banking Code (see "*—Dutch Banking Code*") and the Dutch Corporate Governance Code (see "*—Dutch Corporate Governance Code*"), and uses best efforts to comply with all relevant future legal restrictions for remuneration, as applicable from time to time.

Adjustment and Claw-Back of Bonuses

On 1 January 2014, the Dutch Act on the revision and claw-back of bonuses and profit-sharing arrangements of directors and day-to-day management entered into force. The act applies to managing board members of Dutch public companies and financial enterprises as defined in the Dutch Financial Supervision Act, which includes banks. Pursuant to the Dutch Financial Supervision Act, and as introduced by the ARFPE, the scope of the provisions regarding the claw-back of bonuses of the Dutch Financial Supervision Act has been extended to all persons working under the responsibility of financial enterprises. The rules provide, among others, for the possibility to: (i) revise a bonus prior to payment, if unaltered payment of the bonus would be unacceptable pursuant to the criteria of "reasonableness and fairness"; and (ii) claw-back (part of) a paid bonus, if payment took place on the basis of incorrect information on fulfilment of the bonus targets or conditions for payment of the bonus. In accordance herewith a company's supervisory board has discretionary power to adjust any variable remuneration to a suitable amount if, in its opinion, payment of the compensation would be unacceptable under the principle of "reasonableness and fairness". A supervisory board is also authorised to reclaim any variable remuneration over any performance period if the award, calculation or payment has been based on incorrect data or if the performance conditions were not achieved in hindsight. The recipient will then be obliged to repay said amount to such company. Pursuant to the Dutch Financial Supervision Act, and as introduced by the ARFPE, a company's supervisory board must in any case adjust variable remuneration downwards if a person (a) has not met appropriate standards of capability and correct behaviour or (b) was responsible for conduct which has led to a substantial deterioration of the company's position including its financial position, and must in any case reclaim variable remuneration paid to any such person.

Directors' Indemnification and Insurance

Under Dutch law, members of the Managing Board and the Supervisory Board may be liable to the Company and to third parties for damages in the event of improper or negligent performance of their duties. In certain circumstances they may be liable for damages to the Company and to third parties for infringement of the Articles of Association or of certain provisions of the Dutch Civil Code. Also, in certain circumstances, they may incur additional specific civil and criminal liabilities.

The Articles of Association provide that the members of the Managing Board and the Supervisory Board are entitled to an appropriate insurance package. Members of the Managing Board, Supervisory Board and certain other officers are insured under an insurance policy taken out by the Company against damages resulting from their conduct when acting in their capacities as members or officers.

Limitation of Supervisory Positions

Dutch legislation came into force on 1 January 2013 limiting the number of supervisory positions to be occupied by members of the managing boards or supervisory boards (including one-tier boards) of "large Dutch companies". The term "large Dutch company" applies to any Dutch company or Dutch foundation which at two consecutive balance sheet dates meets at least two of the following criteria: (i) the value of its assets, as given in its balance sheet (together with explanatory notes) on the basis of their acquisition price and production costs, is more than €20 million; (ii) its net turnover in the applicable year is more than €40 million; and (iii) the average number of employees in the applicable financial year is at least 250.

A person cannot be appointed as a managing or executive director of a "large Dutch company" if (i) he/she already holds a supervisory or non-executive position at more than two other "large" Dutch public or private companies or "large" Dutch foundations, or (ii) if he/she is the chairman of the supervisory board or one-tier board of another "large" Dutch public or private company or "large" Dutch foundation. Also, a person cannot be appointed as a supervisory director or non-executive director of a "large Dutch company" if he/she already holds a supervisory position or non-executive position at five or more other "large" Dutch public or private companies or Dutch foundations, whereby the position of chairman of the supervisory board or one-tier board of another "large" Dutch company is counted twice. An appointment in violation of these restrictions will result in that last appointment being void. Earlier appointments at other entities are not affected. The fact that an appointment is thus void does not affect the validity of decision-making.

The Company qualifies as a large Dutch company. The members of the Managing Board and the Supervisory Board comply with these rules because, among other things, they do not hold more than the allowed number of positions at other large Dutch companies.

Article 91 of CRD IV contains a specific regulation for the limitation of the number of executive and non-executive directorships that members of the management body of significant banks may hold. Members of such management body may not hold more than one of the following combinations of directorships at the same time: (i) one executive directorship with two non-executive directorships and (ii) four non-executive directorships. The term non-executive director also refers to the position of a supervisory board member. Directorships within the same group will count as a single directorship. Directorships held within undertakings (including non-financial entities) in which the institution holds a qualifying holding, also count as a single directorship. Directorships in organisations which do not pursue predominantly commercial objectives do not count as a directorship for the purpose of the limitation regulation. Although NIBC Bank does not qualify as a significant bank, the members of the Supervisory Board must comply with this regulation if they are also a member of the management body of a significant bank.

Diversity

Dutch law requires that large companies should pursue a policy of having at least 30 per cent of the seats on the managing board and the supervisory board held by men and at least 30 per cent of the seats on the managing board and the supervisory board held by women. The term "large company" within the meaning of this obligation of effort had the same meaning as set out under *"—Limitation of Supervisory Positions*" above except that the criteria are tested on one balance sheet date. This target figure for the allocation of seats is to be taken into account in connection with: (i) the appointment, or nomination for the appointment, of members of the managing board; (ii) drafting the criteria for the size and composition of the supervisory board, as well as the designation, appointment, recommendation and nomination for appointment of members of the supervisory board; and (iii) drafting the criteria for the non-executive members of the (one-tier) board, as well as the nomination, appointment and recommendation of non-executive members of the (one-tier) board. If a large company meets the gender diversity target figures, it is required to explain in its Managing Board report: (a) why the seats are not allocated in a well-balanced manner; (b) how it attempts to achieve a well-balanced allocation; and (c) how it aims to achieve a well-balanced allocation in the future.

The Company qualifies as a large company within the meaning of the diversity policy rules described above.

NIBC currently does not meet these gender diversity targets. The Company will explain in its annual management report for the fiscal year ending in 2017: (a) why the seats are not allocated in a well-balanced manner as aforesaid; (b) how the Company has attempted to achieve a well-balanced allocation; and (c) how the Company aims to achieve a well-balanced allocation in the future.

Employees

In the tables below, the division of FTEs employed at NIBC is set out in respectively geographical and operating segments.

FTEs at year end per Geographical Segment

FTEs at year end	2017	2016	2015
Belgium	5	4	7
Germany	78	87	102
Netherlands	575	591	499
United Kingdom	31	34	36
Total	**689**	**716**	**644**

FTEs at year end by Operational Segment

FTEs at year end	2017	2016	2015
Corporate Client Offering	461	508	451
Retail Client Offering	126	122	119
Treasury and Group Functions	102	86	74
Total	**689**	**716**	**644**

Employee Representation

The employees of the Company and NIBC Bank are represented by a Works Council with whom the members of the Managing Board and the HR & Corporate Communications function has a close working relationship. A works council is a representative body of the employees of a Dutch enterprise and is elected by the employees. The management of any company that runs an enterprise with a works council must seek the advice of the works council before implementing certain decisions with respect to the enterprise, such as those related to a major restructuring or a change in control. If the decision to be implemented is not in line with the advice of the works council, the implementation of the relevant decision must be suspended for one month, during which the works council may file an appeal against the decision with the Enterprise Chamber. Certain other decisions by management directly involving employment conditions that apply to either all employees or certain groups of employed may only be taken with the works council's consent. If the works council declines to endorse the proposed decision, management may ask the relevant court to rule on the matter and to give its substitute consent.

Collective arrangements

Collective labour agreement

NIBC opted out of the collective agreement for the Dutch banking industry as from 1 January 2014.

Social Protocol with Works Council

NIBC has agreed upon a social protocol with the Works Council, which provides for procedural guidelines, including a severance payment, in case of redundancy as a result of business economic reasons. The severance payment is equal to the statutory transition compensation, multiplied by 1.75. The social protocol expires as per 31 December 2018.

Pension Schemes

General

NIBC operates a number of pension plans which are all defined contribution plans. The characteristics of such pension plans differ per jurisdiction. NIBC does not operate a defined benefit plan.

Netherlands

All employees in the Netherlands, including the members of the Executive Committee, are members of the NIBC pension plan, implemented with NIBC's company pension fund. The pension plan is a collective defined contribution pension arrangement ("**CDC plan**") that provides for pension accrual up to a maximum pension base of €105,075 gross per year (March 2018). Due to the salary cap that was introduced in 2015 in the tax facilitated pension accrual, NIBC pays to those employees with a salary that exceeds the maximum pension base of €105,075 (March 2018) an additional (gross) contribution up to their respective monthly base salaries.

The CDC plan is based on an average salary plan. The retirement age is set at 68 years. NIBC annually pays a standard flat rate contribution into the pension fund for the CDC plan, which is calculated according to a fixed contribution calculation mechanism. The total annual pension contribution of NIBC for the period 2018–2020 is maximised at 30.4 per cent of the pensionable salary (salary minus a social security deductible), of which 26.2 per cent is paid by NIBC. By paying the agreed fixed annual contribution NIBC is released from all its obligations. If the contribution paid is insufficient to accrue full pension entitlements, the pension rights and benefits will be decreased. NIBC has no obligation to provide for additional funding in case of insufficient funding of the company pension fund. All employees, including the Executive Committee, are required to make a personal contribution in the CDC plan. The contribution payable by participants in the CDC plan is maximised at 4.2 per cent per cent of the pensionable salary per annum.

Due to the fact that the CDC plan is financed on the basis of a fixed annual contribution and NIBC has no obligation to provide for additional funding in case of insufficient funding of the company pension fund, the CDC plan will qualify as a defined contribution plan.

For 2017, the pension expense for the CDC plan was €12.4 million, including a one-off pension contribution of €1.5 million to premium reserve of the pension fund. This comprises an employer's contribution of €13.7 million minus an employee contribution of €1.3 million. Furthermore, the employer's contribution in 2017 includes €1.9 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.

International offices

For the international offices a local pension arrangement is in place, which are all defined contribution based.

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.

For 2017, the pension expense for the defined contribution plans of the international offices was €0.8 million.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code, as amended on 8 December 2016 and which finds its statutory basis in Book 2 of the Dutch Civil Code, prescribes that Dutch listed companies are required to report on compliance with the amended Dutch Corporate Governance Code in respect of any financial year starting on or after, 1 January 2017. The Company is required to report in 2018 on its compliance with the amended Dutch Corporate Governance Code for the 2017 financial year.

The Dutch Corporate Governance Code is based on a 'comply or explain' principle. Accordingly, companies are required to disclose in their Managing Board report whether or not they are complying with the various best practice principles of the Dutch Corporate Governance Code. If a company deviates from a best practice principle in the Dutch Corporate Governance Code, the reason for such deviation must be properly explained in its Managing Board report.

Compliance with the Dutch Corporate Governance Code

The Company acknowledges the importance of good corporate governance. The Company agrees with the general approach and with the majority of the provisions of the Dutch Corporate Governance Code. However, considering the Company's interests and the interest of its stakeholders, it is expected that the Company will deviate from a limited number of best practice principles, which are the following:

- After Settlement, the Company will not be in compliance with best practice provision 2.1.7 (iii) that requires that there is at most one supervisory board member who can be considered to be affiliated with a shareholder, or group of affiliated shareholders, who holds more than 10 per cent of the shares in a company. Under the Relationship Agreement, for as long as the Selling Shareholders hold, directly or indirectly, at least 50 per cent of the Ordinary Shares, they shall have the right to nominate three Supervisory Board members, and the nominees do not need to be independent within the meaning of the Dutch Corporate Governance Code. It is expected that any future nominees of the Selling Shareholders will also be dependent within the meaning of the Dutch Corporate Governance Code. Furthermore, under the Relationship Agreement, the Selling Shareholders will have the right to designate two Supervisory Board members if they hold, directly or indirectly, less than 50 per cent but more than 20 per cent of the Ordinary Shares. The Selling Shareholders will not have any designation rights if they hold, directly or indirectly, less than 20 per cent of the Ordinary Shares.
- The Company will not be in compliance with best practice provision 2.2.2 that requires that supervisory board members are reappointed for a period of two years in the event of a reappointment after an eight-year period. The Company's Supervisory Board members can be appointed for a period of four years after an eight-year period, provided that no Supervisory Board member shall hold office for more than three four-year terms or twelve years.

Dutch Banking Code

In 2009, the Advisory Committee on the Future of Banks in the Netherlands ("**Advisory Committee**") made recommendations for improving the performance of the Dutch banking sector to help restore trust in banks. Dutch banks and the Dutch Banking Association teamed up to translate the Advisory Committee's recommendations into best practices, which are included in the Dutch Banking Code. The Dutch Banking Code came into effect on 1 January 2010 and sets out principles that all institutions with a banking licence granted under the Dutch Financial Supervision Act should adhere to in terms of corporate governance, risk management, audit and remuneration. A Banking Code Monitoring Committee ("**Dutch Banking Code Monitoring Committee**") was set up to monitor and to report on the progress made by banks in implementing the Dutch Banking Code. As at 1 January 2015, the Dutch Banking Association has renewed the Dutch Banking Code, as advised by the Dutch Banking Code Monitoring Committee in March 2013, and introduced a social charter (*Maatschappelijk Statuut*). The measures, along with the proposed Banker's Oath and disciplinary rules to be applicable to all employees of banks in the Netherlands, emphasise the social role of banks and their commitment to meeting the expectations of society at large.

Application of the Dutch Banking Code

The Company applies all principles of the Dutch Banking Code in full.

DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE

General

Set out below is a summary of certain relevant information concerning the Company's share capital and a brief summary of certain significant provisions of Dutch law as in effect on the date of this Prospectus and the Articles of Association.

This summary does not purport to be complete and is qualified in its entirety by reference to, and should be read in conjunction with, the Articles of Association and the relevant provisions of Dutch law as in force on the date of this Prospectus. The Articles of Association will be made available in the governing Dutch language and an unofficial English translation thereof on the Company's website (nibc.com/about-us/corporate-governance). In the event of any discrepancy between the Dutch version of the Articles of Association and the unofficial English translation, the Dutch version prevails. See also "*Management, Employees and Corporate Governance*" for a summary of certain material provisions of the Articles of Association and Dutch law relating to the Managing Board and the Supervisory Board.

The Company

The Company was incorporated on 9 December 2005. The Company is a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands and has its statutory seat (*statutaire zetel*) in 's-Gravenhage, the Netherlands, and its registered office at Carnegieplein 4, 2517 KJ in The Hague, the Netherlands. The Company is registered with the trade register of the Chamber of Commerce (*Kamer van Koophandel*) ("**Chamber of Commerce**") under number 27282935.

Corporate Purpose

Pursuant to Article 3 of the Articles of Association, the Company's objects are *inter alia* to participate in, to acquire any other interest in, to administer and to manage, to provide services to, to finance, to furnish guarantees in any manner for or to commit itself for the obligations of and to supervise enterprises which are active in the field of the carrying on of a banking, insurance, securities, leasing, consumer or commercial finance or other financial services businesses, and to engage in any activity which is related thereto in the broadest sense of word of may be conducive thereto.

Dutch Large Company Regime

The Company applies the Dutch full large company regime (*volledig structuurregime*) as set forth in the provisions of Sections 2:152 up to and including 2:164 of the Dutch Civil Code.

The Articles of Association include such provisions as required to comply with the full large company regime. Companies to which the full large company regime applies are obliged by law to have a supervisory board. The general meeting appoints the members of the supervisory board on the nomination of the supervisory board. The general meeting may reject the nomination by an absolute majority of the votes cast by shareholders representing at least one-third of the issued share capital. The general meeting and the works council both have a right of recommendation regarding the appointment of supervisory board members. One-third of the members of the supervisory board must be nominated on the basis of the enhanced recommendation (*versterkt aanbevelingsrecht*) of the works council. For these members of the supervisory board, the supervisory board can only object to the recommendation of the works council on the grounds that the recommended candidate is not suitable to fulfil the duties of a supervisory board member or that the supervisory board will not be properly composed if the nominated candidate would be appointed. For a more detailed description of the appointment of the members of the Supervisory Board, see "*Management, Employees and Corporate Governance—Supervisory Board*". The supervisory board has extensive powers under the full large company regime. Major strategic and organisational decisions require the approval of the supervisory board.

Pursuant to the full large company regime, the members of the Managing Board are appointed by the Supervisory Board. The Supervisory Board must notify the General Meeting of an intended appointment of a Managing Board member. For a more detailed description of the appointment of the members of the Managing Board, see "*Management, Employees and Corporate Governance—Managing Board*".

Shares and Share Capital

Historic overview share capital

Set out below is an overview of the amount of the Company's authorised and issued share capital for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December					
	2017		2016		2015	
	Authorised	Issued	Authorised	Issued	Authorised	Issued
Share Capital						
Ordinary Shares	500,000,000	147,513,369	500,000,000	147,513,369	500,000,000	147,513,369
Preference Shares	—	—	—	—	—	—
Total	**500,000,000**	**147,513,369**	**500,000,000**	**147,513,369**	**500,000,000**	**147,513,369**

Authorised and issued share capital

As at the date of this Prospectus, the Company's authorised share capital amounts to €500,000,000, divided into 500,000,000 Ordinary Shares, each with a nominal value of €1.00 and the Company's issued share capital amounts to €147,513,369, divided into 147,513,369 Ordinary Shares with a nominal value of €1.00. All issued Ordinary Shares are paid up. All Shares are in registered form.

As at the moment of execution of the notarial deed pursuant to which the Articles of Association will be amended and become effective, the Company's authorised share capital will amount to €700,000,000 and will be divided into 350,000,000 Ordinary Shares, each with a nominal value of €1.00 and 350,000,000 Preference Shares, each with a nominal value of €1.00.

On 9 March 2018, the General Meeting resolved to decrease the issued capital of the Company by means of reduction of the nominal value of each Ordinary Share in issue from €1.00 to €0.02. In addition, as a result of such reduction of nominal value, each Ordinary Share and Preference Share in the authorized share capital which has not been issued will also be reduced from €1.00 to €0.02.

The share capital reduction will be effected with due observance of the relevant provisions of Dutch law. This includes the requirement to deposit the shareholders' resolution with the Dutch Commercial Register. During a suspension period of two months starting on the date of the announcement of the deposit in a Dutch nationwide newspaper any creditor of the Company may file objections to the contemplated share capital reduction with the competent courts. After the lapse of the two months period and of any objections having been filed, the capital reduction will be effected by way of a notarial deed. As a result of this, the aggregate amount of the capital reduction is then added to other reserves of the Company's shareholders' equity and the Company's authorised share capital will consist of shares with a nominal value of €0.02 each.

Form of Shares

The Company's share capital is divided into Ordinary Shares and Preference Shares. All Shares are in registered form and are only available in the form of an entry in the Company's shareholders' register and not in certificate form. The Shares are subject to, and have been created under, the laws of the Netherlands.

The Ordinary Shares may be entered into a collection deposit (*verzameldepot*) and/or giro deposit (*girodepot*) on the basis of the Dutch Securities Giro Act (*Wet Giraal Effectenverkeer*) by transfer or issuance to Euroclear Nederland or to an intermediary. The intermediaries, as defined in the Dutch Securities Giro Act, are responsible for the management of the collection deposit, and Euroclear Nederland, being the central institute for the purposes of the Dutch Securities Giro Act, will be responsible for the management of the giro deposit.

Register of Shareholders

Subject to Dutch law and the Articles of Association, the Company must keep a register of Shareholders. The Company's shareholders' register must be kept up to date and records the names and addresses of all holders of Shares, showing the date on which the Shares were acquired, the date of the acknowledgement by or notification of the Company as well as the amount paid on each Share. The register also includes the names and addresses of those with a right of usufruct (*vruchtgebruik*) or a pledge (*pandrecht*) in respect of Shares.

If Shares are transferred to an intermediary for inclusion in a collection deposit or to the central institute for inclusion in a giro deposit, the name and address of the intermediary or the central institute (as relevant), will be entered in the Company's shareholders' register, mentioning the date on which the Shares concerned were included in a collection deposit or a giro deposit (as relevant), the date of acknowledgement by or giving of notice to the Company, as well as the amount paid on each Share and the number of Shares.

Issue of Shares

Under the Articles of Association the General Meeting may resolve to issue Shares, or grant rights to subscribe for Shares, upon a proposal of the Managing Board which has been approved by the Supervisory Board. The Articles of Association provide that the General Meeting may delegate the authority to issue Shares, or grant rights to subscribe for Shares, to the Managing Board, upon a proposal of the Managing Board which has been approved by the Supervisory Board.

If the Managing Board has been designated as the body authorised to resolve upon an issue of Shares, the number of Shares of each class concerned must be specified in such designation. Upon such designation, the duration of the designation shall be set, which shall not exceed five years. The designation may be extended upon a proposal of the Managing Board which has been approved by the Supervisory Board, from time to time, by a resolution of the General Meeting for a subsequent period of up to five years each time. If not otherwise determined in the resolution, such authority can only be withdrawn at the proposal of the Managing Board which has been approved by the Supervisory Board.

On 9 March 2018, the General Meeting designated the Managing Board as the corporate body authorised, subject to the approval of the Supervisory Board, to issue Ordinary Shares, to grant rights to subscribe for Ordinary Shares and to exclude statutory pre-emptive rights in relation to such issuances of Ordinary Shares or granting of rights to subscribe for Ordinary Shares for a period of 18 months with effect as at the Settlement Date. The power of the Managing Board is limited to a maximum of 10 per cent of the total issued Ordinary Shares at the time the authority is used for the first time plus a further 10 per cent of the total issued Ordinary Shares in connection with or at the occasion an issue occurs as part of a merger or acquisition, or if necessary in the opinion of the Managing Board and Supervisory Board, to safeguard or conserve the capital position of the Company. In addition, the General Meeting resolved to designate the Managing Board as the competent body to grant rights to the Foundation to subscribe for Preference Shares for a period until 5 years with effect from the date of the resolution of the General Meeting. The power of the Managing Board is limited to such number of Preference Shares as is equal to the aggregate number of issued and outstanding shares in the capital of the Company, excluding the preference shares, as outstanding immediately prior to the exercise of the call option, less one share, from which maximum any Preference Shares already placed with the Foundation at the time of the exercise of the call option shall be deducted.

No resolution of the General Meeting or the Managing Board is required for an issue of Shares pursuant to the exercise of a previously granted right to subscribe for Shares.

In the event of an issue of Preference Shares, a General Meeting shall be convened, to be held not later than 22 months after the date on which Preference Shares were issued for the first time. See "*—Anti-Takeover Measure; Preference Shares*" for a more detailed description of the issue of Preference Shares.

Pre-Emptive Rights

Upon issue of Ordinary Shares, each Shareholder shall have a pre-emptive right in proportion to the aggregate nominal amount of his Ordinary Shares. Shareholders do not have pre-emptive rights in respect of: (i) the issue of Ordinary Shares (or the granting of rights to subscribe for Ordinary Shares) (a) against a contribution in kind, (b) to employees of the Company or (c) to persons exercising a previously-granted right to subscribe for Ordinary Shares; and (ii) the issue of Preference Shares. These pre-emptive rights also apply in case of granting of rights to subscribe for Ordinary Shares.

Pre-emptive rights may be limited or excluded by a resolution of the General Meeting, upon a proposal of the Managing Board which has been approved by the Supervisory Board. The General Meeting may delegate this authority to the Managing Board. A designation as referred to above will only be valid for a specific period of no more than five years and may from time to time be extended for a period of no more than five years (i.e. for the same period as the delegation of authority to issue shares). A resolution by the Managing Board (if so designated by the General Meeting) to limit or exclude pre-emptive rights requires the approval of the Supervisory Board. The Managing Board is currently authorised by the General Meeting to restrict or exclude pre-emptive rights accruing to Shareholders in relation to the issue of Ordinary Shares, subject to the approval of the Supervisory Board, for a period of 18 months starting from the Settlement Date.

On 9 March 2018, the General Meeting resolved to designate the Managing Board as the competent body to limit or exclude the pre-emptive rights upon the issuance of Ordinary Shares for a period of 18 months with effect as at the Settlement Date, simultaneously with the designation of the Managing Board as the competent body to issue Ordinary Shares. See "*—Shares and Share Capital—Issue of Shares*".

Acquisition by the Company of its Shares

The Company may, subject to prior approval by the competent supervisory authority, acquire fully paid-up Shares at any time for no consideration or, subject to certain provisions of Dutch law and the Articles of Association, if: (i) the distributable part of the shareholders' equity is at least equal to the total purchase price of the repurchased Shares; (ii) the nominal value of the Shares which the Company acquires, holds or which are held by a subsidiary does not exceed 50 per cent of the issued share capital; and (iii) the Managing Board has been authorised by the General Meeting to repurchase Shares. The General Meeting's authorisation is valid for a maximum period of 18 months. As part of the authorisation, the General Meeting must specify the number of Shares that may be acquired, the manner in which the Shares may be acquired and the price range within which the Shares may be acquired. A resolution of the Managing Board to repurchase Shares is subject to the approval of the Supervisory Board.

No authorisation from the General Meeting is required for the acquisition of fully paid-up Shares for the purpose of transferring these Shares to employees pursuant to any share (option) plan.

The Company may not cast votes on Shares held by it nor will such Shares be counted for the purpose of calculating a voting quorum.

On 9 March 2018, the General Meeting authorised the Managing Board to acquire, subject to the approval of the Supervisory Board, Ordinary Shares for a period of 18 months starting from the Settlement Date. The number of Ordinary Shares to be acquired by the Company under the authorisation is limited to 10 per cent of the issued capital as at the Settlement Date. The Ordinary Shares may be acquired on the stock exchange or elsewhere at a price per Ordinary Share between, on the one hand, the nominal value of the Ordinary Shares concerned and, on the other hand, an amount of 110% of the highest price of the shares officially quoted on any of the official stock markets the Company is listed on, as of any of 30 banking days preceding the date the repurchase is effected or proposed.

Capital Reduction

At the proposal of the Managing Board, subject to the approval of the Supervisory Board, the General Meeting may resolve to reduce the issued share capital by cancellation of Shares or by reducing the nominal value of Shares by an amendment of the Articles of Association. Under Dutch law, the resolution to reduce the issued share capital must specifically state the Shares concerned and lay down rules for the implementation of the resolution. A resolution to cancel Shares can only relate (a) to Shares held by the Company or (b) to all Preference Shares.

A resolution of the General Meeting to reduce the issued share capital of the Company requires a majority of at least two-thirds of the votes cast, if less than one-half of the Company's issued capital is represented at the General Meeting. A reduction of the nominal value of the Shares without repayment and without release from the obligation to pay up the Shares shall take place proportionally on all Shares of the same class. The requirement of proportion may be deviated from with the consent of all Shareholders concerned. A resolution to cancel the outstanding Preference Shares shall require the approval of the meeting of holders of Preference Shares.

Dutch law contains detailed provisions regarding the reduction of capital. A resolution to reduce the issued share capital shall not take effect as long as creditors have the right to oppose the resolution by filing a petition to that effect. The reduction of share capital may, pursuant to the CRR, also require the approval of the competent supervisory authority.

Transfer of Shares

The Shares are in registered form. The transfer of a registered Ordinary Share or of a restricted right thereto requires a deed of transfer drawn up for that purpose and acknowledgement of the transfer by the Company in writing. The latter condition is not required in the event that the Company is party to the transfer.

If a registered Ordinary Share is transferred for inclusion in a collection deposit, the transfer will be accepted by the intermediary concerned. If a registered Ordinary Share is transferred for inclusion in a giro deposit, the transfer will be accepted by the central institute, being Euroclear Nederland. The transfer and acceptance of Ordinary Shares in the collection deposit or giro deposit (as relevant), can be effected without the cooperation of the other participants in the collection deposit or giro deposit (as relevant).

Upon issuance of a new Ordinary Share to Euroclear Nederland or to an intermediary, the transfer in order to include the Ordinary Share in the giro deposit or the collection deposit will be effected without the cooperation of the other participants in the collection deposit or the giro deposit. Ordinary Shares included in the collection deposit or giro deposit can only be delivered from a collection deposit or giro deposit with due observance of the related provisions of the Dutch Securities Giro Act. The transfer by a deposit shareholder of its book-entry rights representing such Ordinary Shares shall be effected in accordance with the provisions of the Dutch Securities Giro Act. The same applies to the establishment of a right of pledge and the establishment or transfer of a usufruct on these book-entry rights.

Any transfer of Preference Shares requires the prior approval of the Managing Board. An application for approval must be made in writing and include the number of Preference Shares the applicant wishes to transfer and the person to whom the applicant wishes to transfer the Preference Shares concerned.

General Meetings and Voting Rights

General Meetings

The annual General Meeting must be held ultimately on 30 June each year. Typical agenda items of the annual General Meeting are: the report of the Managing Board, the implementation of the remuneration policy, the adoption of the annual accounts, the policy on reserves and dividends, the proposal to distribute dividends (if applicable), release of the members of the Managing Board and the members of the Supervisory Board from liability, appointment of an independent auditor, the designation of the Managing Board, subject to the approval of the Supervisory Board, as authorised corporate body of the Company to issue Shares and to exclude pre-emptive rights, authorisation of the Managing Board, subject to the approval of the Supervisory Board, to make the Company acquire own Shares and any other subjects presented for discussion by the Managing Board or the Supervisory Board.

Additional extraordinary General Meetings are held whenever the Managing Board or the Supervisory Board deems such to be necessary. In addition, one or more Shareholders, who solely or jointly represent at least 10 per cent of the issued share capital of the Company or such lesser amount as is provided by the Articles of Association may, on application, be authorised by the court in interlocutory proceedings of the district court to convene a General Meeting.

Within three months of it becoming apparent to the Managing Board that the equity of the Company has decreased to an amount equal to or lower than one-half of the paid-up part of the capital, a General Meeting will be held to discuss any requisite measures.

Place of Meetings, Chairman and Minutes

The Articles of Association provide that General Meetings must be held in The Hague, Rotterdam, Amsterdam or Haarlemmermeer (including Schiphol Airport), the Netherlands at the choice of those who call the General Meeting.

The General Meeting shall be presided over by the chairperson of the Supervisory Board or his replacement. The Supervisory Board may appoint someone else to chair the General Meeting. The chairman will have all powers necessary to ensure the proper and orderly functioning of the General Meeting. Without the chairman of the Supervisory Board having appointed someone else to chair in his absence, the General Meeting itself shall appoint the chairman, provided that so long as such election has not taken place, the chairmanship will be held by a member of the Managing Board designated for that purpose by the members of the Managing Board present at the General Meeting.

Minutes will be kept of the proceedings at the General Meeting by, or under supervision of, the Company secretary, which will be adopted by the chairman and the secretary and will be signed by them as evidence thereof. However, the Supervisory Board or the chairman may determine that notarial minutes will be prepared of the proceedings of the meeting. In that case the co-signature of the chairman will be sufficient.

Convocation notice and agenda

A General Meeting can be convened by the Managing Board or the Supervisory Board by a convening notice, which must be given no later than the 42nd day before the date of the General Meeting. Such notice must include the location and the time of the meeting, an agenda indicating the items for discussion and any proposals for resolutions, the admission, participation and voting procedure, the record date and the address of the Company's website. All convocations, announcements, notifications and communications to Shareholders have to be made in accordance with the relevant provisions of Dutch law and the convocation and other notices may also occur by means of sending an electronically transmitted legible and reproducible message to the address of those Shareholders which consented to this method of convocation.

Proposals of Shareholders and/or other persons entitled to attend and address the General Meetings will only be included in the agenda, if the Shareholders and/or other persons entitled to attend and address the General Meetings, alone or jointly, represent shares amounting to at least 3 per cent of the issued share capital and such proposal (together with the reasons for such request) is received in writing by the chairman of the Managing Board or the chairman of the Supervisory Board at least 60 days before the date of the General Meeting.

If the Company, whether at its own initiative or following a request to that effect by one or more Shareholders holding an interest representing at least 10 per cent of the Company's issued share capital, has performed an identification of its Shareholders within the meaning of the Dutch Securities Giro Act , Shareholders who, individually or with other Shareholders, hold Shares that represent at least 1 per cent of the issued share capital or a market value of at least €250,000, may request the Company to disseminate information that is prepared by them in connection with an agenda item for a General Meeting. The Company can only refuse disseminating such information, if received less than seven business days prior to the General Meeting, if the information gives or could give an incorrect or misleading signal or if, in light of the nature of the information, the Company cannot reasonably be required to disseminate it.

Admission and registration

Each Shareholder is entitled to attend and address the General Meetings and to exercise voting rights pro rata to his holding of Shares, either in person or by proxy. Shareholders may exercise these rights if they are holders of Shares on the record date, which is the 28th day before the day of the General Meeting. The convocation notice shall state the record date and the manner in which persons holding such rights can register and exercise their rights.

Members of the Managing Board and the Supervisory Board have the right to attend and address the General Meeting. In these General Meetings, they have an advisory role. Also the independent auditor of the Company is authorised to attend and address the General Meeting.

Voting rights

Each Share confers the right on the holder to cast one vote at a General Meeting. Major shareholders have the same voting rights per Ordinary Share as other holders of Ordinary Shares. At the General Meeting, resolutions are passed by an absolute majority of the valid votes cast, unless Dutch law or the Articles of Association prescribe a greater majority. If there is a tie in voting, the proposal concerned will be rejected.

Annual and Semi-Annual Financing Reporting

Annually, within four months after the end of the financial year, the Company must publish an annual financial report, consisting of audited annual accounts, an auditor's report, a Managing Board report, a Supervisory Board report and certain other information required under Dutch law. The annual accounts must be adopted by the General Meeting.

The Company must publish a semi-annual financial report as soon as possible, but at the latest three months after the end of the first six months of the financial year. If the semi-annual financial report is audited or reviewed, the independent auditor's report must be published together with the semi-annual financial report.

Profits and Distributions

The Company may only make distributions to its Shareholders insofar as the Company's equity exceeds the amount of the paid-in and called-up part of the issued capital, increased by the reserves which must be maintained pursuant to Dutch law or the Articles of Association.

Under the Articles of Association, any profits must first be applied to pay a dividend on the Preference Shares, if any are outstanding, before distribution of any remaining distributable profits to the other Shareholders. No Preference Shares are outstanding at the date of this Prospectus. The Managing Board is authorised, subject to the approval of the Supervisory Board, to determine each year which part of any annual profits remaining after such dividend payment on the Preference Shares will be reserved. Any profits remaining after such reservation and dividend payment on the Preference Shares will be at the disposal of the General Meeting. The Managing Board, with the approval of the Supervisory Board, shall make a proposal for that purpose.

Subject to Dutch law and the Articles of Association, the Managing Board may, with the approval of the Supervisory Board, resolve to distribute an interim dividend.

The Managing Board may, with the approval of the Supervisory Board, decide that a distribution on Ordinary Shares shall not take place as a cash payment but in kind, or as a payment in Ordinary Shares, or decide that holders of Ordinary Shares shall have the option to receive a distribution as a payment in cash or in kind and/or as a payment in Ordinary Shares, out of the profit and/or at the expense of reserves, provided that the Managing Board is designated by the General Meeting to issue Ordinary Shares. With the approval of the Supervisory Board, the Managing Board shall determine the conditions applicable to the aforementioned choices.

Dividends and other distributions will be made payable pursuant to a resolution of the Managing Board. Different payment release dates may be set for the Ordinary Shares and the Preference Shares.

Any entitlement to any dividend distribution by a Shareholder expires five years after the date on which those dividends were released for payment. Any dividend that is not collected within this period reverts to the Company. See also "*Dividends and Dividend Policy*".

According to the Articles of Association, distributions shall be due and payable within 4 weeks after they have been declared, unless the Managing Board sets another date for payment.

The payment of dividends may be limited, restricted or prohibited, including by the competent supervisory authority, if this measure is required or deemed required to strengthen NIBC's capital in view of prudential requirements such as, among other things, the combined buffer requirements, additional capital requirements as a result of the SREP, the leverage ratio, MREL and TLAC requirements. See "*Risk Factors—NIBC may be subject to the intervention and resolution powers under the Dutch Financial Supervision Act, the BRRD and the SRM Regulation, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects, and consequently its ability to pay dividends*" and "*Risk Factors—NIBC is subject to minimum regulatory capital and liquidity requirements which may evolve in the future, and NIBC may have insufficient capital resources or liquidity to meet these requirements, which could have a material adverse effect on NIBC's business, results of operations, financial condition and prospects*". In addition, any payment of dividends can only be paid out of distributable items as defined in CRR.

Amendment of the Articles of Association

The General Meeting may resolve to amend the Articles of Association upon a proposal of the Managing Board, which has been approved by the Supervisory Board. A resolution by the General Meeting to amend the Articles of Association requires an absolute majority of the votes cast.

Dissolution and Liquidation

The Company may only be dissolved by a resolution of the General Meeting upon proposal of the Managing Board, which has been approved by the Supervisory Board. A resolution by the General Meeting to dissolve the Company requires an absolute majority of the votes cast.

In the event of the dissolution of the Company, the Company will be liquidated in accordance with Dutch law and the Articles of Association. The members of the Managing Board shall be charged with effecting the liquidation of the Company's affairs and the members of the Supervisory Board will be charged with the supervision thereof. During liquidation, the provisions of the Articles of Association will remain in force to the extent possible.

The balance of the Company's assets remaining after all liabilities have been paid shall, if possible, first be applied for the payment of all the holders of the Preference Shares of the nominal amount paid-up on their Preference Shares plus the dividend still payable at the time of the liquidation on such Preference Shares. This does not apply if the Preference Shares outstanding were issued and paid at the expense of the Company's reserves. Any balance remaining shall be distributed between the holders of the Ordinary Shares. All distributions shall be made in proportion to the number of Shares of the class concerned held by each Shareholder.

Anti-Takeover Measure; Preference Shares

The Foundation is incorporated under Dutch law and was established on 6 March 2018. The Foundation has its statutory seat in The Hague, the Netherlands and its registered office at Carnegieplein 4, 2517 KJ The Hague , the Netherlands. The Foundation is registered with the trade register of the Chamber of Commerce in Amsterdam under number 71071784.

The Foundation's objects are to protect the interests of the Company, the business maintained by the Company and the entities with which the Company forms a group and all persons involved therein, in such way that the interest of the Company and those businesses and all persons involved therein are protected to the best of its abilities, and by making every effort to prevent anything which may affect the independence and/or the continuity and/or the identity of the Company and of those businesses in violation of the interests referred above. The Foundation shall pursue its objects, inter alia, by acquiring and holding Preference Shares and by enforcing the rights, in particular the voting rights, attached to those Preference Shares, as well as by exercising (whether or not in legal proceedings) rights attributed to it pursuant to Dutch law, the Articles of Association or any agreement which the Company and Foundation may enter into from time to time. The Foundation is not authorised to sell any Preference Shares it holds other than to the Company. The Foundation is only authorised to pledge any Preference Shares it holds to the extent that the voting rights attached to such Preference Shares are not passed to the pledgee. The possibility of issuing Preference Shares is an anti-takeover measure.

To this end, the Foundation will be granted a call option by the Company. The Foundation may not exercise the call option without the prior approval of the Selling Shareholders for so long as the Selling Shareholders' (direct or indirect) holding of Ordinary Shares represents 20 per cent or more of the issued Shares (excluding Preference Shares). On each exercise of the call option, the Foundation is entitled to acquire Preference Shares from the Company up to a maximum corresponding with 100 per cent of the issued share capital of the Company excluding the Preference Shares as outstanding immediately prior to the exercise of the call option, less one Share, from which maximum any Preference Shares already placed with the Foundation at the time of the exercise of the call option shall be deducted. The Foundation may exercise its option right repeatedly, each time up to the aforementioned maximum. The call option can be exercised by the Foundation in order to, for example :

- prevent, slow down or otherwise complicate an unsolicited takeover bid for and an unsolicited acquisition of Shares by means of an acquisition at the stock market or otherwise; and/or
- prevent and countervail concentration of voting rights in the General Meeting; and/or
- resist unwanted influence by and pressure from Shareholders to amend NIBC's strategy.

If the Foundation exercises the call option, the Company shall issue such number of Preference Shares as for which the Foundation exercised its call option. Upon issuance of Preference Shares, at least one fourth of the nominal value thereof must be paid-up. The Foundation shall be required to pay up any additional amounts only if and when the Company will have claimed such additional payments. If the Company and the Foundation so agree, the Preference Shares can be paid-up in full at the expense of the reserves of the Company.

If Preference Shares are issued to the Foundation, the Managing Board is obliged to convene a General Meeting within 22 months after the date Preference Shares have been issued for the first time, or within 60 days after the Foundation has submitted a proposal at the General Meeting for the repurchase or cancellation of all Preference Shares held by the Foundation. The agenda for that meeting must include a resolution relating to the repurchase or cancellation of these Preference Shares. If at that meeting it is not resolved to repurchase or cancel the relevant Preference Shares, the Managing Board is obliged to each time within six months of the previous meeting in which such proposal has been placed on the agenda, convene a General Meeting at which such proposal is again submitted, until such time as no more Preference Shares remain outstanding.

If Preference Shares are repurchased or cancelled, this will take place against repayment of the amounts paid-up on these Preference Shares and payment of any accrued but unpaid dividends, if any. If the relevant Preference Shares were paid-up in full at expense of the reserves of the Company, the paid-up amount will not be paid to the Foundation but will fall to the Company.

The Foundation will perform its role, and take all actions required, at its sole discretion. The Foundation shall exercise the voting rights attached to the Preference Shares issued to the Foundation, independently, in accordance with its objects according to its articles of association.

The Foundation is managed by a management board. The Company will be appointed as initial board member upon the incorporation of the Foundation, for the time being. The Company will have the right to subsequently appoint board members who will have a profile customary for this purpose, such that the Foundation meets the independence requirement as referred to in Article 5:71(1)(c) of the Dutch Financial Supervision Act. The Foundation may only exercise the call option after the Company has appointed at least two independent board members. With the appointment of these board members, the term of appointment of the board member in office on the Settlement Date will expire. Thereafter, members of the board of the Foundation will be appointed by way of co-option.

See "*—Profits and Distributions*" and "*—Dissolution and Liquidation*" for a description of the position of holders of Preference Shares in the event of a distribution by the Company, respectively, the liquidation of the Company.

Public Offer Rules

Pursuant to the Dutch Financial Supervision Act, and in accordance with European Directive 2004/25/EC, also known as the takeover directive, any shareholder—whether acting alone or in concert with others—who, directly or indirectly, obtains control of a Dutch listed company, such as the Company after Settlement, is required to make a mandatory public offer for all outstanding shares in that company's share capital. Such control is deemed present if a (legal) person is able to exercise, alone or acting in concert, 30 per cent of the voting rights in the general meeting of such listed company (subject to certain applicable grandfathering exemptions, such as shareholders who, acting alone or in concert, already had control at the time of the company's initial public offering).

In addition, it is prohibited to launch a public offer for shares of a listed company, such as the Ordinary Shares, unless an offer document has been approved by the AFM. A public offer for shares of a listed company, such as the Ordinary Shares, may only be launched by way of publication of an approved offer document. The public offer rules are, among others, intended to ensure that, in the event of a public offer, sufficient information is made available to the holders of the shares, the holders of the shares are treated equally, that there is no abuse of inside information and that there is a proper and timely offering period.

Squeeze-Out Proceedings

A shareholder who for his own account holds at least 95 per cent of the issued and outstanding share capital of a company may institute proceedings against the holders of the remaining shares jointly for the transfer of their shares to him. The proceedings are held before Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for the squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary, after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. Once the order to transfer becomes final, the person acquiring the shares must give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to it. Unless the addresses of all of them are known to it, it must also publish the same in a Dutch daily newspaper with a national circulation.

The offeror under a public offer is also entitled to start a squeeze-out procedure if, following the public offer, the offeror holds at least 95 per cent of the issued and outstanding share capital and represents at least 95 per cent of the total voting rights. The claim of a takeover squeeze-out must be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer. The Enterprise Chamber may grant the claim for a takeover squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. In principle, the offer price is considered reasonable if at least 90 per cent of the shares to which the offer related were acquired by the offeror.

The Dutch Civil Code also gives the minority shareholders that have not tendered their shares under an offer the right to institute proceedings with the Enterprise Chamber for the transfer of their shares to the offeror, provided that the offeror has acquired at least 95 per cent of the issued and outstanding share capital and holds at least 95 per cent of the total voting rights. Regarding price, the same procedures as for takeover squeeze out proceedings initiated by an offeror apply. This claim must also be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer.

Obligations to Disclose Holdings and Transactions

Holders of Ordinary Shares may be subject to notification obligations under the Dutch Financial Supervision Act. Shareholders are advised to seek professional advice on these obligations.

Shareholders

Pursuant to the Dutch Financial Supervision Act, any person who, directly or indirectly, acquires or disposes of an actual or potential capital interest or voting rights of the Company must immediately notify the AFM, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person reaches, exceeds or falls below any of the following percentage thresholds: 3, 5, 10, 15, 20, 25, 30, 40, 50, 60, 75 and 95.

A notification requirement also applies if a person's capital interest or voting rights reaches, exceeds or falls below the abovementioned thresholds as a result of a change in the Company's total issued share capital or voting rights. The Company is required to notify the AFM immediately of the changes to its total share capital or voting rights if its issued share capital or voting rights changes by 1 per cent or more since the Company's previous notification. The Company must furthermore notify the AFM within eight days after each quarter, in the event its share capital or voting rights changed by less than 1 per cent in that relevant quarter since the Company's previous notification.

In addition, every holder of 3 per cent or more of the Company's share capital or voting rights whose interest changes in respect of the previous notification to the AFM by reaching or crossing one of the abovementioned thresholds as a consequence of the interest being differently composed due to shares or voting rights having been acquired through the exercise of a right to acquire the same must notify the AFM of the changes within four trading days after the date on which the holder knows or should have known that his interest reaches, exceeds or falls below a threshold.

Controlled entities, within the meaning of the Dutch Financial Supervision Act, do not have notification obligations under the Dutch Financial Supervision Act, as their direct and indirect interests are attributed to their (ultimate) parent. Any person may qualify as a parent for purposes of the Dutch Financial Supervision Act, including an individual. A person who has a 3 per cent or larger interest in the Company's share capital or voting rights and who ceases to be a controlled entity for these purposes must immediately notify the AFM. As at that moment, all notification obligations under the Dutch Financial Supervision Act will become applicable to the former controlled entity.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, inter alia, be taken into account: (i) shares and voting rights directly held (or acquired or disposed of) by any person; (ii) shares and voting rights held (or acquired or disposed of) by such person's controlled entity or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement; (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights against a payment; (iv) shares which such person (directly or indirectly) or third party referred to above, may acquire pursuant to any option or other right to acquire shares; (v) shares that determine the value of certain cash settled financial instruments such as contracts for difference and total return swaps; (vi) shares that must be acquired upon exercise of a put option by a counterparty; and (vii) shares that are the subject of another contract creating an economic position similar to a direct or indirect holding in those shares.

Special attribution rules apply to shares and voting rights that are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of shares can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger the reporting obligations as if the pledgee or beneficial owner were the legal holder of the shares.

For the same purpose, the following instruments qualify as "shares": (i) shares; (ii) depositary receipts for shares (or negotiable instruments similar to such receipts); (iii) negotiable instruments for acquiring the instruments under (i) or (ii) (such as convertible bonds); and (iv) options for acquiring the instruments under (i) or (ii).

Gross short positions in shares should also be notified to the AFM. For these gross short positions the same thresholds apply as for notifying an actual or potential interest in the shares of the Company, as referred to above.

In addition, pursuant to Regulation (EU) No 236/2012, each person holding a net short position attaining 0.2 per cent of the issued share capital of the Company is required to notify such position to the AFM. Each subsequent increase of this position by 0.1 per cent above 0.2 per cent must also be notified. Each net short position attaining 0.5 per cent of the issued share capital of the Company and any subsequent increase of that position by 0.1 per cent will be made public by the AFM. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set off. A short transaction in a share may only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third party that the shares have been located.

Management

Pursuant to the Dutch Financial Supervision Act, each member of the Managing Board and Supervisory Board must notify the AFM: (a) immediately following the admission to trading and listing of the Ordinary Shares of the number of Ordinary Shares he/she holds and the number of votes he/she is entitled to cast in respect of the Company's issued share capital, and (b) subsequently of each change in the number of Ordinary Shares he/she holds and of each change in the number of votes he/she is entitled to cast in respect of the Company's issued share capital, immediately after the relevant change. If a member of the Managing Board or member of the Supervisory Board has notified a transaction to the AFM under the Dutch Financial Supervision Act as described under "—Obligations to Disclose Holdings and Transactions" above, such notification is sufficient for purposes of the Dutch Financial Supervision Act as described in this paragraph.

Furthermore, pursuant to the Market Abuse Regulation, which entered into force on 3 July 2016, persons discharging managerial responsibilities must notify the AFM and the Company of any transactions conducted for his or her own account relating to Ordinary Shares or any debt instruments of the Company or to derivatives or other financial instruments linked thereto. Persons discharging managerial responsibilities within the meaning of the Market Abuse Regulation include: (a) members of the Managing Board and members of the Supervisory Board; or (b) members of the senior management who have regular access to inside information relating directly or indirectly to that entity and the authority to take managerial decisions affecting the future developments and business prospects of the Company.

In addition, pursuant to the Market Abuse Regulation and the regulations promulgated thereunder, certain persons who are closely associated with persons discharging managerial responsibilities, are also required to notify the AFM and the Company of any transactions conducted for their own account relating to Ordinary Shares or any debt instruments of the Company or to derivatives or other financial instruments linked thereto. The Market Abuse Regulation and the regulations promulgated thereunder cover, inter alia, the following categories of persons: (i) the spouse or any partner considered by national law as equivalent to the spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to under (i), (ii) or (iii) above, which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interest of which are substantially equivalent to those of such a person.

These notification obligations under the Market Abuse Regulation apply when the total amount of the transactions conducted by a person discharging managerial responsibilities or a person closely associated to a person discharging managerial responsibilities reaches or exceeds the threshold of €5,000 within a calendar year (calculated without netting). When calculating whether the threshold is reached or exceeded, persons discharging managerial responsibilities must add any transactions conducted by persons closely associated with them to their own transactions and vice versa. The first transaction reaching or exceeding the threshold must be notified as set forth above. The notifications pursuant to the Market Abuse Regulation described above must be made to the AFM and the Company no later than the third business day following the relevant transaction date.

Non-compliance

In case of non-compliance with the notification obligations under the Market Abuse Regulation set out in the paragraphs above is an economic offence (*economisch delict*) and could lead to the imposition of criminal fines, administrative fines, imprisonment or other sanctions,. The AFM may impose administrative sanctions, including administrative fines, penalties or a cease-and-desist order under penalty for non-compliance. Breaches of the Market Abuse Regulation also constitute an economic offence (*economisch delict*) and could lead to the imposition of criminal fines or imprisonment. If criminal charges are pressed, the AFM is no longer allowed to impose administrative penalties and vice versa, the AFM is no longer allowed to seek criminal prosecution if administrative penalties have been imposed. In addition, non-compliance with some of the notification obligations set out in the paragraphs above may lead to civil sanctions, including suspension of the voting rights relating to the shares held by the offender for a period of not more than three years, voiding of a resolution adopted by the general meeting in certain circumstances and ordering the person violating the disclosure obligations to refrain, during a period of up to five years, from acquiring shares and/or voting rights in shares.

Public registry

The AFM does not issue separate public announcements of the notifications. It does, however, keep a public register of all notifications under the Dutch Financial Supervision Act on its website www.afm.nl. Third parties can request to be notified automatically by email of changes to the public register in relation to a particular company's shares or a particular notifying party.

Identity of Shareholders

The Company may request Euroclear Nederland, admitted institutions, intermediaries, institutions abroad, and managers of an investment institution, to provide certain information on the identity of its shareholders. Such request may only be made during a period of 60 days up to the day on which the General Meeting will be held. No information will be given on shareholders with an interest of less than 0.5 per cent of the issued share capital. A shareholder who, individually or together with other shareholders, holds an interest of at least 10 per cent of the issued share capital may request the Company to establish the identity of its shareholders. This request may only be made during a period of 60 days until (and not including) the 42nd day before the day on which the General Meeting will be held.

Declaration of No Objection for a Qualifying Holding in a Bank

Each person who holds, acquires or increases a qualifying holding in, among others, a bank with a corporate seat in the Netherlands, as a result of which certain thresholds are reached or passed, requires a declaration of no objection from the ECB (in case of a bank). A "qualifying holding" is a direct or indirect holding of 10 per cent or more of the issued share capital of an enterprise, or the ability to exercise directly or indirectly 10 per cent or more of the voting rights in an enterprise, or the ability to exercise directly or indirectly a similar influence over an enterprise. In determining the number of voting right, Section 5:45 of the Dutch Financial Supervision Act applies shall be taken into account (e.g. the voting rights of any other shareholders with whom a person is acting in concert are also relevant in determining a person's voting rights). See "*Supervision and Regulation—Sound and Controlled Business Operations—Structural Supervision*".

Market-Abuse Rules

The regulatory framework on market abuse is laid down in the Market Abuse Directive (2014/ 57/EU) as implemented in Dutch law and the Market Abuse Regulation which is directly applicable in the Netherlands.

Insider dealing and market manipulation prohibitions

Pursuant to the Market Abuse Regulation, no natural or legal person is permitted to: (a) engage or attempt to engage in insider dealing in financial instruments listed on a regulated market or for which a listing has been requested, such as the Shares, (b) recommend that another person engages in insider dealing or induce another person to engage in insider dealing or (c) unlawfully disclose inside information relating to the Shares or the Company. Furthermore, no person may engage in or attempt to engage in market manipulation.

Public disclosure of inside information

The Company is required to inform the public as soon as possible and in a manner that enables fast access and complete, correct and timely assessment of the information, of inside information which directly concerns NIBC. Pursuant to the Market Abuse Regulation, inside information is information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments. An intermediate step in a protracted process can also be deemed to be inside information. The Company is required to post and maintain on its website all inside information for a period of at least five years. Under certain circumstances, the disclosure of inside information may be delayed, which needs to be notified to the AFM after the disclosure has been made. Upon request of the AFM, a written explanation needs to be provided setting out why a delay of the publication was considered permitted.

Insiders lists

The Company and any person acting on its behalf or on its account is obligated to draw up an insiders' list of officers, employees and other persons working for NIBC with access to inside information relating to NIBC, to promptly update the insider list and provide the insider list to the AFM upon its request. The Company and any person acting on its behalf or on its account is obligated to take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.

Managers' transactions

In addition to the notification obligations for persons discharging managerial responsibilities (and persons closely associated with them) mentioned above, a person discharging managerial responsibilities is not permitted to (directly or indirectly) conduct any transactions on its own account or for the account of a third party, relating to Shares or debt instruments of the Company or other financial instruments linked thereto, during a closed period of 30 calendar days before the announcement of a half-yearly report or the Managing Board year-end report of the Company.

The Company is required to draw up a list of all persons discharging managerial responsibilities and persons closely associated with them and notify persons discharging managerial responsibilities of their obligations in writing. Persons discharging managerial responsibilities are required to notify the persons closely associated with them of their obligations in writing.

Non-compliance with Market Abuse Rules

In accordance with the Market Abuse Regulation, the AFM has the power to take appropriate administrative sanctions, such as fines, and/or other administrative measures in relation to possible infringements. Non-compliance with the market abuse rules set out above could also constitute an economic offense and/or a crime (*misdrijf*) and could lead to the imposition of administrative fines by the AFM. The public prosecutor could press criminal charges resulting in fines or imprisonment. If criminal charges are pressed, it is no longer allowed to impose administrative penalties and vice versa. The AFM shall in principle also publish any decision imposing an administrative sanction or measure in relation to an infringement of the Market Abuse Regulation.

NIBC has adopted a code of conduct in respect of the reporting and regulation of transactions in the Company's securities by Managing Directors and Supervisory Directors and NIBC's employees, which will be effective as at the First Trading Date.

SHAREHOLDER STRUCTURE AND RELATED PARTY TRANSACTIONS

Shareholder Structure

Selling Shareholders

At the date of this Prospectus, 143,302,535 Ordinary Shares, representing 97.95 per cent of the issued and outstanding Ordinary Shares, are held by the Selling Shareholders.

Immediately after Settlement, the Selling Shareholders will continue to hold 71.9 per cent of the issued and outstanding Ordinary Shares, assuming 38,167,516 are sold in the offering and the Over-Allotment Option is not exercised. Including full exercise of the Over-Allotment Option, the Selling Shareholders will continue to hold 67.9 per cent of the issued and outstanding Ordinary Shares, assuming 43,892,643 Ordinary Shares are sold in the offering.

Other shareholders

At the date of this Prospectus, the following persons hold Ordinary Shares in the capital of the Company:

Shareholder	Number of Ordinary Shares	% of issued and outstanding Ordinary Shares
New NIB Partners LP	106,602,979	72.86
New NIB Partners II LP	11,727,797	8.02
NIB Special Investors LP	3,548,483	2.43
NIB Special Investors II LP	9,308,154	6.36
NIB Special Investors III LP	1,910,166	1.31
NIB Special Investors IV-A LP	4,491,098	3.07
NIB Special Investors IV-B LP	1,424,722	0.97
NIB Special Investors V LP	4,289,136	2.93
(together, the "**Selling Shareholders**")		
Stichting Administratiekantoor NIBC Holding(1)	2,403,949	1.64
Members of the Managing Board(2)	602,326	0.42

(1) Stichting Administratiekantoor NIBC Holding holds such shares in connection with the share based incentive scheme (see "*Management, Employees and Corporate Governance—Variable Remuneration*" for further details on the share based incentive scheme).

(2) See "*—Key management personnel*" below for further details.

Each Ordinary Share gives the right to cast one vote in the General Meeting. All holders of Ordinary Shares have the same voting rights.

At the date of this Prospectus, 1,204,559 Ordinary Shares are held as treasury shares by the Company. No voting rights can be exercised on the shares held as treasury shares by the Company.

At the date of this Prospectus, the Foundation is not a shareholder, but will be granted a call option by the Company (see "*—The Foundation*" below).

Selling Shareholders

The Selling Shareholders, being New NIB Partners LP, New NIB Partners II LP, NIB Special Investors LP, NIB Special Investors II LP, NIB Special Investor III LP, NIB Special Investor IV-A LP, NIB Special Investor IV-B LP and NIB Special Investor V LP are operated by J.C. Flowers & Co. J.C. Flowers & Co. is a leading private investment firm dedicated to investing globally in the financial services industry. Founded in 1998, the firm has invested more than $15 billion of capital in 46 portfolio companies in 16 countries across a range of industry subsectors including banking, insurance and reinsurance, securities firms, specialty finance, and services and asset management. With $6 billion of assets under management, J.C. Flowers & Co. has offices in New York and London.

The Foundation

The Foundation will be granted a call option by the Company. On exercise of the call option, the Foundation is entitled to acquire Preference Shares from the Company up to a maximum corresponding with 100 per cent of the issued share capital of the Company, excluding the Preference Shares as outstanding immediately prior to the exercise of the call option, less one Share, from which maximum any Preference Shares already placed with the Foundation at the time of the exercise of the call option shall be deducted. See "*Description of Share*

Capital and Corporate Structure—Anti-Takeover Measure; Preference Shares" for a description of events which could trigger the exercise of the call option.

Related Party Transactions

In the normal course of business, NIBC enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of NIBC include, amongst others, the Selling Shareholders, entities controlled by the Selling Shareholders and key management personnel. The transactions were made at an arm's length price.

Relationship Agreement

On 12 March 2018, the Company and the Selling Shareholders will enter into the Relationship Agreement. The Relationship Agreement contains certain arrangements regarding the relationship between the Company and the Selling Shareholders. The Relationship Agreement is governed by Dutch law. The full text of the Relationship Agreement is available on the Company's website. Below is a summary of the main elements of the Relationship Agreement.

Number of Supervisory Board members

In accordance with the Relationship Agreement, the number of Supervisory Board members will be reduced to seven members in 2018. Thereafter the Supervisory Board shall consist of a maximum of seven members.

Supervisory Board Nominees

The Selling Shareholders will have the right to propose Selling Shareholders Nominees (as defined below) for appointment as members of the Supervisory Board if the Selling Shareholders:

- hold more than 50 per cent of the Ordinary Shares, the Selling Shareholders shall have the right to nominate three members to the Supervisory Board (each a "**Selling Shareholders Nominee**") for appointment by the General Meeting;
- cease to hold more than 50 per cent of the Ordinary Shares but hold more than 20 per cent of the Ordinary Shares, one of the Selling Shareholders Nominees shall, upon written request of the Supervisory Board, promptly resign and the Selling Shareholders shall have the right to nominate two Selling Shareholders Nominees to the Supervisory Board for appointment by the General Meeting; or
- cease to hold more than 20 per cent of the Ordinary Shares, all Selling Shareholders Nominees shall, upon written request of the Supervisory Board, promptly resign. In the absence of a written request for resignation by the Supervisory Board, the Selling Shareholders Nominees shall complete their respective term, unless the Selling Shareholders and the Company agree otherwise.

Supervisory Board Committee Nominees

As long as the Supervisory Board comprises a Selling Shareholders Nominee, both the Remuneration & Nominating Committee and the Audit Committee shall at all times include at least one Selling Shareholders Nominee.

Orderly market arrangements

At any time after the lock-up period, the Selling Shareholders will be entitled to dispose of Ordinary Shares held in the Company in whole or in part in the open market or through private sales. The Selling Shareholders shall use reasonable efforts to conduct any disposal of Ordinary Shares with a view to maintaining an orderly market. The Company is required to provide reasonable assistance to the Selling Shareholders and cooperate in executing any fully marketed offering and block trades.

Tag along rights

Subject to any lock-up or restrictions similar to a lock-up, if the Company effects a primary offering of additional Ordinary Shares, the Selling Shareholders shall have a discretionary tag along right to sell a proportionate amount of Ordinary Shares held by the Selling Shareholders in connection with the same primary offering. The amount of Ordinary Shares the Selling Shareholders may sell through the tag along right is an amount proportionate to the Selling Shareholders holding of Ordinary Shares in the Company immediately prior to the primary offering.

Information Rights

For so long as the Selling Shareholders hold at least 5 per cent of the Ordinary Shares, the Company shall share financial and other information with, and provide access to management of NIBC, to the Selling Shareholders to the extent reasonably requested, to enable the Selling Shareholders to satisfy ongoing financial reporting, audit and/or other legal and regulatory requirements.

Duration and termination

The key provisions of the Relationship Agreement shall become effective from the day prior to the First Trading Date, but if for any reason the Settlement Date does not occur before 30 April 2018, the Relationship Agreement shall be treated as if it never became effective.

The Relationship Agreement will cease to bind the Selling Shareholders where the Selling Shareholders (whether alone or together with an authorised transferee) directly or indirectly hold less than 5 per cent of the Company's Ordinary Shares. If earlier, the Relationship Agreement will terminate on the date which is 18 months after the date the Selling Shareholders cease to hold a direct or indirect interest of 20 per cent or more of the Ordinary Shares. The Relationship Agreement will also terminate in a limited set of non-material circumstances including where the listing of the Ordinary Shares on Euronext Amsterdam is terminated and insolvency or liquidation of the Company.

Transactions involving the Selling Shareholders

The following relates to NIBC's transactions with "Flowers Fund IV", "Flowers Fund III" and "Flowers Fund II", which are funds managed by an affiliate of J.C. Flowers & Co.:

(in € millions)	2017	2016	2015
Assets	30(1)	30	30
Liabilities	—	—	—
Off-balance sheet commitments	6	11	11
Income received	(3)(4)	(1)(3)	5(2)
Expenses paid	—	—	—

(1) Relates to NIBC's investment in fund related to J.C. Flowers & Co., of which € 17 million relates to Flowers Fund II, €9 million relates to Flowers Fund III and €4 million relates to Flowers Fund IV. As at 31 December 2017, there were €6 million of balance sheet commitments (which are undrawn parts of the committed facilities) of which €2 million relates to Flowers Fund III and €4 million relates to Flowers Fund IV.

(2) Relates to €3 million income from Flowers Fund II and €2 million Flowers Fund III.

(3) Relates to a negative €1 million income from Flowers Fund II.

(4) Relates to negative €3 million income from Flowers Fund IV.

In 2015, members of the NIBC group were engaged by J.C. Flowers & Co. to provide placement agent services in relation to fundraising for 'JCF Fund IV'. In 2017, members of the NIBC group were engaged by J.C. Flowers & Co. to provide investment advisory services in connection with a potential transaction. NIBC did not earn any advisory fees for the aforementioned services provided to J.C. Flowers & Co., however the above mentioned engagement in 2017 may result in the realisation of a success fee in later years. On 27 February 2018, NIBC committed to invest €56 million into funds operated by J.C. Flowers & Co. for the acquisition of HSH Nordbank AG by a consortium including J.C. Flowers & Co. The acquisition of HSH Nordbank AG is subject to various conditions, including regulatory approvals. If the purchase of HSH Nordbank AG is completed, NIBC will hold an indirect equity interest of 5 per cent in HSH Nordbank AG, see "*Operating and Financial Review—Recent Developments*" for further information.

Transactions with other entities controlled by the Selling Shareholders

No unusual transactions took place between NIBC and other entities controlled by the Selling Shareholder during the years ended 31 December 2017, 2016 and 2015. Transactions with related parties have been conducted on an arm's length basis. There have been no further guarantees provided or received for related party receivables or payables.

Key management personnel

NIBC's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of NIBC (directly or indirectly) and comprise the Managing Board members and Supervisory Board members.

Except for the transaction reported below, transactions with key employees were reported in Note 57 of the Financial Statements for the year ended 31 December 2015, Note 57 of the Financial Statements for the year ended 31 December 2016 and Note 56 of the Financial Statements for the year ended 31 December 2017.

In December 2016 the members of the Managing Board personally bought Ordinary Shares for a total amount of €3.5 million (at a fair value of €5.81 per Ordinary Share) from the shareholders and their affiliates.

The following table shows the specifics of the investments of the Managing Board-members in Ordinary Shares:

Member of the Managing Board	Number of Ordinary Shares	Investment with own funds (€)	Loans provided by shareholders of Company (€)	Total invested amount (€)	Interest in share capital of Company
P.A.M. de Wilt (Chief Executive Officer)	258,140	300,000	1,200,000	1,500,000	0.18%
H.H.J. Dijkhuizen (Chief Financial Officer)	172,093	200,000	800,000	1,000,000	0.12%
R.D.J. van Riel (Chief Risk Officer)	172,093	200,000	800,000	1,000,000	0.12%
Total	**602,326**	**700,000**	**2,800,000**	**3,500,000**	**0.41%**

Details of the transaction in Ordinary Shares:

- The loans provided by the shareholders and their affiliates are bearing interest at 5 per cent, including the premium of the put options. The term of the loans is five years;
- The shares have been pledged to the providers of the loans;
- The voting rights of the shares have been transferred to the providers of the loans;
- The management participants have a put option with an exercise price at 80 per cent of the purchase price, adjusted for the accrued and capitalised interest and an exercise date five years after the purchase date;
- The providers of the loans have a call option with an exercise price at 80 per cent of the purchase price, adjusted for the accrued and capitalised interest and an exercise date five years after the purchase date; and
- Any future transactions in shares will be executed at fair value.

The Ordinary Shares purchased cannot be sold for five years, except in the situation of a change of control of the Company. In that case the loans including capitalised and accrued interest must be repaid. If a member of the Managing Board ceases employment during the five year period, the shares may not be sold.

In addition, Mr H.H.J. Dijkhuizen receives a mortgage allowance in an amount of €633 per month as part of his remuneration package. In respect of this allowance, Mr H.H.J. Dijkhuizen received €7,600 as part of his remuneration as at 31 December 2017.

In connection with the Offering, the Executive Committee members have committed to sell their entire holding of Depositary Receipts and to use such proceeds to acquire Depositary Receipts under the DRPP, see "*Management, Employees and Corporate Governance—Variable Remuneration—Depositary Receipts and the Offering*" and "*Management, Employees and Corporate Governance—Offer linked benefit packages—Depositary Receipts purchase program*". Further, NIBC will grant a retention bonus package of Depositary Receipts to the members of the Executive Committee, see "*Management, Employees and Corporate Governance—Offer linked benefit packages—Retention bonus package*"

As at the date of this Prospectus, the non-statutory members of the Executive Committee do not hold Ordinary Shares and no option has been granted to any non-statutory member of the Executive Committee giving them a right to purchase Ordinary Shares.

Others

Other than financial services provided pursuant to standard personnel conditions, financial services to members of the Managing Board and Supervisory Board and their spouses and relatives in blood or in law up to the second degree may only be provided under conditions provided to other clients. As at the date of the Prospectus, there were no outstanding credits, loans or bank guarantees other than the ones disclosed in this chapter or concluded in the ordinary course of business.

THE OFFERING

Introduction

The Selling Shareholders are offering up to 38,167,516 Offer Shares (not including any Additional Shares). Assuming no exercise of the Over-Allotment Option, the Offer Shares represent up to approximately 26.1 per cent of the Company's issued share capital.

The Offering consists of: (i) a public offering to certain institutional and retail investors in the Netherlands; and (ii) a private placement to certain institutional investors in various other jurisdictions. The Offer Shares are being offered and sold: (i) within the United States to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws; and (ii) outside the United States in accordance with Regulation S. The Offer Shares have not been and will not be registered under the US Securities Act. The Offering is made only in those jurisdictions in which, and only to those persons to whom, the Offering may be lawfully made.

The Selling Shareholders have granted the Joint Global Coordinators, on behalf of the Underwriters, the Over-Allotment Option, exercisable within 30 calendar days after the First Trading Date, pursuant to which the Joint Global Coordinators, on behalf of the Underwriters, may require the Selling Shareholders to sell at the Offer Price such number of additional existing Ordinary Shares held by them, equalling up to 15 per cent of the total number of Offer Shares, to cover short positions resulting from any over-allotments made in connection with the Offering or stabilisation transactions, if any.

The Company will not receive any proceeds from the sale of the Offer Shares, or Additional Shares, if any.

Timetable

Subject to acceleration or extension of the timetable for, or withdrawal of, the Offering, the timetable below sets forth certain expected key dates for the Offering.

Event	Expected Date and Time	
Start of Offer Period	12 March 2018	9.00 CET
End of Offer Period for Dutch retail investors	21 March 2018	17.30 CET
End of Offer Period for institutional investors	22 March 2018	13.00 CET
Expected pricing and Allocation	On or about 22 March 2018	
First day of trading after close of the Offer Period	23 March 2018	
Settlement (payment and delivery)	27 March 2018	

The Company, the Selling Shareholders and the Joint Global Coordinators may collectively adjust the dates, times and periods given in the timetable and throughout this Prospectus. If any of them should decide to do so, the Company will make this public through a press release, which will also be posted on the Company's website. Any other material alterations will be published through a press release that will also be posted on the Company's website and in a supplement to this Prospectus (if required) that is subject to the approval of the AFM.

Any extension of the timetable for the Offering will be published in a press release at least three hours before the end of the original Offer Period, provided that any extension will be for a minimum of one full day. Any acceleration of the timetable for the Offering will be published in a press release at least three hours before the proposed end of the accelerated Offer Period.

Offer Period

Subject to the acceleration or extension of the timetable for the Offering, prospective institutional investors may subscribe for Offer Shares during the period commencing at 9.00 CET on 12 March 2018 and ending at 13.00 CET on 22 March 2018 and prospective Dutch retail investors may subscribe for Offer Shares during the period commencing 9.00 CET on 12 March 2018 and ending 17.30 CET on 21 March 2018. In the event of an acceleration or extension of the Offer Period, pricing, allocation, admission and first trading of the Offer Shares, as well as payment (in euro) for, and delivery of, the Offer Shares may be advanced or extended accordingly.

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus, which is capable of affecting the assessment of the Offer Shares, arises or is noted before the end of the Offer Period, a supplement to this Prospectus will be published, the Offer Period will be extended, if so required by the Prospectus Directive, the Dutch Financial Supervision Act or the rules promulgated thereunder, and investors who have already agreed to purchase Offer Shares may withdraw their subscriptions within two business days following the publication of the supplement, provided that the new factor, material mistake or inaccuracy, arose or was noted before the end of the Offer Period.

Offer Price and Number of Offer Shares

At the date of this Prospectus, the Offer Price is expected to be in the range of €8.75 to €10.25 (inclusive) per Offer Share. The Offer Price Range is indicative. The Offer Price, which may be higher or lower than the initial Offer Price Range and the exact number of Offer Shares will be determined on the basis of a bookbuilding process. The Offer Price and the exact number of Offer Shares offered in the Offering will be determined by the Selling Shareholders in consultation with the Company and the Joint Global Coordinators after the Offer Period has ended, taking into account the quoted Offer Share price, prevailing market conditions, a qualitative and quantitative assessment of demand for the Offer Shares and other factors deemed appropriate.

The Offer Price and the exact number of Offer Shares offered in the Offering will be set out in the Pricing Statement that will be deposited with the AFM and published in a press release by the Company and the Selling Shareholders, which will also be posted on the Company's website. Printed copies of the Pricing Statement will be made available at the Company's registered office address. The number of Offer Shares being offered may be increased or decreased. See "*—Change of the Number of Offer Shares or Offer Price Range*" below.

A number of factors will be considered in determining the Offer Price, the number of Offer Shares sold, the proceeds of the Offering and the basis for allocation. Unless required to do so by law or regulation, the Company does not envisage publishing any supplementary prospectus or, until announcement of the Offer Price, a pricing statement.

Change of the Number of Offer Shares or Offer Price Range

The Selling Shareholders, in consultation with the Joint Global Coordinators, reserves the right to decrease the number of Offer Shares being offered prior to Allocation, and to change the Offer Price Range. Any increase the top end of the Offer Price Range on the last day of the Offer Period will result in the Offer Period being extended by at least two business days; any increase at the top end of the Offer Price Range on the day prior to the last day of the Offer Period will result in the Offer Period being extended by at least one business day. In this case, if the Offer Period for Dutch retail investors would already have closed, this Offer Period for Dutch retail investors would be reopened. Accordingly, all investors, including Dutch retail investors, will have at least two business days to reconsider their subscriptions. Any such change in the number of Offer Shares being offered and/or the Offer Price Range will be published in a press release on the Company's website.

Upon a change of the number of Offer Shares, references to Offer Shares in this Prospectus should be read as referring to the amended number of Offer Shares, and references to Additional Shares should be read as referring to the amended number of Additional Shares.

Subscription and Allocation

Subscription by Dutch Retail Investors

Eligible Dutch retail investors ("**Dutch Retail Investors**") who wish to subscribe for Offer Shares should submit their subscriptions through their own financial intermediary. The financial intermediary will be responsible for collecting subscriptions from eligible retail investors and for submitting their subscriptions to ABN AMRO Bank N.V. as the retail coordinator (the "**Retail Coordinator**"). The Retail Coordinator will consolidate all subscriptions submitted by Dutch Retail Investors to financial intermediaries and inform the Joint Global Coordinators, the Joint Bookrunners, the Company and the Selling Shareholders. All questions concerning the timelines, validity and form of instructions to a financial intermediary in relation to the purchase of Offer Shares will be determined by the financial intermediaries in accordance with their usual procedures or as otherwise notified to the retail investors. Neither the Company, the Selling Shareholders nor the Underwriters are liable for any action or failure to act by a financial intermediary in connection with any purchase, or purported purchase, of Offer Shares.

Subscriptions by Dutch Retail Investors for the Offer Shares can only be made on a market order (*bestens*) basis. Accordingly, Dutch Retail Investors will be bound to purchase and pay for the Offer Shares indicated in their share application, to the extent allocated to them, at the Offer Price determined in accordance with the criteria set out under "*—Offer Price and Number of Offer Shares*" above, even if the Offer Price Range has been changed. Dutch Retail Investors are entitled to cancel or amend their application with the financial intermediary where their original application was submitted at any time prior to the end of the Offer Period (if applicable, as amended or extended), for any reason, including an upward amendment of the Offer Price Range. Such cancellations or amendments may be subject to the terms of the financial intermediary involved. See "*—Offer Period*" in relation to investor's rights to withdraw their acceptances if a supplement is published.

For further information on the subscription and allocation process, Dutch Retail Investors can send an email to the Retail Coordinator through corporate.broking@nl.abnamro.com.

Allocation is expected to take place after the end of the Offer Period on or about 22 March 2018, subject to acceleration or extension of the timetable for the Offering.

Allocation

Allocation of the Offer Shares is expected to take place on the day of the closing of the Offer Period, expected on or about 22 March 2018, subject to acceleration or extension of the timetable for the Offering. Allocation of the Offer Shares to investors will be determined by the Underwriters in consultation with the Company and the Selling Shareholders.

Allocation to investors who subscribed for Offer Shares will be made on a systematic basis using both quantitative and qualitative measures. Nevertheless, full discretion will be exercised as to how to allocate the Offer Shares subscribed for and whether or not to do so. Investors may be allocated less than the Offer Shares which they subscribed for. There is no maximum or minimum number of Offer Shares for which prospective investors may subscribe and multiple (applications for) subscriptions are permitted. In the event that the Offering is over-subscribed, investors may receive fewer Offer Shares than they applied to subscribe for. The Company and the Selling Shareholders may, in consultation with the Joint Global Coordinators, at their own discretion and without stating the grounds therefor, reject any subscriptions wholly or partly.

It is intended that Dutch Retail Investors will benefit from preferential allocation, for 10 per cent of the Offer Shares, not including the Additional Shares. See "*—Preferential Retail Allocation*" below. Apart from the preferential retail allocation, the Company, the Selling Shareholders and the Joint Global Coordinators, retain full flexibility to change the intended allocation. All Offer Shares will be offered as part of a single offering, there is no separate tranche for retail investors.

The Joint Global Coordinators will notify investors or the relevant financial intermediary of any allocation of Offer Shares to them on the date of, or immediately following the date of, Allocation.

Investors participating in the Offering will be deemed to have checked and confirmed that they meet the selling and transfer restrictions described in "*Selling and Transfer Restrictions*". Each investor should consult his/her own advisers as to the legal, tax, business, financial and related aspects of a purchase of Offer Shares.

Preferential Retail Allocation

There will be a preferential allocation of Offer Shares to Dutch Retail Investors in accordance with applicable law and regulations. Each Dutch Retail Investor will, in principle, be allocated the first 500 (or fewer) Offer Shares for which such investor applies. However, if the total number of Offer Shares subscribed for by Dutch Retail Investors under the Preferential Retail Allocation would exceed 10 per cent of the total number of the Offer Shares, assuming full exercise of the Over-Allotment Option, the preferential allocation to each Dutch Retail Investor may be reduced pro rata in respect of the first 500 (or fewer) Offer Shares for which such investor applies. As a result, Dutch Retail Investors may not be allocated all of the first 500 (or fewer) Offer Shares for which they apply. The exact number of Offer Shares allocated to Dutch Retail Investors will be determined after the Offer Period has ended.

The Preferential Retail Allocation will only be made in relation to Offer Shares comprising up to 10 per cent of the total number of Offer Shares, assuming full exercise of the Over-Allotment option. The Selling Shareholders, after consultation with the Company and following recommendations of the Joint Global Coordinators, have full discretion as to whether or not and how to allocate the remainder of the Offer Shares applied for, including in aggregate allocating Offer Shares to Dutch Retail Investors in excess of or less than 10 per cent of the total number of Offer Shares, assuming full exercise of the Over-Allotment Option. For the purpose of the Preferential Retail Allocation, a Dutch Retail Investor is either: (i) a natural person resident in the Netherlands; or (ii) a special investment vehicle having its seat in the Netherlands which is a legal entity established for the express and sole purpose of providing asset management and/or retirement planning services for a natural person.

To be eligible for the Preferential Retail Allocation, Dutch Retail Investors must place their subscriptions during the period commencing on 12 March 2018 at 9.00 CET and ending on 21 March 2018 at 17.30 CET through financial intermediaries. Different financial intermediaries may apply deadlines before the closing time of the Offer Period. The Retail Coordinator will communicate to the financial intermediaries the aggregate number of Offer Shares allocated to their respective Dutch Retail Investors. It is up to the financial intermediaries to notify Dutch Retail Investors of their individual allocations. Although the financial intermediaries will be instructed to adhere to the subscription and allocation principles described in this Prospectus, the Retail Coordinator, the other Underwriters, the Selling Shareholder and the Company cannot control and are accordingly not responsible for adherence thereto by individual financial intermediaries. The definitive allocation to Dutch Retail Investors may therefore vary depending on the financial intermediary through which they apply for Offer Shares.

Withdrawal Rights

In the event that the Company is required to publish a supplement to this Prospectus, investors who have already agreed to purchase Offer Shares may withdraw their applications within two business days following the date of publication of the supplement to this Prospectus.

The right to withdraw an application to acquire Offer Shares in the Offering in these circumstances will be available to all investors in the Offering. If the application is not withdrawn within the stipulated period, any offer to apply for Offer Shares in the Offering will remain valid and binding. Details of how to withdraw an application will be made available if a supplement to this Prospectus is published.

See also *"—Subscription and Allocation—Subscription by Dutch Retail Investors"* for information on when Dutch retail investors may cancel their application before the Offer Period.

Payment

Payment for the Offer Shares and payment for Additional Shares pursuant to the Over-Allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date. The Offer Price must be paid in full in euro and is exclusive of any taxes and expenses, if any, which must be borne by the investor (see "*Taxation*"). Dutch Retail Investors may be charged expenses by their financial intermediary. Investors must pay the Offer Price in immediately available funds in full in euro on or before the Settlement Date (or earlier in the case of an early closing of the Offer Period and consequent acceleration of pricing, Allocation, first trading and payment and delivery).

Delivery, Clearing and Settlement

The Offer Shares are registered shares which will be entered into the collection deposit (*verzameldepot*) and giro deposit (*girodepot*) on the basis of the Dutch Securities Giro Transfers Act. The Offer Shares will be delivered in book-entry form through the facilities of Euroclear Nederland. Application has been made for the Ordinary Shares to be accepted for clearance through the book-entry facilities of Euroclear Nederland. Euroclear Nederland is located at Herengracht 459-469, 1017 BS Amsterdam, the Netherlands. Delivery of the Offer Shares and the Additional Shares pursuant to the Over-Allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date through the book-entry facilities of Euroclear Nederland, in accordance with its normal settlement procedures applicable to equity securities and against payment for the Offer Shares and, if applicable, the Additional Shares, in immediately available funds.

Subject to acceleration or extension of the timetable for the Offering, the Settlement Date is expected to be 27 March 2018, the second business day following the First Trading Date (T+2). The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived or occur on or prior to such date. The Underwriters will have the right to waive the satisfaction of any such conditions or part thereof. (see "*Plan of Distribution—Underwriting Agreement*").

There are certain restrictions on the transfer of Offer Shares, as set out in "*Selling and Transfer Restrictions*".

Listing and Trading

Prior to the Offering, there has been no public market for the Ordinary Shares. Application has been made to list all of the Ordinary Shares on Euronext Amsterdam under the symbol "NIBC". The ISIN (International Security Identification Number) is NL0012756316 and the common code is 179158361.

Subject to acceleration or extension of the timetable for the Offering, trading in the Ordinary Shares on Euronext Amsterdam is expected to commence on the First Trading Date. Trading in the Ordinary Shares before the closing of the Offering will take place on an "as-if-and-when-delivered" basis. Settlement may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived on or prior to such date (see "*Plan of Distribution—Underwriting Agreement*"). If closing of the Offering does not take place on the Settlement Date or at all, the Offering may be withdrawn, in which case, all applications for the Offer Shares will be disregarded, any allotments made will be deemed not to have been made, any payments made will be returned without interest or other compensation and Euronext may annul transactions in Ordinary Shares that have occurred. All dealings in Ordinary Shares prior to settlement and delivery are at the sole risk of the parties concerned.

The Underwriters, the Company, the Selling Shareholders, the Listing and Paying Agent (as defined below) and Euronext Amsterdam do not accept any responsibility or liability with respect to any person as a result of the withdrawal of the Offering or the related annulment of any transaction in Ordinary Shares on Euronext Amsterdam.

Other

Ranking and Dividends

The Offer Shares rank *pari passu* in all respects with the other outstanding Ordinary Shares and will be eligible for any dividends which the Company may declare on the Ordinary Shares after the Settlement Date. See "*Description of Share Capital and Corporate Structure*" and "*Dividends and Dividend Policy*".

Dilution

The voting interest of the Selling Shareholders will be diluted as a result of the issuance of Ordinary Shares in connection with the retention bonus package offered to members of the Executive Committee. The maximum dilution for the Selling Shareholders pursuant to the granting of Ordinary Shares in connection with the retention bonus package offered to members of the Executive Committee would be 0.17 per cent, assuming that 253,633 Ordinary Shares are granted to the members of the Executive Committee at the mid-point of the Offer Price Range. See "*Management, Employees and Corporate Governance—Equity Holdings—Offer linked benefit packages—Retention bonuis package"*.

Listing and Paying Agent

ING Bank N.V. is the Listing and Paying Agent with respect to the Offer Shares on Euronext Amsterdam (the "**Listing and Paying Agent**").

Retail Coordinator

ABN AMRO Bank N.V. is the Retail Coordinator with respect to the Offer Shares on Euronext Amsterdam.

Stabilisation Agent

Morgan Stanley & Co. International plc is the stabilisation agent (the "**Stabilisation Agent**") with respect to the Offer Shares on Euronext Amsterdam.

Fees and Expenses of the Offering

No expenses or taxes will be charged by the Company, the Selling Shareholders or the Underwriters to the purchasers in the Offering.

The expenses related to the Offering are estimated at approximately €11,707,941 million, of which an estimated amount of €5 million (excluding staff related costs and costs in connection with the management retention bonus) will be paid by the Company (€2 million of these costs were accounted for in the 2017 full year financial accounts) and include, among other items, the fees due to the AFM and Euronext as well as legal and administrative expenses and publication costs and applicable taxes, if any. The commission for the Underwriters will be paid by the Selling Shareholders and is estimated to be an amount of €6,707,941. See "*Plan of Distribution*" for a description of the fees payable to the Underwriters in connection with the Offering.

PLAN OF DISTRIBUTION

Underwriting Agreement

The Selling Shareholders, the Company and the Underwriters (as defined below) entered into an underwriting agreement on or about 12 March 2018 with respect to the offer and sale of the Offer Shares (the "**Underwriting Agreement**").

After the entering into of the Pricing Agreement (when the Offer Price is determined), which is a condition for the obligations of the Underwriters under the Underwriting Agreement, and on the terms and subject to the other conditions set forth in the Underwriting Agreement, the Underwriters have agreed severally (and not jointly or jointly and severally) to procure purchasers for the Offer Shares or, failing which, to purchase the Offer Shares themselves at the Offer Price, and the Selling Shareholders have agreed to sell the Offer Shares to purchasers procured by the Underwriters or, failing which, to the Underwriters themselves at the Offer Price.

Subject to the satisfaction of conditions precedent, the proportion of total Offer Shares which each Underwriter may severally but not jointly be required to purchase is indicated below.

Underwriters	Percentage of Offer Shares
Citigroup Global Markets Limited	27.08%
Deutsche Bank AG, London Branch	27.08%
Morgan Stanley & Co. International plc	25.84%
ABN AMRO Bank N.V.	10.00%
ING Bank N.V.	10.00%
Total	100%

In the Underwriting Agreement, the Selling Shareholders and the Company have made certain representations and warranties and given certain undertakings. In addition, the Selling Shareholders and the Company have agreed to indemnify the Underwriters against certain liabilities in connection with the Offering.

The obligations of the Underwriters under the Underwriting Agreement are subject to the fulfilment, or discretionary waiver by the Underwriters of a number of conditions for the benefit of the Underwriters, including but not limited to (i) receipt of customary opinions from legal counsel on certain legal matters, (ii) receipt of an officer's certificate from the Company, (iii) approval of this Prospectus by the AFM, (iv) compliance with the Underwriting Agreement, and (v) certain other customary closing conditions. The Underwriters have the right to waive the satisfaction of any such conditions or part thereof.

Upon the occurrence of certain events, such as any of the conditions precedent not being satisfied or waived, a breach of representation, warranty or undertaking or otherwise of the Underwriting Agreement or a statement in this Prospectus, the Pricing Statement or any amendment or supplement to this Prospectus being untrue, inaccurate or misleading, the Underwriters have the right to terminate the Underwriting Agreement.

If the Underwriters elect to terminate their several commitments under the Underwriting Agreement, the Offering may be cancelled and, if it is cancelled, no Offer Shares will be delivered. All dealings in the Offer Shares prior to delivery and settlement will be at the sole risk of the parties concerned. See also *"Risk Factors—If Settlement does not take place, purchases of the Offer Shares will be disregarded and transactions effected in the Offer Shares will be annulled"* and *"The Offering—Listing and Trading"*.

In consideration of the agreement by the Underwriters to procure investors for or, failing which, to purchase themselves, the Offer Shares at the Offer Price and subject to the Offer Shares being sold as provided for in the Underwriting Agreement, the Selling Shareholders will agree to pay the Underwriters an aggregate commission of 1.85 per cent of the gross proceeds of the Offering (including, if applicable, any gross proceeds relating to the Over-Allotment Option). This does not include an incentive commission of up to 0.95 per cent of the gross proceeds of the Offering (including, if applicable, any gross proceeds relating to the Over-Allotment Option), which may be paid to the Underwriters at the discretion of the Selling Shareholders. Fees, expenses, disbursements and other costs incurred by the Underwriters in connection with the Offering, together with any applicable taxes, if any, will also be borne by the Company.

The Offering consists of: (i) a public offering to certain institutional and retail investors in the Netherlands; and (ii) a private placement to certain institutional investors in various other jurisdictions. The Offer Shares are being offered and sold: (i) within the United States solely persons reasonably believed to be to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws; and (ii) outside the United States in accordance with Regulation S. The Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the Offer Shares are registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. Prospective purchasers are hereby notified that the Company and the Selling Shareholders are relying on an exemption from the registration requirements of Section 5 of the US Securities Act, which may include Rule 144A or Regulation S thereunder.

Any offer or sale of Offer Shares in the United States in reliance on Rule 144A under the US Securities Act, or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, will be made by broker-dealers who are registered as such under the US Exchange Act.

Potential Conflicts of Interest

The Underwriters are acting exclusively for the Company and the Selling Shareholders (in their selling capacity) and for no one else and will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Offering and will not be responsible to anyone other than to the Company and the Selling Shareholders for giving advice in relation to the Offering and for the listing and trading of the Ordinary Shares and/or any other transaction or arrangement referred to in this Prospectus.

Certain of the Underwriters and/or their respective affiliates have in the past engaged, and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company and/or the Selling Shareholders or any parties related to any of them, in respect of which they have and may in the future, receive customary fees and commissions.

Additionally, the Underwriters and/or their respective affiliates may have held and in the future may hold, in the ordinary course of their business, the Company's securities for investment purposes. As a result, these parties may have interests that may not be aligned, or could possibly conflict with the interests of investors. In respect hereof, the sharing of information is generally restricted for reasons of confidentiality, by internal procedures and by rules and regulations.

In connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering.

Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than pursuant to any legal or regulatory obligation to do so.

As a result of acting in the capacities described above, the Underwriters may have interests that may not be aligned, or could potentially conflict, with the interests of (potential) holders of the Offer Shares, or with NIBC's interests.

Over-Allotment and Stabilisation

In connection with the Offering, Morgan Stanley & Co. International plc as Stabilisation Agent, or any of its agents, on behalf of the Underwriters, may (but will be under no obligation to), to the extent permitted by applicable law, over allot Offer Shares or effect other transactions with a view to supporting the market price of the Offer Shares at a higher level than that which might otherwise prevail in the open market. The Stabilisation Agent will not be required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange (including Euronext Amsterdam) or otherwise and may be undertaken at any time during the period commencing on First Trading Date and ending no later than 30 calendar days thereafter. The Stabilisation Agent or any of its agents will not be obligated to effect stabilising transactions, and there will be no assurance that stabilising transactions will be undertaken. Such stabilising transactions, if commenced, may be discontinued at any time without prior notice. Save as required by law or regulation, neither the Stabilisation Agent nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions under the Offering. The Underwriting Agreement provides that the Stabilisation Agent may, for purposes of the stabilising transactions, over allot Additional

Shares up to a maximum of 15 per cent of the total number of Offer Shares sold in the Offering (not including the Additional Shares), or up to 5,725,127 Offer Shares assuming the maximum number of Offer Shares is offered and sold in the Offering.

In connection with the Over-Allotment Option, up to a maximum of 15 per cent of the total number of Offer Shares (excluding the Additional Shares) will be made available by the Selling Shareholders to the Stabilisation Agent for the account of the Underwriters, through a securities loan entered into on or around the date of the Underwriting Agreement (the "**Share Lending Agreement**").

None of the Company, the Selling Shareholders or any of the Underwriters makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the Shares or any other securities of the Company. In addition, none of the Company, the Selling Shareholders or any of the Underwriters makes any representation that the Stabilisation Agent will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Lock-up Arrangements

The Joint Global Coordinators (acting on behalf of the Underwriters) may, in their sole discretion and at any time, waive the restrictions, including those on sales, issues or transfers of Shares, described below. If the consent of the Joint Global Coordinators (acting on behalf of the Underwriters) in respect of lock-up arrangements is requested as described below, full discretion can be exercised by the Joint Global Coordinators as to whether or not such consent will be granted.

Company Lock-Up

In connection with the Offering, the Company has agreed that, for a period from the date of the Underwriting Agreement until 180 days from the Settlement Date, it will not, except as set forth below, without the prior written consent of the Joint Global Coordinators (acting on behalf of the Underwriters), which prior consent shall not be unreasonably withheld, (A) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of directly or indirectly, any Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Ordinary Shares or other shares of the Company or file any registration statement under the US Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Ordinary Shares or other shares of the Company, whether any such transaction is to be settled by delivery of Ordinary Shares, in cash or otherwise; (C) publicly announce such an intention to effect any such transaction; or (D) submit to its shareholders, holders of Ordinary Shares or any other body of the Company a proposal to effect any of the foregoing.

The foregoing shall not apply to: (i) the granting of awards in options or Ordinary Shares by the Company or the issuance of Ordinary Shares pursuant to employee incentive schemes disclosed in this Prospectus; (ii) accepting a general offer made to all the holders of the issued and allotted Ordinary Shares of the Company on terms which treat all such holders alike and which has become or been declared unconditional in all respects or been recommended for acceptance by the Supervisory Board and (iii) the acquisition of the Company's shares in accordance with applicable laws and regulations.

Selling Shareholders Lock-Up

In connection with the Offering, the Selling Shareholders have agreed that, for a period of from the date of the Underwriting Agreement until 180 days from the Settlement Date, it will not, except as set forth below, without the prior written consent of the Joint Global Coordinators (acting on behalf of the Underwriters), which prior consent shall not be unreasonably withheld, (A) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for Ordinary Shares or other shares of the Company or request or demand that the Company file any registration statement under the US Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Ordinary Shares or other shares of the Company, whether any such transaction is to be settled by delivery of Ordinary Shares or such other securities, in cash or otherwise; (C) publicly announce such an intention to effect any such transaction.

The foregoing shall not apply to: (a) the sale of the Offer Shares in the Offering, including pursuant to the Share Lending Agreement, (b) any transfer of Ordinary Shares following the acceptance of a full or partial public takeover bid in respect of the Ordinary Shares or the entering into an irrevocable undertaking with a bidder in respect of such public takeover, (c) transfers of the Ordinary Shares to any entity within such Selling Shareholder's control or under common control with such Selling Shareholder or to one or more persons, whether natural or legal, who are the direct or indirect beneficial owners of such Selling Shareholder at the date of the Underwriting Agreement, provided that such transferee(s) shall continue to be bound by the foregoing restrictions for the remainder of the lock-up period, (e) any transfer, subscription or exchange in connection with a reorganisation of the Company's share capital, legal merger, split-up or similar transaction or process including a share buy-back, (f) a sale of the Ordinary Shares pursuant to any security over such Ordinary Shares existing as of the date of the Underwriting Agreement and disclosed in writing to the Joint Global Coordinators prior to the date of the Underwriting Agreement, provided that the transferees of any such shares pursuant to any enforcement of such security shall first agree in writing for the benefit of the Underwriters to be bound by the foregoing restrictions for the remainder of the lock-up period, (g) any disposal for the purposes of pledging or charging any Share to or for the benefit of a Joint Global Coordinator that has entered into a Margin Loan (as defined below) as lender (a "**Margin Loan Lender**") in connection with a Margin Loan; and/or (h) any disposal for the purposes of transferring any Shares pursuant to any enforcement of security over Shares granted by any of the Selling Shareholders to or for the benefit of a Margin Loan Lender in connection with a Margin Loan, provided that any proposed transferee of such Shares pursuant to an enforcement of security shall have agreed to be bound by the foregoing restrictions for the remainder of the lock-up period in relation to such Shares transferred only as if it were the transferor by execution and delivery to the Underwriters of a deed of adherence; and/or (i) transfer as may be required pursuant to law or court order. For purposes the Underwriting Agreement, "Margin Loan" means any margin loan facility made available to any of the Selling Shareholders (or any transferee of Shares disposed of in accordance with the Underwriting Agreement, pursuant to the terms of a margin loan facility agreement entered into among any of the Selling Shareholders or a transferee of Shares disposed of in accordance with the Underwriting Agreement) (as borrower) and any Margin Loan Lender (as lender).

Managing Board Lock-Up

In connection with the Offering, each member of the Managing Board has agreed to a lock-up with the Company in respect of any Ordinary Shares currently held by members of the Managing Board or Depositary Receipts of the Company that will be granted to them under the offer linked benefit package, including the retention bonus package offered to the members of the Managing Board for a period until 360 days from the Settlement Date.

The above lock-up can only be waived in the following circumstances: (a) accepting a general offer made to all of the holders of the issued and allotted Ordinary Shares of the Company on terms which treat all such holders alike and which has become or been declared unconditional in all respects or been recommended for acceptance by the Supervisory Board, (b) any transfer, subscription or exchange in connection with a reorganisation of the Company's share capital, legal merger, split-up or similar transaction or process, and (c) any transfer of Ordinary Shares to any legal successors following death or incapacity.

The Depositary Receipts granted as part of the retention bonus package and held by the members of the Executive Committee are subject to a lock-up for a period of five years from the date of award, being either the Settlement Date or the first anniversary thereof. The lock-up period cannot be waived and the retention bonus package arrangement does not provide for any circumstances which may result in automatic waiver of the lock-up period.

SELLING AND TRANSFER RESTRICTIONS

No action has been taken or will be taken in any jurisdiction outside of the Netherlands by the Company, the Selling Shareholders or the Underwriters that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Offer Shares, in any country or jurisdiction other than the Netherlands where action for that purpose is required.

Accordingly, no Offer Shares may be offered or sold either directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Offer Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

If an investor receives a copy of this Prospectus, the investor may not treat this Prospectus as constituting an invitation or offer to the investor of the Offer Shares, unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Offer Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this Prospectus or any other offering materials or advertisements, the investor should not distribute the same in or into, or send the same to any person in, any jurisdiction where to do so would or might contravene local securities laws or regulations.

If an investor forwards this Prospectus or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this section.

Subject to the specific restrictions described below, investors (including, without limitation, any investor's nominees and trustees) wishing to accept, sell or purchase Offer Shares must satisfy themselves as to the full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

Investors that are in any doubt as to whether they are eligible to purchase Offer Shares should consult their professional adviser without delay.

EEA

In relation to each EEA state which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), no Offer Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant Member State, except that an offer to the public in that Relevant Member State of Offer Shares may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State, subject to obtaining the prior consent of the Joint Global Coordinators; or
- in any other circumstances falling under the scope of Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall result in a requirement for the Company or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purpose of this provision, the expression an 'offer to the public' in relation to any Offer Shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the Offering and the Offer Shares to be offered, so as to enable an investor to decide to acquire any Offer Shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

Each person in a Relevant Member State other than the Netherlands who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Underwriters, the Selling Shareholders and the Company that:

1. it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

2. in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive: (A) the Offer Shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (B) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons.

The Company, the Selling Shareholders, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Joint Global Coordinators of such fact in writing may, with the prior consent of the Joint Global Coordinators, be permitted to acquire Offer Shares in the Offering.

United Kingdom

Offers of Offer Shares pursuant to the Offering are only being made to persons in the United Kingdom who are 'qualified investors' within the meaning of section 86 of the FSMA or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the FSMA.

This Prospectus is only being distributed to, and is only directed at, and any investment or investment activity to which the Prospectus relates is available only to, and will be engaged in only with (i) persons falling within the definition of 'investment professionals' in Article 19(5); or (ii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2)(a) to (d), of the Order or other persons to whom such investment or investment activity may lawfully be made available; Relevant Persons. Persons who are not Relevant Persons should not take any action on the basis of the Prospectus and should not act or rely on it.

Each of the Underwriters has (i) complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom; and (ii) agreed that it has communicated or caused to be communicated and will communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Offer Shares only in circumstances in which section 21(1) of the FSMA does not apply to the Company.

United States

The Offer Shares have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the Offer Shares are registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. The Offer Shares are being offered and sold in the United States only to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and outside the United States in reliance on Regulation S. There will be no public offer of the Offer Shares in the United States. Prospective purchasers are hereby notified that the Company and the Selling Shareholders may rely on an exemption from the registration requirements of Section 5 of the US Securities Act, which may include Rule 144A or Regulation S thereunder.

In addition, until the end of the 40th calendar day after commencement of the Offering, an offer or sale of the Offer Shares within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the US Securities Act.

The Underwriting Agreement provides that the Underwriters may directly or through their respective United States broker-dealer affiliates arrange for the offer and sale of the Offer Shares within the United States only to qualified institutional buyers pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

Each purchaser of Offer Shares within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

1. it is (A) a QIB, (B) acquiring the Offer Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth in this paragraph, (C) acquiring the Offer Shares for investment purposes, and not with a view to further distribution of such Offer Shares and (D) aware, and each beneficial owner of the Offer Shares has been advised, that the sale of the Offer Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;

2. it understands and agrees that the Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state, territory or other jurisdiction of the United States and may not be offered, resold, pledged or otherwise transferred, except (A)(1) to a person whom the investor and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, (2) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (3) pursuant to an exemption from the registration requirements of the US Securities Act provided by Rule 144 thereunder (if available) or (4) pursuant to an effective registration statement under the US Securities Act and (B) in accordance with all applicable securities laws of any state, territory or other jurisdiction of the United States;

3. it acknowledges that the Offer Shares (whether in physical, certificated or un-certificated form held in CREST) are 'restricted securities' within the meaning of Rule 144(a)(3) under the US Securities Act, that the Offer Shares are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the US Securities Act, and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Offer Shares;

4. it understands that in the event Offer Shares are held in certificated form, such certificated Offer Shares will bear a legend substantially to the following effect:

   "THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT: (A) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER; (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE); OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THIS SECURITY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THIS SECURITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH INVESTOR IN THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY RELY ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER AND EACH INVESTOR WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY INVESTOR IN

THIS SECURITY OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. EACH HOLDER, BY ITS ACCEPTANCE OF THIS SECURITY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS";

5. notwithstanding anything to the contrary in the foregoing, it understands that Offer Shares may not be deposited into an unrestricted depository receipt facility in respect of Offer Shares established or maintained by a depository bank unless and until such time as such Offer Shares are no longer 'restricted securities' within the meaning of Rule 144(a)(3) under the US Securities Act;
6. it acknowledges that any offer, resale, pledge or other transfer of the Offer Shares made other than in compliance with the above stated restrictions shall not be recognised by the Company;
7. it agrees that it will give to each person to whom it offers, resells, pledges or otherwise transfers Offer Shares notice of any restrictions on transfer of such Offer Shares; and
8. it acknowledges that the Company, the Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of Offer Shares are no longer accurate, it will promptly notify the Company, and if it acquires any Offer Shares as a fiduciary or agent for one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such QIBs as well).

Each purchaser of Offer Shares outside the United States will, by accepting delivery of this Prospectus, be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

(i) it is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

(ii) it acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Offer Shares have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States;

(iii) it and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares is purchasing the Offer Shares in an offshore transaction meeting the requirements of Regulation S; and

(iv) the Company, the Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and the purchaser agrees that, if any such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of Offer Shares are no longer accurate, it will promptly notify the Company, and if it acquires any Offer Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such accounts as well).

Canada

The Offer Shares may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Offering.

Japan

The Offer Shares offered by this Prospectus have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "**Financial Instruments and Exchange Law**"). Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (including Japanese corporations), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (including Japanese corporations) except with the prior approval of the banks and pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and relevant regulations of Japan.

Australia

This Prospectus (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia ("**Corporations Act**"); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 6.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission ("**ASIC**"), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors ("**Exempt Investors**") who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act; and (ii) are 'wholesale clients' for the purpose of section 761G of the Corporations Act.

The Offer Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Offer Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Offer Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer Shares, each purchaser or subscriber of Offer Shares represents and warrants to the Company, the Underwriters and their affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Offer Shares under this document, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Offer Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Offer Shares each purchaser or subscriber of Offer Shares undertakes to the Company, the Selling Shareholders, the Underwriters and their affiliates that such purchaser or subscriber will not, for a period of 12 months from the date of issue or purchase of the Offer Shares, offer, transfer, assign or otherwise alienate those Offer Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Switzerland

The Offer Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (the "**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for the issuance of prospectuses under Article 652a or Article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under Article 27ff of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Offer Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, the Company or the Offer Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Offer Shares will not be supervised by, the Swiss Financial Market Supervisory Authority , and the offer of Offer Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes (the "**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Offer Shares.

Singapore

This Prospectus or any other material relating to the Offer Shares has not been and will not be registered as a prospectus with the monetary authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Offer Shares may not be circulated or distributed, nor may any Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

1. to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289, of Singapore (the "**Securities and Futures Act**");
2. to a relevant person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act; or
3. otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where Offer Shares are subscribed for or purchased under Section 275 by a relevant person that is:

(i) a corporation (which is not an accredited investor) (as defined in Section 4A of the Securities and Futures Act) whose sole business is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor.

Offer Shares (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 except to an institutional investor or to a relevant person as defined in Section 275(2) of the Securities and Futures Act, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act:

(A) where no consideration is or will be given for the transfer;

(B) where the transfer is by operation of law; or

(C) as specified in Section 276(7) of the Securities and Futures Act.

Hong Kong

No Offer Shares have been offered or sold or will be offered or sold in Hong Kong, by means of any document, other than (a) to 'professional investors' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**Securities and Futures Ordinance**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a 'prospectus' as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

No advertisement, invitation or document relating to the Offer Shares has been issued or has been in the possession of any person for the purposes of issue, nor will any such advertisement, invitation or document be issued or be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to 'professional investors' as defined in the Securities and Futures Ordinance and any rules made under the Securities and Futures Ordinance.

TAXATION

Taxation in the Netherlands

The following summary outlines certain principal Netherlands tax consequences of the acquisition, holding, redemption and disposal of Offer Shares, but does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant. For purposes of Netherlands tax law, a holder of Offer Shares may include an individual or entity who does not have the legal title of these Offer Shares, but to whom nevertheless the Offer Shares or the income thereof is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the Offer Shares or the income thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of the acquisition, holding, redemption and disposal of Offer Shares.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and it does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands corporate and individual income tax consequences for:

(i) investment institutions (*fiscale beleggingsinstellingen*);

(ii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other Netherlands tax resident entities that are, in whole or in part, not subject to or exempt from Netherlands corporate income tax;

(iii) corporate holders of Offer Shares which qualify for the participation exemption (*deelnemingsvrijstelling*) or would qualify for the participation exemption had the corporate holders of Offer Shares been resident in the Netherlands or which qualify for participation credit (*deelnemingsverrekening*). Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption or participation credit if it represents an interest of 5 per cent or more of the nominal paid-up share capital;

(iv) holders of Offer Shares holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Company and holders of Offer Shares of whom a certain related person holds a substantial interest in the Company. Generally speaking, a substantial interest in the Company arises if a person, alone or, where such person is an individual, together with his or her partner (a statutorily defined term which includes certain of their relatives by blood or marriage in the direct line), directly or indirectly, holds or is deemed to hold (i) an interest of 5 per cent or more of the total issued capital of the Company or 5 per cent or more of the issued capital of a certain class of shares of the Company, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit-sharing rights in the Company;

(v) persons to whom the Offer Shares and the income from the Offer Shares are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) ("**DITA**");

(vi) entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba and the Offer Shares are attributable to such permanent establishment or permanent representative;

(vii) holders of Offer Shares which are not considered the beneficial owner (*uiteindelijk gerechtigde*) of these Offer Shares or the benefits derived from or realised in respect of these Offer Shares; and

(viii) individuals to whom Offer Shares or the income there from are attributable to employment activities which are taxed as employment income in the Netherlands.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

Any reference hereafter made to a treaty for the avoidance of double taxation concluded by the Netherlands includes the Tax Regulation for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*), the Tax Regulation for the Country of the Netherlands (*Belastingregeling voor het land Nederland*) and the Agreement between the Taipei Representative Office in the Netherlands and the Netherlands Trade and Investment Office in Taipei for the Avoidance of Double Taxation.

Dividend Withholding Tax

Withholding requirement

The Company is required to withhold 15 per cent Netherlands dividend withholding tax in respect of dividends paid on the Offer Shares. Generally, the Netherlands dividend withholding tax will not be borne by the Company, but will be withheld from the gross dividends paid on the Offer Shares. In the Netherlands Dividend Withholding Tax Act 1965 (*Wet op de dividendbelasting 1965*), dividends are defined as the proceeds from shares, which include:

(i) direct or indirect distributions of profit (in cash or in kind), regardless of their name or form;

(ii) liquidation proceeds, proceeds on redemption of the Offer Shares and, as a rule, the consideration for the repurchase of the Offer Shares by the Company in excess of its average paid-in capital recognised for Netherlands dividend withholding tax purposes, unless a particular statutory exemption applies;

(iii) the nominal value of Offer Shares issued to a holder of the Offer Shares or an increase of the nominal value of the Offer Shares, insofar as the (increase in the) nominal value of the Offer Shares is not funded out of the Company's paid-in capital as recognised for Netherlands dividend withholding tax purposes; and

(iv) partial repayments of paid-in capital recognised for Netherlands dividend withholding tax purposes, if and to the extent there are qualifying profits (*zuivere winst*), unless the General Meeting has resolved in advance to make such repayment and provided that the nominal value of the Offer Shares concerned has been reduced by an equal amount by way of an amendment of the articles of association and the paid-in capital is recognised as capital for Netherlands dividend withholding tax purposes. The term "qualifying profits" includes anticipated profits that have yet to be realised.

Residents of the Netherlands

If a holder of Offer Shares is a resident or deemed to be a resident of the Netherlands for Netherlands corporate or individual income tax purposes, Netherlands dividend withholding tax which is withheld with respect to proceeds from the Offer Shares will generally be creditable for Netherlands corporate income tax or Netherlands income tax purposes.

Non-residents of the Netherlands

If a holder of Offer Shares is a resident of a country other than the Netherlands and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and that country, and such holder is a resident for the purposes of such treaty, such holder may, depending on the terms of that particular treaty, qualify for full or partial relief at source or for a refund in whole or in part of the Netherlands dividend withholding tax.

A refund of the Netherlands dividend withholding tax is available to entities resident in another EU Member State, Norway, Iceland, or Liechtenstein provided (i) these entities are not subject to corporate income tax there and (ii) these entities would not be subject to Netherlands corporate income tax, if these entities would be tax resident in the Netherlands for corporate income tax purposes and (iii) these entities are not comparable to investment institutions (*fiscale beleggingsinstellingen*) or exempt investment institutions (*vrijgestelde beleggingsinstellingen*). Furthermore, a similar refund of Netherlands dividend withholding tax may be available to entities resident in other countries, under the additional condition that (i) the Offer Shares are considered portfolio investments for purposes of article 63 (taking into account article 64) of the Treaty on the functioning of the European Union and (ii) the Netherlands can exchange information with this other country in line with the international standards for the exchange of information.

A (partial) refund of Netherlands dividend withholding tax is available to a holder of Offer Shares resident in another EU Member State, Norway, Iceland or Liechtenstein if (i) this holder of Offer Shares is not subject to Netherlands individual income tax or Netherlands corporate income tax with respect to the income from the Offer Shares and (ii) such Netherlands dividend withholding tax is higher than the Netherlands individual income tax or Netherlands corporate income tax would have been had this holder of Offer Shares been tax resident in the Netherlands, after taking into account a possible refund based on the Netherlands Dividend Withholding Tax Act 1965 (*Wet op de dividendbelasting 1965*) or a refund based on a treaty for the avoidance of double taxation with respect to taxes on income and (iii) no credit based on a treaty for the avoidance of double taxation with respect to taxes on income is granted in the state in which the holder of Offer Shares is tax resident, for the full amount of Netherlands dividend withholding tax withheld and (iv) this holder of Offer Shares does not have a similar function as an investment institution (*fiscale beleggingsinstelling*) or exempt investment institution (*vrijgestelde beleggingsinstelling*). Furthermore, a similar refund of Netherlands dividend withholding tax may be available to a holder of Offer Shares resident in another country, under the additional conditions that (i) the Offer Shares are considered portfolio investments for purposes of article 63 (taking into account article 64) of the Treaty on the functioning of the EU and (ii) the Netherlands can exchange information with this other country in line with the international standards for the exchange of information and (iii) no credit based on a treaty for the avoidance of double taxation with respect to taxes on income is granted in the state in which the holder of Offer Shares is tax resident, for the full amount of Netherlands dividend withholding tax withheld. and (iv) this holder of Offer Shares does not have a similar function as an investment institution (*fiscale beleggingsinstelling*) or exempt investment institution (*vrijgestelde beleggingsinstelling*).

Beneficial Owner

A recipient of proceeds from the Offer Shares will not be entitled to any exemption, reduction, refund or credit of Netherlands dividend withholding tax if such recipient is not considered to be the beneficial owner of such proceeds. The recipient will not be considered the beneficial owner of these proceeds, if, in connection with such proceeds, the recipient has paid a consideration as part of a series of transactions in respect of which it is likely:

(i) that the proceeds have in whole or in part accumulated, directly or indirectly, to a person or legal entity that would:

  (a) as opposed to the recipient paying the consideration, not be entitled to an exemption from dividend withholding tax; or

  (b) in comparison to the recipient paying the consideration, to a lesser extent be entitled to a reduction or refund of dividend withholding tax; and

(ii) that such person or legal entity has, directly or indirectly, retained or acquired an interest in shares, profit-sharing certificates or loans, comparable to the interest it had in similar instruments prior to the series of transactions being initiated.

Netherlands Dividend Withholding Tax upon Redistribution of Foreign Dividends

The Company must pay to the Dutch tax authorities all Netherlands dividend withholding tax it withholds on dividends it distributed with respect to the Offer Shares. Provided certain conditions are met, the Company may apply a reduction with respect to the dividend withholding tax that it has to pay to the Dutch tax authorities. This reduction can be applied if the Company distributes dividends that stem from dividends the Company itself has received from certain qualifying non-Netherlands subsidiaries, provided these dividends which the Company has received are exempt from Dutch corporate income tax and were subject to a withholding tax of at least 5 per cent upon distribution to the Company. The reduction is applied to the Netherlands dividend withholding tax that the Company must pay to the Netherlands tax authorities and not to the amount of the Netherlands dividend withholding tax that the Company must withhold. The reduction is equal to the lesser of:

(i) 3 per cent of the amount of the dividends distributed by the Company that are subject to Netherlands dividend withholding tax; and

(ii) 3 per cent of the gross amount of the dividends received during a certain period from the qualifying non-Netherlands subsidiaries.

Exempt entities

A holder of Offer Shares who is a resident in the United States and is entitled to the benefits of the 1992 double tax treaty entered into by the United States and the Netherlands, as amended most recently by the Protocol signed on 8 March 2004 ("**US-NL treaty**") will be entitled to a refund of the Dutch dividend withholding tax by way of an exemption or refund if the holder of Offer Shares is an exempt pension trust as described in article 35 of the US-NL treaty, or an exempt organisation as described in article 36 of the US-NL treaty.

Corporate and Individual Income Tax

Residents of the Netherlands

If a holder of Offer Shares is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands corporate income tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Offer Shares are attributable, income derived from the Offer Shares and gains realised upon the redemption or disposal of the Offer Shares are generally taxable in the Netherlands (at up to a maximum rate of 25 per cent).

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands individual income tax purposes, income derived from the Offer Shares and gains realised upon the redemption or disposal of the Offer Shares are taxable at the progressive rates (at up to a maximum rate of 51.9 per cent) under the DITA if:

(i) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Offer Shares are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Offer Shares are attributable; or

(ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to the Offer Shares that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) above applies, an individual that holds the Offer Shares must determine taxable income with regard to the Offer Shares on the basis of a deemed return on savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on savings and investments is fixed at a percentage of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a statutory threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Offer Shares will be included as an asset in the individual's yield basis. The deemed return percentage to be applied to the yield basis increases progressively depending on the amount of the yield basis. The deemed return on savings and investments is taxed at a rate of 30 per cent.

Non-residents of the Netherlands

If a person is neither a resident of the Netherlands nor is deemed to be a resident of the Netherlands for Netherlands corporate or individual income tax purposes, such person is not liable to Netherlands income tax in respect of income derived from the Offer Shares and gains realised upon the redemption or disposal of the Offer Shares, unless:

(i) The person is not an individual and such person (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or a permanent representative the Offer Shares are attributable, or (2) is, other than by way of securities, entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Offer Shares are attributable.

    This income is subject to Netherlands corporate income tax at up to a maximum rate of 25 per cent.

(ii) The person is an individual and such individual (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Offer Shares are attributable, or (2) realises income or gains with respect to the Offer Shares that qualify as income from miscellaneous activities in the Netherlands which include activities with respect to the Offer Shares that exceed regular, active portfolio management, or (3) is, other than by way of securities, entitled to a share in the profits of an enterprise that is effectively managed in the Netherlands and to which enterprise the Offer Shares are attributable.

(iii) Income derived from the Offer Shares as specified under (1) and (2) by an individual is subject to individual income tax at progressive rates up to a maximum rate of 51.9 per cent. Income derived from a share in the profits of an enterprise as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on savings and investments (as described above under "—*Residents of the Netherlands*").

Gift and Inheritance Tax

Residents of the Netherlands

Gift and inheritance taxes will arise in the Netherlands with respect to a transfer of the shares by way of a gift by, or on the death of, a holder of shares who is resident or deemed to be resident in the Netherlands at the time of the gift or his/her death.

Non-residents of the Netherlands

No Dutch gift or inheritance taxes will arise on the transfer of the shares by way of gift by, or on the death of, a holder of shares who is neither resident nor deemed to be resident in the Netherlands, unless in the case of a gift of shares by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For purposes of Dutch gift and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

Furthermore, for purposes of Dutch gift and inheritance tax, a gift that is made under a condition precedent is deemed to have been made at the moment such condition precedent is satisfied. If the condition precedent is fulfilled after the death of the donor, the gift is deemed to be made upon the death of the donor.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Offer Shares or in respect of a cash payment made under the Offer Shares, or in respect of a transfer of Offer Shares.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Offer Shares.

Horizontal monitoring arrangement

NIBC maintains a transparent and constructive relationship with the tax authorities. NIBC has a horizontal monitoring *(horizontaal toezicht)* arrangement in place as part of which it has on-going discussions of its approach to Dutch tax with the Dutch tax authorities.

Recent Developments

For recent developments and proposed policy changes by the Dutch government on taxation matters, including proposed change to the dividend withholding tax and corporate income rate see "*Risk Factors— Major changes in laws and regulations and in their interpretation could materially and adversely affect NIBC's business, results of operations, financial condition and prospects*".

United States Federal Income Taxation

The following is a summary of certain US federal income tax consequences of acquiring, owning and disposing of Offer Shares. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a particular person's decision to acquire the Offer Shares. This discussion applies only to a holder that acquires the Offer Shares in the Offering and holds the Offer Shares as capital assets for US federal income tax purposes (generally, property held for investment), and does not address state, local, non-US or other tax laws. In addition, it does not describe all of the tax consequences that may be relevant in light of a holder's particular circumstances, including alternative minimum tax considerations, Medicare tax on net investment income considerations and tax consequences applicable to holders subject to special rules, such as:

1. certain financial institutions;
2. dealers or traders in securities that use a mark-to-market method of tax accounting;

3. persons holding Offer Shares as part of a "straddle", hedging transaction, conversion transaction, integrated transaction or persons entering into a constructive sale with respect to the Offer Shares;
4. US Holders (as defined below) whose functional currency for US federal income tax purposes is not the US dollar;
5. entities classified as partnerships for US federal income tax purposes;
6. tax-exempt entities, "individual retirement accounts", "Roth IRAs" or other tax-deferred accounts;
7. persons that own or are deemed to own 10 per cent or more of the Company's voting stock;
8. insurance companies;
9. real estate investment trusts or regulated investment companies; or
10. US expatriates and certain former long-term residents of the United States.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "**US Code**"), administrative pronouncements, judicial decisions, final and proposed US Treasury regulations and the income tax treaty between the United States and the Netherlands (the "**Treaty**"), all as of the date hereof and changes to any of which subsequent to the date of this Offering may affect the tax consequences described herein, possibly with retroactive effect.

For purposes of this discussion, a "**US Holder**" is a person who, for US federal income tax purposes, is a beneficial owner of Offer Shares and is:

(i) a citizen or individual resident of the United States;

(ii) a corporation created or organised in or under the laws of the United States, any state therein or the District of Columbia;

(iii) an estate or trust the income of which is subject to US federal income taxation regardless of its source.

A "**Non-US Holder**" means a beneficial owner of the Ordinary Shares that is neither a US Holder nor a partnership for US federal income tax purposes.

If an entity (or arrangement) that is classified as a partnership for US federal income tax purposes owns Offer Shares, the US federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning Offer Shares and partners in such partnerships should consult their tax advisers as to the particular US federal income tax consequences of acquiring, owning and disposing of the Offer Shares.

Except as described below, this discussion assumes that the Company is not a passive foreign investment company ("**PFIC**") for US federal income tax purposes. See "*Passive Foreign Investment Company Rules*" below.

Taxation of Distribution

Subject to the PFIC rules discussed below, a distribution paid by the Company on the Offer Shares (including the amount of any Dutch taxes withheld) generally will be treated as a dividend to the extent paid out of the Company's current or accumulated earnings and profits as determined under US federal income tax principles. The Company does not expect to maintain calculations of earnings and profits under US federal income tax principles. Accordingly, it is expected that distributions generally will be reported to US Holders as dividends.

Dividends generally will be treated as foreign-source dividend income for foreign tax credit purposes and will not be eligible for the dividends-received deduction generally available to US corporations under the US Code. Subject to applicable limitations, dividends paid to certain non-corporate US Holders of Offer Shares may be taxable at the favourable tax rates applicable to "qualified dividend income" if (i) the Company qualifies for the benefits of the Treaty, (ii) the Company is not a PFIC in the year of distribution or the preceding year and (iii) the holder has held the Offer Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. The Company expects to be eligible for the benefits of the Treaty, but no assurance can be given that the Company will be eligible for benefits of the Treaty. As discussed below under "*Passive Foreign Investment Company Rules*", the Company does not believe that it was a PFIC in the preceding taxable year and does not expect to be a PFIC for the current year or for any future taxable years. Non-corporate US Holders should consult their tax advisers regarding the availability of these favourable rates on dividends in their particular circumstances. Dividends will generally be included in a US Holder's income on the date of receipt.

Generally, the amount of any dividend paid in euro will be the US dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into US dollars. A US Holder will have a basis in the euros received equal to the US dollar value on the date of receipt. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includable in the income of the US Holder to the date such payment is converted into US dollars (or the US Holder otherwise disposes of the euros) will be foreign currency exchange gain or loss and will be treated as US source ordinary income or loss for foreign tax credit limitation purposes. If the dividend is converted into US dollars on the date of receipt, a US Holder should not be required to recognise foreign currency gain or loss in respect of the amount received.

Subject to applicable limitations, some of which vary depending upon each US Holder's circumstances, Dutch income taxes withheld from dividends paid to US Holders on Offer Shares at a rate not exceeding any applicable Treaty rate will be creditable against a US Holder's US federal income tax liability. As described in "*—Taxation in the Netherlands—Dividend Withholding Tax*", upon making a distribution to shareholders, the Company may be permitted to retain a portion of the amounts withheld as Dutch dividend withholding tax. The amount of Dutch withholding tax that the Company retains reduces the amount of dividend withholding tax that the Company is required to pay to the Dutch tax authorities, but does not reduce the amount of tax the Company is required to withhold from dividends paid to US Holders. In these circumstances, it is likely that the portion of dividend withholding tax that the Company retains with respect to dividends distributed to US Holders would not qualify as a creditable tax for US foreign tax credit purposes. The Company will provide to a U.S. Holder upon request the amount of any Dutch withholding tax that the Company retains and does not pay to the Dutch tax authorities. The rules governing foreign tax credits are complex, and US Holders should consult their tax advisers regarding the creditability of Dutch taxes in their particular circumstances. Subject to applicable limitations, in lieu of claiming a foreign tax credit, a US Holder may elect to deduct foreign taxes, including any Dutch taxes, in computing its taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the relevant taxable year.

Sale or Other Taxable Disposition of Offer Shares

For US federal income tax purposes, gain or loss realised on the sale or other taxable disposition of the Offer Shares generally will be capital gain or loss, and will be long-term capital gain or loss if the US Holder held the Offer Shares for more than one year. The amount of the gain or loss will equal the difference between the US Holder's tax basis in the Offer Shares disposed of and the amount realised on the disposition, in each case as determined in US dollars. This gain or loss will generally be US-source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

A US Holder's tax basis in an Offer Share generally will be its US dollar cost. The US dollar cost of an Offer Share purchased with currency other than the US dollar (foreign currency) will generally be the US dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Offer Shares traded on an "established securities market" within the meaning of the applicable Treasury Regulations, that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects). Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A US Holder that receives foreign currency from a sale or other taxable disposition of Offer Shares generally will realize an amount equal to the US dollar value of the foreign currency on the date of sale or disposition. On the settlement date, the US Holder generally will recognize US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. If, however, such US Holder is a cash basis or electing accrual basis taxpayer and the Offer Shares are treated as being traded on an "established securities market" for this purpose, the US Holder will realize an amount equal to the US dollar value of the foreign currency on the settlement date. Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. If the Offer Shares are so treated and the foreign currency received is converted into US dollars on the settlement date, a cash basis or electing accrual basis US Holder will not recognize foreign currency gain or loss on the conversion. If the foreign currency received is not converted into US dollars on the settlement date, the US Holder will have a basis in the foreign currency equal to the US dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Passive Foreign Investment Company Rules

In general, a corporation organised outside the United States will be a PFIC for any taxable year in which either (i) at least 75 per cent of its gross income is "passive income" or (ii) at least 50 per cent of the average quarterly value of its assets is attributable to assets which produce passive income or are held for the production of passive income. If the corporation owns, directly or indirectly, at least 25 per cent by value of the shares of another corporation, it will be treated as if it holds directly its proportionate share of the assets and receives directly its proportionate share of the income of that other corporation. "Passive income" generally includes interest, dividends, rents, royalties and gains from commodities and securities transactions.

Proposed US Treasury regulations provide that income derived in the active conduct of a banking business is not treated as passive income. The determination of whether income is derived in the active conduct of a banking business is based on the regulatory status of the bank under local law, the activities of the bank performed in the ordinary course of a banking business (including lending, accepting deposits and depositing money in other banks) and the proportion of gross income derived from activities that are "bona fide" banking activities for US federal income tax purposes and securities activities performed in the ordinary course of business (including selling debt instruments to clients in a dealer capacity).

Based on the proposed US Treasury regulations applicable to active foreign banks and the present nature of the Company's activities, including the planned Offering and the present composition of its assets and sources of income, the Company does not believe that it was a PFIC in the preceding taxable year and does not expect to be a PFIC for its current taxable year or in the foreseeable future. However, because PFIC status is factual in nature and determined annually at the close of the taxable year, the proposed regulations applicable to foreign banks have not yet been finalised, the manner of the application of the proposed regulations is not entirely clear, and the composition of the Company's income and assets will vary over time, there can be no assurance that the Company will not be a PFIC for any taxable year. If the Company is classified as a PFIC for any taxable year during which a US Holder holds Offer Shares, the Company generally will continue to be treated as a PFIC for that US Holder in all succeeding years, regardless of whether the Company continues to meet the income or asset test described above. If the Company were a PFIC in any taxable year, certain adverse US federal income tax consequences could apply to such US Holder, including increased tax liability on gains from dispositions of Offer Shares and certain excess distributions, and a requirement to file annual reports with the IRS. If the Company is a PFIC, a US Holder of Offer Shares generally will be subject to similar rules with respect to distributions to the Company by, and dispositions by the Company of the stock of, any direct or indirect subsidiaries of the Company that are also PFICs.

Mark-to-Market Election

To mitigate the application of the PFIC rules discussed above, a US Holder may make an election to include gain or loss on the Offer Shares as ordinary income or loss under a mark-to-market method, provided that the Offer Shares are regularly traded on a qualified exchange. The Company expects Euronext Amsterdam to be a qualified exchange for these purposes. No assurance can be given that the Offer Shares will be "regularly traded" for purposes of the mark-to-market election. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs the Company holds an interest in, a US Holder generally would continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by the Company that are treated as equity interests in PFICs for US federal income tax purposes. If the Company is a PFIC for any year in which the US Holder owns the Offer Shares but before a mark-to-market election is made, the interest charge rules described above will apply to any mark to market gain recognised in the year the election is made.

If a US Holder makes an effective mark-to-market election, the US Holder will include in each year as ordinary income the excess of the fair market value of its Offer Shares at the end of the year over its adjusted tax basis in the Offer Shares. The US Holder will be entitled to deduct as an ordinary loss each year the excess of its adjusted tax basis in the Offer Shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A US Holder's adjusted tax basis in the Offer Shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. In addition, gains from an actual sale or other disposition of Offer Shares will be treated as ordinary income, and any losses will be treated as ordinary losses to the extent of any mark-to-market gains for prior years.

If a US Holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the Offer Shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election.

Qualified Electing Fund Election

To mitigate the application of the PFIC rules discussed above, a US Holder may make an election to treat the Company as a qualified electing fund ("**QEF**") for US federal income tax purposes. To make a QEF election, the Company must provide US Holders with information compiled according to US federal income tax principles. The Company currently does not intend to compile such information for US Holders, and therefore it is expected that this election will be unavailable.

Specified Foreign Financial Asset Reporting

Certain US Holders that own "specified foreign financial assets" that meet certain US dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Offer Shares generally will constitute specified foreign financial assets subject to these reporting requirements unless the Offer Shares are held in an account at certain financial institutions. Penalties apply if a US Holder is required to submit such information to the IRS and fails to do so. US Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Offer Shares.

Non-US Holders

Subject to the discussion of backup withholding and FATCA below, a Non-US Holder generally should not be subject to US federal income or withholding tax on any distributions made on the Offer Shares or gain from the sale or other disposition of the Offer Shares unless: (i) that distribution and/or gain is effectively connected with the conduct by that Non-US Holder of a trade or business in the United States; or (ii) in the case of any gain realised on the sale or exchange of Offer Shares by an individual Non-US Holder, that Non-US Holder is present in the United States for 183 days or more in the taxable year of the sale or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain US-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the US Holder establishes that it is a corporation or other exempt recipient or (ii) in the case of backup withholding, the US Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. Non-US Holders may be required to comply with applicable certification procedures to establish that they are not US Holders in order to avoid the application of such information reporting requirements and backup withholding.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the holder's US federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS. US Holders are urged to consult their tax advisers regarding the applicability of the US information reporting and backup withholding regime.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the US Code commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes to persons that fail to meet certain certification, reporting or related requirements. The Company is a foreign financial institution for these purposes. A number of jurisdictions (including the Netherlands) have entered into, or have agreed in substance to, IGAs with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a reporting financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from "foreign pass thru payments" that it makes (including such payments on the Offer Shares). Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Offer Shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Offer Shares, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Offer Shares, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Offer Shares.

GENERAL INFORMATION

Domicile, Legal Form and Incorporation

The Company is a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands and is domiciled in the Netherlands. The Company was incorporated in the Netherlands on 9 December 2005. The Company's statutory seat (*statutaire zetel*) is in The Hague, the Netherlands, and its registered office is at Carnegieplein 4, 2517 KJ in The Hague, the Netherlands. The Company is registered with the trade register of the Chamber of Commerce under number 27282935, and its telephone number is +31 70 34 25 425.

No Significant Change

There has been no significant change in the financial or trading position of NIBC since 31 December 2017.

Publication of the Results of the Offering

The results of the Offering will be disclosed through a press release published in the Netherlands, which will also be posted on the Company's website, on the Settlement Date.

Expenses of the Offering

The expenses related to the Offering are estimated at approximately €11,707,941 million, of which an estimated amount of €5 million (excluding staff related costs and costs in connection with the management retention bonus) will be paid by the Company (€2 million of these costs were accounted for in the 2017 full year financial accounts) and include, among other items, the fees due to the AFM and Euronext as well as legal and administrative expenses and publication costs and applicable taxes, if any. The commission for the Underwriters will be paid by the Selling Shareholders and is estimated to be an amount of €6,707,941. See also "*Plan of Distribution*".

Independent Auditors

Ernst & Young Accountants LLP has audited, and issued unqualified independent auditor's report on the financial statements of the Company for the years ended 31 December 2016 and 2017, respectively. Ernst & Young Accounts LLP is an independent registered audit firm located at Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands. The auditor signing Ernst & Young Accountants LLP's independent auditor's report is a members of the Royal NBA (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*), (the "**Netherlands Institute of Chartered Accountants**").

PricewaterhouseCoopers Accountants N.V., has audited, and issued unqualified independent auditor's reports on, the financial statements of the Company for the year ended 31 December 2015 incorporated by reference. PricewaterhouseCoopers Accountants N.V. is an independent registered accounting firm located at Thomas R. Malthusstraat 5, 1066 JR Amsterdam, the Netherlands. The auditor signing PricewaterhouseCoopers Accountants N.V.'s independent auditor's report is a member of the Netherlands Institute of Chartered Accountants.

Available Information

Subject to any applicable selling and transfer restrictions (see "*Selling and Transfer Restrictions*"), the following documents (or copies thereof) are available and can be obtained free of charge from the Company's website (nibc.com/about-us/corporate-governance) and during normal business hours from the Company's offices from the date of publication of this Prospectus until at least the Settlement Date:

- this Prospectus;
- the audited consolidated annual financial statements of the Company as at and for the year ended 31 December 2015 and the independent auditor's report dated 8 March 2016, relating thereto ; and
- the Articles of Association (the official Dutch version and an English translation thereof).

Provision of Information

The Company has agreed that, for so long as any of the Offer Shares are outstanding and are 'restricted securities' within the meaning of Rule 144(a)(3) under the US Securities Act, it will, during any period in which the Company is neither subject to Section 13 or 15(d) of the US Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted Offer Shares or to any prospective purchaser of such restricted Offer Shares designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the US Securities Act.

The Company is not currently subject to the periodic reporting and other informational requirements of the US Exchange Act.

No Incorporation of Website

The contents of the Company's website, including any websites accessible from hyperlinks on the Company's website, do not form part of and are not incorporated by reference into this Prospectus.

DEFINED TERMS

ACM	Netherlands Authority for Consumers and Markets (*Autoriteit Consument & Markt*)
Additional Shares	additional existing Ordinary Shares, equalling up to 15 per cent of the total number of Offer Shares, which the Selling Shareholders may be required to sell pursuant to the Over-Allotment Option
Advisory Committee	Advisory Committee on the Future of Banks in the Netherlands
AFM	Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*)
AIF	alternative investment fund, as further defined in the AIFM Directive
AIFMs	alternative investment fund managers, as further defined in the AIFM Directive
AIFM Directive	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers
AIRB	the Advanced Internal Ratings Based approach for quantifying the credit quality of corporate, retail and bank counterparties
Allocation	the allocation of the Offer Shares
AML	Anti-Money Laundering
ARPFE	Act on Remuneration Policies of Financial Enterprises (*Wet beloningsbeleid financiële ondernemingen*)
Articles of Association	the articles of association (*statuten*) of the Company that will become effective on the Settlement Date.
Asset and Cash Flow Finance	the asset and cash flow finance product offering of NIBC's Corporate Client Offering
Asset and Liability Committee	the asset and liability committee of the Supervisory Board
Audit Committee	the audit committee of the Supervisory Board
Banker's Oath	as at 1 April 2015, all supervisory directors, managing directors and employees of a bank must take an oath of good conduct. The oath is a confirmation of the Company's existing policy, which is fully in line with the business principles and core values of the Company
Banking Union	the EU's response to correct the perceived shortcomings by establishing a banking union with three key areas, referred to in this Prospectus as the three pillars, an SSM, an SRM and harmonised prudential rules (Single Rulebook)
Basel I	Basel Capital Accord of 1988 issued by the Basel Committee on Banking Supervision
Basel II	Second Basel Capital Accord (revised capital framework) issued by the Basel Committee
Basel Committee	Basel Committee on Banking Supervision
Basel II Enhancements	proposed enhancements to the Basel II framework
Basel III Framework	Third Basel Capital Accord, a global regulatory framework for more resilient banks and banking systems issued by the Basel Committee on Banking Supervision which was implemented in the EEA through CRD IV and CRR

Basel III Reforms	the finalised Basel III reforms as improvements to the global regulatory framework published by the Basel Committee on 7 December 2017
BEEQUIP	BEEQUIP B.V.
Benchmark Regulation	the Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds
BRRD	Bank Recovery and Resolution Directive (Directive 2014/59/EU)
Capital Markets	the capital markets offering of NIBC's Corporate Client Offering
CCP	central counterparty
CCR	counterparty credit risk
CET	Central European Summer Time
CET1	Common Equity Tier 1
Chamber of Commerce	the Chamber of Commerce of The Hague
CHF	Swiss franc
CISA	the Swiss Federal Act on Collective Investment Schemes
Company	NIBC Holding N.V.
Compensation Scheme	deposit guarantee schemes and similar funds in the Netherlands and other jurisdictions
Corporate Client Offering	NIBC's Corporate Client Offering segment
Corporate Finance	the corporate finance product offering of NIBC's Corporate Client Offering
Corporate Lending	the corporate lending product offering of NIBC's Corporate Client Offering
CRD or EC Directive 2006/48 and EC Directive 2006/49	Capital Requirements Directives (2006/48/EC and 2006/49/EC); or EC Directive 2006/48: Directive 2006/48/EC of the European Parliament and the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast); and Directive 2006/49: Directive 2006/49/EC of the European Parliament and the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (recast)
CRD II	Capital Requirements Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management
CRD III	Capital Requirements Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies

CRD IV	Capital Requirements Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC
CRR	The Capital Requirements Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012
CSW	the online consultation for the Dutch Cyber Security Bill (*Cybersecuritywet*)
Data Protection Act	The Act on Data Breach Notifications (*Wet Meldplicht datalekken en uitbreiding bestuurlijke boetebevoegdheid Cbp*)
DDOS	distributed denial of service
DGS	the Dutch Deposit Guarantee Scheme (*depositogarantiestelsel*)
DGS Directive	Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (recast)
Directive 1993/6/EEC	Council Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investments firms and credit institutions
Directive 2000/12/EC	Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions
DITA	Dutch Income Tax Act 2001 (*Wet op de inkomstenbelasting 2001*)
DNB	Dutch Central Bank (*De Nederlandsche Bank*)
DNB Regulation on Sound Remuneration Policies 2017	The Dutch Central Bank's regulation on sound remuneration policies 2017
DPA	the Dutch Data Protection Authority (*Autoriteit Persoonsgegevens*)
Dutch Banking Association	The Dutch Banking Association
Dutch Banking Code	the banking code for Dutch banks as adopted on 9 September 2009 (in force as at 1 January 2010) and replaced by the renewed text of the Code that came into force on 1 January 2016 by the Board of the Dutch Banking Association, in response to the recommendations for improving the performance of the Dutch banking sector to help restore trust in banks of the Advisory Committee on the Future of Banks in the Netherlands
Dutch Banking Code Monitoring Committee	The Committee set up to monitor and to report on the progress made by banks in implementing the Banking Code
Dutch Civil Code	The Dutch Civil Code (*burgerlijk wetboek*)
Dutch Corporate Governance Code	the Dutch corporate governance code issued on 8 December 2016
Dutch Financial Supervision Act	the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder
Dutch Intervention Act	the Act on Special Measure for Financial Enterprises (*Wet bijzondere maatregelen financiele ondernemingen*)

Dutch Law Intervention Powers	certain powers of the Dutch Minister of Finance under the Dutch Financial Supervision Act., which may be exercised with respect to financial institutions (*financiële onderneming*)
Dutch Minister of Finance	The Dutch Minister of Finance
Dutch Retail Investor	a Dutch retail investor is either: (i) a natural person resident in the Netherlands or (ii) a special investment vehicle having its seat in the Netherlands which is a legal entity established for the express and sole purpose of providing asset management and/or retirement planning services for a natural person
EAD	exposure at default
EBA	European Banking Authority
EC	The European Community
ECB	European Central Bank
EEA	European Economic Area
EMIR	Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories
EMU	European Economic and Monetary Union
Engagement Committee	NIBC's Engagement Committee
Enterprise Chamber	the Dutch Enterprise Chamber of the Amsterdam Court of Appeal (*Ondernemingskamer van het Gerechtshof Amsterdam*)
ESAs	European System of Financial Supervision, three European Supervisory Authorities
ESMA	the European Securities and Markets Authority
ESF	the German *Einlagensicherungsfonds* programme
EU	the European Union
EUR or euro or €	the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the functioning of the EC, as amended from time to time
EURIBOR	Euro Interbank Offer Rate
Euroclear Nederland	the Netherlands Central Institute for Giro Securities Transactions (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*) trading as Euroclear Nederland
Euronext Amsterdam	the regulated market operated by Euronext Amsterdam N.V.
European Commission	the executive of the European Union
Executive Committee	means the executive committee of the Company
FATCA	the United States Foreign Account Tax Compliance Act
Financial Statements	the audited annual consolidated financial statements of the Company as at and for the year ended 31 December 2015, which has been prepared in accordance with IFRS and audited by the Company's former independent auditors PricewaterhouseCoopers Accountants N.V. and the audited annual consolidated financial statements of the Company as at and for the years ended 31 December 2016 and 2017, which have been prepared in accordance with IFRS and audited by the Company's independent auditors Ernst & Young Accountants LLP

FIRB	the Foundation Internal Ratings Based approach for quantifying the credit quality of corporate, retail and bank counterparties
Foundation	Stichting Continuiteit NIBC
FSB	Financial Stability Board
FSMA	the UK Financial Services and Markets Act 2000
FTT	financial transaction tax
fully loaded	NIBC's regulatory capital metrics are "fully loaded" when calculated on the basis of full applicability of the relevant Basel III/CRD IV capital requirements
GBP	pounds sterling
GDP	gross domestic product
GDPR	General Data Protection Regulation
General Meeting	the general meeting of the Company, being the corporate body or, where the context so requires, the physical meeting of that body
Governing Council	the Governing Council of the ECB
G-SIB	global systemically important banks
G-SIIs	global systemically important institutions
IBNR	incurred but not reported
HNWE	high net worth entrepreneurs
ICAAP	internal capital adequacy assessment process
ICT	Information and communications technology
Identified Staff	employees whose work may have a material impact on the risk profiles of NIBC
IFRS	International Financial Reporting Standards as adopted by the EU
IFRS 9	IFRS 9 Financial Instruments
IGA	intergovernmental agreements
ILAAP	internal liquidity adequacy assessment process
IRB	internal ratings based
IRS	US Internal Revenue Service
IASB	the International Accounting Standards Board
Investment Committee	NIBC's Investment Committee
IT	Information technology
Joint Bookrunners	ABN AMRO Bank N.V. and ING Bank N.V.
Joint Global Coordinators	Citigroup Global Markets Limited, Deutsche Bank AG, London Branch and Morgan Stanley & Co. International plc
JYP	Japanese yen
KYC	Know-your-customer
LCR	liquidity coverage ratio
Lead Manager	NIBC Bank N.V.
Leveraged Finance	the leveraged finance offering of NIBC's Corporate Client Offering

LGD	Loss Given Default
LIBOR	London interbank offered rate
Listing and Paying Agent	ING Bank N.V.
LtV	loan-to-value
LtIMV	loan-to-indexed-market-value
Managing Board	the management board (*raad van bestuur*) of the Company
Managing Board Rules	rules adopted by the Managing Board governing the Managing Board's principles and best practices
Market Abuse Regulation	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC and the rules and regulations promulgated pursuant thereto
Member States	EU Member States and where relevant other states that are party to the EEA Agreement
Mezzanine and Equity Solutions	the mezzanine and equity solutions offering of NIBC's Corporate Client Offering
MiFID	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast)
MiFIR	Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012
Mortgage Credit Directive	Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010
MREL	minimum requirement for own funds and eligible liabilities
MREL-RTS	the regulatory and technical standards adopted by the European Commission on the criteria for determining the MREL under the BRRD
MTF	multilateral trading facility
National Resolution Funds	national resolution funds, provided for by the BRRD
NCA	national competent authorities
Net Promoter Score or **NPS**	a score which measures the willingness of customers to recommend a company's products or services to others based on speed, pricing, quality of advice and deep sector and financial knowledge.
Netherlands Institute of Chartered Accountants	the Royal NBA (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*)

NHG	Abbreviation of Nationale Hypotheek Garantie. This scheme provides additional security to customers, as it will pay off the remaining mortgage debt to a credit institution after the forced sale of a covered property
NIBC	the Company and its subsidiaries
NIBC Bank	NIBC Bank N.V.
NIBC Markets	previously SNS Markets, the department at NIBC providing investment banking services, including equity capital markets, debt capital marks, private placements, mergers and acquisition advisory and equity research
NLCR	national LCR requirement
NRAs	national resolution authorities
NSFR	net stable funding ratio
Offer Period	the period during which the Offering will take place, commencing on 9.00 CET on 12 March 2018 and ending on 13.00 CET on 22 March 2018 for prospective institutional investors and from 9.00 CET on 12 March 2018 and ending at 17.30 CET on 21 March 2018 for prospective Dutch retail investors, subject to acceleration or extension of the timetable for the Offering
Offer Price	the price per Offer Share
Offer Price Range	the expected price range of €8.75 to €10.25 per Offer Share
Offer Shares	the Ordinary Shares offered by the Selling Shareholders and, unless the context indicates otherwise, the Additional Shares
Offering	the offering of Offer Shares as described in this Prospectus
Order	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
Ordinary Shares	the ordinary shares in the Company's share capital, with a nominal value of €1.00 per share
O-SIIs	Other systemically important institutions
OTC	over-the-counter
OTF	the organised trading facility
Over-Allotment Option	an option, exercisable within 30 calendar days after the date of the First Trading Date, pursuant to which the Joint Global Coordinators may require the Selling Shareholders to sell at the Offer Price such number of Additional Shares equalling up to 15 per cent of the total number of Offer Shares to cover over-allotments, if any, in connection with the Offering or facilitate stabilisation transactions, if any
Participating Member State(s)	11 participating member states of the EU, being Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which would together constitute the FTT-Zone
PEPs	politically exposed persons
PFIC	passive foreign investment company
Pillar I	Pillar I of the Basel Committee requirements
Pillar II	the Pillar II capital requirement of Basel II

Preference Shares	the preference shares in the Company's share capital, with a nominal value of €1.00 per share
Preferential Retail Allocation	the preferential allocation of Offer Shares to Dutch Retail Investors
Pricing Agreement	pricing agreement between the Company, the Selling Shareholders, the Underwriters and the Lead Manager.
Pricing Statement	the pricing statement in which the Offer Price and the exact number of Offer Shares offered in the Offering will be set out
PRIIPS	packaged retail and insurance-based investment products
PRIIPS Regulation	Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for PRIIPS
Prospectus	this prospectus dated 12 March 2018
Prospectus Directive	Directive 2003/71/EC of the European Union, and any amendments thereto, including Directive 2010/73/EU
PSD	Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC
PSD2	Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010 and repealing PSD
QIBs	qualified institutional buyers, as defined in Rule 144A
RDA	NIBC's Restructuring and Distressed Assets department
Regulation S	Regulation S under the US Securities Act
Receivables Finance	the receivables finance offering of NIBC's Corporate Client Offering
Relationship Agreement	the relationship agreement between the Selling Shareholders and the Company dated 12 March 2018, key provisions of which will become effective as of the First Trading Date
Relevant Member State	each EEA state which has implemented the Prospectus Directive
Relevant Persons	high net worth entities falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
Remuneration & Nominating Committee	the remuneration and nominating committee of the Supervisory Board
Retail Client Offering	NIBC's Retail Client Offering segment
Retail Coordinator	ABN AMRO Bank N.V.
Risk Management	NIBC's Risk Management department
Risk Management Committee	the risk management committee of the Supervisory Board
Risk Policy & Compliance Committee	the risk policy and compliance committee of the Supervisory Board
Rule 144A	Rule 144A under the US Securities Act
RWA (TREA) or RWA	risk weighted assets
Securities and Futures Act	The Securities and Futures Act of Singapore

Selling Shareholders	New NIB Partners LP, New NIB Partners II LP, NIB Special Investors LP, NIB Special Investors II LP, NIB Special Investor III LP, NIB Special Investor IV-A LP, NIB Special Investor IV-B LP and NIB Special Investor V LP
Settlement	payment (in euros) for and delivery of the Offer Shares
Settlement Date	the date on which Settlement occurs which is expected to be on or about 27 March 2018, subject to acceleration or extension of the timetable for the Offering
Share Lending Agreement	the share lending agreement dated on or about the date of the Underwriting Agreement between the Selling Shareholders and the Stabilisation Agent
SFT Regulation	Regulation (EU) 2015/2365 of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2015
Shareholder	any holder of Shares at any time
Shares	the Ordinary Shares and the Preference Shares
Single Resolution Fund	the single resolution fund, provided for by the SRM
Single Rulebook	one of the three pillars of the Banking Union that aims to provide a single set of harmonised prudential rules which banks throughout the EU must comply with
SME	small and medium business enterprises
SNS Securities	SNS Securities N.V.
SRB	the European single resolution board, provided for by the SRM
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism, the framework in which the European regulation established uniform rules and a uniform procedure for the resolution of banks and certain investment firms on 19 August 2014
SRM Regulation	Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010
SSM	Single Supervisory Mechanism, introduced as per 4 November 2014
SSM Regulation	Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions
Stabilisation Agent	Morgan Stanley & Co. International plc
STAK	Stichting Administratiekantoor NIBC Holding
Supervisory Board	the supervisory board (*raad van commissarissen*) of the Company
Supervisory Board Rules	rules adopted by the Supervisory Board governing the Supervisory Board's principles and best practices
Supervisory Director	a member of the Supervisory Board

Tax Transparency Package	a package of tax transparency measures as part of its agenda to tackle corporate tax avoidance and harmful tax competition in the EU
Transaction Committee	NIBC's Transaction Committee
TLAC	total loss-absorbing capacity
TLAC Standard	the TLAC standard issued by the FSB for global systemically important banks
TREA	Total risk exposure amount
UBO	ultimate beneficial owner
UCITS	undertakings for collective investment in transferable securities
Underwriters	the Joint Global Coordinators and the Joint Bookrunners
Underwriting Agreement	the underwriting agreement with respect to the offer and sale of the Offer Shares dated on or about 12 March 2018 among the Selling Shareholders and the Underwriters
United States or US	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
United Kingdom or UK	The United Kingdom of Great Britain and Northern Ireland
US Code	US Internal Revenue Code of 1986, as amended
US Exchange Act	the United States Securities Exchange Act of 1934, as amended
US Federal Reserve	The United States Federal Reserve
US-NL treaty	The 1992 double tax treaty entered into by the United States and the Netherlands, as amended most recently by the Protocol signed on 8 March 2004
US Securities Act	the US Securities Act of 1933, as amended
US Treasury	the United States Treasury
VaR	value at risk
WBP	Dutch Data Protection Act (*Wet bescherming persoonsgegevens*)
WEW	the Homeownership Guarantee Fund (*Waarborgfonds Eigen Woningen*)
Works Council	the Company's works council (*ondernemingsraad*)

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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

for the years ended 31 December

in EUR millions	note	2017	2016
Interest and similar income		534	539
Interest expense and similar charges		192	246
Net interest income	**2**	**342**	**293**
Fee and commission income		54	32
Fee and commission expense		-	-
Net fee and commission income	**3**	**54**	**32**
Investment income	4	67	23
Net trading income	5	98	34
Other operating income	6	(2)	31
Operating income		**559**	**413**
Personnel expenses and share-based payments	7	111	102
Other operating expenses	8	102	82
Depreciation and amortisation	9	6	7
Regulatory charges and levies	10	14	15
Operating expenses		**233**	**206**
Impairments of financial assets	11	56	82
Impairments of non-financial assets	11	-	2
Total expenses		**289**	**290**
Profit before tax		**270**	**123**
Tax	12	54	19
Profit after tax		**216**	**104**
Attributable to:			
Shareholders of the parent company		213	104
Holders of capital securities (non-controlling interest)		3	-
Other non-controlling interests		-	-

Earnings per share

in EUR	note	2017	2016
Basic earnings	13	1.46	0.71
Diluted earnings	13	1.46	0.71

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December

		2017			2016		
in EUR millions	note	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
Profit for the year		**270**	**54**	**216**	**123**	**19**	**104**
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Revaluation of property, plant and equipment	29	2	-	2	-	-	-
Own credit risk reserve		(67)	(16)	(51)	(16)	(4)	(12)
Items that may be reclassified subsequently to profit or loss							
Movement in the cash flow hedge reserve		(18)	(5)	(13)	(8)	(2)	(6)
Available-for-sale financial assets:							
Revaluation of equity investments	19	(1)	-	(1)	(4)	(1)	(3)
Revaluation of debt investments	20	6	1	5	(1)	-	(1)
Total other comprehensive income		**(78)**	**(20)**	**(58)**	**(29)**	**(7)**	**(22)**
Total comprehensive income		**192**	**34**	**158**	**94**	**12**	**82**
Total comprehensive income attributable to:							
Shareholders of the parent company	46	189	34	155	91	12	79
Holders of capital securities (non-controlling interest)	47	3	-	3	-	-	-
Other non-controlling interests		-	-	-	3	-	3
Total comprehensive income		**192**	**34**	**158**	**94**	**12**	**82**

CONSOLIDATED BALANCE SHEET

as at 31 December

in EUR millions	note	2017	2016
Assets			
Financial assets at amortised cost			
Cash and balances with central banks	14	1,604	918
Due from other banks	15	965	1,468
Loans and receivables			
Loans	16	7,473	7,844
Mortgage loans own book	17	4,412	3,346
Debt investments	18	59	287
Financial assets available-for-sale			
Equity investments	19	36	41
Debt investments	20	823	1,028
Financial assets at fair value through profit or loss (including trading)			
Loans	21	181	210
Mortgage loans own book	22	4,581	4,124
Securitised mortgage loans	23	338	1,550
Equity investments (including investments in associates)	24	287	204
Debt investments	25	31	60
Derivative financial assets	26	1,021	1,811
Other			
Investments in associates and joint ventures (equity method)	27	10	7
Intangible assets	28	3	3
Property, plant and equipment	29	62	50
Investment property	30	-	271
Current tax	31	1	-
Deferred tax	32	38	46
Other assets	33	62	227
Assets of disposal group classified as held for sale	34	161	-
Total assets		**22,148**	**23,495**

For the liquidity order of the financial instruments on the consolidated balance sheet at 31 December 2017 reference is made to maturity tables included in the notes of the different line items.

as at 31 December

in EUR millions	note	2017	2016
Liabilities and equity			
Financial liabilities at amortised cost			
Due to other banks	35	1,834	1,290
Deposits from customers	36	11,510	11,802
Own debt securities in issue	37	4,392	3,855
Debt securities in issue related to securitised mortgages and lease receivables	38	267	1,337
Financial liabilities at fair value through profit or loss (including trading)			
Borrowings	39	-	49
Own debt securities in issue	40	38	37
Debt securities in issue structured	41	616	620
Derivative financial liabilities	26	863	2,006
Other			
Other liabilities	42	113	275
Current tax	31	1	-
Deferred tax	32	4	3
Employee benefits	43	3	3
Liabilities of disposal group classified as held for sale	34	104	-
Subordinated liabilities			
Amortised cost	44	115	122
Fair value through profit or loss	45	167	276
Total liabilities		**20,027**	**21,675**
Equity			
Share capital	46	148	148
Share premium	46	1,138	2,279
Other reserves	46	93	153
Retained earnings including profit for the period	46	536	(763)
Equity attributable to the parent company		**1,915**	**1,817**
Capital securities (non-controlling interests)		203	-
Equity attributable to other non-controlling interests		3	3
Total equity		**2,121**	**1,820**
Total liabilities and equity		**22,148**	**23,495**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR millions	Attributable to: Share capital	Share premium	Revaluation reserves[1]	Retained earnings	Profit after tax	Distribution charged to profit after tax	Equity of the parent company	Capital securities[2]	Other non-controlling interests	Total equity
Balance at 1 January 2017	**148**	**2,279**	**153**	**(867)**	**104**	**-**	**1,817**	**-**	**3**	**1,820**
Transfer of profit after tax 2016 to retained earnings	-	-	-	104	(104)	-	-	-	-	-
Total comprehensive income for the period ended 31 December 2017	-	-	(58)	-	213	-	155	3	-	158
Transfer to retained earnings[3]	-	(1,085)	-	1,085	-	-	-	-	-	-
Transfer of realised depreciation revalued property, plant and equipment	-	-	(2)	2	-	-	-	-	-	-
Issue of capital securities	-	-	-	-	-	-	-	200	-	200
Cost of capital securities	-	-	-	(2)	-	-	(2)	-	-	(2)
Paid coupon on capital securities	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	1	-	-	1	-	-	1
Final and interim distributions	-	(56)	-	-	-	-	(56)	-	-	(56)
Balance at 31 December 2017	**148**	**1,138**	**93**	**323**	**213**	**-**	**1,915**	**203**	**3**	**2,121**

1 Revaluation reserves include hedging reserve.
2 Capital securities of EUR 200 million consists of EUR 200 million notional amount and EUR 3 million profit attributable to capital securities. At reporting date there is no obligation to pay the profit attributable to capital securities holders.
3 To enable dividend payments from current results, the Managing Board has decided to transfer an amount of EUR 1.1 billion from the share premium account to retained earnings per 31 December 2017.

	Attributable to:									
in EUR millions	Share capital	Share premium	Revaluation reserves[1]	Retained earnings	Profit after tax	Distribution charged to profit after tax	Equity of the parent company	Capital securities	Other non-controlling interests	Total equity
Balance at 1 January 2016	**1,408**	**525**	**60**	**(328)**	**70**	**-**	**1,735**	**-**	**-**	**1,735**
Impact of application IFRS 9 Own credit risk at 1 January 2016	-	-	115	(115)	-	-	-	-	-	-
Adjustment share capital (reverse acquisition accounting)	(1,260)	1,260	-	-	-	-	-	-	-	-
Alignment of composition of consolidated equity to statutory equity	-	494	-	(494)	-	-	-	-	-	-
Restated balance at 1 january 2016	**148**	**2,279**	**175**	**(937)**	**70**	**-**	**1,735**	**-**	**-**	**1,735**
Transfer of profit after tax 2015 to retained earnings	-	-	-	70	(70)	-	-	-	-	-
Total comprehensive income for the period ended 31 December 2016	-	-	(22)	-	104	-	82		-	82
Other	-	-	-	-	-	-	-		3	3
Balance at 31 December 2016	**148**	**2,279**	**153**	**(867)**	**104**	**-**	**1,817**	**-**	**3**	**1,820**

1 Revaluation reserves include hedging reserve.

Available distributable amount as at 31 December

in EUR millions	2017
Equity[1]	1,918
Share capital	(148)
Within retained earnings	(180)
Revaluation reserves	(43)
Legal reserve profit participation	(1)
Legal reserves	**(224)**
Available distribution amount	**1,546**

1 Excluding capital securities and non-controlling interests but including profit attributable to capital securities.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended 31 December

in EUR millions	note	2017	2016
Operating activities			
Profit after tax for the year		216	104
Adjustments for non-cash items			
Depreciation, amortisation and impairment losses	9/11	(66)	78
Changes in employee benefits	43	-	(1)
Changes in operating assets and liabilities			
Derivative financial instruments	26	(353)	(20)
Operating assets[1]	14-25/32/33	1,101	(937)
Operating liabilities (including deposits from customers)[2]	32/35/36/42	188	806
Cash flows from operating activities		**1,086**	**30**
Investing activities			
Acquisition of subsidiaries, associated and joint ventures	27	(3)	-
Acquisition of property, plant and equipment	29	(15)	(8)
Divestment of investment property	30	174	-
Proceeds from financial assets	4	-	(22)
Repayments of financial assets	4	(67)	-
Non-controlling interest		-	3
Cash flows from investing activities		**89**	**(27)**
Financing activities			
Decrease in borrowings	39	(49)	(29)
Proceeds from the issuance of own debt securities	37/40	716	1,324
Repayment of issued own debt securities	37/40	(178)	(518)
Proceeds from the issuance of subordinated liabilities	44/45	(22)	4
Repayment of issued subordinated liabilities	44/45	(125)	(4)
Proceeds from the issuance of debt securities structured	41	11	70
Repayment of issued debt securities structured	41	(29)	(147)
Repayment of issued debt securities related to securitised mortgages and lease receivables	38	(1,070)	(725)
Final and interim distribution	46	(56)	-
Proceeds from capital securities (net of issuance costs)	47	200	-
Cash flows from financing activities		**(602)**	**(25)**
Cash and cash equivalents at 1 january		**1,215**	**1,246**
Net foreign exchange difference		(6)	(9)
Net increase/(decrease) in cash and cash equivalents		573	(22)
Cash and cash equivalents at 31 december		**1,782**	**1,215**
Reconciliation of cash and cash equivalents:			
Cash and balances with central banks (maturity three months or less)	14	1,445	777
Due from other banks (maturity three months or less)	15	337	438
		1,782	**1,215**
Supplementary disclosure of operating cash flow information:			
Interest paid		192	260
Interest received		572	534

1 Includes all assets except for derivatives, investment property and intangible assets. The cashlfow is primarily explained by Securitised mortgage loans (note 23: EUR 1,212 million), Loans (note 16: EUR 404 million), Due from other banks (note 15: EUR 402 million), Debt investments (note 18: EUR 251 million), Debt investments available for sale (note 20: EUR 213 million), partly offset by mortgage loans (note 17: EUR -1,066 million) and mortgage loans FVtPL (note 22: EUR -457 million).

2 Includes all liabilities excluding derivatives and consists mainly of Due to other banks (note 35: EUR 544 million), Liabilities held for sale (note 34: EUR 104 million) partly offset by Deposits from customers (note 36: EUR -292 million), other liabilities (note 42: EUR -162 million) and income tax expense of EUR 2 million.

ACCOUNTING POLICIES

Authorisation of consolidated financial statements

The consolidated financial statements of *NIBC Holding N.V.* (**NIBC Holding**) for the year ended 31 December 2017 were authorised for issue by the Managing Board of NIBC Holding on 26 February 2018. NIBC Holding together with its subsidiaries (NIBC Holding or the group), is incorporated and domiciled in the Netherlands. The principal activities of NIBC Holding 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 Holding'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 (investment) property – measured at fair value;
- 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 Holding'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 2017

Changes in IFRS-EU

The following new or revised standards, amendments or interpretations were implemented by NIBC on 1 January 2017:

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
  The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

- Amendments to IAS 7: Disclosure Initiative
  The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). Application of the amendments will result in additional disclosures provided by NIBC.

- Annual Improvements to IFRS Standards 2014-2016 Cycle
  This cycle of improvements contains amendments to three standards of which two are relevant for NIBC. These are IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Venture. Only the amendment related to IFRS 12 became effective as from 1 January 2017 and does not have significant impact on NIBC's Annual report. The amendment related to IAS 28 becomes effective as from 1 January 2018 and is described in section 'Upcoming changes after 2017'.

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 position and performance of NIBC. In addition, NIBC did not have any other reasons to change its accounting policies

Upcoming changes after 2017

New and/or amended standards not yet effective
The following new accounting standards, amendments and/or interpretations are issued by the *International Accounting Standards Board* (**IASB**) and endorsed by the EU, but are not yet effective. The new accounting standards, amendments and interpretations are required to be applied as from 1 January 2018. Note that only the amendments to IFRSs that are relevant for NIBC Holding are discussed below.

- IFRS 9 'Financial instruments'
  As from 1 January 2018, the current IFRS standard for financial instruments (IAS 39) will be replaced by IFRS 9. Changes contain three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting. As from 1 January 2016, NIBC has already early adopted the own credit requirements introduced by IFRS 9 in isolation. The own credit requirements entail changes in the fair value attributable to changes in credit risk of the financial liabilities designated at *Fair Value through Profit or Lose* (**FVTPL**) to be recognised in *Other Comprehensive Income*. (**OCI**)

Classification and measurement of financial instruments
In 2017 the business model blueprint has been finalised, which was used to determine the classification under IFRS 9. Following the determination of business models, transactions to be recognised at amortised cost have been reviewed to ensure the contractual cash flow characteristics meet the requirement to solely consist of payments of principal and interest (SPPI). An analysis of the cash flow characteristics of the relevant financial assets has been executed. The business model selection and SPPI test have been performed on groups of assets that have a set of similar characteristics resulting in a homogenous population. Process adjustments to ensure an adequate governance and ongoing compliance with IFRS 9 have been identified and will be further embedded and refined in 2018.

Impact

Except for the reclassification effect of mortgage loans designated at FVTPL to amortised cost, NIBC notes there is a limited impact on equity related to changes in classification. The reclassification effect of mortgage loans designated at FVTPL to amortised cost is EUR 321 million, which is the result of revoking the previous fair value designation and consequently is equal to the fair value of the relevant mortgage loans designated at FVTPL as per 31 December 2017. The impact was primarily driven by market interest rates as these have had a material impact on the fair value development of the portfolio. The reclassification effect of mortgage loans designated at FVTPL to amortised cost on the regulatory capital leads to a decrease of the fully loaded CET 1 ratio of NIBC of approximately 3.6%-points at 1 January 2018.

Impairment of financial assets

Key elements to measure *expected credit losses* (**ECL**) are the staging triggers within the 'three-stage' model and the incorporation of forward looking information.

'Three-stage' model

NIBC is required to recognise an allowance depending on whether there has been a significant increase in credit risk since initial recognition or the financial asset was credit-impaired on initial recognition. A key assessment is, therefore, whether a significant deterioration in the credit risk of a financial asset occurred between initial recognition and maturity. The guiding principle of the *Excpected Credit Loss* (**ECL**) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial assets. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. In general, there are two measurement bases:

1. 12-month ECLs (stage 1), which apply to all items (from initial recognition) as long as there is no significant deterioration in credit quality; and
2. Lifetime ECLs, which apply when a significant increase in credit risk has occurred on an individual or collective basis (stage 2) or when there is objective evidence of impairment as a result of one or more events that occurred before or after the initial recognition of the financial asset (stage 3).

The appropriate stage is determined by performing an assessment based on staging triggers. The staging triggers contain one of the following elements:

1. A quantitative element (i.e. reflecting a quantitative comparison of Probability of Default (PD) at the reporting date and PD at initial recognition);
2. A qualitative element (e.g. expert judgement); and
3. 'Backstop' indicators (i.e. measures of last resort if other indicators are not available, e.g. the '90 days past due' rebuttable presumption).

NIBC uses both the quantitative element and the qualitative element to determine significant increases in credit risk, as the assessment can be based on a mixture of quantitative and qualitative information. Examples of used triggers are increase of lifetime PD since initial recognition, days past due, forborne, watch list and other internal and external ratings methods. In certain circumstances, qualitative and non-statistical quantitative information may be sufficient to determine that a financial asset has met the criterion for the recognition of lifetime ECLs. That is, the information does not need to flow through a statistical model or credit ratings process in order to determine whether there has been a significant increase in the credit risk of the financial asset.

Special attention has been given to the definition of stage 2 assets and the interaction of the IFRS 9 criteria of significant increased credit risk with the existing credit quality framework of NIBC.

Incorporation of forward looking information

Estimating ECL requires, amongst others, considerations of multiple forward-looking scenarios, whereby the final ECL is an average of the ECLs calculated under the different scenarios. In line with market developments, NIBC uses three scenarios: base, downturn and benign; updated semi-annually, NIBC developed a model that translates the forecasted developments of macro-economic factors into portfolio-specific point-in-time PD and *Loss Given Default* (**LGD**) changes and consequently into ECL developments. In 2018, NIBC will continue to re-assess and update all forward-looking assumptions used in the model.

In 2017, the aforementioned key decisions were implemented into ECL models and risk management processes. All relevant ECL models have been validated by a third party. Furthermore risk and finance processes and systems have been adjusted to support the required ECL-calculations, administrative processing and reporting. In 2018, NIBC will continue to refine and further improve all related processes.

Impact

Based on ECL calculations NIBC considers the increase in the total level of impairment allowance to be moderate as compared to the fully loaded CET 1 ratio of NIBC at 1 January 2018. Following the transition to IFRS 9, a more volatile impairment charge is expected on the back of macroeconomic predictions.

With the introduction of IFRS 9, NIBC will no longer report *incurred but not reported* (**IBNR**) impairment losses. This will partially offset the impact of ECL impairment allowances.

Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 after 1 January 2018. NIBC decided to continue applying IAS 39 for hedge accounting (IAS 39 AG126a).

Reporting

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

The information provided in this note is focused upon material items, consequently it does not represent a complete list of expected adjustments.

- IFRS 15 'Revenue from Contracts with Customers'
  IFRS 15 'Revenue from Contracts with Customers' (**IFRS 15**) becomes effective as of 2018. IFRS 15 provides more specific guidance on recognising revenue on other than insurance contracts and financial instruments. Based upon NIBC's analysis IFRS 15 will not have a significant impact on the consolidated financial statements.

- IFRS 16 'Leases'
- *IFRS 16 'Leases' (IFRS 16*) becomes effective as of 2019. IFRS 16 requires lessees to recognise most leases on their balance sheets. NIBC does not expect IFRS 16 to have a significant impact on the consolidated financial statements.

- Clarifications to IFRS 15 Revenue from Contracts with Customers
  The IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition. The amendments have an effective

date of 1 January 2018, which is the effective date of IFRS 15. NIBC does not expect IFRS 15 to have a significant impact on the consolidated financial statements.

New and/or amended standards not yet endorsed

The following new or revised standards and amendments have been issued by the IASB, but are not yet endorsed by the European Union and are therefore not open for early adoption. Note that only the amendments to IFRSs that are relevant for NIBC are discussed below.

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
  The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018. NIBC is assessing the potential effect of the amendments on its consolidated financial statements.

- Annual Improvements to IFRS Standards 2014-2016 Cycle
  This cycle of improvements contains amendments to three standards of which two are relevant for NIBC. These are IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Venture which are effective for annual periods beginning on or after 1 January 2017 (see section 'Upcoming changes after 2017') and 1 January 2018 respectively. Both amendments do not have significant impact on NIBC's Annual report.

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after 1 January 2018. NIBC is assessing the potential impact.

- Amendments to IAS 40: Transfers of Investment property
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after 1 January 2018. NIBC is assessing the potential impact.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
  The interpretation clarifies application of the recognition and measurement in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after 1 January 2019. NIBC is assessing the potential impact.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
  The IASB issued amendments to IFRS 9 that addresses that prepayable financial assets that would otherwise meet the 'solely payments of principal and interest'(SPPI) criterion would be eligible to

be measured at amortised or fair value through other comprehensive income –subject to the business model assessment – if the following conditions are met: the instrument is inconsistent with the SPPI-criterion only because the party that chooses (or causes) to terminate the contract early may receive reasonable additional compensation for doing so (fist eligibility condition); and the fair value of the prepayment feature is insignificant on initial recognition of the financial asset (second eligibility condition). The amendments are effective for annual periods beginning on or after 1 January 2019. NIBC does not expect these amendments to IFRS 9 have a significant impact on the consolidated financial statements.

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
  The proposed amendments to IAS 28 clarify that companies account for long-term interests in an associate or joint venture -to which the equity method is not applied- using IFRS 9 'Financial Instruments'. The amendments are effective for annual periods beginning on or after 1 January 2019. NIBC is assessing the potential impact.

Basis of consolidation

The consolidated financial statements are comprised of the financial statements of NIBC Holding and its subsidiaries as at and for the years ended 31 December 2017 and 2016.

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;
- 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.

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 presented under other operating income as negative goodwill. 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 Holding.

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, 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 (investment income).

Investment in associates and joint ventures

Associates are all entities over which the group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:

- Representation in the board of directors;
- Participation in the policymaking process;
- Interchange of managerial personnel.

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 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'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.

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 investment income (sub line item share in result of associates) 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.

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.

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.

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.

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 Holding. For details of NIBC Holding's operating segments 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 Holding.

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);
- 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 Holding becomes a party to the contractual provisions that comprise the financial instrument.

Financial assets and liabilities, with the exception of loans and receivables and mortgage loans at fair value through P&L, are initially recognised on the trade date, i.e., the date that NIBC Holding becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances and residential mortgages at fair value through P&L are recognised when funds are transferred to the customers' account. NIBC Holding recognises due to customer balances when funds reach NIBC Holding.

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 Holding 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 Holding 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 Holding'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 Holding 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 Holding's continuing involvement is the amount of the transferred asset that NIBC Holding 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 Holding'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 assets at fair value through profit or loss which include:
  - financial assets held for trading;
  - financial assets that NIBC irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch, aremanaged on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

Financial liabilities are classified as:

- Financial instruments at amortised cost; or
- Financial liabilities at fair value through profit or loss which include:
  - financial liabilities held for trading;
  - financial liabilities that NIBC has irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

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.

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:

- those that NIBC Holding intends to sell immediately or in the short term, which are classified as held for trading;
- those that NIBC Holding upon initial recognition designates at fair value through profit or loss;
- those that NIBC Holding upon initial recognition designates at available for sale;
- 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 2017 include corporate lending (excluding commercial real estate and leverage loan warehouses, secondary loan trading and distressed asset trading), mortgage loans 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).

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 2017 include:

- Equity investments;
- Certain debt investments that do not meet the definition of loans and receivables;
- 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 investment income (sub line item gains less losses from financial assets).

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 investment income (sub line item dividend income) when NIBC Holding's right to receive payment is established.

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 Holding 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 Holding 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 Holding 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 Holding 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;
- 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 Holding 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 investment income. Interest is recorded in interest income using the effective interest rate method, while dividend income is recorded in investment income (sub line item dividend income) when NIBC Holding's right to receive payment is established.

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 Holding classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. NIBC Bank's perpetual bonds are not redeemable by the holders but bear an entitlement to distributions that is not at the discretion of NIBC Bank. 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.

Own credit requirements IFRS 9 (early adopted in isolation as from 1 January 2016)

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the NIBC Holding's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Reclassification

In accordance with the amendment to IAS 39: 'Reclassifications of Financial Assets', NIBC Holding 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 Holding 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;
- Debt investments:
  - US Structured Credits 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;
  - 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;
  - 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 Holding. 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 2017.

Changes to the classification of financial assets

NIBC Holding 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 (mortgage loans, 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 mortgage loans, 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 IFRS 11) 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;
- 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.

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:

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

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 Holding has access at that date. NIBC Holding 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 Holding'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. Deferred day one profit or loss is amortised to income over the contractual life until maturity or settlement.

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 Holding 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 48 for an analysis of the fair values of financial instruments and further details as to how they are measured.

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 Holding 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.

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

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when, and only when, NIBC Holding 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 fair value. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

Derivative financial instruments and hedging

NIBC Holding uses derivative financial instruments both for trading and hedging purposes. NIBC Holding 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 in net trading income.

When derivatives are designated as hedges, NIBC Holding 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') (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 Holding 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 Holding documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. NIBC Holding 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 Holding 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 Holding 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 in net trading income 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 in net trading income.

Portfolio fair value hedge

NIBC Holding 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 Holding 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 Holding 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 Holding 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 in net trading income.

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.

Hedge effectiveness testing
To qualify for hedge accounting, NIBC Holding 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 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;
- 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, Mortgage loans at Own Book, EU Corporate Credits and EU Structured Credits). The average period is six months for the different Corporate loan portfolios and Mortgage loans 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. 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity securities. Generally fair value less than 75% of cost and 6-9 months are used as triggers.

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 investment income (sub line item gains less losses).

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;
- 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 Holding 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 Holding 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 (land and buildings), 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 Holding 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
Assets under operating leases	1 - 5 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.

Investment property

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

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the income statement.

Where the group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date.

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. When assets are held subject to an operating lease, the assets are included in Assets held under operating leases under Property, plant and equipment.

Financial guarantees

In the ordinary course of business, the group issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the income statement in impairments of financial assets. The premium received is recognised in the income statement in fee and commission income on a straight line basis over the life of the guarantee.

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.

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 in the scope of IFRS 15 (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.

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;
- 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. Provisions are presented under other liabilities.

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 Holding operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to NIBC Holding by the employees and is recorded as an expense under personnel expenses and share-based payments. Unpaid contributions are recorded as a liability. NIBC Holding does not operate a defined benefit plan.

Termination benefits

NIBC Holding 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 Holding 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;
- 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 Holding revises its estimates of the number of shares or options that are expected to vest based on the non-market vesting conditions. NIBC Holding 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 Holding 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 Holding 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 Holding 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 Holding's principal temporary differences arise from the revaluation of certain financial assets and liabilities including derivative contracts, the depreciation of property 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.

Equity

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

Capital securities
As there is no formal obligation to (re)pay the principal or to pay a dividend the capital securities are recognized as equity and dividends paid on capital securities are recognized directly in equity.

Issue costs of shares and capital securities
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 and capital securities
Dividends on ordinary shares and capital securities 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.

Treasury shares

When NIBC Holding or an entity in the group acquires the company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until the shares are cancelled. When such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of NIBC Holding's own equity instruments.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments, and changes in fair value are reported in the income statement.

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 Holding 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.

Investment income
Investment income includes the following income items:

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.

Dividend income
Dividends are recognised in the income statement when NIBC Holding's right to receive payment is established.

Share in result of associates (equity method)
Share in result of associates includes gains and losses related to investments in associates (equity method).

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 investment income; gains less losses from financial assets. Net trading income includes related foreign exchange gains and losses.

Government grants
NIBC recognises an unconditional government grant in profit or loss as other income when the grant becomes receivable. Other government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and NIBC will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate NIBC for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

Rental income
The group manages a portfolio of German Residential and Commercial Property. Rental income from operating leases from the German Residential and Commercial Property is recognised in income on a straight line basis over the lease term net of discounts and other deductions.

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 Holding 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 Holding 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;
- Impairment of equity investments classified as available for sale;
- Income taxes.

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 mortgage loans designated at fair value through profit or loss, see note 48.

Own liabilities designated at fair value through profit or loss

At 31 December 2017, the fair value of these liabilities was estimated to be EUR 821 million (31 December 2016: EUR 933 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;
- 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 2017 attributable to the movement in credit spreads as reported in notes 36, 37 and 41 reflects gross amounts, excluding pull-to-par and model refinement effects.

The bank estimates its own credit risk from market observable data such as NIBC senior unsecured issues, NIBC subordinated issues and secondary prices for its traded debt.

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 2017 by EUR 3.3 million (31 December 2016: EUR 4.0 million).

Mortgage loans

NIBC Holding determines the fair value of mortgage loans (both those it holds in part of its own warehouse and those it has securitised) by using a valuation model developed by NIBC Holding. 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 Holding 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 Holding therefore collects quotes from publicly issued RMBS's solely including Dutch mortgage loans, 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 Holding 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 Holding 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 2017 of approximately EUR 15 million (31 December 2016: EUR 16 million) on the fair value of the mortgages. A shift of a full 1% from base case (increase from 9% to10%) in the assumption NIBC Holding makes about expected prepayments would have had an impact as of 31 December 2017 of approximately EUR 10 million (31 December 2016: EUR 13 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 Holding. 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 2017, the fair value of this portfolio was estimated to be EUR 323 million (31 December 2016: EUR 245 million). This portfolio is reported as equity investments (including investments in associates) at fair value through profit or loss (31 December 2017: EUR 287 million; 31 December 2016: EUR 204 million) and as equity investments at available for sale (31 December 2017: EUR 36 million; 31 December 2016: EUR 41 million).

For the determination of the fair value of equity investments and for estimated sensitivity to key assumptions in the valuation, see note 48.

Impairment of corporate loans

NIBC Holding 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 Holding 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 Holding'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 Holding 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 2017, for each of NIBC Holding's impaired corporate loans, the net present value of the estimated cash flows had been 5% lower or higher than estimated, NIBC Holding would have recognised an additional impairment loss or gain of EUR 7.3 million (31 December 2016: EUR 18.4 million).

Impairment of debt investments classified at amortised cost

NIBC Holding 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 Holding 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 2017, for each of NIBC Holding's impaired debt investments, the net present value of the estimated cash flows had been 5% lower or higher than estimated, NIBC Holding would have recognised an additional impairment loss or gain of EUR 0.1million (31 December 2016: EUR 0.8 million).

Impairment of debt investments classified as available of sale

NIBC Holding 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 Holding 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 2016, for each of NIBC Holding's impaired debt investments, the fair value had been 5% lower or higher, NIBC Holding would have recognised an additional impairment loss or gain of EUR 0.1 million (31 December 2015: EUR 0.1 million).

Impairment of equity investments classified as available for sale

NIBC Holding 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 Holding 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 Holding, 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 Holding 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 Holding 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 0.6 million (2016: EUR 0.4 million) reduction in the profit before tax (investment income) in 2017.

Income taxes

Deferred tax assets are included only if it is probable that taxable profits will be realised in the near future against which these temporary differences can be offset. When determining future taxable profits, estimates are used since these are subject to uncertainty. If an amount of EUR 10 million less or more future taxable profits can be offset against unused carry forward losses within the term to maturity of these carry forward losses, three years at a maximum, an additional tax loss or gain should be recognized in the profit or loss of EUR 2.5 million at the currently applicable income tax rate of 25%.

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 Holding. Segment reporting puts forth a presentation of the segment results based on management reporting methods and a reconciliation between the results of the operating segments and the consolidated financial statements. The Managing Board is the Group's chief operating decision-maker.

Operating segments

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

Corporate client offering

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

Retail client offering

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

Treasury and Group functions

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

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

Certain financial assets and liabilities are not allocated to Corporate client offering and Retail client offering as they are managed on a group basis. These financial assets and liabilities are held within the segment Treasury and Group functions and mainly comprise cash, debt investments, derivative assets and liabilities as well as majority of the holding's funding. As the assets of Corporate client offering and Retail client offering are largely funded internally with transfer pricing, majority of NIBC Holding's external funding is held within Treasury and Group functions.

Inter-segment income and expenses are eliminated on consolidation level.

Reconciliation with consolidated income statement

The accounting policies of the segments are the same as those described in our Accounting Policies section, with the exception of the following two adjustments.

Special items in 2016: The gains and losses that do not arise in the ordinary course of business have been excluded as 'special items.' In 2016, these include the badwill from acquisition of NIBC Markets of EUR 22 million, EUR 18 million after-tax credit loss on resolving pre-crisis retail exposure, EUR 6 million after-tax one-off expenses related to the outsourcing of our technical IT-environment and also to the alignment of the NIBC Markets franchise to our business model as well as the further development of this franchise. There are no special items reported in 2017.

NIBC Holding operates in four geographical locations namely the Netherlands, Germany, the UK and Belgium. The income and expenses incurred at each location are disclosed in a separate table.

The following table presents the Segment report comprising of a summary of our internal management report and the reconciliation to the consolidated results under IFRS for the years ended 31 December 2017 and 31 December 2016.

in EUR millions	Corporate client offering	Retail client offering	Treasury & Group functions	Internal management report	Reconciliation	Total Bank (consolidated financial report)	Holding items	Total Holding (supplementary financial report)
	For the year ended 31 December 2017							
Net interest income	204	127	35	366	-	366	(24)	342
Net fee and commission income	50	4	0	54	-	54	0	54
Investment income	66	-	1	67	-	67	0	67
Net trading income	37	(2)	(10)	25	-	25	74	98
Other operating income	0	0	0	0	-	0	(3)	(2)
Operating income	**357**	**130**	**25**	**512**	**-**	**512**	**47**	**559**
Regulatory charges and levies	-	9	5	14	-	14		14
Other operating expenses[1]	121	54	34	209	-	209	10	219
Operating expenses	**121**	**63**	**39**	**223**	**-**	**223**	**10**	**233**
Impairments of financial assets	34	0	0	34	-	34	21	56
Profit before tax	**201**	**67**	**(13)**	**255**	**-**	**255**	**16**	**270**
Tax	35	16	(10)	42		42	12	54
Profit after tax	**166**	**50**	**(4)**	**213**	**-**	**213**	**4**	**216**
Result attributable to non-controlling interests	0	0	0	0	-	-	0	0
Profit after tax attributable to:	**166**	**50**	**(4)**	**213**	**-**	**213**	**3**	**216**
Shareholders of the parent company						210		213
Holders of capital securities (non-controlling interests)						3		3
Other non-controlling interests						-		-
Total FTEs	461	126	79	666	-	666	23	689
EC Usage (start of the year)	1,154	363	138	1,656		1,656		1,656
Available capital (start of the year)				1,944		1,944		1,792
ROE (SBU based on EC Usage)	14.4%	13.9%	-4.8%	12.7%		12.7%		12.9%
ROE (on available capital)				10.8%		10.8%		11.9%
Cost/income ratio	34%	48%		44%		44%		42%
Segment assets	8,308	9,095	4,806	22,209	-	22,209	(61)	22,148
Risk-weighted assets	6,516	1,158	872	8,546	-	8,546	38	8,584

1 Other operating expenses includes all operating expenses except regulatory charges and levies.

in EUR millions	For the year ended 31 December 2017 The Netherlands	Germany	United Kingdom	Belgium	Total
Operating income	490	54	10	5	559
Operating expenses	189	30	11	3	233
Impairments & other	55	0	0	-	56
Profit before tax	**245**	**23**	**0**	**2**	**270**
Tax	46	6	0	1	54
Profit after tax	**199**	**17**	**0**	**1**	**216**
FTEs	574	78	32	5	689

	For the year ended 31 December 2016							
in EUR millions	Corporate client offering	Retail client offering	Treasury & Group functions	Internal management report	Reconciliation	Total Bank (consolidated financial report)	Holding items	Total Holding (supplementary financial report)
Net interest income	162	117	27	306	-	306	(14)	293
Net fee and commission income	32	0	(1)	32	-	32	-	32
Investment income	33	-	(2)	31	(8)	23	-	23
Net trading income	16	(4)	(1)	12	-	12	22	34
Other operating income	0	0	1	0	22	22	9	31
Operating income	**244**	**114**	**24**	**381**	**14**	**395**	**17**	**413**
Regulatory charges and levies	-	10	5	15	-	15	-	15
Other operating expenses[1]	118	47	15	180	9	188	3	191
Operating expenses	**118**	**57**	**20**	**194**	**9**	**203**	**3**	**206**
Impairments of financial assets	57	1	0	57	14	72	12	84
Profit before tax	**69**	**56**	**4**	**129**	**(9)**	**120**	**3**	**123**
Tax	12	14	0	25	(7)	18	1	19
Profit after tax	**58**	**42**	**4**	**104**	**(2)**	**102**	**2**	**104**
Result attributable to non-controlling interests	0	0	0	0	-	-	-	-
Profit before special items	**58**	**42**	**4**	**104**	**(2)**	**102**	**2**	**104**
Special items net of tax	(18)	-	16	(2)	-	-	-	-
Profit attributable to:	**39**	**42**	**20**	**102**	**-**	**102**	**2**	**104**
Shareholders of the parent company						102		104
Holders of capital securities (non-controlling interests)						-		-
Other non-controlling interests						-		-
Total FTEs	508	122	74	704	-	704	12	716
EC Usage (start of the year)	1,084	334	107	1,525		1,525		1,525
Available capital (start of the year)				1,886		1,886		1,735
ROE (SBU based on EC Usage)	5.3%	12.7%	3.8%	6.8%		6.7%		6.8%
ROE (on available capital)				5.5%		5.4%		6.0%
Cost/income ratio	48%	50%		51%		51%		50%
Segment assets	8,880	8,831	5,869	23,580	-	23,580	(85)	23,495
Risk-weighted assets (end of year)	7,861	1,284	964	10,109	-	10,109	(178)	9,930

1 Other operating expenses includes all operating expenses except regulatory charges and levies.

in EUR millions	For the year ended 31 December 2016 The Netherlands	Germany	United Kingdom	Belgium	Total
Operating income	338	48	21	6	413
Operating expenses	159	31	12	4	206
Impairments & other	83	1	0	-	84
Profit before tax	**96**	**15**	**9**	**2**	**123**
Tax	12	5	2	1	19
Profit after tax	**85**	**11**	**7**	**2**	**104**
FTEs	591	87	34	5	716

2 Net interest income

in EUR millions	2017	2016
Interest and similar income		
Interest income from other assets	409	383
Interest income from assets at fair value through profit or loss	125	156
	534	**539**
Interest expense and similar charges		
Interest expense from other liabilities	174	228
Interest expense from assets at fair value through profit or loss	18	18
	192	**246**
	342	**293**

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.

The interest income includes a positive amount of EUR 5 million, including the catch-up effect for 2016 is EUR 0.5 million, related to the Targeted Long-Term Refinancing Operations programme (TLTRO II) of the ECB, as NIBC Holding expects to meet the minimum net lending amount in the reference period, needed to receive the applicable discount rate of 40bps.

Interest income includes negative interest from liabilities for an amount of EUR 35 million (2016: EUR 40 million).

For the year ended 31 December 2017, interest expense related to deposits from customers amounted to EUR 113 million (31 December 2016: EUR 170 million).

Interest expense includes negative interest from financial assets for an amount of EUR 62 million (2016: EUR 38 million).

3 Net fee and commission income

in EUR millions	2017	2016
Fee and commission income		
Investment management	14	8
Lending related fees	18	14
M&A fees	11	6
Originate-to-Manage	4	-
NIBC Markets	7	4
	54	**32**
Fee and commission expense		
Other non-interest related	-	-
	-	**-**
	54	**32**

4 Investment income

in EUR millions	2017	2016
Gains less losses		
Equity investments		
Gains less losses from equity investments (available-for-sale)		
Net gain/(losses) on disposal	-	1
Impairment losses equity investments	-	-
Gains less losses from equity investments (fair value through profit or loss)		
Gains less losses from associates	63	29
Gains less losses from other equity investments	1	(6)
Debt investments		
Gains less losses from debt investments (available-for-sale)	1	(2)
	65	**22**
Dividend income (available-for-sale)	2	-
Share in result of associates	-	1
	67	**23**

5 Net trading income

in EUR millions	2017	2016
Debt securities (designated at fair value through profit or loss)	-	(5)
Debt investments (designated at fair value through profit or loss)	-	-
Mortgage loans own book and securitised mortgage loans	5	9
Loans (designated at fair value through profit or loss)	-	7
Assets and liabilities held for trading	8	2
Interest rate instruments (derivatives)	(4)	(12)
Investment property held for sale - revaluation result	115	20
Investment property held for sale - operating income	17	(30)
Investment property held for sale - operating expense	(37)	27
Foreign exchange	-	(1)
Fair value hedges of interest rate risk	(1)	9
Cash flow hedges of interest rate risk	(5)	(2)
Other net trading income	-	10
	98	**34**

6 Other operating income

in EUR millions	2017	2016
Badwill (negative goodwill)	-	22
Other	(2)	9
	(2)	**31**

Badwill (negative goodwill) for an amount of EUR 22 million is recognised following the acquisition of SNS Securities N.V. on 30 June 2016. For further details see note 55 Business combinations and divestments.

7 Personnel expenses and share-based payments

in EUR millions	2017	2016
Salaries	75	75
Variable compensation:		
Cash bonuses	11	5
Share-based and deferred bonuses including expenses relating to previous years' grants	3	2
Pension and other post-retirement charges:		
Defined-contribution plan	14	11
Other post-retirement charges/(releases) including own contributions of employees	(1)	(1)
Social security charges	8	7
Other staff expenses	2	2
	111	**102**

In 2017 the salaries remain stable at EUR 75 million. This can be explained by a decrease in the average number of *Full-Time Equivalents* (**FTEs**), mainly driven by the reorganisations within NIBC Markets and the IT department, compensated by the increase of BEEQUIP B.V.

Internal reorganisation 2016

A new operating model for the IT-department was developed in 2016. After a positive advice of the Work Council it was decided to outsource some of the IT-tasks to an external supplier.

Internal reorganisation 2017

Following the evaluation of the staff base of NIBC Markets mid 2016, which resulted initially in a reduced workforce of 5 FTE in 2016, in 2017 it was decided to end some of the NIBC Markets business activities. As a consequence approximately 15 FTE became redundant in 2017 and 20 FTE will become redundant in 2018.

As a result of these internal reorganisations a one-off expense of approximately EUR 5 million is recognised in 2017 (2016: EUR 5 million).

The number of FTEs decreased from 716 at 31 December 2016 to 689 at 31 December 2017. The number of FTEs employed outside of the Netherlands decreased from 125 at 31 December 2016 to 115 at 31 December 2017.

The variable compensation in cash charged to the income statement increased in 2017 on the back of improved performance and in view of the ongoing review of strategic options. The total amount of variable income granted in 2017, with respect to the performance over 2016, amounts to EUR 8 million. This grant consists of (direct and deferred) cash and (vested and unvested) share based instruments. In 2017 one employee was awarded a total compensation of more than EUR 1 million (2016: one employee).

Information on the pension charges is included in note 43 Employee benefits.

Information on the remuneration of the members of the Staturory Board and Supervisory Board can be found in note 59.

Remuneration of Statutory Board and Supervisory Board

Key management personnel compensation (Statutory Board)

in EUR	2017	2016
The breakdown of the total remuneration of the Statutory Board is as follows:[1]		
Cash compensation (base salary)	1,900,000	2,243,750
Short-term incentive compensation (cash bonus)	114,000	108,588
Cash compensation (sign-on payment)[2]	-	51,625
Short-term incentive compensation (phantom share units)	114,000	108,588
Vesting of prior years short-term deferred share awards compensation[3]	123,163	93,210
Vesting of 2009-2014 co-investment related deferred share awards compensation[3]	456,108	174,382
Pension costs	366,710	442,419
Other remuneration elements	189,684	228,596
	3,263,664	**3,451,158**

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 2016.
2 The sign-on relates to a one-off compensation to the new CRO for leaving an attractive position with his previous employer. The sign-on is delivered in a pre-defined mix: 30% in cash, 20% in deferred cash, 30% in Phantom Share Units and 20% in unvested Phantom Share Units.
3 Expensed through P&L current year, remuneration has been in prior year(s)

As at 31 December 2017, current and former members of the Statutory Board held 144,252 *Common Depositary Receipts* (**CDRs**) (31 December 2016: 144,252), 123,381 *Conditional Common Depositary Receipts* (**CCDRs**) (31 December 2016: 104,288) and 21,254 *Conditional Restricted Depositary Receipts* (**CRDRs**) (31 December 2016: 43,138).

Key management personnel compensation (Supervisory Board)

in EUR	2017	2016
Total remuneration of the Supervisory Board is as follows:		
Annual fixed fees, committee fees	572,500	544,333
	572,500	**544,333**

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
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
Deferred cash	No	Cash-settled	3 years pro rata vesting

Depositary receipts

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

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. 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.

In December 2017 it was proposed by the Statutory Board and subsequently approved by the Remuneration and Nominating Committee and Supervisory Board to change the *Plan Rules Variable Compensation* (**NIBC Choice**) in order to allow delivery of *Depositary Receipts* (**DR**) for outstanding *Conditional Common Depositary Receipts* (**CCDR**) in lieu of the occurrence of a change of control of NIBC Holding. The one-off costs related to the change of Plan Rules in December 2017 amounts to EUR 0.4 million. Furthermore it was decided that all unvested Conditional Restricted Depositary Receipts (CRDR) outstanding at 1 January 2018 will vest immediately (accelerated vesting) into CCDR. This applies to 3.558 CRDRs (net after tax basis) related to the cancellation of the Long Term Incentive arrangement for certain Statutory Board members. Following this change of the Plan Rules 317,200 (net after tax basis) outstanding CCDRs were released into Common DRs in January 2018.

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 and RPSUs 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.

Share plans

Common Depositary Receipts

At year-end 2017, 2,083,116 (2016: 2,083,116) CDRs were in issue to employees.

	Depositary Receipt awards (in numbers)		Fair value at balance sheet date (in EUR)	
	2017	2016	**2017**	2016
Balance at 1 January	**2,083,116**	**2,083,116**		
Granted	-	-		
Exercised	-	-		
Balance at 31 December	**2,083,116**	**2,083,116**	**10.32**	**7.96**
Of which relates to investment from own funds at 31 December	**904,359**	**904,359**		

Conditional Common Depositary Receipts

At year-end 2017, 123,381 (2016: 104,288) of the total 287,905 of CCDRs had been issued to current and former Statutory Board members. All CCDRs are considered equity-settled in both 2017 and 2016.

	Conditional Common Depositary Receipt awards (in numbers)		Weighted average fair value at grant date (in EUR)	
	2017	2016	2017	2016
Changes in conditional common depositary receipts:				
Balance at 1 January	**268,812**	**244,012**	**9.11**	**9.18**
Vesting of one-off matching shares awarded in 2012 and 2014 on investment from own funds	14,138	18,449	8.28	8.37
Vesting of cancellation LTI arrangement in 2014	4,955	6,351	8.60	8.60
Balance at 31 December	**287,905**	**268,812**	**9.06**	**9.11**

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 10.32 (2016: EUR 7.96).

Following the change of the Plan Rules in December 2017 the outstanding CCDRs were released into Common DRs in January 2018.

Conditional Restricted Depositary Receipts

At year-end 2017, 21,254 CRDRs (2016: 43,138) were in issue to (former) 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 0 years (2016: 0.8 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.

All CRDRs are considered equity-settled in both 2017 and 2016.

	Conditional Restricted Depositary Receipt awards (in numbers)		Weighted average fair value at grant date (in EUR)	
	2017	2016	2017	2016
Changes in conditional restricted depositary receipts:				
Balance at 1 January	**43,138**	**72,123**	**8.39**	**8.42**
Forfeited	(2,791)	(4,185)	8.60	8.60
Vested into conditional CDRs	(19,093)	(24,800)	8.36	8.43
Balance at 31 December	**21,254**	**43,138**	**8.38**	**8.39**

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 10.32 (2016: EUR 7.96).

Phantom Share Units

As at year-end 2017, 256,765 (2016: 225,012) 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)	
	2017	2016	2017	2016
Changes in phantom share units:				
Balance at 1 January	**225,012**	**208,010**	**8.34**	**8.63**
Granted	102,818	97,387	10.32	7.96
Vesting of RPSUs	39,067	42,783	8.63	8.43
Exercised	(108,201)	(123,168)	8.68	8.56
Forfeited	(1,931)	-	8.63	
Balance at 31 December	**256,765**	**225,012**	**9.10**	**8.34**

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 10.32 (2016: EUR 7.96).

Restricted Phantom Share Units

As at year end 2017, 206,150 (2016: 165,747) 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)	
	2017	2016	2017	2016
Changes in restricted phantom share units:				
Balance at 1 January	**165,747**	**146,791**	**8.38**	**8.63**
Granted	85,731	74,729	10.32	7.96
Vesting of RPSUs	(39,067)	(42,783)	8.63	8.43
Forfeited	(6,261)	(12,990)	8.18	8.66
Balance at 31 December	**206,150**	**165,747**	**9.14**	**8.38**

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. The fair value at reporting date was EUR 10.32 (EUR 7.96).

Result recognition

With respect to all instruments relating to NIBC Choice (CDRs, CCDRs, CRDRs, PSUs, RPSUs and deferred cash), an amount of EUR 3 million was expensed through personnel expenses in 2017 (2016: EUR 2 million), of which EUR 3 million (2016: EUR 2 million) refers to cash-settled instruments (deferred cash and PSUs) and nil (2016: 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 5 million (2016: EUR 3 million).

With respect to the equity-settled instruments (CDRs, CCDRs and CRDRs), 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 4 million (2016: EUR 4 million).

The current account with NIBC Bank includes EUR 29 million receivable (2016: EUR 29 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 receivable is more than offset by a payable in the current account position with NIBC Bank for the capital contribution of EUR 51 million (2016: 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 Restricted Depository Receipts, which have since then been converted into CDRs, by the Foundation to the employees.

8 Other operating expenses

in EUR millions	2017	2016
Other operating expenses		
Building-, housing & services expenses	5	5
Car-, travel- and accomodation expenses	4	5
Project expenses & consultants	30	22
Control and supervision	3	2
Corporate brand, brochures, (re-)presentation expenses	6	6
General personal expenses	4	4
ICT expensens	22	19
Office costs	5	5
Other general expenses	20	12
Fees of external independent auditor	3	2
	102	**82**

Audit fees 2017

in EUR thousands	External auditor	Other network	Other audit firms	Total
Fees of the external independent auditors:				
Audit of financial statements NIBC	1,681	-	-	1,681
Audit of financial statements Subsidiaries	630	-	-	630
Other audit-related services NIBC	-	-	-	-
Other audit-related services Subsidiares	-	-	185	185
Other non-audit related services NIBC	-	38	192	230
Other non-audit related services Subsidiares	-	67	-	67
Tax services NIBC		-	-	-
Tax services Subsidiares	-	-	664	664
	2,311	**105**	**1,041**	**3,457**

Audit fees 2016

in EUR thousands	External auditor	Other network	Other audit firms	Total
Fees of the external independent auditors:				
Audit of financial statements NIBC	1,165	254	-	1,419
Audit of financial statements Subsidiares	-	-	-	-
Other audit-related services NIBC	-	-	186	186
Other audit-related services Subsidiares	303	-	-	303
Other non-audit related services NIBC	15	-	128	143
Other non-audit related services Subsidiares	-	-	-	-
Tax services NIBC	-	-	22	22
Tax services Subsidiares	-	-	-	-
	1,483	**254**	**336**	**2,073**

The fees listed above relate to the procedures applied to NIBC Holding 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 2017 and 2016 annual reports, as incurred and accrued.

9 Depreciation and amortisation

in EUR millions	2017	2016
Property, plant and equipment	6	7
Intangible assets	-	-
	6	**7**

10 Regulatory charges and levies

in EUR millions	2017	2016
Resolution levy	4	4
Deposit Guarantee Scheme	10	11
	14	**15**

11 Impairments of financial and non-financial assets

Financial assets

in EUR millions	2017	2016
Impairments		
Loans classified at amortised cost	68	78
Debt investments classified at amortised cost	-	6
Debt investments classified available-for-sale	-	-
Mortgage loans own book classified at amortised cost	-	1
	68	**85**
Reversals of impairments		
Loans classified at amortised cost	(11)	(4)
Debt investments classified at amortised cost	(2)	-
Debt investments classified available-for-sale	-	-
Mortgage loans own book classified at amortised cost	-	-
	(13)	**(4)**
Other	1	1
	56	**82**

Non-financial assets

Impairment of non-financial assets in 2016 (EUR 2 million) is related to intangible assets of NIBC Holding's non-financial company Olympia Nederland Holding B.V. (Olympia). Olympia was classified as disposal group classified as held for sale as per 31 December 2015 and sold in June 2016.

12 Tax

in EUR millions	2017	2016
Current tax	69	31
Deferred tax	(15)	(12)
	54	**19**

Further information on deferred tax is presented in note 32. 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	2017	2016
Tax reconciliation:		
Profit before tax	**270**	**123**
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2016: 25.0%)	68	31
Impact of income not subject to tax	(7)	(13)
Impact of expenses not deductible	1	-
Effect of different tax rates other countries	-	1
Actualisation including true-ups and revaluations[1]	(8)	-
	54	**19**

1 The EUR 8 million mainly consists of true up of prior year tax positions, Deferrred tax assets temporary differences and revaluation of the Deferred tax assets losses carry forward.

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

NIBC Bank N.V. is part of the fiscal entity with NIBC Holding N.V.

The effective tax rate for the year ended December 2017 was 19.9% (2016: 15.3%).

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.

13 Earnings per share

Basic *earnings per share* (**EPS**) is calculated by dividing the profit for the year attributable to the equity shareholders of NIBC Holding N.V. by the weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to equity shareholders of NIBC Holding N.V. by the weighted average number of common shares oustanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares.

	2017			2016		
	Profit for the year attributable to equity holders	Weighted average number of common shares	Earnings per share[1]	Profit for the year attributable to equity holders	Weighted average number of common shares	Earnings per share[1]
	in EUR millons	in millions	in EUR	in EUR millons	in millions	in EUR
Basic earnings	213	146	1.46	104	146	0.71
Diluted earnings	213	146	1.46	104	146	0.71

1 Earnings per share consist of profit for the year excluding coupons attributable to capital securities and results attributable to non-controlling interests divided by the average outstanding and paid-up common shares.

There have been no significant transactions involving common shares or potential common shares between the reporting date and the date of the completion of these financial statements which would require the restatement of EPS.

14 Cash and balances with central banks (amortised cost)

in EUR millions	2017	2016
Cash and balances with central banks (amortised cost)	1,604	918
	1,604	**918**
Cash and balances with central banks can be categorised as follows:		
Receivable on demand	1,445	777
Not receivable on demand	159	141
	1,604	**918**
Legal maturity analysis of cash and balances with central banks not receivable on demand:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	8	8
Longer than five years	-	-
Assets with central banks due to mandatory reserve deposits	151	133
	159	**141**

Cash and balances with central banks included EUR 1,224 million on the current account balance held with Dutch Central Bank (2016: EUR 707 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	2017	2016
Current accounts	337	438
Deposits with other banks	628	1,030
	965	**1,468**
Due from other banks can be categorised as follows:		
Receivable on demand	337	442
Cash collateral placements posted under CSA agreements	627	1,026
Not receivable on demand	1	-
	965	**1,468**

There were no subordinated loans outstanding due from other banks in 2017 and 2016.

No impairments were recorded in 2017 and 2016 on the amounts due from other banks at amortised cost.

An amount of EUR 627 million (2016: EUR 1,026 million) related to cash collateral given to third parties and was not freely available to NIBC Holding.

Due from other banks categorised as 'not receivable on demand' all have a legal maturity of three months or less on 31 December 2017.

16 Loans (amortised cost)

in EUR millions	2017	2016
Loans	7,281	7,732
Lease receivables financing	192	112
	7,473	**7,844**
Legal maturity analysis of loans:		
Three months or less	224	223
Longer than three months but not longer than one year	843	747
Longer than one year but not longer than five years	4,390	4,625
Longer than five years	1,824	2,137
	7,281	**7,732**
Movement schedule of loans:		
Balance at 1 January	**7,732**	**7,294**
Additions	1,878	3,312
Disposals	(2,018)	(2,787)
Other (including exchange rate differences)	(311)	(87)
Balance at 31 December	**7,281**	**7,732**
Movement schedule of impairment losses on loans:		
Balance at 1 January	**179**	**140**
Additional allowances	68	78
Write-offs / disposals	(74)	(30)
Amounts released	(11)	(4)
Unwinding of discount adjustment	(7)	(9)
Other (including exchange rate differences)	(9)	4
Balance at 31 December	**146**	**179**

in EUR millions	2017	2016
Legal maturity analysis of gross investment in lease receivables financing:		
One year or less	11	9
Longer than one year but not longeer than five years	179	109
Longer than five years	21	4
	211	**122**
Unearned future finance income on lease receivables financing	19	10
Net investment in finance leases	**192**	**112**
Legal maturity analysis of net investment in lease receivables financing:		
One year or less	11	9
Longer than one year but not longeer than five years	163	100
Longer than five years	18	3
	192	**112**

The maximum credit risk exposure including undrawn credit facilities arising on loans at amortised cost amounted to EUR 9,006 million (2016: EUR 9,627 million).

The total amount of subordinated loans in this item amounted to EUR 128 million in 2017 (2016: EUR 150 million).

As per 31 December 2017, EUR 32 million (2016: EUR 42 million) was guaranteed by the Dutch State.

The allowance for uncollectable lease receivables financing is included in the loan loss provisions for an amount of EUR 1 million as at 31 December 2017 (2016: nil).

No individual lease receivables financing has terms and conditions that significantly affect the amount, timing or centainty of the consolidated cash flows of NIBC Holding.

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 2017, related to the available-for-sale loans reclassified to the loans at amortised cost category on 1 July 2008, amounted to EUR 16 million (2016: EUR 16 million).

17 Mortgage loans own book (amortised cost)

in EUR millions	2017	2016
Mortgage loans own book	4,412	3,346
	4,412	**3,346**
Legal maturity analysis of mortgage loans own book:		
Three months or less	-	-
Longer than three months but not longer than one year	1	-
Longer than one year but not longer than five years	4	2
Longer than five years	4,407	3,344
	4,412	**3,346**
Movement schedule of mortgage loans own book:		
Balance at 1 January	**3,346**	**2,390**
Additions	1,498	1,093
Disposals	(432)	(137)
Other (including exchange rate differences)	-	-
Balance at 31 December	**4,412**	**3,346**

The maximum credit exposure including committed but undrawn facilities was EUR 4,799 million at 31 December 2017 (31 December 2016: EUR 4,261 million).

The total impairments on mortgage loans own book at amortised cost at 31 December 2017 were EUR 2 million (2016: EUR 2 million).

18 Debt investments (amortised cost)

in EUR millions	2017	2016
Debt investments	59	287
	59	**287**
Debt investments analysed by listing:		
Listed	59	237
Unlisted	-	50
	59	**287**
Legal maturity analysis of debt investments:		
Three months or less	-	-
Longer than three months but not longer than one year	9	50
Longer than one year but not longer than five years	8	129
Longer than five years	42	108
	59	**287**
Movement schedule of debt investments:		
Balance at 1 January	**287**	**294**
Additions	4	86
Disposals	(233)	(84)
Impairments	2	(6)
Exchange differences and amortisation	(1)	(3)
Balance at 31 December	**59**	**287**
Movement schedule of impairment losses on debt investments:		
Balance at 1 January	**43**	**39**
Additional allowances	-	6
Write-offs	(21)	-
Amounts released	(2)	-
Other (including exchange rate differences)	-	(2)
Balance at 31 December	**20**	**43**

19 Equity investments (available-for-sale)

in EUR millions	2017	2016
Equity investments	36	41
	36	**41**
Movement schedule of equity investments:		
Balance at 1 January	**41**	**48**
Additions	-	-
Disposals (sales and/or capital repayments)	(3)	(3)
Impairments	-	-
Changes in fair value	(1)	(4)
Other (including exchange rate differences)	(1)	-
Balance at 31 December	**36**	**41**

20 Debt investments (available-for-sale)

in EUR millions	2017	2016
Debt investments	823	1,028
	823	**1,028**

All debt investments are non-government, except for EUR 38 million (2016: EUR 55 million).

in EUR millions	2017	2016
Debt investments analysed by listing:		
Listed	808	1,025
Unlisted	15	3
	823	**1,028**
Legal maturity analysis of debt investments:		
Three months or less	7	34
Longer than three months but not longer than one year	89	54
Longer than one year but not longer than five years	636	230
Longer than five years	91	710
	823	**1,028**
Movement schedule of debt investments:		
Balance at 1 January	**1,028**	**1,064**
Additions	276	442
Disposals	(462)	(479)
Changes in fair value	6	(1)
Other (including exchange rate differences)	(25)	2
Balance at 31 December	**823**	**1,028**
Movement schedule of impairment losses on debt investments:		
Balance at 1 January	**11**	**18**
Additional allowances	-	-
Write-offs	(7)	(7)
Amounts released	-	-
Other (including exchange rate differences)	-	-
Balance at 31 December	**4**	**11**

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

In 2017 and 2016 there were no additional impairments on debt investments available-for-sale.

The movement 'Other (including exchange rate differences)' completely exists of exchange rate differences (EUR 25 million).

At 31 December of 2017, EUR 39 million (2016: EUR 8 million) was pledged as collateral with clearinghouses.

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

in EUR millions	2017	2016
Loans	181	210
	181	**210**
Legal maturity analysis of loans:		
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	47	65
Longer than five years	134	144
	181	**210**
Movement schedule of loans:		
Balance at 1 January	**210**	**316**
Additions	-	8
Disposals	(24)	(100)
Changes in fair value	1	10
Other (including exchange rate differences)	(6)	(24)
Balance at 31 December	**181**	**210**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC Holding 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 cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a loss of EUR 8 million (2016: EUR 9 million) and the change for the current year is a gain of EUR 1 million.

The portion of fair value changes in 2017 included in the balance sheet amount (designated at fair value through profit or loss) as at 31 December 2017 relating to the movement in credit spreads amounted to nil (2016: EUR 6 million).

The maximum credit risk exposure including undrawn credit facilities amounted to EUR 181 million (2016: EUR 211 million).

22 Mortgage loans own book (designated at fair value through profit or loss)

in EUR millions	2017	2016
Mortgage loans own book	4,581	4,124
	4,581	**4,124**
Legal maturity analysis of mortgage loans own book:		
Three months or less	15	9
Longer than three months but not longer than one year	26	17
Longer than one year but not longer than five years	87	104
Longer than five years	4,453	3,994
	4,581	**4,124**
Movement schedule of mortgage loans own book:		
Balance at 1 January	**4,124**	**4,111**
Additions (including transfers from consolidated SPEs)	1,035	466
Disposals (sale and/or redemption, including replenishment of consolidated SPEs)	(570)	(471)
Changes in fair value	(8)	18
Balance at 31 December	**4,581**	**4,124**

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

The cumulative change in fair value is disclosed in note 23 Securitised mortgage loans.

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

The maximum credit exposure including committed but undrawn facilities was EUR 4,582 million (2016: EUR 4,125 million).

23 Securitised mortgage loans (designated at fair value through profit or loss)

in EUR millions	2017	2016
Securitised mortgage loans	338	1,550
	338	**1,550**
Legal maturity analysis of securitised mortgage loans:		
Three months or less	1	1
Longer than three months but not longer than one year	2	1
Longer than one year but not longer than five years	10	19
Longer than five years	325	1,529
	338	**1,550**
Movement schedule of securitised mortgage loans:		
Balance at 1 January	**1,550**	**2,266**
Additions	-	-
Disposals (sale and/or redemption including transfers to own book)	(1,129)	(666)
Changes in fair value	(83)	(50)
Balance at 31 December	**338**	**1,550**

At 31 December 2017 the carrying amounts for mortgage loans own book (designated at fair value through profit or loss) and securitised mortgages loans include a total revaluation adjustment of EUR 331 million debit (2016: EUR 423 million debit) related to both interest rates and credit spreads. As NIBC Holding hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated by results on financial derivatives.

The portion of fair value changes in 2017 included in the balance sheet carrying amount related to the movement in credit spreads on mortgages loans own book (see note 22) and securitised mortgage loans amounted to EUR 19 million debit at 31 December 2017 (2016: EUR 35 million debit), being an increase in the carrying amount.

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 107 million (2016: EUR 98 million) and the change for the current year is a gain of EUR 9 million.

Interest income from securitised mortgage loans 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 2017, securitised mortgage loans in the amount of EUR 338 million (2016: EUR 1,550 million) were pledged as collateral for NIBC Holding's own liabilities (see note 51).

The maximum credit exposure was EUR 338 million at 31 December 2017 (31 December 2016: EUR 1,550 million).

The aggregate difference yet to be recognised in the income statement between transaction prices at initial recognition and the fair value determined by a valuation model on both mortgage loans own book (see note 22) and securitised mortgage loans at 31 December 2017 amounted to a liability of EUR 11 million (2016: EUR 14 million).

Securitised mortgage loans 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 43 million (31 December 2016: EUR 135 million) of notes issued by the SPEs and reserve accounts amounted to EUR 3 million (31 December 2016: EUR 11 million).

24 Equity investments (designated at fair value through profit or loss, including investments in associates)

in EUR millions	2017	2016
Investments in associates	246	185
Other equity investments	39	17
Long position in listed and actively traded equities	2	2
	287	**204**
Movement schedule of investments in associates:		
Balance at 1 January	**185**	**172**
Additions	5	31
Disposals	(5)	(38)
Changes in fair value	61	20
Balance at 31 December	**246**	**185**
Movement schedule of other equity investments:		
Balance at 1 January	**17**	**50**
Additions	30	10
Disposals	(7)	(37)
Changes in fair value	1	(6)
Other (including exchange rate differences)	(2)	-
Balance at 31 December	**39**	**17**
Movement schedule of long position in listed and actively traded equities:		
Balance at 1 January	**2**	**-**
Additions	62	6
Disposals	(63)	(4)
Other (including exchange rate differences)	1	-
Balance at 31 December	**2**	**2**

At the end of 2017 and 2016, all investments in associates and other equity investments were unlisted. Other disclosure requirements for associates are presented in note 57 Principal subsidiaries and associates.

Long positions in listed and actively traded equities consist of trading positions. Additions and disposals relate to trading activities at NIBC Markets.

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

in EUR millions	2017	2016
Held for trading	31	60
Designated at fair value through profit or loss	-	-
	31	**60**
Movement schedule of debt investments designated at fair value through profit or loss:		
Balance at 1 January	**-**	**7**
Additions	-	-
Disposals (sale and/or redemption including transfers to own book)	-	(7)
Changes in fair value	-	-
Exchange rate differences	-	-
Balance at 31 December	**-**	**-**

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

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in credit risk amounts to nil and the change for the current year is also nil (2016: nil).

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 Derivative financial instruments

in EUR millions	2017	2016
Derivative financial assets:		
Derivative financial assets used for hedge accounting	79	177
Derivative financial assets - other	942	1,634
	1,021	**1,811**
Derivative financial liabilities:		
Derivative financial liabilities used for hedge accounting	38	89
Derivative financial liabilities - other	825	1,917
	863	**2,006**

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;
- 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 62 Market risk (Key risk statistics Trading portfolio excluding NIBC Markets).

In 2017 NIBC started offsetting assets and liabilities related to derivative transactions with central clearing members. Under certain conditions derivative positions with the same characteristics such as counterparty, maturity bucket and currency are netted, for a total amount of EUR 332 million (for further details reference is made to note 50).

Derivative balances have decreased significantly in 2017. Part of the decrease is driven by market developments. As the positions mainly relate to hedges of interest rate risks, the interest rate movements of 2017 have affected the balances. In addition to these regular developments, two separate actions have led to an additional reduction of the derivative balances. During 2017, NIBC has reviewed its hedging positions and has closed out many offsetting positions and replaced off-market derivatives with new derivatives at current market rates. As settlement processes and systems have been adjusted following the implementation of central clearing, more positions are eligible for off-setting. This has led to an additional reduction of the reported derivative balances.

Derivative financial instruments used for hedge accounting at 31 December 2017

	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	1	1,845	8,049	9,895	60	40
Interest currency rate swaps	-	-	17	17	5	-
	1	**1,845**	**8,066**	**9,912**	**65**	**40**
Derivatives accounted for as cash flow hedges of interest rate risk						
OTC products:						
Interest rate swaps	95	25	479	599	14	(2)
	95	**25**	**479**	**599**	**14**	**(2)**
Total derivatives used for hedge accounting	**96**	**1,870**	**8,545**	**10,511**	**79**	**38**

Derivative financial instruments used for hedge accounting at 31 December 2016

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	-	10	7,996	8,006	121	87
Interest currency rate swaps	-	-	18	18	6	-
	-	**10**	**8,014**	**8,024**	**127**	**87**
Derivatives accounted for as cash flow hedges of interest rate risk						
OTC products:						
Interest rate swaps	25	225	1,852	2,102	50	2
	25	**225**	**1,852**	**2,102**	**50**	**2**
Total derivatives used for hedge accounting	**25**	**235**	**9,866**	**10,126**	**177**	**89**

Derivative financial instruments - other at 31 December 2017

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]	1,206	3,474	19,943	24,623	709	771
Interest rate options (purchase)	333	278	431	1,042	2	-
Interest rate options (sale)	350	294	446	1,090	-	1
	1,889	**4,046**	**20,820**	**26,755**	**711**	**772**
Currency derivatives						
OTC products:						
Interest currency rate swaps	328	787	1,901	3,016	200	15
Currency/cross-currency swaps	190	-	-	190	1	2
	518	**787**	**1,901**	**3,206**	**201**	**17**
Other derivatives (including credit derivatives)						
OTC products:						
Credit default swaps (guarantees given)	-	-	-	-	-	-
Credit default swaps (guarantees received)	4	-	-	4	-	1
Other swaps	-	-	14	14	30	35
	4	**-**	**14**	**18**	**30**	**36**
Total derivatives - other	**2,411**	**4,833**	**22,735**	**29,979**	**942**	**825**

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 2016

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]	6,170	10,617	24,097	40,884	1,443	1,784
Interest rate options (purchase)	-	60	714	774	2	-
Interest rate options (sale)	-	30	782	812	-	2
	6,170	**10,707**	**25,593**	**42,470**	**1,445**	**1,786**
Currency derivatives						
OTC products:						
Interest currency rate swaps	277	760	1,809	2,846	148	88
Currency/cross-currency swaps	451	-	-	451	4	-
	728	**760**	**1,809**	**3,297**	**152**	**88**
Other derivatives (including credit derivatives)						
OTC products:						
Credit default swaps (guarantees given)	-	10	4	14	-	1
Credit default swaps (guarantees received)	-	10	-	10	-	-
Other swaps	27	-	23	50	37	42
	27	**20**	**27**	**74**	**37**	**43**
Total derivatives - other	**6,925**	**11,487**	**27,429**	**45,841**	**1,634**	**1,917**

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	2017	2016
Fair value pay - fixed swaps (hedging assets) | assets	(2)	6
Fair value pay - fixed swaps (hedging assets) | liabilities	(37)	(80)
	(39)	**(74)**
Fair value pay - floating swaps (hedging liabilities) | assets	66	121
Fair value pay - floating swaps (hedging liabilities) | liabilities	(3)	(7)
	63	**114**

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	2017	2016
Fair value receive - fixed swaps | assets	15	50
Fair value receive - fixed swaps | liabilities	2	(2)
	17	**48**
Fair value receive - floating swaps | assets	-	-
Fair value receive - floating swaps | liabilities	-	-
	-	**-**

The average remaining maturity (in which the related cash flows are expected to enter into the determination of profit or loss) is four years (2016: five years).

Hedging activities

Portfolio fair value hedge of plain vanilla funding
According to NIBC Holding's Hedging Policy, NIBC Holding 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 Holding uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate funding. To mitigate any accounting mismatches, NIBC Holding 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 2017 was EUR 16 million debit (2016: EUR 18 million debit). The losses on the hedging instruments were EUR 2 million (2016: nil). The gains on the hedged items attributable to the hedged risk were EUR 3 million (2016: nil). 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 Holding's Hedging Policy, NIBC Holding should not be exposed to interest rate risk from its fixed rate retail deposit activities above certain limits prescribed by the ALCO. Consequently, NIBC Holding uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate funding. To mitigate any accounting mismatches, NIBC Holding 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 2017 was EUR 16 million debit (2016: EUR 33 million debit). The losses on the hedging instruments were EUR 8 million (2016: loss of EUR 6 million). The gains on the hedged items attributable to the hedged risk were EUR 9 million (2016: gain 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 mortgages
According to NIBC Holding's Hedging Policy, NIBC Holding should not be exposed to interest rate risk from its fixed rate mortgages activities above certain limits prescribed by the ALCO. Consequently, NIBC Holding uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate mortgages. To mitigate any accounting mismatches, NIBC Holding 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 2017 was EUR 29 million credit (2016: EUR 59 million credit). The gains on the hedging instruments were EUR 35 million (2016: loss of EUR 32 million). The losses on the hedged items attributable to the hedged risk were EUR 36 million (2016: gain of EUR 40 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 Holding's hedging policy, NIBC Holding 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 Holding 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 Holding 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 2017 was EUR 30 million debit (2016: EUR 59 million debit). The losses on the hedging instruments were EUR 34 million (2016: gain of EUR 8 million). The gains on the hedged items attributable to the hedged risk were EUR 31 million (2016: 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 loans
According to NIBC Holding's hedging policy, NIBC Holding should not be exposed to interest rate risk from its corporate loan activities above certain limits as set by ALCO. Consequently, NIBC Holding uses interest rate swaps to hedge the fair value interest rate risk arising from these fixed rate loans. To mitigate any accounting mismatches, NIBC Holding 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 2017 was EUR 9 million credit (2016: EUR 11 million credit). Gains on the hedging instruments were EUR 3 million (2016: loss of EUR 3 million). The losses on the hedged items attributable to the hedged risk were EUR 2 million (2016: nil). 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 Holding's hedging policy, NIBC Holding 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 Holding 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 Holding 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 2017 was nil. (2016: nil). The gains on the hedging instruments were nil (2016: nil). The losses on the hedged items attributable to the hedged risk were nil (2016: nil). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Cash flow hedges

NIBC Holding 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 Holding. Therefore NIBC Holding 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 Holding 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 17 million debit (2016: EUR 48 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 seven years. In 2017 the ineffectiveness recognised in the income statement that arose from cash flow hedges was a loss of EUR 5 million (2016: loss of EUR 2 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 2017 was EUR 10 million debit (2016: EUR 12 million credit). The amount that was transferred from equity to the income statement in 2017 was a gain of EUR 7 million net of tax (2016: gain of EUR 18 million).

27 Investments in associates and joint ventures (equity method)

in EUR millions	2017	2016
Investments in associates	7	7
Investments In joint ventures	3	-
	10	**7**

At the end of 2017 and 2016, all investments in associates and joint ventures were unlisted.

There is no unrecognised share of losses of an associate or joint venture, either for the period or cumulatively.

The cumulative impairment losses amounted to nil for 2017 and 2016.

Other disclosure requirements for associates and joint ventures which are equity accounted are included in note 57 Principal subsidiaries and associates.

28 Intangible assets

in EUR millions	2017	2016
Intangible assets	3	3
	3	**3**
Intangible assets related to non-financial companies included in the consolidation:		
Cost	3	3
Accumulated amortisation	-	-
	3	**3**

The intangible assets consist of goodwill EUR 2 million (2016: EUR 2 million) and customer relationships EUR 1 million (2016: EUR 1 million).

29 Property, plant and equipment

in EUR millions	2017	2016
Land and buildings	41	40
Other fixed assets	3	4
Assets under operating leases	18	6
	62	**50**
Movement schedule of land and buildings:		
Balance at 1 January	**40**	**43**
Additions	2	-
Revaluation	2	-
Depreciation	(3)	(3)
Impairments	-	-
Disposals	-	-
Balance at 31 December	**41**	**40**
Gross carrying amount	101	97
Accumulated depreciation	(60)	(57)
Accumulated impairments	-	-
	41	**40**
Movement schedule of revaluation surplus:		
Balance at 1 January	**10**	**11**
Depreciation	(1)	(1)
Balance at 31 December	**9**	**10**
Movement schedule of other fixed assets:		
Balance at 1 January	**4**	**6**
Additions	1	2
Revaluation	-	-
Depreciation	(2)	(4)
Impairments	-	-
Disposals	-	-
Balance at 31 December	**3**	**4**
Gross carrying amount	28	27
Accumulated depreciation	(25)	(23)
Accumulated impairments	-	-
	3	**4**

in EUR millions	2017	2016
Movement schedule of assets under operating leases		
Balance at 1 January	**6**	**-**
Additions	14	6
Revaluation	-	-
Depreciation	(1)	-
Impairments	-	-
Disposals	(1)	-
Balance at 31 December	**18**	**6**
Gross carrying amount	20	6
Accumulated depreciation	(2)	-
Accumulated impairments	-	-
	18	**6**

NIBC Holding's land and buildings in own use were revalued as of 31 December 2017 based on an external appraisal (a valuation is carried out at least every three years).

Buildings in use by NIBC Holding are insured for EUR 75 million (2016: EUR 74 million). Other fixed assets are insured for EUR 37 million (2016: EUR 43 million).

The fair value of the property, plant and equipment does not materially deviates from the carrying amount.

30 Investment property

in EUR millions	2017	2016
Investment property	-	271
	-	**271**
Movement schedule of investment property:		
Balance at 1 January	**271**	**251**
Purchases and additional payments	-	-
Disposals	(289)	-
Changes in fair value	115	20
Transfer to assets of disposal group classified as held for sale	(97)	-
Balance at 31 December	**-**	**271**

All investment property has been sold over the course of 2017. The remaining investment property is pending hand over at the notary office in 2018. Following the approval of NIBC Holding's management on 21 December 2017 to sell the Vijlma structure the remaining investment property was transferred to assets of disposal group classified as held for sale (see note 34).

All investment property is owned by the group and held to earn rentals or for capital appreciation. The investment property is not used for the production or supply of goods and services or in any other way occupied for own use.

Operating income from investment property mainly consists of rental income and service charges recovered from tenants to an amount of EUR 11 million (2016: EUR 21 million) and EUR 6 million (2016: EUR 9 million) respectively and is recognised in net trading income of the income statement. Operating expense from investment property mainly consists of service charge expenses and selling expenses to an amount of EUR 7 million (2016: EUR 11 million) and EUR 25 million (2016: EUR 2 million) respectively and is recognised in net trading income of the income statement. Operating income relates to rent of residential, commercial and parking space is realised in Germany.

There are no material contingent rents recognised as income.

Some leases contain options to break before the end of the lease term. Properties under operating leases are included in investment property in the consolidated balance sheet. The period of leases whereby the group leases out its investment property under operating leases is 1 year or more.

NIBC Holding holds 315 residential, 23 commercial properties and 70 parking spaces and 11 other units in Germany at 31 December 2017. In case of a disposal of investment property, the proceeds following the disposal of investment property is disbursed to the shareholder and lenders as agreed with the lenders within NIBC Holding as stipulated in the loan agreement.

Measurement of fair values

As at 31 December 2017, the fair values of the properties are based on sales prices for properties that are sold or for which a signed sales contract exists on or prior to 31 December 2017. Changes in fair value of investment property are recognised in net trading income of the income statement.

31 Current tax

in EUR millions	2017	2016
Current tax assets	1	-
	1	**-**

in EUR millions	2017	2016
Current tax liabilities	1	-
	1	**-**

It is expected that the current tax will be settled within 12 months.

32 Deferred tax

in EUR millions	2017	2016
Deferred tax assets	38	46
Deferred tax liabilities	4	3
	34	**43**
Amounts of deferred income tax assets, without taking into consideration the offsetting of balances within the same jurisdiction:		
Debt investments (available-for-sale)	9	2
Tax losses carried forward	38	63
	47	**65**
Amounts of deferred income tax liabilities, without taking into consideration the offsetting of balances within the same jurisdiction:		
Equity investments (available-for-sale)	2	3
Cash flow hedges	10	14
Property, plant and equipment	-	4
Temporary tax differences	1	1
	13	**22**
	34	**43**

in EUR millions	2017	2016
Gross movement on the deferred income tax account may be summarised as follows:		
Balance at 1 January	**43**	**50**
Debt investments (reported as available-for-sale):		
Fair value remeasurement charged/(credited) to revaluation reserve	6	-
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	5	2
Property, plant and equipment (reported at fair value):		
Fair value remeasurement charged/(credited) to revaluation reserve	4	-
Temporary tax differences		
IFRS - HGB deferred tax	-	(1)
Tax losses carried forward	(25)	(8)
Balance at 31 December	**34**	**43**

Deferred tax assets and liabilities are measured for all temporary differences using the liability method. The effective tax rate in the Netherlands for measuring deferred tax is 25% (2016: 25%).

There were no changes in deferred tax assets and liabilities resulting from changes in the effective tax rate in the Netherlands. No deferred tax asset has been recognised for unused tax losses in the Netherlands totaling EUR 69 million at 31 December 2017 (31 December 2016: EUR 106 million). Deferred tax assets of EUR 17 million at 31 December 2017 (31 December 2016: EUR 27 million) have not been recognised because future taxable profits are not considered probable. The term to maturity of the majority of these carry forward losses is three years at the maximum.

Deferred tax assets recognised in respect of carry forward losses can only be utilized if taxable profits are realised in the future. To measure deferred tax assets, NIBC Holding takes a management best estimate regarding future compensation of carry forward losses. On 31 December 2017 there was a realistic expectation that sufficient taxable profits would be generated within the applicable periods for the recognised deferred tax asset based on internal (medium term) forecasts, which include estimates for the development of own credit spread, tax exempt results on equity investments and allocation of the expected impact of the introduction of IFRS9 as from 1 January 2018.

If an amount of EUR 10 million less or more future taxable profits can be offset against unused carry forward losses within the term to maturity of these carry forward losses, three years at a maximum, an additional tax loss or gain should be recognized in the profit or loss of EUR 2.5 million at the currently applicable income tax rate of 25%. For the sensitivity of deferred tax assets reference is also made in the Critical accounting estimates and judgements.

In previous periods, carried forward losses to an amount of EUR 24 million were not valued. These carried forward losses are related to the Vijlma business that is presented as disposal group held for sale at 31 December 2017. The respective underlying business will not generate sufficient future taxable profits, consequently these carried forward losses are not recorded at 31 December 2017.

33 Other assets

in EUR millions	2017	2016
Accrued interest	3	1
Other accruals and receivables	51	53
Pending settlements	8	173
	62	**227**

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.

Pending settlements are related to brokerage activities, these transitory amounts are settled within 3 days.

34 Disposal group classified as held for sale

At 31 December 2017 the assets and liabilities related to its Vijlma business have been presented as held for sale following the approval of NIBC's management on 21 December 2017 to sell the Vijlma structure. A sale of the remaining operations and assets of the Vijlma structure had not been completed at the balance sheet date, but NIBC expects a sale to occur in 2018.

The major classes of assets and liabilities of the Vijlma business classified as held for sale are, as follows:

Assets of disposal group classified as held for sale

in EUR millions	2017	2016
Due from other banks (AC)	62	-
Loans and receivables (AC)	-	-
Investment property	97	-
Current tax	-	-
Other assets	2	-
	161	**-**

Liabilities of disposal group classified as held for sale

in EUR millions	2017	2016
Derivatives Held for Trading	-	-
Borrowings (FV)	6	-
Other liabilities	90	-
Current tax liabilities	8	-
	104	**-**

At initial classification date of the Vijlma business as a disposal group classified as held for sale by NIBC Holding a (restructuring) loss of EUR 6 million was recognised within the Vijlma structure. The restructering loss especially relates to dismantling of the underlying property company structure.

There are no items recognised in OCI and or equity relating to assets of the disposal group classified as held for sale.

In previous periods, carried forward losses to an amount of EUR 24 million were not valued. These carried forward losses are related to the Vijlma business that is presented as disposal group held for sale at 31 December 2017. As the respective underlying business will not generate significant taxable profits anymore in the future the remainder of these carried forward losses was not valued at 31 December 2017.

35 Due to other banks (amortised cost)

in EUR millions	2017	2016
Due to other banks	491	390
Due to central banks	1,343	900
	1,834	**1,290**
Due to other banks:		
Payable on demand	8	6
Not payable on demand	1,826	1,284
	1,834	**1,290**
Legal maturity analysis of due to other banks not payable on demand:		
Three months or less	114	120
Longer than three months but not longer than one year	334	68
Longer than one year but not longer than five years	1,276	905
Longer than five years	102	191
	1,826	**1,284**

Interest is recognised in interest expense and similar charges on an effective interest basis.

At 31 December 2017, an amount of EUR 248 million (2016: EUR 114 million) related to cash collateral received from third parties.

Amounts drawn under *Targeted Longer Term Refinancing Operation* (**TLTRO II**) equal EUR 1,343 million (2016: EUR 900 million). The maturity of TLTRO II is four years and interest payments will be settled in arrears. The collateral for the TLTRO-program consists of DNB eligible debt investments and securitised mortgage loans. The interest rate, which is fixed for the entire maturity of the TLTRO II, will be set in June 2018.

36 Deposits from customers (amortised cost)

in EUR millions	2017	2016
Retail deposits	9,324	9,723
Institutional/corporate deposits	2,186	2,079
	11,510	**11,802**
Deposits from customers:		
On demand	5,418	5,455
Term deposits	6,092	6,347
	11,510	**11,802**
Legal maturity analysis of term deposits:		
Three months or less	999	761
Longer than three months but not longer than one year	2,345	2,221
Longer than one year but not longer than five years	2,208	2,371
Longer than five years	540	994
	6,092	**6,347**

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	2017	2016
Bonds and notes issued	4,392	3,855
	4,392	**3,855**
Legal maturity analysis of own debt securities in issue:		
Three months or less	1	-
Longer than three months but not longer than one year	1,111	67
Longer than one year but not longer than five years	2,288	2,277
Longer than five years	992	1,511
	4,392	**3,855**
Movement schedule of own debt securities in issue:		
Balance at 1 January	**3,855**	**3,050**
Additions	729	1,328
Disposals	(178)	(453)
Other (including exchange rate differences)	(14)	(70)
Balance at 31 December	**4,392**	**3,855**

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

The disposals of own debt securities in issue at amortised cost for 2017 include redemptions at the scheduled maturity date and repurchases of debt securities before the legal maturity date to an amount of EUR 178 million (2016: EUR 453 million).

EUR 715 million relates to cash inflow items and EUR 178 million relates to cash outflow items included in the consolidated statement of cash flows.

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

in EUR millions	2017	2016
Bonds and notes issued	267	1,337
	267	**1,337**
Legal maturity analysis of debt securities in issue related to securitised mortgage loans and lease receivables:		
Three months or less	267	2
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	-	1,335
	267	**1,337**
Movement schedule of debt securities in issue related to securitised mortgage loans and lease receivables:		
Balance at 1 January	**1,337**	**2,062**
Additions	-	-
Disposals	(1,070)	(725)
Other (including exchange rate differences)	-	-
Balance at 31 December	**267**	**1,337**

EUR 1,070 relates to cash outflow items included in the consolidated statement of cash flows.

39 Borrowings (designated at fair value through profit or loss)

in EUR millions	2017	2016
Borrowings	-	49
	-	**49**
Legal maturity analysis of own debt securities in issue:		
Three months or less	-	23
Longer than three months but not longer than one year	-	26
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
	-	**49**

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to nil and the change for the current year is a gain also to nil (2016: gain of EUR 4 million).

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to nil at 31 December 2017 (2016: EUR 62 million).

EUR 49 million relates to cash outflow items included in the consolidated statement of cash flows.

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

in EUR millions	2017	2016
Bonds and notes issued	38	37
	38	**37**
Legal maturity analysis of own debt securities in issue:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	38	37
Longer than five years	-	-
	38	**37**
Movement schedule of own debt securities in issue:		
Balance at 1 January	**37**	**36**
Additions	1	1
Disposals	-	-
Changes in fair value	-	-
Other (including exchange rate differences)	-	-
Balance at 31 December	**38**	**37**

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC Holding 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 36 million at 31 December 2017 (2016: EUR 34 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a loss of EUR 3 million and the change for the current year amounts to a loss of 1 million recognised in other comprehensive income following early adoption of IFRS 9 Own credit risk (2016: gain of 2 million). See note 48.7 for further information with respect to IFRS 9 Own credit risk.

EUR 1 million relates to cash inflow items included in the consolidated statement of cash flows.

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

in EUR millions	2017	2016
Bonds and notes issued	616	620
	616	**620**
Legal maturity analysis of debt securities in issue structured:		
Three months or less	-	-
Longer than three months but not longer than one year	21	16
Longer than one year but not longer than five years	280	55
Longer than five years	315	549
	616	**620**
Movement schedule of debt securities in issue structured:		
Balance at 1 January	**620**	**704**
Additions	39	56
Disposals	(29)	(169)
Changes in fair value	22	35
Other (including exchange rate differences)	(36)	(6)
Balance at 31 December	**616**	**620**

The disposals of debt securities in issue designated at fair value through profit or loss for 2017 include redemptions at the scheduled maturity date to an amount of EUR 29 million (2016: EUR 169 million) and repurchases of debt securities before the legal maturity date to an amount of nil (2016: nil). The changes in fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC Holding hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated with results on financial derivatives.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 624 million at 31 December 2017 (2016: EUR 654 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 7 million and the change for the current year is a loss of EUR 30 million recognised in other comprehensive income following early adoption of IFRS 9 Own credit risk (2016: loss of EUR 11 million). See note 48.7 for further information with respect to IFRS 9 Own credit risk.

EUR 28 million relates to cash inflow items, EUR 29 million relates to cash outflow items and EUR 3 million relates to net foreign exchange differences included in the consolidated statement of cash flows.

42 Other liabilities

in EUR millions	2017	2016
Payables	64	29
Reorganisation provisions	-	2
Other accruals	41	108
Pending settlements	8	136
	113	**275**
Movement schedule of reorganisation provisions:		
Balance at 1 January	**2**	**-**
Addition allowances	-	2
Provision used	(2)	-
Amounts released	-	-
Balance at 31 December	**-**	**2**

In 2016, a reorganisation provision of EUR 2 million has been recognised for the transformation of the IT department and the reorganisation of the business unit NIBC Markets. A liability of EUR 2 million has been recorded in 2017 to settle all agreements related to the reorganisation.

Pending settlements are related to the business unit NIBC Markets. These transitory amounts are related to the brokerage activities and settled within 3 days.

43 Employee benefits

in EUR millions	2017	2016
Employee benefits	3	3
	3	**3**
The movement in employee benefits recognised in the balance sheet may be summarised as follows:		
Balance at 1 January	**3**	**4**
Paid	-	-
Increase	-	-
Releases	-	(1)
Balance at 31 December	**3**	**3**

Employee benefit obligations of EUR 3 million at 31 December 2017 are related to payments to be made in respect of other leave obligations (2016: EUR 3 million). These obligations are short-term in nature and therefore valued at nominal value.

in EUR millions	2017	2016
The amounts of pension charges recognised in personnel expenses in the income statement were as follows:		
Collective Defined Contribution plans		
Employer's contribution	13	11
Participants' contributions	(1)	(1)
Administrative expenses	1	1
One-off employers pension contribution	1	-
	14	**11**

Employer's contributions in 2017 includes EUR 2 million (2016: EUR 2 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.

In 2017, in negotiation with the Works Council, new appointments were made for the annual pension contribution for the period 2018 - 2020. As part of the negotiations the Employer agreed to pay a one-off employers pension contribution of EUR 1 million to the premium reserve of the Pension Fund in of December 2017.

Obligations and expense under pension plans

A defined-contribution plan is a pension plan under which NIBC Holding 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 Holding pays contributions directly into the member's scheme. NIBC Holding 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 CDC-plan is based on an average salary plan. The retirement age is set at 68 years, as per 1 January 2018. The contribution payable by participants in the CDC-plan is maximised at 4% per annum. Under the CDC-plan the annual pension contributions are calculated according to a fixed contribution calculation mechanism. The annual pension contribution of NIBC Holding is maximised at 26% of the pensionable salary (salary minus a social security deductible). By paying the agreed fixed annual contribution NIBC Holding is released from all its obligations.

44 Subordinated liabilities - amortised cost

in EUR millions	2017	2016
Subordinated loans other	115	122
	115	**122**
Legal maturity analysis of subordinated liabilities:		
One year or less	-	-
Longer than one year but not longer than five years	1	2
Longer than five years but not longer than ten years	63	50
Longer than ten years	51	70
	115	**122**
Movement schedule of subordinated liabilities:		
Balance at 1 January	**122**	**120**
Additions	-	-
Disposals	-	-
Other (including exchange rate differences)	(7)	2
Balance at 31 December	**115**	**122**

All of the above loans are subordinated to the other liabilities of NIBC. With respect to the CRR/CRDIV requirements regarding additional Tier 1 capital instruments, non-qualifying subordinated loans amounted to EUR 51 million (2016: EUR 58 million). Interest expense of EUR 5 million was recognised on subordinated liabilities during the year 2017 (2016: EUR 4 million). In 2017 and 2016, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

EUR 6 million relates to cash outflow items and EUR 1 million related to foreign exchange differences included in the consolidated statement of cash flows.

45 Subordinated liabilities - designated at fair value through profit or loss

in EUR millions	2017	2016
Non-qualifying as grandfathered additional Tier 1 capital	60	179
Subordinated loans other	107	97
	167	**276**
Legal maturity analysis of subordinated liabilities:		
One year or less	-	1
Longer than one year but not longer than five years	-	-
Longer than five years but not longer than ten years	1	-
Longer than ten years	166	275
	167	**276**
Movement schedule of subordinated liabilities:		
Balance at 1 January	**276**	**280**
Additions	1	1
Disposals	(126)	(17)
Changes in fair value	40	5
Other (including exchange rate differences)	(24)	7
Balance at 31 December	**167**	**276**

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC Holding 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 249 million at 31 December 2017 (2016: EUR 405 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in credit risk amounts to a gain of EUR 83 million and the change for the current year amounts to a loss of EUR 38 million recognised in other comprehensive income following early adoption of IFRS 9 Own credit risk (2016: loss of EUR 5 million). See note 44.7 for further information with respect to IFRS 9 Own credit risk.

All of the above loans are subordinated to the other liabilities of NIBC Holding. The non-qualifying as grandfathered additional Tier 1 capital consists of perpetual securities and may be redeemed by NIBC Holding only with the prior approval of the DNB. Interest expense of EUR 15 million was recognised on subordinated liabilities during the year 2017 (2016: EUR 16 million). In 2017 and 2016, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

NIBC Holding has not had any defaults of principal, interest or redemption amounts on its liabilities during 2017 or 2016.

EUR 18 million relates to cash inflow, EUR 126 million relates to cash outflow items and EUR 1 million relates to foreign currency differences included in the consolidated statement of cash flows.

46 Equity

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

Share capital

in EUR millions	2017	2016
Paid-up capital per 1 January 2016, prior to adjustment		**1,408**
Adjustment share capital (reverse acquisition accounting)		(1,260)
Paid-up capital per 1 January 2016, after adjustment		**148**
Balance at 31 December	**148**	**148**

Number of shares

	2017	2016
The number of authorised shares:		
Number of authorised shares	500,000,000	500,000,000
Number of shares issued and fully paid	147,513,369	147,513,369
Par value per share	1.00	1.00
Reconciliation of number of shares outstanding:		
Balance at 1 January	**145,993,810**	**145,993,810**
Shares issues	-	-
Balance at 31 December	**145,993,810**	**145,993,810**

Out of the total number of shares issued by NIBC Holding, 2,088,949 (2016: 2,088,949) shares are held by *Stichting Administratiekantoor* (**STAK**) NIBC Holding in view of the share-based incentive scheme. The STAK is consolidated by NIBC Holding. The total number of treasury shares held by NIBC Holding is 1,519,559 (2016: 1,519,559).

Dividend restrictions

NIBC Holding and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital, and reserves required by law. Additionally, certain Bank companies are subject to restrictions on the amount of funds they may transfer in the form of dividend or otherwise to the parent company. Refer to note 8 of the Company Financial Statements for detailed information regarding the Legal Reserves.

Share premium and other reserves

in EUR millions	2017	2016
Share premium	1,138	2,279
Other reserves are as follows:		
Hedging reserve	30	43
Revaluation reserve - equity investments (available-for-sale)	5	6
Revaluation reserve - debt investments (available-for-sale)	(2)	(7)
Revaluation reserve - property, plant and equipment	8	8
Revaluation reserves	**11**	**7**
Own credit risk reserve	52	103
Shares held by STAK	(37)	(37)
Share payment reserve	37	37
	93	**153**
	1,231	**2,432**

in EUR millions	Share premium	Hedging reserve	Revaluation reserves	Own credit risk reserve	Shares held by STAK	Share payment reserve	Total
Balance at 1 January 2017	**2,279**	**43**	**7**	**103**	**(37)**	**37**	**2,432**
Net result on hedging instruments	-	(13)	4	(51)	-	-	(60)
Revaluation/remeasurement (net of tax)	-	-	-	-	-	-	-
Total recognised directly through other comprehensive income in equity	**2,279**	**30**	**11**	**52**	**(37)**	**37**	**2,372**
Distribution to shareholders of the parent	(56)	-	-	-	-	-	(56)
Transfer to retained earnings	(1,085)	-	-	-	-	-	(1,085)
Balance at 31 December 2017	**1,138**	**30**	**11**	**52**	**(37)**	**37**	**1,231**

in EUR millions	Share premium	Hedging reserve	Revaluation reserves	Own credit risk reserve	Shares held by STAK	Share payment reserve	Total
Balance at 1 January 2016	**525**	**49**	**11**	**-**	**(37)**	**37**	**585**
Adjustment share capital (reverse acquisition accounting)	1,260	-	-	-	-	-	1,260
Alignment of composition of consolidated equity to statutory equity	494	-	-	-	-	-	494
Impact of application IFRS 9 Own credit risk at 1 January 2016	-	-	-	115	-	-	115
Restated balance at 1 January 2016	**2,279**	**49**	**11**	**115**	**(37)**	**37**	**2,454**
Net result on hedging instruments	-	(6)	-	-	-	-	(6)
Revaluation/remeasurement (net of tax)	-	-	(4)	(12)	-	-	(16)
Total recognised directly through other comprehensive income in equity	**-**	**(6)**	**(4)**	**(12)**	**-**	**-**	**(22)**
Balance at 31 December 2016	**2,279**	**43**	**7**	**103**	**(37)**	**37**	**2,432**

Share premium

To accomodate future dividend payments NIBC Holding has converted EUR 1,085 million of share premium to retained earnings. Furthermore, in 2017 EUR 56 million of share premium has been distributed to equity shareholders as included in the consolidated statement of cash flows.

Other reserves

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 - 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)

This reserve comprises changes in fair value of available-for-sale debt investments (net of tax).

Revaluation reserve - property, plant and equipment

This reserve comprises changes in fair value of land and buildings (net of tax).

Own credit risk reserve

This reserve includes the cumulative changes in the fair value of the financial liabilities designated as at FVtPL that are attributable to changes in the credit risk of these liabilities other than those recognised in profit or loss (net of tax).

Retained earnings including profit after tax for the year

Retained earnings reflect accumulated earnings less dividends accrued and paid to shareholders and transfers from share premium.

in EUR millions	Retained earnings
Balance at 1 January 2017	**(763)**
Profit after tax for the year	213
Transfer from share premium	1,085
Other	1
Balance at 31 December 2017	**536**

in EUR millions	Retained earnings
Balance at 1 January 2016	**(258)**
Alignment of composition of consolidated equity to statutory equity	(494)
Impact of application IFRS 9 Own credit risk at 1 January 2016	(115)
Restated balance at 1 January 2016	**(867)**
Profit after tax for the year	104
Balance at 31 December 2016	**(763)**

Alignment of composition of consolidated equity to statutory equity
In 2005, a predecessor of NIBC Holding N.V. was taken over by the current shareholder JC Flowers. During 2017 it was noticed that the application of reverse acquisition accounting (as applied since 2005) had led to a allocation of consolidated equity over share capital and share premium amounts in the consolidated financial statements in which the share capital did not reflect the legal capital of the legal parent (i.e. the accounting acquiree). NIBC decided to align the consolidated and company composition of equity of NIBC Holding N.V. to present more meaningful information for users of these financial statements. To effectuate this alignment, NIBC Holding N.V. made an adjustment between share capital and share premium, so that share capital now equals the legal capital of the legal parent and also decided to reclassify the acquisition reserve (permanent difference) that follows from the accounting asymmertry as a result of the application of acquisition accounting at company level and reverse acquisition accounting at consolidated level. As a consequence, NIBC has reduced the share capital amount by EUR 1,260 million, increased the share premium amount by EUR 1,260 million and has transferred an amount of EUR 494 million from retained earnings to share premium. For comparison purposes, these changes have all been applied as per 1 January 2016.

47 Capital securities

in EUR millions	2017	2016
Capital securities issued by NIBC Holding	203	-
	203	**-**
Movement schedule of capital securities issued by NIBC Holding:		
Balance at 1 January	**-**	**-**
Additions	200	-
Disposals	-	-
Profit attributable to holders of capital securities	3	-
Balance at 31 December	**203**	**-**

The capital securities are perpetual and have no expiry date, first redemption date is 29 September 2026. Distribution on the capital securities issued in September 2017 is as follows: the coupon is 6% per year and is made payable every six months in arrears as of the issue date (29 September 2017), for the first time on 29 March 2018. As of 29 September 2026, and subject to capital securities not being redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the 5 year euro swap rate +5.564 %. Any payments including coupon payments are fully discretionary.

Conversion triggers as described in the capital security issuance documentation are primarily subject to NIBC Holding's capital ratio.

EUR 200 million relates to cash inflow items included in the consolidated statement of cash flows.

48 Fair value of financial instruments

This note describes the fair value measurement of both financial and non-financial instruments and is structured as follows:

48.1 Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as follows:

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

48.2 Valuation governance

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

48.3 Financial instruments by fair value hierarchy

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

in EUR millions	Level 1	Level 2	Level 3	2017
Financial assets available-for-sale				
Equity investments (unlisted)	-	-	36	36
Debt investments	639	183	1	823
	639	**183**	**37**	**859**
Financial assets at fair value through profit or loss (including trading)				
Loans	-	181	-	181
Mortgage loans own book	-	-	4,581	4,581
Securitised mortgage loans	-	-	338	338
Equity investments (including investments in associates)	2	-	285	287
Debt investments	-	31	-	31
Derivative financial assets	-	1,021	-	1,021
	2	**1,233**	**5,204**	**6,439**
	641	**1,416**	**5,241**	**7,298**

in EUR millions	Level 1	Level 2	Level 3	2017
Financial liabilities at fair value through profit or loss including trading)				
Own debt securities in issue	-	38	-	38
Debt securities in issue structured	-	616	-	616
Derivative financial liabilities	-	863	-	863
Subordinated liabilities	-	167	-	167
Other financial liabilities	-	-	-	-
	-	**1,684**	**-**	**1,684**

in EUR millions	Level 1	Level 2	Level 3	2016
Financial assets available-for-sale				
Equity investments (unlisted)	-	-	41	41
Debt investments	840	187	1	1,028
	840	**187**	**42**	**1,069**
Financial assets at fair value through profit or loss including trading)				
Loans	-	210	-	210
Mortgage loans own book	-	-	4,124	4,124
Securitised mortgage loans	-	-	1,550	1,550
Equity investments (including investments in associates)	2	-	202	204
Debt investments	-	59	1	60
Derivative financial assets	-	1,811	-	1,811
	2	**2,080**	**5,877**	**7,959**
	842	**2,267**	**5,919**	**9,028**

in EUR millions	Level 1	Level 2	Level 3	2016
Financial liabilities at fair value through profit or loss including trading)				
Borrowings	-	49	-	49
Own debt securities in issue	-	37	-	37
Debt securities in issue structured	-	620	-	620
Derivative financial liabilities	-	2,006	-	2,006
Subordinated liabilities	-	276	-	276
	-	**2,988**	**-**	**2,988**

48.4 Valuation techniques

The following is a description of the determination of fair value for financial instruments that are recorded at fair value using either quoted prices or valuation techniques. These incorporate NIBC Holding's interpretation of valuation assumptions (qualitative) that a market participant would consider when valuing the instruments.

Financial assets available-for-sale

Debt investments - level 1

For the determination of fair value at 31 December 2017, NIBC Holding used market-observable prices (including broker quotes). NIBC Holding has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Debt investments - level 2

For the determination of fair value at 31 December 2017, NIBC Holding used market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC Holding has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Equity investments - 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 Holding.

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

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

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

Financial assets at fair value through profit or loss

Equity investments - level 1
The level 1 portfolio consists of unadjusted, quoted prices for assets in an active market. The assets have been valued at the market's closing price of the 30rd of December.

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 2017, NIBC Holding applied market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC Holding 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.

Mortgage loans (own book and securitised) - level 3
NIBC Holding determines the fair value of mortgage loans (both those NIBC Holding holds on its own book and those NIBC Holding has securitised) by using a valuation model developed by NIBC Holding. To calculate the fair value, NIBC Holding 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 mortgage loans showed that the variability in these rates does not have a significant impact on the total value of the Residential Mortgage portfolio.

Equity investments (including investments in associates) - level 3
The fair value of investments in equity funds is determined based on the net asset value reported by the managers of these funds. These net asset values are analysed for reasonableness, so as to ascertain that the reported net asset value has been appropriately derived using proper fair value principles as part of a robust process. To approximate the fair value at the reporting date, the net asset value is adjusted, where appropriate, for factors such as, subsequent capital contributions and fund distributions, movements in exchange rate and subsequent changes in the fair value of the underlying investee companies, where these are known to NIBC Holding.

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

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

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

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

Own liabilities designated at fair value through profit or loss - level 2
This portfolio was designated at fair value through profit or loss and is reported on the face of the balance sheet under the following headings:
- Borrowings (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 (financial liabilities at fair value through profit or loss);
- Subordinated liabilities (financial liabilities at fair value through profit or loss).

Borrowings at fair value through profit and loss consist of senior, junior and minority shareholder loans that were attracted at third parties to fund a specific portfolio of German real-estate. These loans were originated before NIBC acquired the portfolio and are valued based on the cash flows that result from the waterfall structure embedded in the portfolio.

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

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

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

48.5 Valuation adjustments and other inputs and considerations

Credit and debit valuation adjustments

NIBC Holding calculates CVA/DVA (as defined in Critical accounting estimates and judgements) on a counterparty basis over the entire life of the exposure.

Bid-offer

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

Day 1 profit

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

48.6 Impact of valuation adjustments

The following table shows the amount recorded in the income statement:

in EUR millions	2017	2016
Type of adjustment		
Credit value adjustment/Debit value adjustment	4	2
Totally Risk related	**4**	**2**
Bid-offer adjustment	(3)	(3)
Day-1 profit (see the following table)	3	3
	4	**2**

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

in EUR millions	2017	2016
Movement schedule of day-1 profit		
Balance at 1 january	**14**	**16**
Deferral of profit on new transactions	-	-
Recognised in the income statement during the year:		
Subsequent recognition due to amortisation	(3)	(2)
Derecognition of the instruments	-	-
Balance at 31 december	**11**	**14**

48.7 Own credit adjustments on financial liabilities designated at fair value

The own credit presentation requirements of IFRS 9 were early applied as of 1 January 2016. From this date onward, changes in the fair value of financial liabilities designated at fair value through profit and loss related to own credit are recognised in Other comprehensive income and presented in the Statement of comprehensive income, and no longer in Net trading income within the Income statement. The following table summarises the effects of own credit adjustments related to financial liabilities designated at fair value. Life-to-date amounts reflect the cumulative unrealised change since initial recognition.

in EUR millions	2017	2016
Recognised during the period (before tax):	Included in OCI	Included in OCI
Realised gain/(loss)	-	-
Unrealised gain/(loss)	(67)	(16)
	(67)	**(16)**
Unrealised life-to-date gain/(loss)	69	136
	69	**136**

48.8 Transfers between level 1 and level 2

During the year ended 31 December 2017 and 2016, there were no transfers between level 1 and level 2 fair value measurements.

48.9 Movements in level 3 financial instruments measured at fair value

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

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

in EUR millions	At 1 January 2017	Amounts recognised in the income statement	Amounts recognised recorded in OCI	Purchases/ Additions	Sales	Settle-ments/ Disposals	Trans-fers into level 3	Trans-fers from level 3	At 31 December 2017
Financial assets available-for-sale									
Equity investments	41	(1)	(1)	-	-	(3)	-	-	36
Debt investments	1	-	-	-	-	-	-	-	1
Financial assets at fair value through profit or loss (including trading)									
Mortgage loans own book	4,124	(8)	-	1,035	-	(570)	-	-	4,581
Securitised mortgage loans	1,550	(83)	-	-	-	(1,129)	-	-	338
Equity investments (including investments in associates)	202	60	-	35	-	(12)	-	-	285
Debt investments	1	-	-	-	(1)	-	-	-	-
	5,919	**(32)**	**(1)**	**1,070**	**(1)**	**(1,714)**	**-**	**-**	**5,241**

in EUR millions	At 1 January 2016	Amounts recognised in the income statement	Amounts recognised recorded in OCI	Purchases/ Additions	Sales	Settle-ments/ Disposals	Trans-fers into level 3	Trans-fers from level 3	At 31 December 2016
Financial assets available-for-sale									
Equity investments	48	(1)	(3)	-	(3)	-	-	-	41
Debt investments	1	-	-	-	-	-	-	-	1
Financial assets at fair value through profit or loss (including trading)									
Loans	14	6	-	-	-	(20)	-	-	-
Mortgage loans own book	4,111	18	-	466	-	(471)	-	-	4,124
Securitised mortgage loans	2,266	(50)	-	-	-	(666)	-	-	1,550
Equity investments (including investments in associates)	222	14	-	41	(75)	-	-	-	202
Debt investments	-	-	-	1	-	-	-	-	1
	6,662	**(13)**	**(3)**	**508**	**(78)**	**(1,157)**	**-**	**-**	**5,919**

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

	For the years ended							
	31 December 2017				31 December 2016			
in EUR millions	Net trading income	Investment income	Revaluation reserve	Total	Net trading income	Investment income	Revaluation reserve	Total
Financial assets available-for-sale								
Equity investments	-	(1)	(1)	(2)	-	(1)	(3)	(4)
Debt investments	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss (including trading)								
Loans	-	-	-	-	6	-	-	6
Mortgage loans own book	(8)	-	-	(8)	18	-	-	18
Securitised mortgage loans	(83)	-	-	(83)	(50)	-	-	(50)
Equity investments (including investments in associates)	-	60	-	60	-	14	-	14
Debt investments	-	-	-	-	-	-	-	-
	(91)	**59**	**(1)**	**(33)**	**(26)**	**13**	**(3)**	**(16)**

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

	For the years ended			
	31 December 2017		31 December 2016	
in EUR millions	Held at balance sheet date	Derecognised during the year	Held at balance sheet date	Derecognised during the year
Financial assets available-for-sale				
Equity investments	(1)	-	(1)	-
Debt investments	-	-	-	-
Financial assets at fair value through profit or loss (including trading)				
Loans	-	-	-	6
Mortgage loans own book	(8)	-	18	-
Securitised mortgage loans	(83)	-	(50)	-
Equity investments (including investments in associates)	60	-	15	(1)
	(32)	**-**	**(18)**	**5**

Recognition of unrealised gains and losses in Level 3

Amounts recognised in the profit and loss account relating to unrealised gains and losses during the year that relates to Level 3 assets and liabilities are included in the profit and loss account as follows:

	For the years ended					
	31 December 2017			31 December 2016		
in EUR millions	Net trading income	Investment income	Total	Net trading income	Investment income	Total
Financial assets available-for-sale						
Equity investments	-	(2)	(2)	-	(1)	(1)
Debt investments	-	-	-	-	-	-
Financial assets at fair value through profit or loss (including trading)						
Loans	-	-	-	-	-	-
Mortgage loans own book	(8)		(8)	18	-	18
Securitised mortgage loans	(83)	-	(83)	(50)	-	(50)
Equity investments (including investments in associates)	-	75	75	-	9	9
	(91)	**73**	**(18)**	**(32)**	**8**	**(24)**

48.10 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The following table provides a summary of the valuation techniques, key unobservable inputs and the lower and upper range of such unobservable inputs, by type of level 3 asset/liability. The lower and upper range mentioned in the overview represent the lowest and highest variance of the respective valuation input as actually used in the valuation of the different financial instruments. Amounts and percentages stated are unweighted. The range could change from period to period subject to market movements and change in level 3 position. Lower and upper bounds reflect the variability of level 3 positions and their underlying valuation inputs in the portfolio, but do not adequately reflect their level of valuation uncertainty. For valuation uncertainty assessment, please refer to following section 46.11 Sensitivity of fair value measurements to changes in observable market data.

	At 31 December 2017					
	in EUR millions					
	Fair value of level 3 assets	Fair value of level 3 liabilities	Valuation technique	Significant unobservable inputs	Lower range	Upper range
Financial assets available-for-sale						
Equity investments[1]	36	-	Discounted cash flows	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors		
			Comparable transactions	-		
Debt investments[1]	1	-	Expected cash flows	Expected cash flows from colleteral	0%	100%
Financial assets at fair value through profit or loss (including trading)						
Mortgage loans own book	4,581	-	Discounted projected cash flows	Discount Spread (bps)	111	146
			Discounted projected cash flows	CPR	8%	10%
Securitised mortgage loans	338	-	Discounted projected cash flows	Discount Spread (bps)	111	146
			Discounted projected cash flows	CPR	8%	10%
Equity investments (including investments in associates)[1]	285	-	Discounted cash flows	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	-	-	Bid price	Price %	0%	100%
	5,241	**-**				

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

	At 31 December 2016					
	in EUR millions					
	Fair value of level 3 assets	Fair value of level 3 liabilities	Valuation technique	Significant unobservable inputs	Lower range	Upper range
Financial assets available-for-sale						
Equity investments[1]	41	-	Discounted cash flows	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	1	-	Expected cash flows	Expected cash flows from colleteral	0%	100%
Financial assets at fair value through profit or loss (including trading)						
Mortgage loans own book	4,124	-	Discounted projected cash flows	Discount Spread (bps)	119	174
			Discounted projected cash flows	CPR	8%	10%
Securitised mortgage loans	1,550	-	Discounted projected cash flows	Discount Spread (bps)	119	174
			Discounted projected cash flows	CPR	8%	10%
Equity investments (including investments in associates)[1]	202	-	Discounted cash flows	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	1	-	Bid price	Price %	0%	100%
	5,919	**-**				

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

Non-Listed equity investments

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

Discount spreads

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

Expected sales prices underlying assets

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

Price

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

Debt investments AFS

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

48.11 Sensitivity of fair value measurements to changes in observable market data

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

	For the years ended			
	31 December 2017		31 December 2016	
in EUR millions	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets available-for-sale				
Equity investments (unlisted)	36	2	41	2
Debt investments	1	-	1	-
Financial assets at fair value through profit or loss (including trading)				
Loans			-	-
Mortgage loans own book	4,581	14	4,124	12
Securitised mortgage loans	338	1	1,550	4
Equity investments (including investments in associates)	285	14	202	10
Debt investments	-	-	1	-

In order to determine the reasonably possible alternative assumptions, NIBC Holding 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 mortgage loans classified at fair value through profit or loss (both those NIBC Holding holds on its own book and those NIBC Holding has securitised), NIBC Holding adjusted the discount spread with 10bp as a reasonably possible alternative outcome;
- For the debt investments, NIBC Holding 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;

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

48.12 Fair value information on financial instruments not measured at fair value

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

	Fair value information at 31 December 2017				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,473	-	7,473	7,483
Mortgage loans own book	-	-	4,412	4,412	4,725
Debt investments	-	57	2	59	55
Financial liabilities at amortised cost					
Own debt securities in issue	-	4,392	-	4,392	4,466
Debt securities in issue related to securitised mortgages and lease receivables	-	-	267	267	267
Subordinated liabilities	-	115	-	115	135

	Fair value information at 31 December 2016				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,844	-	7,844	7,945
Mortgage loans own book	-	-	3,346	3,346	3,618
Debt investments	-	287	-	287	261
Financial liabilities at amortised cost					
Own debt securities in issue	-	3,855	-	3,855	3,717
Debt securities in issue related to securitised mortgages and lease receivables	-	-	1,337	1,337	1,348
Subordinated liabilities	-	122	-	122	120

Financial instruments for which carrying value approximates fair value

Certain financial instruments that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These financial instruments include cash and balances with central banks, due from other banks, due to other banks, deposits from customers and other financial liabilities. These financial instruments are not included in the previous table.

48.13 Non-financial assets valued at fair value

Property, plant and equipment

NIBC Holding's land and buildings are valued at fair value through equity. The carrying amount of NIBC Holding's land and buildings (level 3) as of 31 December 2017 was EUR 41 million (31 December 2016: EUR 40 million). The land and buildings were last revalued as of 31 December

2017 based on external appraisal. In 2017 a fair value movement of EUR 2 million was recognised in the statement of comprehensive income in respect of NIBC Holding's land and buildings in 2017 (2016: nil).

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

As of 1 July 2008, NIBC Holding 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 Holding 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 Holding reclassified financial assets from held for trading and available-for-sale to loans and receivables. At the date of reclassification NIBC Holding 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

	2017		2016	
in EUR millions	After reclassification	Before reclassification	After reclassification	Before reclassification
Net interest income	15	16	16	15
Net trading income	1	6	1	1
Impairment of financial assets	(4)	(4)	4	4

Impact reclassification financial assets

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

	Loan portfolio reclassified from:	Debt investments reclassified from:		
in EUR millions	Available-for-sale category to AC	Held for trading category to AC	Available-for-sale category to AC	Held for trading category to AFS
Fair value on date of reclassification	457	121	7	7
Carrying amount as per 31 December 2017	505	57	2	1
Fair value as per 31 December 2017	460	51	2	1
Range of effective interest rates at the date of reclassification[1]	5-9%	6-13%	6-6%	23-23%
Expected undiscounted recoverable cash flows EUR	512	194	10	19

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

Revaluation reserve financial assets reclassified into available-for-sale category
In 2017 and 2016, no transfers to impairment expense with a fair value loss were recognised in the revaluation reserve in shareholders' equity on financial assets reclassified out of trading into the available-for-sale category.

NIBC Holding 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 Holding'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 Holding determined that the market conditions during 2008 did not represent a rare circumstance or that NIBC Holding did not have the intention and ability to hold the financial assets for the foreseeable future or until maturity, and had NIBC Holding therefore not reclassified the financial assets, no net of tax gain (2016: no gain) would have been recognised in the income statement and an incremental net of tax gain of EUR 7 million (2016: net of tax gain of EUR 1 million) would have been recognised in the revaluation reserve in equity in 2017 due to changes in fair value.

50 Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	At 31 December 2017					
				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	1,353	332	1,021	-	248	773
Reverse repurchase agreements	-	-	-	-	-	-
	1,353	**332**	**1,021**	**-**	**248**	**773**

	At 31 December 2017					
				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	1,195	332	863	-	627	236
Repurchase agreements	-	-	-	-	-	-
	1,195	**332**	**863**	**-**	**627**	**236**

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in EUR millions	At 31 December 2016					
				Related amounts not set off in the balance sheet		
	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	1,811	-	1,811	-	114	1,697
Reverse repurchase agreements	-	-	-	-	-	-
	1,811	**-**	**1,811**	**-**	**114**	**1,697**

in EUR millions	At 31 December 2016					
				Related amounts not set off in the balance sheet		
	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	2,006	-	2,006	-	1,016	990
Repurchase agreements	-	-	-	-	-	-
	2,006	**-**	**2,006**	**-**	**1,016**	**990**

Related amounts which cannot be set off in the balance sheet position 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 does not meet all requirements for offsetting in IAS 32.

In 2017 NIBC Holding started offsetting assets and liabilities related to derivative transactions with central clearing members. Under certain conditions derivative positions with the same characteristics such as counterparty, maturity bucket and currency are netted.

51 Repurchase and resale agreements and transferred financial assets

NIBC Holding 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 holding 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 holding, 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 holding may in certain circumstances, require, or be required, to pay additional cash collateral. NIBC Holding 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 Holding 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 holding, which instead records a separate asset for the cash collateral given.

NIBC Holding conducts these transactions under terms agreed in Global Master Repurchase Agreements. As per year-end 2017 NIBC Holding did not have any repuchase and resale agreement related positions as described in this Note (2016: nil).

Transferred financial assets

This disclosure provides insight into the relationship between these transferred financial assets and associated financial liabilities in order to understand which risks the holding is exposed to when the assets are transferred.

If transferred financial assets continue to be recognised on the balance sheet, NIBC Holding is still exposed to changes in the fair value of the assets.

Transferred financial assets that are not derecognised in their entirety

The following table shows transferred financial assets that are not derecognised in their entirety.

	2017		2016	
	RMBS programme	Covered Bond programme	RMBS programme	Covered Bond programme
in EUR millions	Securitised mortgage loans (FVtPL)	Mortgage loans own book (AC and FVtPL)	Securitised mortgage loans (FVtPL)	Mortgage loans own book (AC and FVtPL)
Securitisations				
Carrying amount transferred assets	338	2,926	1,550	2,428
Carrying amount associated liabilities	267	2,007	1,337	2,028
Fair value of assets	338	3,049	1,550	2,526
Fair value of associated liabilities	267	2,009	1,348	1,881
Net position	71	1,040	202	645

RMBS programme

NIBC Holding uses securitisations as a source of funding whereby the *Structured Entity* (**SE**) issues debt securities. Pursuant to a securitisation transaction utilising true sale mechanics, NIBC Holding transfers the title of the assets to SEs.When the cash flows are transferred to investors in the notes issued by consolidated securitisation vehicles, the assets (residential mortgage loans) are considered to be transferred.

The Covered Bond programme

Under NIBC Holding's Covered Bond programme, notes are issued by NIBC Holding from its own balance sheet. Bond holders are protected from suffering a loss even in the event that NIBC defaults because at the point the notes were issued, NIBC Holding also transferred the legal title of a portfolio of mortgages to a SE to act as collateral for the covered bond investors. From a legal perspective, the SE guarantees the repayment of the Covered Bonds. The title transfer of the mortgages has been achieved by NIBC providing an inter-company loan on the same terms and conditions as the external bonds to the SE. The SE used the proceeds to purchase the mortgage portfolio. The net result is that the SE retains the legal title, but proceeds from the mortgages are passed through the intercompany loan to the covered bond holders. NIBC Holding consolidates the SE on the basis that, in addition to having power as the sole owner, NIBC Holding also is entitled to substantial variable returns through the over-collateralised portion of the sold mortgages.

Continuing involvement in transferred financial assets that are derecognised in their entirety

NIBC Holding does not have any material transferred assets that are derecognised in their entirety, but where NIBC has continuing involvement.

52 Commitments and contingent assets and liabilities

At any time, NIBC Holding has outstanding commitments to extend credit. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months. Commitments extended to customers related to mortgages at fixed-interest rates or fixed spreads are hedged with interest rate swaps recorded at fair value. These commitments are designated upon initial recognition at fair value through profit or loss.

NIBC Holding provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. Expirations are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. In the following table, it is assumed that amounts are fully advanced.

The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

in EUR millions	2017	2016
Contract amount		
Committed facilities with respect to corporate loan financing	1,533	1,303
Committed facilities with respect to mortgage loans	158	708
Capital commitments with respect to equity investments	12	19
Guarantees granted (including guarantees related to assets held for sale)	65	76
Irrevocable letters of credit	35	18
	1,803	**2,124**

These commitments and contingent liabilities have off-balance sheet credit risk because only commitment/origination fees and accruals for probable losses are recognised in the balance sheet until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

Details of concentrations of credit risk including concentrations of credit risk arising from commitments and contingent liabilities as well as NIBC Holding's policies for collateral for loans are set out in note 60 Credit risk.

Contingent liabilities related to income tax

The European Commission has addressed questions related to the Dutch Government about article 29a of the Dutch Corporate Income Tax Code. If the European Commission would decide to start a formal investigation and ultimately would conclude that this is a case of state aid, NIBC Holding may have to repay tax benefits it will enjoy from 2018 onwards Article 29a of the Dutch Corporate

Income Tax Code was included in the Dutch Corporate Income Tax Code so that capital instruments issued by credit institutions and which are covered by EU regulation 575/2013 would be considered tax deductible. In this context NIBC Holding issued Capital Securities in September 2017, amounting EUR 200 million at a fixed interest rate of 6%. The contingent liability related to this matter may start at the (fully discretionary) first coupon payment date (scheduled in March 2018).

Claims, investigations, litigation or other proceedings or actions may have a material adverse effect on NIBC Holding's business, results of operations, financial condition and prospects.

NIBC Holding is involved in a number of proceedings and settlement negotiations that arise with customers, counterparties, current or former employees or others arising in the ordinary course of business. Proceedings may relate to, for example, alleged violations of NIBC Holding's duty of care (*zorgplicht*) vis-a-vis its (former) customers, the provision of allegedly inadequate investment advice or the provision of allegedly inadequate services. Dutch financial services providers are increasingly exposed to collective claims from groups of customers or consumer organisations seeking damages for an unspecified or indeterminate amount or involving unprecedented legal claims in respect of assumed mis-selling or other violations of law or customer rights. While NIBC Holding has made considerable investment in reviewing and assessing historic sales and "know your customer" practices and in the maintenance of risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historic sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated. Furthermore, customer protection regulations as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices might influence client expectations. Negative publicity associated with certain sales practices, compensation payable in respect of such issues or regulatory changes resulting from such issues could have a material adverse effect on NIBC Holding's reputation, business, results of operations, financial condition and prospects.

It is difficult for NIBC Holding to predict the outcome of many of the pending or future claims, regulatory proceedings and other adversarial proceedings. The costs and staffing capacity required to defend against future actions may be significant. Counterparties in these proceedings may also seek publicity, over which NIBC Holding will have no control, and this publicity could lead to reputational harm to NIBC Holding and potentially decrease customer acceptance of NIBC Holding's services, regardless of whether the allegations are valid or whether NIBC is ultimately found liable. In addition, NIBC Holding's provisions for defending these claims may not be sufficient.

On the basis of legal advice, taking into consideration the facts known at present NIBC Holding is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated results.

53 Assets transferred or pledged as collateral

in EUR millions	2017	2016
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	3,443	2,943
Debt securities in issue related to securitised loans and mortgages	691	1,945
Derivative financial liabilities	566	888
	4,700	**5,776**
Details of the carrying amounts of assets pledged as collateral:		
Assets pledged		
Debt investments/Mortgage loans own book	4,085	3,518
Securitised loans and mortgages	944	2,170
Cash collateral (due from other banks)	669	1,004
	5,698	**6,692**

As part of NIBC Holding's funding and credit risk mitigation activities, the cash flows of selected financial assets are transferred or pledged to third parties. Furthermore, NIBC Holding pledges assets as collateral for derivative transactions. Substantially all financial assets included in these transactions are mortgage loans, other loan portfolios, debt investments and cash collateral. The extent of NIBC Holding's continuing involvement in these financial assets varies by transaction.

The asset encumbrance ratio (encumbered assets and total collateral received re-used divided by total assets and total collateral re-used) at year end 2017 was 26% (2016: 29%).

54 Assets under management

NIBC Holding provides collateral management services, whereby it holds and manages assets or invests funds received in various financial instruments on behalf of customers. NIBC Holding receives fee income for providing these services. Assets under management are not recognised in the consolidated balance sheet. NIBC Holding is not exposed to any credit risk relating to these assets, as it does not guarantee these investments.

in EUR millions	2017	2016
Assets held and managed by NIBC on behalf of customers	2,250	2,480
	2,250	**2,480**

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 Infrastructure and Renewables manages external investors' funds invested in Infrastructure debt mainly located in the United Kingdom;
- The NIBC 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;
- Under Originate-to-manage mandates, NIBC's retail client offering manages external investors' funds invested in Dutch mortgages;
- Asset management activities at NIBC Holding level consist of collateral management activities of a legacy portfolio of structured investments (such as RMBS and CLOs), predominantly in the US.

NIBC's sustainability policy framework, including applicable sector policies, is also applicable to the investments made under these programmes.
For more information please see our website.

55 Business combinations and divestments

Acquisitions

Acquisitions in 2017
In 2017 there were no business combinations.

Acquisitions in 2016

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

Acquisition-related costs
Acquisition related costs of EUR 1 million have been charged to other operating expenses in the consolidated income statement for the period ended 31 December 2016.

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

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

NIBC Holding paid EUR 4 million in cash for 100% of the shares outstanding.

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

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

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

Revenue and profit contribution
From the date of acquisition to 31 December 2016 the impact of NIBC Markets N.V. on NIBC Holding's results was a loss of EUR 2.4 million (excluding recognised badwill of EUR 22 million).

If this acquisition had occurred on 1 January 2016, management estimates that the result from this company included in the consolidation would have been a loss of EUR 3.3 million.

Acquisition of BEEQUIP

Revenue and profit contribution
From the date of acquisition to 31 December 2016 BEEQUIP has affected NIBC Holding's results for a loss of EUR 0.6 million.

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

Divestments

Divestments closed in 2017
There were no significant divestments in 2017.

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

56 Related party transactions

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

Transactions involving NIBC Holding's shareholders

in EUR millions	2017	2016
Transactions involving NIBC Holding's shareholders		
Assets	31	30
Liabilities	-	-
Off-balance sheet commitments	6	11
Income received	(3)	(1)
Expenses paid	-	-

In 2015, NIBC Bank (a subsidiary of NIBC Holding) made a commitment of USD 10 milllion to 'Flowers Fund IV' and in 2016 NIBC made an additional commitment of USD 5 million to 'Flowers Fund III' bringing the total commitment in this fund to USD 15 million. Both funds are managed by an affiliate of J.C. Flowers & Co.

Transactions with other entities controlled by NIBC Holding's shareholders
In 2017 and 2016 there were no transactions between NIBC Holding and other entities controlled by NIBC Holding's shareholders.

Transaction related to associates and joint ventures

in EUR millions	2017	2016
Transactions related to associates		
Assets	82	86
Liabilities	-	-
Off-balance sheet commitments	4	12
Income received	8	10
Expenses paid	-	-

Assets, liabilities, commitments and income related to Associates result from transactions which are executed as part of the normal banking business. Summarised financial information for the group's investments in associates and joint ventures is set out in note 57 Principal subsidiaries and associates.

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

Key management personnel investments

NIBC's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of NIBC (directly or indirectly) and comprise the Statutory Board members, other Identified Staff and Supervisory Board members.

In December 2016 the members of the Managing Board personally invested directly in ordinary shares of NIBC Holding N.V. for a total amount of EUR 3.5 million on the back of a secondary trade (at a fair value of EUR 5,81 per share) with current shareholders.

The following table shows the specifics of the investments of the Managing Board-members in shares NIBC Holding N.V.:

Key management personnel investments

Management participant	Number of shares	Investment with own funds (in EUR)	Loans provided by shareholders of NIBC Holding N.V. (in EUR)	Total invested amount (in EUR)	Interest in share capital of NIBC Holding N.V.
P.A.M. de Wilt (CEO)	258,140	300,000	1,200,000	1,500,000	0.18%
H.H.J. Dijkhuizen (CFO)	172,093	200,000	800,000	1,000,000	0.12%
R.D.J. van Riel (CRO)	172,093	200,000	800,000	1,000,000	0.12%

Details of the transaction in shares of NIBC Holding N.V.:
- The loans provided by shareholders of NIBC Holding N.V. are bearing interest at 5 per cent, including the premium of the put options. The term of the loans is five years;
- The shares have been pledged to the providers of the loans;
- The voting rights of the shares have been transferred to the providers of the loans;
- The management participants have a put option with an exercise price at 80% of the purchase price, adjusted for the accrued and capitalised interest and an exercise date five years after the purchase date;

- The providers of the loans have a call option with an exercise price at 80% of the purchase price, adjusted for the accrued and capitalised interest and an exercise date five years after the purchase date;
- Any future transactions in shares will be executed at fair value.

The shares purchased cannot be sold for five years, except in the situation of a change of control of NIBC Holding N.V. In that case the loans including capitalised and accrued interest must be repaid. If a member of the Staturory Board ceases employment during the five year period, the shares may not be sold.

Details of the Remuneration of the Statutory Board members and Supervisory Board members are disclosed in note 59. For details of the holdings of Statutory Board members in NIBC Choice instruments reference is made to note 7 Personnel expenses and share based payments.

IAS 24 'Related party disclosures' requires the following additional information for key management compensation (i.e. Identified Staff, including the Statutory Board).

Compensation of Identified Staff over the year 2017

	Short term incentive compensation						
in EUR	Base salary	Cash bonus	Sign-on compensation	Deferred cash	Pension related short term allowance[1]	Other remuneration elements	Total short term incentive compen-sation
Current Statutory Board (3)	1,900,000	114,000	-	76,000	275,878	189,684	2,555,561
Current Other Identified Staff (53)	10,161,868	802,800	120,000	535,200	767,860	1,489,258	13,876,986
	12,061,868	**916,800**	**120,000**	**611,200**	**1,043,738**	**1,678,941**	**16,432,548**

1 A collective allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 103.317.

	Long term (incentive) compensation	Share based payments[1]	Termination payments	
in EUR	Post employment contribution	(Restricted) Phantom Share Units	Severance payments	Total
Current Statutory Board (3)	90,832	190,000	-	2,836,393
Current Other Identified Staff (53)	1,206,545	1,338,000	-	16,421,531
	1,297,377	**1,528,000**	**-**	**19,257,924**

1 Phantom share units (including sign-on).

Compensation of Identified Staff over the year 2016

in EUR	Base salary	Cash bonus	Sign-on compensation	Deferred cash	Pension related short term allowance[1]	Other remuneration elements	Total short term incentive compen-sation
	Short term incentive compensation						
Current Statutory Board (4)	2,129,167	108,588	25,813	89,600	316,787	200,114	2,870,069
Current Other Identified Staff (46)	8,224,482	649,176	-	432,784	585,629	1,400,959	11,293,030
	10,353,649	**757,764**	**25,813**	**522,384**	**902,416**	**1,601,073**	**14,163,099**

1 A collective allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 101.519.

in EUR	Long term (incentive) compensation	Share based payments[1]	Termination payments	
	Post employment contribution	(Restricted) Phantom Share Units	Severance payments	Total
Current Statutory Board (4)	103,878	224,000	-	3,197,947
Current Other Identified Staff (46)	1,060,076	1,081,960	-	13,435,066
	1,163,954	**1,305,960**	**-**	**16,633,013**

1 Phantom share units (including sign-on).

Holdings of NIBC Choice instruments of Identified Staff at 31 December 2017

	Number of CDRs (vested)	Number of CCDRs (vested)	Number of CRDRs (unvested)	Number of phantom share units	Number of restricted phantom share units
Current Statutory Board (3)	70,788	49,534	21,254	33,402	19,543
Current Other Identified Staff (53)	335,861	11,428	-	195,485	151,967
	406,649	**60,962**	**21,254**	**228,887**	**171,510**

Holdings of NIBC Choice instruments of Identified Staff at 31 December 2016

	Number of CDRs (vested)	Number of CCDRs (vested)	Number of CRDRs (unvested)	Number of phantom share units	Number of restricted phantom share units
Current Statutory Board (4)	119,614	85,650	43,138	27,128	18,085
Current Other Identified Staff (46)	332,960	11,428	-	174,892	125,028
	452,574	**97,078**	**43,138**	**202,020**	**143,113**

Holdings of NIBC Holding instruments of Supervisory Board members

Mr. J.C. Flowers is a beneficial owner of certain interests of some of the vehicles which are shareholders of NIBC.

57 Principal subsidiaries and associates

Information on principal subsidiaries

Composition of NIBC Holding
NIBC Holding is the direct or indirect holding company for NIBC Holding's subsidiaries.

NIBC Holding consists of 64 (2016: 73) consolidated entities, including 16 (2016: 15) consolidated structured entities (for further details see note 58). 44 (2016: 57) of the entities controlled by NIBC Holding are directly or indirectly held by NIBC Holding at 100% of the ownership interests (share of capital). Third parties also hold ownership interests in 20 (2016: 16) of the consolidated entities (non-controlling interests).

Accounting for investment in subsidiaries
In the company financial statements of NIBC Holding, investments in subsidiaries are stated at net asset value.

Principal subsidiaries
NIBC Holding's principal subsidiaries are set out below. This includes those subsidiaries that are most significant in the context of NIBC Holding's business, results or financial position.

	Principal place of business	Country	Nature of relationship	Percentage of voting rights held
Subsidiaries of NIBC Holding N.V.				
NIBC Bank N.V.	The Hague	Netherlands	Banking	100%
NIBC Investment Management N.V.	The Hague	Netherlands	Financing	100%
NIBC Investments N.V.	The Hague	Netherlands	Financing	100%
BEEQUIP B.V.	Rotterdam	Netherlands	Financing	75%
Vijlma B.V.	The Hague	Netherlands	Real Estate	94.9%
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 Holding has control of an entity is generally straightforward, based on ownership of the majority of the voting rights. 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 Holding, 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 Holding may conclude that the managers of the structured entity are acting as its agent and therefore NIBC Holding 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 Holding has control of an entity. However certain entities are excluded from consolidation because NIBC Holding does not have exposure to their variable returns and/or are managed by external parties and consequently are not controlled by NIBC Holding. Where appropriate, interests relating to these entities are included in note 58 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 Holding's assets
Legal, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of NIBC Holding to access and transfer assets freely to or from other entities within NIBC Holding and to settle liabilities of NIBC Holding.

Since NIBC Holding 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 Holding's ability to use assets:
- NIBC Holding 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;
- Regulatory and central bank requirements or local corporate legislation may restrict NIBC Holding's ability to transfer assets to or from other entities within NIBC Holding in certain jurisdictions.

Carrying amounts of restricted assets

	At 31 December 2017		At 31 December 2016	
in EUR millions	Total assets	Restricted assets	Total assets	Restricted assets
Financial assets at amortised cost				
Cash and balances with central banks	1,604	151	918	133
Due from other banks	965	917	1,468	1,304
Loans	7,473	633	7,844	613
Mortgages own book	4,412	3,128	3,346	2,020
Financial assets at available-for-sale				
Equity investments	36	25	41	27
Financial assets at fair value through profit or loss (including trading)				
Loans	181	120	210	128
Residential mortgages own book	4,581	3,283	4,124	2,516
Securitised residential mortgages	338	318	1,550	1,550
Debt investments	31	-	60	-
Investments in associates	287	209	204	200
Investments in associates and joint ventures (equity method)	10	10	7	6
	19,918	**8,794**	**19,772**	**8,497**

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 Holding. 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 Holding 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 150 million and EUR 133 million as per 31 December 2017 and 2016, 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 Holding holds interests in 32 (2016: 33) associates. Five associates are considered to be material to NIBC Holding, based on the carrying value of the investment and NIBC Holding's income from these investees. There are no joint arrangements which are considered individually significant.

Accounting classification and carrying value

in EUR millions	2017	2016
Investments in associates (fair value through profit or loss)	245	186
Investments in associates and joint ventures (equity method)	10	7
	255	**193**

Significant associates

NIBC Holding'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 Holding's investments in associates material to NIBC Holding.

	Principal place of business	Country	Nature of relationship	Percentage of voting rights held
Name of the associate:				
MBF Equity 1B	The Hague	Netherlands	Investment company	53%
NEIF	The Hague	Netherlands	Investment company	29%
GCF II	The Hague	Netherlands	Investment company	11%
Arles I B.V.	Vianen	Netherlands	Hotel	38%
FINCO FUEL BENELUX B.V.	Dordrecht	Netherlands	Oil company	30%

The amounts shown in the following table are of the investees, not just NIBC Holding's share for the year ended 31 December 2017. These associates are highly leveraged by equity.

in EUR millions	Assets	Liabilities	Operating income	Other comprehensive income	Total comprehensive income[1]
MBF Equity 1B	224	45	27	-	27
NEIF	436	-	70	-	70
GCF II	158	3	24	-	24
Arles I B.V.	186	163	4	-	4
FINCO FUEL BENELUX B.V.	95	91	11	-	11

1 The figures are based on the latest publicity available financial information of the investee.

NIBC Holding received no dividends from above significant associates in 2017 and 2016.

Investments in associates and joint ventures (equity method)

NIBC Holding's investments in associates and joint ventures (equity method) are nil for the years ended 31 December 2017 and 2016.

Associates

Aggregated carrying amount of associates and joint ventures that are individually immaterial to NIBC Holding

in EUR millions	2017	2016
Aggregated amount of NIBC's share of profit/(loss) from continuing operations	-	1
Aggregated amount of NIBC's share of post-tax profit/(loss) from discontinued operations	-	-
Aggregated amount of NIBC's share of other comprehensive income	-	-
	-	**1**

Unrecognised share of the losses of individually immaterial associates was nil in 2017 and 2016.

Other information on associates

NIBC Holding's associates are subject to statutory requirements such that they cannot make remittances of dividends or make loan repayments to NIBC Holding without agreement from the external parties.

NIBC Holding's share of contingent liabilities or capital commitments of its associates and joint ventures was nil in 2017 and 2016.

58 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 Holding and the structured entities indicate that the structured entities are controlled by NIBC Holding, 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 Holding's interests in consolidated structured entities
Securitisation vehicles
NIBC Holding primarily has contractual arrangements for securitisation vehicles which may require it to provide financial support. NIBC Holding uses securitisation as a source of financing and a means of risk transfer. At 31 December 2017 and 2016, there were no significant outstanding loan commitments to these entities.

Financial support provided or to be provided to consolidated structured entities NIBC Holding has not provided any non-contractual financial support during 2017 and 2016 and does not anticipate providing non-contractual support to consolidated structured entities in the future.

Unconsolidated structured entities

Nature, purpose and extent of NIBC Holding's interests in unconsolidated structured entities
The structured entities covered by this section are not consolidated since NIBC Holding does not has control them through voting rights, contract, funding agreements and/or other means. The extent of NIBC Holding'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 and guarantees in which NIBC Holding is absorbing variability of returns from the structured entities.

Securitisation vehicles

NIBC Holding 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.

Third-party fund entities

NIBC Holding 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 Holding's involvement involves predominantly equity investments.

Income derived from involvement with unconsolidated structured entities

NIBC Holding 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 Holding 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 Holding, is reflected by the notional amounts. Such amounts do not reflect the economic risks faced by NIBC Holding because they do not take into account the effects of collateral or hedges nor the probability of such losses being incurred.

At 31 December 2017 off-balance sheet instruments amounts to EUR 14 million (2016: EUR 21 million). There were no derivatives linked to structured unconsolidated entities.

Size of structured entities

NIBC Holding 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 Holding derives its interests through notes its holds and notional of derivatives when NIBC Holding's interests is in the form of derivatives;
- 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 Holding'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 Holding because they do not take into account the effects of collateral or hedges.

in EUR millions	Securitisations	Third party fund entities	2017
Financial assets at amortised cost			
Loans	-	1	1
Debt investments	18	-	18
Financial assets at available-for-sale			
Equity investments	-	25	25
Debt investments	110	-	110
Financial assets at fair value through profit or loss (including trading)			
Equity investments (including investments in associates)	-	206	206
Total assets	**128**	**232**	**360**
Off-balance sheet exposure	-	14	14
Total maximum exposure to loss	**128**	**246**	**374**
Size of structured entities	8,521	3,268	11,789

in EUR millions	Securitisations	Third party fund entities	2016
Financial assets at amortised cost			
Loans	-	36	36
Debt investments	127	-	127
Financial assets at available-for-sale			
Equity investments	-	27	27
Debt investments	135	-	135
Financial assets at fair value through profit or loss (including trading)			
Equity investments (including investments in associates)	-	146	146
Total assets	**262**	**209**	**471**
Off-balance sheet exposure	-	21	21
Total maximum exposure to loss	**262**	**230**	**492**
Size of structured entities	6,608	3,440	10,048

Loans of EUR 1 million (2016: EUR 36 millions) 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.

No debt investments are collateralised by the assets contained in these entities.

Equity investments of EUR 231 million (2016: EUR 173 million) primarily consist of investments in associates of EUR 57 million, EUR 117 million and EUR 17 million in NIBC MBF Equity IB B.V., NIBC European Infrastructure Fund I C.V. and JC FLOWERS II LP respectively.

Exposure to losses

NIBC Holding'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 Holding. 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	2017
Securitisations:					
I) Maximum exposure to loss	-	-	-	128	128
II) Potential losses held by other investors	-	247	625	7,521	8,393

in EUR millions	Subordinated interests	Mezzanine interests	Senior interests	Most senior interests	2016
Securitisations:					
I) Maximum exposure to loss	-	58	-	204	262
II) Potential losses held by other investors	-	489	1,532	4,324	6,345

Income from interests in unconsolidated structured entities
The following table presents NIBC Holding's total income received from its interests in unconsolidated structured entities:

in EUR millions	Securitisations	Third party entities	2017
Net income unconsolidated structured entities:			
Net interest income	-	4	4
Net fee and commission income	-	6	6
Investment income	-	45	45
	-	**55**	**55**

in EUR millions	Securitisations	Third party entities	2016
Net income unconsolidated structured entities:			
Net interest income	4	(1)	3
Net fee and commission income	-	1	1
Investment income	-	10	10
	4	**10**	**14**

Financial support provided or to be provided to unconsolidated structured entities
NIBC Holding 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 Holding is involved in the legal structure and marketing of the entity and supports the entity in different ways, namely:
- transferring assets to the entities;
- providing operational support to ensure the entity's continued operation.

NIBC Holding is also deemed a sponsor for a structured entity if market participants would reasonably associate the entity with NIBC Holding. Additionally, the use of the NIBC Holding name for the structured entity indicates that NIBC Holding has acted as a sponsor.

Income from sponsored unconsolidated structured entities in which NIBC Holding did not hold an interest as per 31 December 2017 comprised to nil (31 December 2016: nil) 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.

59 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**), *European Banking Authority* (**EBA**) Guidelines on Sound Remuneration and CRD IV and the Dutch *remuneration legislation for Financial Service Companies* (Wet beloning Financiële ondernemingen - Wbfo).

Regular annual remuneration
In 2017, the average number of members of the Statutory Board appointed under the articles of association was 3.0 (2016: 3.7). 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 7 Personnel expenses and share-based payments. During 2016 the following changes occurred in the Statutory Board: At 15 March 2016 Petra van Hoeken stepped down as Chief Risk Officer of the statutory Board and her employment ended on the same date. At 1 August 2016 Reinout van Riel joined NIBC and was appointed as Chief Risk Officer of the Statutory Board on 15 August 2016. In 2017 Herman Dijkhuizen was reappointed as Chief Financial Officer.

Base salary and short-term incentive compensation (cash bonus)
In 2017, the base salary for the Chairman and for members of the Statutory Board remained the at the same level as 2016. 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 2017 the following incentive compensation of base salary was granted: The Chief Executive Officer 20%, The Chief Financial Officer 20% and the Chief Risk Officer 20%.

The compensation awards per member and former member of the Statutory Board at 31 December 2017:

	Short term (incentive) compensation						
in EUR	Base salary	Cash bonus	Sign-on compensation	Granted Deferred cash[1]	Pension related short term allowance[2]	Other remuneration elements	Total short term incentive compen-sation
Mr. Paulus de Wilt, Chief Executive Officer, Chairman	800,000	48,000	-	32,000	119,881	79,743	1,079,624
Mr. Herman Dijkhuizen, Chief Financial Officer	550,000	33,000	-	22,000	92,525	65,222	762,747
Mr. Reinout van Riel, Chief Risk Officer	550,000	33,000	-	22,000	63,472	44,719	713,191
	1,900,000	**114,000**	**-**	**76,000**	**275,878**	**189,684**	**2,555,561**

1 This granted remuneration will be expensed in future years (including sign on)
2 A collective allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 103.317.

	Long term (incentive) compensation	Share based payments	Share based payments	Termination payments	
in EUR	Post employment contribution	Phantom Share Units	Restricted Phantom Share Units[1]	Severance payments	Total
Mr. Paulus de Wilt, Chief Executive Officer, Chairman	31,574	48,000	32,000	-	1,191,198
Mr. Herman Dijkhuizen, Chief Financial Officer	30,144	33,000	22,000	-	847,891
Mr. Reinout van Riel, Chief Risk Officer	29,113	33,000	22,000	-	797,303
	90,832	**114,000**	**76,000**	**-**	**2,836,393**

1 This granted remuneration will be expensed in future years

The actual paid deferred cash amounts in 2017 related to bonusses granted in previous years (including sign on bonusses to the CEO was EUR 125,450 (2016: EUR 166,667) and to the CFO EUR 5,667 (2016: nil).

The compensation awards per member and former member of the Statutory Board at 31 December 2016:

in EUR	Short term (incentive) compensation: Base salary	Cash bonus	Sign-on compensation	Deferred cash[1]	Pension related short term allowance[2]	Other remuneration elements	Total short term incentive compen-sation
Mr. Paulus de Wilt, Chief Executive Officer, Chairman	800,000	40,800	-	27,200	120,182	53,039	1,041,221
Mr. Herman Dijkhuizen, Chief Financial Officer	550,000	28,050	-	18,700	92,888	52,628	742,266
Mr. Reinout van Riel, Chief Risk Officer	229,167	11,688	25,813	25,000	26,535	18,564	336,767
Mr. Rob ten Heggeler, former Chief Client Officer	550,000	28,050	-	18,700	77,182	75,883	749,815
Ms. Petra van Hoeken, former Chief Risk Officer	114,583	-	-	-	15,696	28,482	158,761
	2,243,750	**108,588**	**25,813**	**89,600**	**332,483**	**228,596**	**3,028,830**

1 This granted remuneration will be expensed in future years
2 A collective allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 101,519.

in EUR	Long term (incentive) compensation: Post employment contribution	Share based payments[1]: Phantom Share Units	Share based payments[1]: Restricted Phantom Share Units[2]	Termination payments: Severance payments	Total
Mr. Paulus de Wilt, Chief Executive Officer, Chairman	31,115	40,800	27,200	-	1,140,336
Mr. Herman Dijkhuizen, Chief Financial Officer	30,109	28,050	18,700	-	819,125
Mr. Reinout van Riel, Chief Risk Officer[3]	12,116	37,500	25,000	-	411,383
Mr. Rob ten Heggeler, former Chief Client Officer	30,538	28,050	18,700	-	827,103
Ms. Petra van Hoeken, former Chief Risk Officer[4]	6,059	-	-	-	164,820
	109,937	**134,400**	**89,600**	**-**	**3,362,767**

1 Phantom share units (including sign-on).
2 This granted remuneration will be expensed in future years
3 Mr. Van Riel joined NIBC on 1 August 2016 and was appointed as Chief Risk Officer of the Statutory Board at 15 August 2016.
4 Ms Van Hoeken stepped down as Chief Risk Officer of the Statutory Board on 15 March 2016 and his employment ended on the same date.

The short term compensation share related awards (restricted) phantom share units per member of the statutory board:

	Number of phantom share units		Number of restricted phantom share units	
	2017	2016	**2017**	2016
Mr. Paulus de Wilt	4,651	5,126	3,101	3,417
Mr. Herman Dijkhuizen	3,198	3,524	2,132	2,349
Mr. Reinout van Riel[1]	3,198	4,712	2,132	3,141
Mr. Rob ten Heggeler, former Chief Client Officer	-	3,524	-	2,349
	11,047	**16,886**	**7,365**	**11,256**

1 The 2016 numbers includes the sign-on compensation.

The following table provides a reconciliation between the compensation awards of the Statutory Board and the remuneration expenses of the Statutory Board as disclosed in Note 7.

Reconciliation Compensation awards and remuneration expenses of the Statutory Board

in EUR	2017	2016
Compensation awards of the Statutory Board at 31 December	2,836,393	3,362,767
Compensation awards, not included in remuneration expenses of the year	(152,000)	(179,200)
Remuneration expenses, not included in compensation awards of the year	579,271	267,591
Remuneration expenses of the Statutory Board	**3,263,664**	**3,451,158**

Remuneration of the Supervisory Board members

The remuneration of the (former) Supervisory Board members relates to their position within NIBC Holding and NIBC Bank.

	2017			2016		
in EUR	Before tax	Value Added Tax	Incl. tax	Before tax	Value Added Tax	Incl. tax
Members:						
Mr. W.M. van den Goorbergh	102,500	21,525	124,025	96,500	20,265	116,765
Mr. D.R. Morgan[1]	38,750	-	38,750	71,500	-	71,500
Mr. M.J. Christner	60,000	-	60,000	55,000	-	55,000
Mr. J.C. Flowers	50,000	-	50,000	40,000	-	40,000
Mr. A. de Jong	65,000	13,650	78,650	51,500	10,815	62,315
Ms. S.A. Rocker[2]	28,750	-	28,750	50,000	-	50,000
Mr. D.M. Sluimers	77,500	16,275	93,775	63,333	13,300	76,633
Ms. K.M.C.Z. Steel	70,000	14,700	84,700	66,500	13,965	80,465
Mr. A.H.A. Veenhof	65,000	13,650	78,650	50,000	10,500	60,500
Mr. R.L. Carrión[3]	15,000	3,150	18,150	-	-	-
Total remuneration	**572,500**	**82,950**	**655,450**	**544,333**	**68,845**	**613,178**

1 Mr. D.R. Morgan stepped down as a member of the Supervisory Board on 21 June 2017.
2 Ms. S.A. Rocker stepped down as a member of the Supervisory Board on 21 June 2017.
3 Mr R.L. Carrión was appointed as a member of the Supervisory Board as from 29 September 2017 in the Extraordinary Meeting of Shareholders on 11 September 2017.

The remuneration of the Supervisory Board members consists of annual fixed fees and committee fees. As at 31 December 2017 and 31 December 2016, no loans, advance payments or guarantees had been provided by the company 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)	2017	2016
Mr. Paulus de Wilt	47,198	47,198
Mr. Herman Dijkhuizen	23,590	23,590
Mr. Rob ten Heggeler, former Chief Client Officer	48,826	48,826
Ms. Petra van Hoeken, former Chief Risk Officer	24,638	24,638
Total number of common depositary receipts (investment from own funds)	**144,252**	**144,252**

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)	2017	2016
Mr. Paulus de Wilt	33,236	21,437
Mr. Herman Dijkhuizen	16,298	10,400
Mr. Rob ten Heggeler, former Chief Client Officer	46,036	44,640
Ms. Petra van Hoeken, former Chief Risk Officer	18,638	18,638
Total number of conditional common depositary receipts (vested one-off matching shares	**114,208**	**95,115**

Number of conditional common depositary receipts (LTI)	2017	2016
Mr. Rob ten Heggeler, former Chief Client Officer	9,173	9,173
Total number of conditional common depositary receipts (LTI)	**9,173**	**9,173**

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 program.

Conditional Restricted Depositary Receipts

Co-investment programme
As a result of personal investments by the Statutory Board members in 2012 and 2014 matching shares were granted to the Statutory Board members in 2012 and 2014, in the form of CRDRs with an after-tax value equal to the value of the personal investment made.

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.

This offer was made to and accepted by Mr Dijkhuizen and Mr. de Wilt when they joined the Statutory Board.

The following table shows the holdings by members of the Statutory Board:

Number of conditional restricted depositary receipts (one-off matching shares)	2017	2016
Mr. Paulus de Wilt	13,962	25,761
Mr. Herman Dijkhuizen	7,292	13,190
Mr. Rob ten Heggeler, former Chief Client Officer	-	4,187
Total number of conditional restricted depositary receipts (one-off matching shares)	**21,254**	**43,138**

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.

From the 21,254 outstanding CRDRs at 31 December 2017, 17,696 will vest on 1 January 2018 and 3,558 will vest on 1 January 2019. In December 2017 it was proposed by the Statutory Board and subsequently approved by the Remuneration and Nominating Committee and Supervisory Board to change the Plan Rules Variable Compensation (NIBC Choice) in order to allow delivery of *Depositary Receipts* (**DR**) for outstanding *Conditional Common Depositary Receipts* (**CCDR**) in lieu of the occurrence of a change of control of NIBC Holding. Furthermore it was decided that all unvested *Conditional Restricted Depositary Receipts* (**CRDR**) outstanding at 1 January 2018 will vest immediately (accelerated vesting) into CCDR. This applies to 3.558 CRDRs (net after tax basis) related to the cancellation of the Long Term Incentive arrangement for certain Statutory Board members.

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. 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. 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	2017	2016
Mr. Paulus de Wilt	15,243	9,598
Mr. Herman Dijkhuizen	10,249	6,409
Mr. Reinout van Riel	7,910	4,712
Mr. Rob ten Heggeler, former Chief Client Officer	6,409	6,409
Ms. Petra van Hoeken, former Chief Risk Officer	2,885	2,885
Total number of phantom share units	**42,696**	**30,013**

Restricted Phantom Share Units

The following table shows the holdings by members of the Statutory Board:

Number of restricted phantom share units	2017	2016
Mr. Paulus de Wilt	8,506	6,398
Mr. Herman Dijkhuizen	5,764	4,273
Mr. Reinout van Riel	5,273	3,141
Mr. Rob ten Heggeler, former Chief Client Officer	-	4,273
Total number of restricted phantom share units	**19,543**	**18,085**

60 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;
- Mortgage loans;
- Debt Investments;
- Cash Management;
- Derivatives.

60-1 Credit risk exposure breakdown per portfolio

In EUR milions	2017	2016
Corporate / investment loans	9,200	9,473
Corporate loans	8,980	9,227
Investment loans	220	246
Lease receivables	282	236
Residential mortgage loans	9,146	8,831
Equity investments	343	262
Debt investments	822	1,232
Debt from financial institutions and corporate entities	324	459
Securitisations	498	773
Cash management	2,021	1,371
Derivatives[1]	1,021	1,812
Total	**22,835**	**23,217**

1 2017 is based on a combination of netting and positive replacement values. 2016 is based on positive replacement values only.

Table 60-1 presents the maximum credit risk exposure per portfolio, without taking collateral or any other credit risk reduction into consideration. For all portfolios except derivatives, this is generally the total commitment of NIBC Holding, which also includes off-balance sheet commitments such as guarantees and undrawn credit lines.

The figures in table 60-1 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. Mortgage loans are recognised on the balance sheet under mortgage loans own book and securitised mortgage loans. 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 Holding 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 Holding's regulatory authority, the DNB, in 2008. In 2014, NIBC Holding 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 60-2 and 60-3 are based on internal NIBC Holding sector organisation. NIBC Holding steers its business on internal sector classification, however it can be mapped to the industry sectors of NACE classification, if necessary. For comparability purposes portfolio breakdown based on NACE codes is also provided in a separate document published on the NIBC annual report website.

Tables 60-2 and 60-3 display a breakdown of the Corporate Loan portfolio among regions and industry sectors, at year-end 2017 and 2016. The Corporate Loan portfolio decreased by EUR 247 million in 2017 to EUR 8,980 million mainly due to exposure decreases in the industry sectors: *Shipping & Intermodal* (**S&I**) and *Offshore Energy* (**OE**). The relative weight of NIBC Holding's core growth market the Netherlands increased, also the share of Germany increased and the weight of the United Kingdom slightly increased. The corporate loan portfolio in the Netherlands increased to 40% of the total exposure at 31 December 2017 (31 December 2016: 36%).

60-2 Corporate loan exposure per industry sector and region, 31 December 2017

in %	Commercial Real Estate	Food, Agri, Retail & Health	Industries & Manu-facturing	Infra-structure & Renewables	Offshore Energy	Shipping & Intermodal	Telecom, Media, Technology & Services	Total	Total (in EUR millions)
The Netherlands	14	7	9	2	1	2	4	40	3,631
Germany	1	4	5	4	-	1	6	22	1,976
United Kingdom	-	1	1	10	3	2	2	19	1,712
Rest of Europe	-	-	1	1	3	4	1	10	882
Asia / Pacific	-	-	-	-	1	1	-	2	186
North America	-	-	-	-	1	3	-	4	356
Other	-	1	-	-	1	1	-	3	237
Total	**15**	**14**	**16**	**18**	**10**	**14**	**13**	**100**	**8,980**
Total (in EUR millions)	**1,310**	**1,216**	**1,430**	**1,595**	**934**	**1,297**	**1,198**		**8,980**
Expected Recovery[1]	**1,134**	**989**	**1,127**	**1,372**	**770**	**1,178**	**975**		**7,544**

1 Including the finanical effect of collateral.

60-3 Corporate loan exposure per industry sector and region, 31 December 2016

in %	Commercial Real Estate	Food, Agri, Retail & Health	Industries & Manu-facturing	Infra-structure & Renewables	Offshore Energy	Shipping & Intermodal	Telecom, Media, Technology & Services	Total	Total (in EUR millions)
The Netherlands	10	7	8	2	2	2	4	36	3,301
Germany	2	4	4	4	-	1	6	21	1,930
United Kingdom	-	-	1	11	2	1	2	18	1,660
Rest of Europe	-	-	1	1	4	5	2	13	1,168
Asia / Pacific	-	-	-	-	2	2	-	4	387
North America	-	-	-	-	2	4	-	6	511
Other	-	1	-	-	1	1	-	3	270
Total	**12**	**12**	**15**	**18**	**13**	**16**	**14**	**100**	**9,227**
Total (in EUR millions)	**1,095**	**1,149**	**1,364**	**1,618**	**1,233**	**1,512**	**1,257**		**9,227**
Expected Recovery[1]	**946**	**924**	**1,073**	**1,388**	**1,037**	**1,364**	**1,010**		**7,742**

1 Including the finanical effect of collateral.

CRR/CRD IV and credit approval process

NIBC Holding employs an internally-developed methodology under 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:

- CCR, reflecting the PD of the borrower. The default definition is in line with the CRR/CRD IV definition[1]
- 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;
- EAD, which is the amount that is expected to be outstanding at the moment a counterparty defaults.

The PDs, LGDs and EADs that are calculated through NIBC Holding'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 Holding 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.

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 Holding'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.

All approvals of individual credit proposals are granted after risk management has made a credit risk assessment and has analysed proposals by taking into consideration, among others, aggregate limits 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.

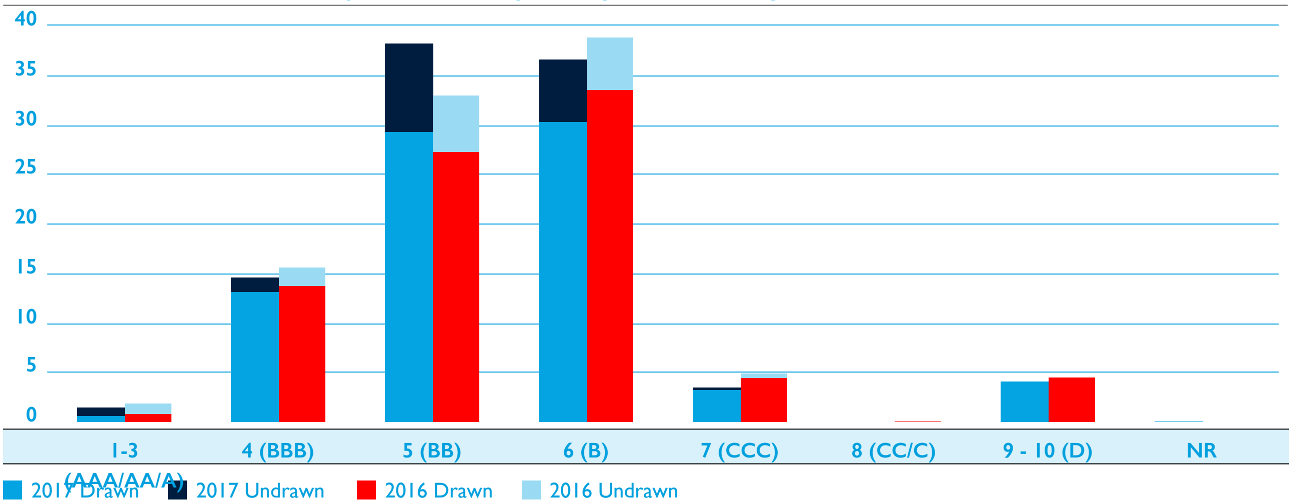
Credit ratings

NIBC Holding 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 remained stable during 2017 to 6+ with an average PD of 1.9% at 31 December 2017 (31 December 2016: 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 60-4 shows the distribution of the drawn and undrawn corporate loan exposure per CCR. The numbers on the horizontal axis refer to NIBC Holding'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 2017; 0.1% at 31 December 2016). NR is assigned to entities for which NIBC Holding's corporate rating tools were not suitable at the time of rating.

60-4 Drawn and undrawn corporate loan exposure per CCR rating

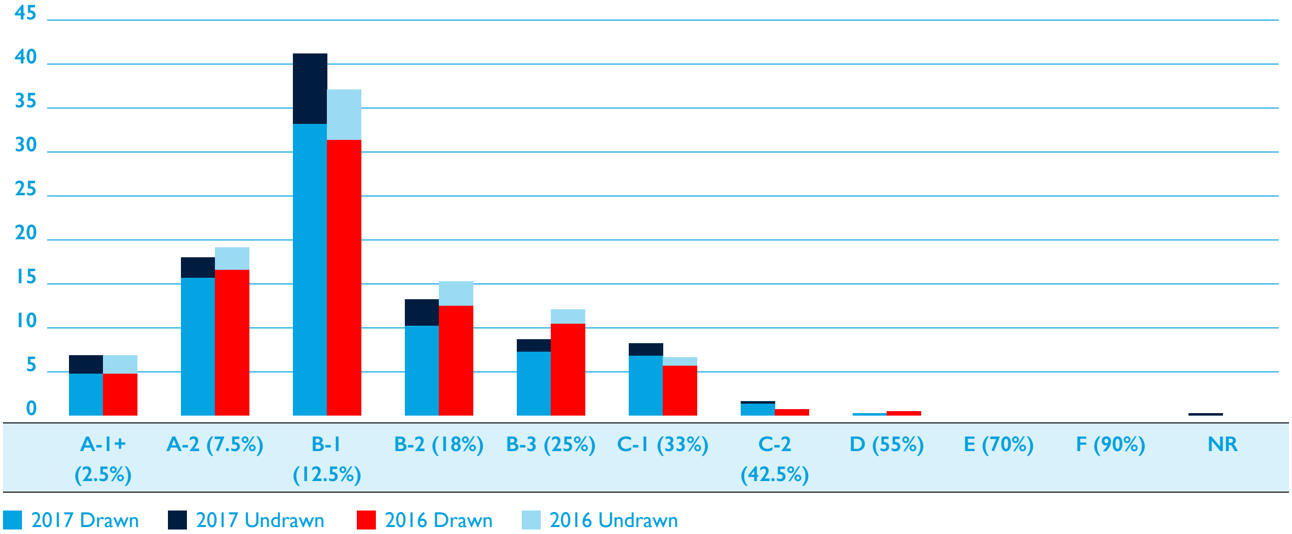


Collateral and LGD

NIBC Holding'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-1 grade with an average LGD of 15.3% at 31 December 2017 (31 December 2016: 15.3%). The weighted average LGD is calculated for non-defaulted loans and is weighted by exposure. Nearly all facilities within NIBC Holding 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 60-5 shows the distribution of drawn and undrawn corporate loan exposures per LGD. The letters on the horizontal axis refer to NIBC Holding's LGD grades and notches, whereas the numbers in parentheses refer to the loss percentage assigned to each LGD rating. NR was negligible (0.4% of corporate loans at 31 December 2017; 0.1% at 31 December 2016).

60-5 Drawn and undrawn non-defaulted corporate loan exposure per LGD rating



Note that the corporate loan exposure of graph 60-5 refers to non-defaulted exposure as the LGD is a measure of anticipated loss for facilities of a non-defaulted counterparty. Once counterparty enters default, the impairment amount becomes a more meaningful measure of the loss.

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 offshore energy sectors are primarily secured by moveable assets such as vessels and drilling vessels. The commercial real estate portfolio is primarily collateralised by mortgages on financed properties. Collateral value on a going concern basis is estimated using third-party appraisers, whenever possible, or valuation techniques based on common market practice. Realizable collateral value is determined as collateral value after haircuts for factors such as business cycle, location, asset construction status or guarantor counterparty rating. 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 outstanding decreasead to 0.7% at 31 December 2017 (31 December 2016: 1.1%). An overview of the amounts in arrear per arrear bucket is provided in tables 60-6 and 60-7. 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 2017 and 31 December 2016. The column labelled 'Impairment Amount' includes on-balance sheet impairment amounts only (31 December 2017: EUR 126 million; 31 December 2016: EUR 149 million). The inclusion of *Incurred but not Reported* (**IBNR**) impairment amounts (31 December 2017: EUR 17million; 31 December 2016: EUR 17 million) on the line with no payment in arrear brings the total impairment amount for 31 December 2017 to EUR 143 million (31 December 2016: EUR 166 million). Loans that are impaired but do not have payment arrears represent restructured loans which are now current on its payment obligations. Tables 60-11 and 60-12 provide more information on impairment amounts.

60-6 Corporate loan amounts in arrear, 31 December 2017

in EUR milions	Exposure Total	% of Exposure	Impaired	Not impaired	Outstanding Total	% of On-Balance	Impaired	Not impaired	Amount in arrear Total	% of On-Balance	Impairment amount
Age of payment in arrear											
1 - 5 days	5	0.1%	-	5	5	0.1%	-	5	1	0.0%	-
6 - 30 days	15	0.2%	-	15	15	0.2%	-	15	5	0.1%	-
31 - 60 days	9	0.1%	-	9	9	0.1%	-	9	1	0.0%	-
61 - 90 days	-	-	-	-	-	-	-	-	-	-	-
Subtotal less than 90 days	**29**	**0.3%**	**-**	**29**	**29**	**0.4%**	**-**	**29**	**7**	**0.1%**	**-**
Over 90 days	155	1.7%	82	73	154	2.1%	81	73	42	0.6%	32
No payment in arrear	8,796	98.0%	223	8,573	7,211	97.5%	222	6,989	-	-	110
Total	**8,980**	**100%**	**305**	**8,675**	**7,395**	**100%**	**303**	**7,091**	**49**	**0.7%**	**143**

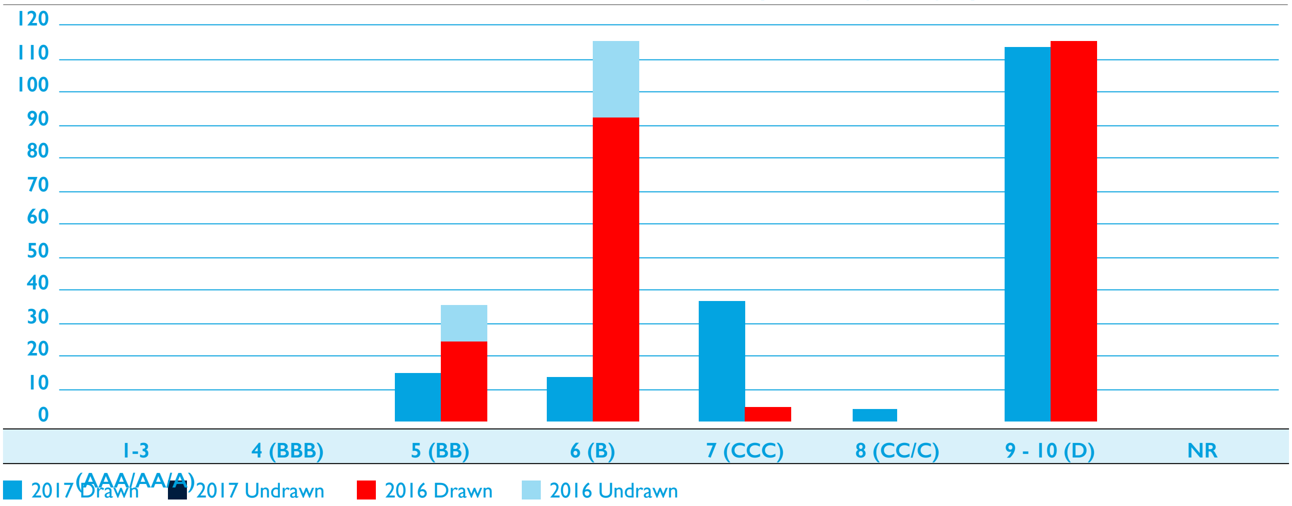
60-7 Corporate loan amounts in arrear, 31 December 2016

in EUR milions	Exposure Total	% of Exposure	Impaired	Not impaired	Outstanding Total	% of On-Balance	Impaired	Not impaired	Amount in arrear Total	% of On-Balance	Impairment amount
Age of payment in arrear											
1 - 5 days	44	0.5%	9	34	43	0.5%	9	33	18	0.2%	-
6 - 30 days	33	0.4%	-	33	33	0.4%	-	33	-	-	-
31 - 60 days	-	-	-	-	-	-	-	-	-	-	-
61 - 90 days	6	0.1%	-	6	6	0.1%	-	6	-	-	-
Subtotal less than 90 days	**83**	**0.9%**	**9**	**74**	**82**	**1.0%**	**9**	**73**	**18**	**0.2%**	**-**
Over 90 days	191	2.1%	80	110	158	2.0%	80	77	65	0.8%	48
No payment in arrear	8,953	97.0%	309	8,644	7,657	97.0%	306	7,350	-	-	118
Total	**9,227**	**100.0%**	**399**	**8,828**	**7,897**	**100.0%**	**396**	**7,500**	**83**	**1.1%**	**166**

NIBC Holding 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 60-6 and 60-7. The application of this threshold does not influence the total arrears, which amounted to EUR 49 million at 31 December 2017 (31 December 2016: EUR 83 million).

Graph 60-8 displays the rating distribution of the exposure amounts (expressed as the sum of drawn and undrawn amounts) of all loans with an amount in arrears. The total exposure amount at 31 December 2017 was EUR 184 million (31 December 2016: EUR 274 million) and the total drawn amount at 31 December 2017 was EUR 184million (31 December 2016: EUR 240 million).

60-8 Distribution of drawn and undrawn amounts with an arrear per rating category



Forbearance and non-performing Corporate Loans

NIBC Holding considers a client to be forborne if:

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

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

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

Tables 60-9 and 60-10 provide the total forborne outstanding in NIBC Holding's Corporate Loan portfolio per industry sector and per region as at 31 December 2017. The forborne outstanding is divided in performing and non-performing outstanding. NIBC Holding 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 2017, EUR 7 million non-performing outstanding was not forborne. Comparable figures for 2016 can be seen in Tables 60-11 and 60-12.

Impairments of forborne facilities (excluding IBNR) amounted to EUR 122 million at 31 December 2017, which represented 15% of the total forborne balances. The total impairments of the Corporate Loan portfolio amounted to EUR 143 million at 31 December 2017, which represented 1.6% of the total Corporate Loan portfolio of EUR 9.0 billion.

Table 60-9 Forborne exposure per industry sector, 31 December 2017

in EUR millions	Exposure Non-performing	Exposure Performing	Total Exposure	Impairment amount
Commercial Real Estate	97	-	97	38
Food, Agri, Retail & Health	10	7	17	3
Industries & Manufacturing	4	78	82	2
Infrastructure & Renewables	50	4	53	14
Offshore Energy	173	153	326	50
Shipping & Intermodal	46	168	213	15
Telecom, Media, Technology & Services	19	14	33	0
Total	**398**	**423**	**821**	**122**

Table 60-10 Forborne exposure per region, 31 December 2017

in EUR millions	Exposure Non-performing	Exposure Performing	Total Exposure	Impairment amount
The Netherlands	49	140	188	8
Germany	146	39	185	52
United Kingdom	43	66	109	24
Rest of Europe	62	153	215	7
Asia / Pacific	22	-	22	17
North America	32	25	57	0
Other	44	-	44	15
Total	**398**	**423**	**821**	**122**

Table 60-11 Forborne exposure per industry sector, 31 December 2016

in EUR millions	Exposure Non-performing	Exposure Performing	Total Exposure	Impairment amount
Commercial Real Estate	158	-	158	50
Food, Agri, Retail & Health	7	-	7	4
Industries & Manufacturing	15	2	17	8
Infrastructure & Renewables	51	32	83	14
Offshore Energy	66	136	202	28
Shipping & Intermodal	56	203	259	28
Telecom, Media, Technology & Services	-	45	45	-
Total	**353**	**418**	**771**	**131**

Table 60-12 Forborne exposure per region, 31 December 2016

	Exposure		Total Exposure	Impairment amount
in EUR millions	Non-performing	Performing		
The Netherlands	25	105	129	15
Germany	206	29	234	61
United Kingdom	33	77	110	25
Rest of Europe	16	126	142	3
Asia / Pacific	47	10	57	27
North America	-	72	72	-
Other	26	-	26	-
Total	**353**	**418**	**771**	**131**

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 Holding 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 Holding 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 2017, the total write-offs (EUR 52 million) increased compared to 2016 (EUR 30million), mainly in the industry & manufacturing, shipping and offshore energy sectors. The stock of impairments decreased and amounted to EUR 143 million at year-end 2017 (year-end 2016: EUR 166 million).

Tables 60-13 and 60-14 display an overview of impairments at 31 December 2017 and 31 December 2016, subdivided in industry sectors and regions, respectively. The column labelled 'Exposure' includes both drawn and undrawn amounts.

60-13 Impairment per industry sector

	2017				2016			
in EUR millions	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
Commercial Real Estate	1,310	98	39	5	1,095	159	51	8
Food, Agri, Retail & Health	1,216	10	3	3	1,149	7	4	4
Industries & Manufacturing	1,430	6	3	11	1,364	28	15	10
Infrastructure & Renewables	1,595	51	15	-	1,618	52	15	-
Offshore Energy	934	92	50	16	1,233	87	31	-
Shipping & Intermodal	1,297	48	16	11	1,512	58	28	-
Telecom, Media, Technology & Services	1,198	0	0	6	1,257	9	6	7
IBNR Corporate Loans			17				17	
Total	**8,980**	**305**	**143**	**52**	**9,227**	**399**	**166**	**30**

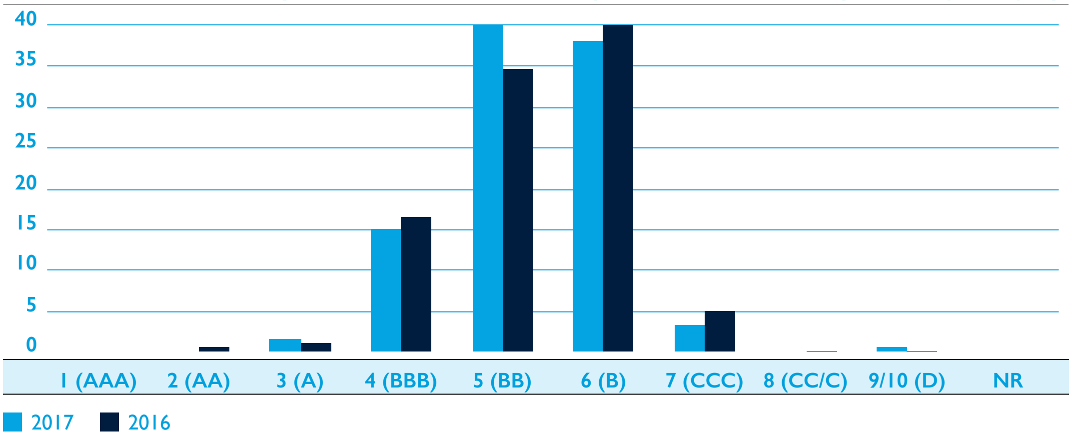
60-14 Impairment per region

	2017				2016			
in EUR millions	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
The Netherlands	3,631	31	9	16	3,301	37	21	8
Germany	1,976	148	53	9	1,930	217	68	14
United Kingdom	1,712	45	24	14	1,660	63	27	-
Rest of Europe	882	37	8	-	1,168	17	4	7
Asia / Pacific	186	22	17	11	387	47	27	-
North America	356	0	0	2	511	19	2	-
Other	237	22	15	-	270	-	-	-
IBNR Corporate Loans			17				17	
Total	**8,980**	**305**	**143**	**52**	**9,227**	**399**	**166**	**30**

Corporate loans without impairments or arrears

At 31 December 2017, the size of the corporate loan exposure carrying neither impairments nor arrears equalled EUR 8,592 million or 96% of the total Corporate Loan portfolio (31 December 2016: EUR 8,674 million or 94%). Graph 60-15 displays the distribution of exposure amounts without impairments or arrears, at 31 December 2017 and 31 December 2016. 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 2017: 0.2% of all loans without impairments or amounts in arrear; 31 December 2016: 0.1%).

60-15 Distribution of exposure amount without impairments or arrears per rating category



Country risk

Country risk is the risk that an entity defaults due to political, social, economical or financial turmoil in its applicable jurisdiction(s). 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 Holding did not experience any counterparty defaults from this risk in 2017.

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 Holding Funds**). Direct investments are all other investments.

Direct investments or commitments in NIBC Holding Funds are approved by the *Investment Committee* (**IC**) of NIBC Holding. Indirect investments are approved by the investment committees of the NIBC Holding Funds, subject to the investment guidelines stipulated in the fund agreements between the manager of the NIBC Holding 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 Holding Fund. All impairments are reviewed and approved by the IC.

The total size of investment loans at 31 December 2017 was EUR 220 million (31 December 2016: EUR 246 million), of which 91% had been drawn (31 December 2016: 91%). 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 2017, the weighted average *counterparty credit rating* (**CCR**) of non-defaulted investment loans remained stable at an internal rating 6 (31 December 2016: 6) on NIBC Holding's internal rating scale (equivalent to B on external rating agencies' scales).

Tables 60-16 and 60-17 display a breakdown of investment loans per region and industry sector at 31 December 2017 and 31 December 2016.

60-16 Breakdown of investment loans per region

in EUR millions	2017 Exposure	2017 %	2016 Exposure	2016 %
The Netherlands	216	98%	243	99%
Germany	2	1%		
United Kingdom	1	0%	3	1%
Rest of Europe	-	-	-	-
North America	-	-	-	-
Total	**220**	**100%**	**246**	**100%**

60-17 Breakdown of investment loans per industry sector

in EUR millions	2017 Exposure	2017 %	2016 Exposure	2016 %
Commercial Real Estate	22	10%	20	8%
Food, Agri, Retail & Health	99	45%	116	47%
Industries & Manufacturing	28	13%	6	3%
Infrastructure & Renewables	22	10%	19	8%
Offshore Energy	17	8%	16	7%
Shipping & Intermodal	-	-	-	-
Telecom, Media, Technology & Services	32	14%	69	28%
Total	**220**	**100%**	**246**	**100%**

Arrears

The amounts in arrear as a percentage of exposure at year-end 2017 was 0.7% which is a decrease from EUR 4.7% at year-end 2016.

60-18 Investment loan amounts in arrear, 31 December 2017

	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	8	3.8%	8	4%	1	0.5%	-
> 90 days	12	5.4%	12	6%	1	0.3%	-
no payment arrear	200	90.9%	181	90%	-	-	3
TOTAL	220	100%	201	100%	2	0.8%	3

60-19 Investment loan amounts in arrear, 31 December 2016

	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	9	3.7%	6	3%	5	2.4%	-
> 90 days	6	2.5%	6	3%	6	2.7%	6
no payment arrear	230	93.7%	210	94%	-	0.0%	6
TOTAL	**246**	**100%**	**222**	**100%**	**12**	**5.2%**	**13**

Impairment amounts

At 31 December 2017, impairments on investment loans decreased to EUR 3 million due to the write-off of one retail exposure (31 December 2016: EUR 13 million). Table 60-20 shows the breakdown of impairments and write-offs in industry sectors at 31 December 2017 and 31 December 2016. The column labelled 'Exposure' includes both drawn and undrawn amounts, and the column labelled 'Impairment Amount' refers to drawn amounts of impaired facilities.

60-20 Impairment per industry sector

in EUR millions	2017 Exposure	2017 Impaired Exposure	2017 Impairment Amount	2017 Write-offs	2016 Exposure	2016 Impaired Exposure	2016 Impairment Amount	2016 Write-offs
Commercial Real Estate	22	-	-	-	20	-	-	-
Food, Agri, Retail & Health	99	6	-	22	116	22	12	-
Industries & Manufacturing	28	-	-	-	6	-	-	-
Infrastructure & Renewables	22	-	-	-	19	-	-	-
Offshore Energy	17	-	-	-	16	-	-	-
Shipping & Intermodal	-	-	-	-	-	-	-	-
Telecom, Media, Technology & Services	32	9	3	-	69	3	-	-
Total	**220**	**16**	**3**	**22**	**246**	**25**	**13**	**-**

At 31 December 2017, the investment loans that carried neither impairments nor past-due amounts equalled EUR 184 million or 84% of total (31 December 2016: EUR 221 million or 90% of total).

Lease receivables

In 2014, NIBC Holding obtained a leasing portfolio as a result of the acquisition of Gallinat-Bank AG in Germany. This is a static portfolio and strict criteria were in place to determine the eligibility of lease contracts for this programme. These were entered into with German lessees to finance moveable 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. The portfolio is financed by NIBC Holding via a ring-fenced structure benefiting from credit enhancement. At the end of December 2017, the leasing portfolio continues to decrease from the original EUR 221 million to EUR 60 million.

Equipment leasing was added to our product pallet in 2016 via the establishment of the new venture BEEQUIP. This venture primarily focuses on financing/leasing transactions for used equipment, mainly for small and medium enterprises in the sectors infrastructure, earth-moving, construction and logistics sectors. At the end of December 2017, the BEEQUIP portfolio amounted EUR197 million. The credit quality of the lease receivables of BEEQUIP is in line with the credit quality of NIBC's corporate loan book. While the lease receivables are treated under the standardised approach for regulatory capital purposes, the probability of default relflects the underlying company fundamentals and the loss given default reflect the underlying assets which are being financed.

EUR 26 million of leases on the balance sheet are related to one single counterparty.

Mortgage loans

The composition of the Mortgage loan portfolio at year-end 2017 and at year-end 2016 is displayed in Table 60-21.

60-21 Breakdown of Mortgage loan portfolio

in EUR millions	2017	2016
Dutch Own Book portfolio	8,755	7,215
Dutch Securitised portfolio	338	1,532
German Own Book portfolio	53	84
Total[1]	**9,146**	**8,831**

1 The collateral value related to NIBC's Mortgage loans amounts to EUR 13.6 billion (EUR 13.0 billion (Own book), EUR 0.6 billion (Securitised) and 95 million for Germany)

Dutch Mortgage loan portfolio

The Dutch Mortgage loan 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 (NIBC Vastgoed Hypotheek) mortgages for investors were started in January 2015 and continued to show strong growth in 2017. This niche currently comprises approximately 7% of the total mortgage portfolio. Servicing and administration of the mortgage portfolio is outsourced to third-party servicers. Acceptance and special servicing is performed in-house.

At 31 December 2017, 29% of the Mortgage loan portfolio (31 December 2016: 33%) 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 Mortgage loan portfolio has been securitised to obtain funding. NIBC generally retains the junior notes and othpoer 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 2017 was EUR 26.5 million (31 December 2016: EUR 135 million).

Risk governance Dutch Mortgages loans

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

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

In 2017, the following amendments were implemented:

- The maximum NHG guaranteed loan amount stayed at EUR 245 thousand.

- Maximum Loan-to-Value decreased to 101% in 2017 for owner occupied mortgages. For Buy-to-Let mortgages, maximum LTMV in rented state is currently 70% (not regulated by law)

Management of loans in arrears Dutch Mortgages loans
In order to control the credit risk in the Dutch Mortgage loan 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 one week, 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 needed, NIBC acquires these properties.

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

Table 60-22 shows the arrears overview of the total Dutch Mortgage loan portfolio at 31 December 2017 and 31 December 2016. Overall, the notional amount in arrears decreased compared to year end 2016 while the portfolio volume has grown with 4%.

60-22 Arrears overview, Dutch Mortgage loan portfolio

	Arrears allocation		Impairments		Not impaired	
in EUR millions	2017	2016	2017	2016	2017	2016
No payment in arrear	8,900	8,534	0.4	0.7	8,900	8,533
0-30 days	111	106	0.2	0.1	110	106
31-60 days	11	37	0.4	0.2	10	37
61-90 days	30	18	0.2	0.3	30	18
Over 90 days	42	52	0.3	0.1	41	52
Total	**9,093**	**8,747**	**1.4**	**1.5**	**9,093**	**8,747**

Forbearance Dutch Mortgage loans
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 program to its mortgagers who are experiencing financial difficulties since May 2013. The Client Retention team of the Special Servicing department has the responsibility of assessing the nature and the expected duration of a client's financial distress, and will determine necessity of providing forbearance measures to that client and the conditions that should apply. 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. At

31 December 2016, EUR 38 million was forborne of which EUR 23 million was performing and EUR 15 million non-performing. At 31 December 2017, EUR 41 million was reported as forborne of which EUR 25 million was performing and EUR 16 million non-performing.

Risk measurement Dutch Mortgage loans

NIBC's rating methodology for residential mortgage loans 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 (for Buy-to-Let mortgages, Basel standardized approach for credit risk is used).

The PD estimates are dependent on a variety of factors, of which the key factors are debt- to-income and loan-to-value ratios. 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%.

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.

Impairment amounts are not calculated on individual residential mortgage loans but, rather, calculated on the portfolio level of the residential mortgage loans.

Table 60-23 shows the PD distribution of the Dutch Mortgage loan portfolio at 31 December 2017 and 31 December 2016. A PD of 100% means that a borrower is close to or more than 90 days in arrears.

60-23 PD allocation of Dutch mortgage loans

	Own book Dutch mortgages loans[1]		Securitised Dutch mortgage loans	
in %	2017	2016	2017	2016
Probability of default				
<= 1%	97.5	97.5	97.4	95.3
1%> <=2%	0.3	0.4	0.2	0.3
2%> <=5%	0.2	0.2	0.1	0.3
5%> <100%	1.4	1.3	1.9	2.4
100%	0.6	0.7	0.5	1.7
Total	**100**	**100**	**100**	**100**

1 Excluding buy-to-let mortgages

Risk mitigation and collateral management Dutch Mortgage loans

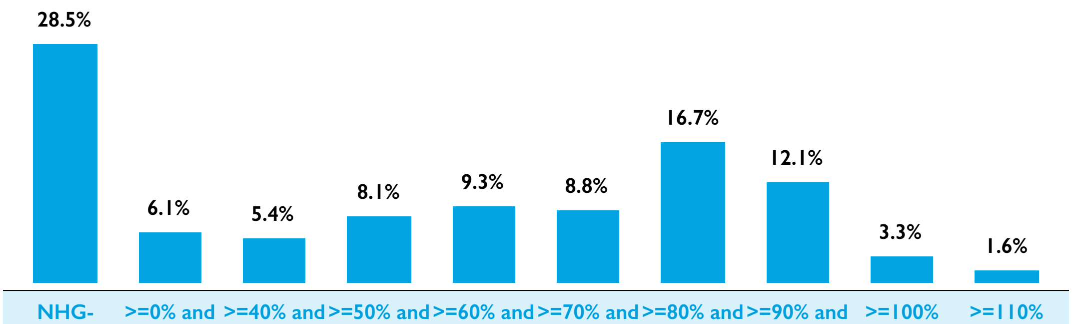
Credit losses are mitigated in a number of ways:

- The underlying property is pledged as collateral;
- 29% of the Dutch Own Book portfolio and 8% of the Securitised portfolio are covered by the NHG programme;
- For the part of the Dutch portfolio that has been securitised, credit losses higher than the retained positions, excess spread and reserve accounts are attributable to investors in the securitisation programmes.

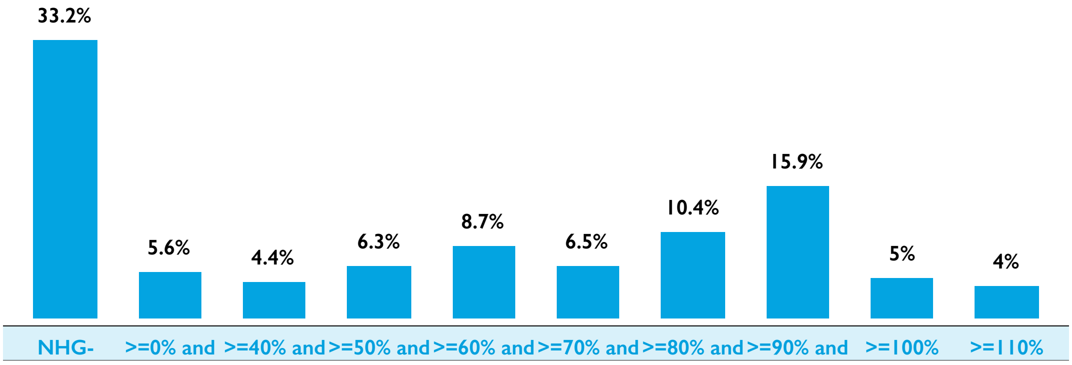
For the portfolio not covered by the NHG programme, the underlying property is the primary collateral for any mortgage loan granted, though savings, life insurance and investment deposits may also serve as additional collateral.

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 60-24 and 60-25 show a breakdown of the LTIMV for the total Dutch Mortgage loan portfolio at 31 December 2017 and 31 December 2016. The average seasoning of the total portfolio is approximately 8 years. The increase in the NHG guaranteed category is due to new origination of NIBC Direct mortgages. 5% 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.

60-24 LTIMV of Dutch Mortgage loan portfolio (EUR9,093 million), 31 December 2017



60-25 LTIMV of Dutch Mortgage loan portfolio (EUR 8,747 million), 31 December 2016



German Mortgage loan portfolio

The German Mortgage loan portfolio amounted to EUR 53 million at 31 December 2017 (31 December 2016: EUR 84 million). The collateral value of this portfolio amounted to EUR 95 million at 31 December 2017 (31 December 2016: EUR 139 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.

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 Holding 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,* **BPV**s) and Value at Risk (**VaR**) numbers are used[2].

Note 62 on Market Risk contains 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;
- Securitisations.

Debt from financial institutions and corporate entities

NIBC invests in debt (bonds) issued by financial institutions and corporate entities. The size of this sub-portfolio decreased in the course of 2017 to EUR 324 million at 31 December 2017 (31 December 2016: EUR 459 million). Of the total exposure, 30% (31 December 2016: 37%) were covered bonds. The remaining 70% (31 December 2016: 63%) 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 conservative by NIBC than by the external rating agencies.

[2] Sensitivity Analysis for NIBC Markets is accounted for in Note 62 Market Risk

The amount of EUR 324 million at 31 December 2017 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.

60-27 Debt of financial institutions and corporate entities, 31 December 2017

in EUR millions	AAA	AA	A	BBB	BB	<= B	NR	Total[1]
Financial institutions	103	-	126	15	-	3	-	247
Corporate entities	39	-	-	-	-	-	-	39
Sovereigns	21	17	-	-	-	-	-	38
Total	**162**	**17**	**126**	**15**	**-**	**3**	**-**	**324**

1 Source ratings: internal rating model (excluding sovereigns), based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1.

60-28 Debt of financial institutions and corporate entities, 31 December 2016

in EUR millions	AAA	AA	A	BBB	BB	<= B	NR	Total[1]
Financial institutions	170	5	82	88	-	4	-	349
Corporate entities	8	-	-	11	50	-	-	68
Sovereigns	24	18	-	-	-	-	-	41
Total	**201**	**23**	**82**	**99**	**50**	**4**	**-**	**459**

1 Source ratings: internal rating model (excluding sovereigns), based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1.

At both 31 December 2017 and 31 December 2016, 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 60-29 and 60-30 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 60 on credit risk in the corporate loans or mortgage loans sections. NIBC's total exposure as an originator to consolidated securitisations was EUR 206 million at 31 December 2017 (31 December 2016: EUR 224 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) decreased to EUR 498 million at 31 December 2017 (31 December 2016: EUR 773 million), mainly due to a decrease of the Western European Securitisations 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 74 million at 31 December 2017 (31 December 2016: EUR 256 million). The Liquidity Investments portfolio was set up to invest part of NIBC's excess liquidity in the securitisation market. Investments are in majority 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 FMCR. Exposure in this portfolio decreased to EUR 424 million at 31 December 2017 (31 December 2016: EUR 518 million). The underlying assets in the collateral pools of NIBC's securitization investments comprise Dutch residential mortgage loans (NL-RMBS AAA Liquidity Portfolio) and French and German car loans and credit card receivables (EU-ABS AAA Liquidity Portfolio).

60-29 Exposure to securitised products, 31 December 2017

Book value, in EUR millions	AAA	AA	A	BBB	BB	<BB	Total[1]
EU - ABS	-	-	-	-	-	-	1
EU - CDO	1	-	2	-	3	14	21
EU - CMBS	-	-	-	-	-	11	11
EU - RMBS	2	8	28	-	-	4	42
Total Western European securitisations	**3**	**8**	**30**	**-**	**3**	**29**	**74**
NL - RMBS AAA Liquidity portfolio	302	-	4	-	-	-	307
EU- ABS AAA Liquidity portfolio	117	-	-	-	-	-	117
Total securitisation exposure	**422**	**8**	**34**	**0**	**3**	**29**	**498**

1 Source: external ratings, sourced form S&P, Moody's and Fitch, whereby typically the 2nd highest ranked rating is selected.

60-30 Exposure to securitised products, 31 December 2016

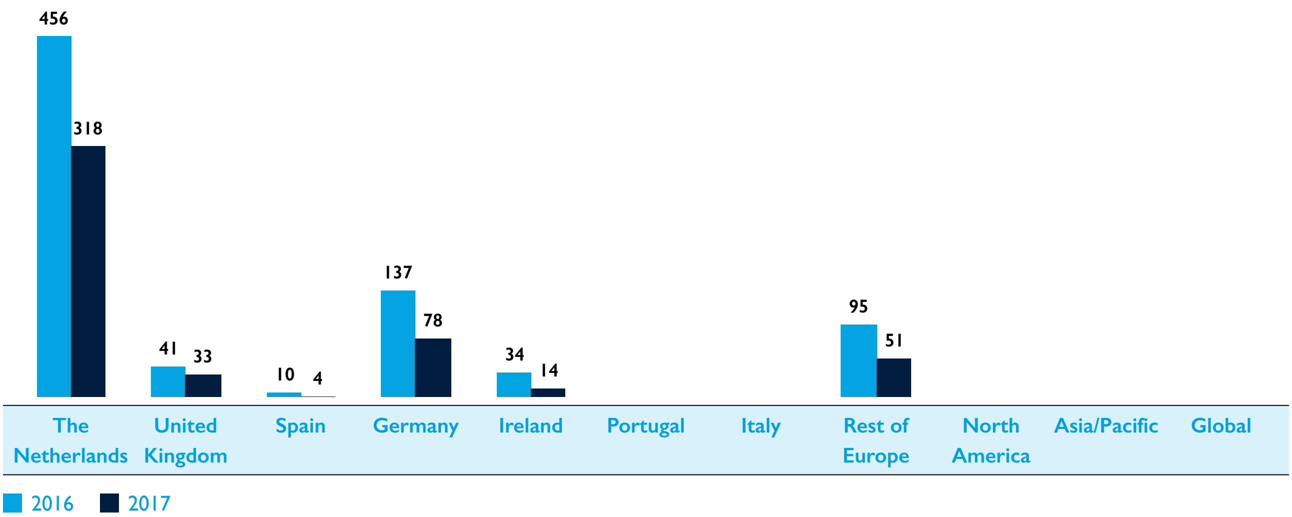
Book value, in EUR millions	AAA	AA[1]	A	BBB	BB	<BB[1]	Total[2]
EU - ABS	-	-	-	-	-	-	1
EU - CDO	24	10	9	-	4	12	59
EU - CMBS	-	-	-	-	-	132	132
EU - RMBS	5	13	29	4	-	12	64
Total Western European securitisations	**29**	**23**	**38**	**5**	**4**	**157**	**256**
NL - RMBS AAA Liquidity portfolio	363	-	3	-	-	-	366
EU- ABS AAA Liquidity portfolio	152	-	-	-	-	-	152
Total securitisation exposure	**543**	**23**	**41**	**5**	**4**	**157**	**773**

1 Of AA related exposure of EUR 23 million and < BB related exposure of EUR 157 million an amount of respectively EUR 2 million and EUR 131 million relates to NIBC's own non-consolidated securitisations.
2 Source: external ratings, sourced form S&P, Moody's and Fitch, whereby typically the 2nd highest ranked rating is selected.

Geographic distribution of securitisations

Graph 60-31 presents the distribution of the Securitisations portfolio by geographic region at 31 December 2017 and 31 December 2016. 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 (64%), Germany (16%) and the United Kingdom (7%). NIBC's exposure in Ireland, Italy, Spain and Portugal is limited and had decreased to EUR 18 million at 31 December 2017 (31 December 2016: EUR 44 million). Approximately 93% of this exposure is investment grade exposure. NIBC had no exposure in Greece at 31 December 2017 or 2016.

60-31 Distribution of securitisations per region, 31 December 2017 (EUR 498 million) and 31 December 2016 (EUR 773 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. Impairments are taken when the expected future cashflows are insufficient to meet the payment obligaitons. The stock of impairments decreased to EUR 24 million at 31 December 2017 (31 December 2016: EUR 47 million).

Securitisations without impairments

Table 60-32 presents the rating breakdown of securitisation exposure that did not carry an impairment amount at 31 December 2017 (EUR 495 million). The total amount of securitisations without impairments at 31 December 2016 was EUR 762 million.

60-32 Distribution of securitisation exposure without impairments per rating category, 31 December 2017

Book value, in EUR millions	AAA	AA	A	BBB	BB	<BB	Total[1]
Securitisation exposure without impairments	422	8	34	0	3	27	495

1 Source: external ratings, sourced form S&P, Moody's and Fitch, whereby typically the 2nd highest ranked rating is selected.

60-33 Distribution of securitisation exposure without impairments per rating category, 31 December 2016

Book value, in EUR millions	AAA	AA	A	BBB	BB	<BB	Total[1]
Securitisation exposure without impairments	543	23	41	5	4	145	762

1 Source: external ratings, sourced form S&P, Moody's and Fitch, whereby typically the 2nd highest ranked rating is selected.

Cash management

NIBC Holding is exposed to credit risk as a result of cash management activities. In 2017, NIBC Holding's risk management framework for cash management continued its conservative approach, taking into account the vulnerable financial markets.

Risk monitoring and measurement

NIBC Holding 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 Holding holds foreign currency accounts at correspondent banks and also utilises third-party account providers for internal securitisations.

Exposures

At 31 December 2017, NIBC's total cash amounted EUR 2,021 million (31 December 2016: EUR 1,371 million). EUR 1,604 million of the cash was held at DNB and Deutsche Bundesbank, EUR 403 million at financial institutions and the remaining EUR 14 million at corporate entities (securitisation-related liquidity facilities).

60-34 Cash, 31 December 2017

in EUR millions	AAA	AA	A	≤BBB	Total[1]
Cash and balances with central banks	1,604	-	-	-	1,604
Financial institutions	-	25	306	71	403
Corporate entities	4	-	10	-	14
Total	**1,608**	**25**	**316**	**71**	**2,021**

1 Source ratings: internal rating model (excluding Cash and balances with central banks), based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1 regulatory capital.

60-35 Cash, 31 December 2016

in EUR millions	AAA	AA	A	≤BBB	Total[1]
Cash and balances with central banks	917	-	-	-	917
Financial institutions	-	77	282	81	439
Corporate entities	4	-	10	-	14
Total	**922**	**-**	**292**	**81**	**1,371**

1 Source ratings: internal rating model (excluding Cash and balances with central banks), based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1 regulatory capital.

At year-end 2017, EUR 627 million cash collateral has been excluded from the cash management exposure (year-end 2016: EUR 1,016 million) as this amount is restricted cash that relates to derivatives with a negative fair value. At both 31 December 2017 and 31 December 2016, 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 Holding's credit risk in derivatives can be split into exposures to financial institutions and corporate entities. NIBC Holding's policy is to minimise this risk. NIBC Holding 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 2017 NIBC offsetted assets and liabilities with central clearing members. Derivatives with the same characteristics, being counterparty, maturity bucket and currency are netted. In 2017, EUR 244 million of NIBC's derivative portfolio including netting, but excluding 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 60-36 and 60-37 display NIBC 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 2017 to EUR 1,021 million at 31 December 2017 (31 December 2016: EUR 1,812 million).

60-36 Derivative exposure excluding netting and collateral, 31 December 2017

in EUR millions	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total[1]
Financial institutions	-	24	462	72	-	-	-	-	-	-	558
Corporate entities	21	-	-	281	70	80	-	-	11	-	463
Total	**21**	**24**	**462**	**353**	**70**	**80**	**-**	**-**	**11**	**-**	**1,021**

1 Source ratings: internal rating model, based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1 regulatory capital.

60-37 Derivative exposure excluding netting and collateral, 31 December 2016

in EUR millions	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total[1]
Financial institutions	-	31	1,121	91	-	-	-	-	-	-	1,242
Corporate entities	-	25	5	358	45	52	72	-	13	-	570
Total	**-**	**56**	**1,126**	**449**	**45**	**52**	**72**	**-**	**13**	**-**	**1,812**

1 Source ratings: internal rating model, based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1 regulatory capital.

Collateral

To the extent possible, NIBC Holding attempts to limit credit risk arising from derivatives. NIBC Holding 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 (as in tables 60-38 and 60-39). 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 Holding 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 60-38 at 31 December 2017 and in table 60-39 at December 2017.

60-38 Derivative exposure including netting and collateral, 31 December 2017

in EUR millions	AAA	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total[1]
Financial institutions	-	-	1	26	5	-	-	-	-	-	-	32
Corporate entities	-	22	-	-	271	69	80	-	-	11	-	453
Total	**-**	**22**	**1**	**26**	**276**	**69**	**80**	**-**	**-**	**11**	**-**	**485**

1 Source ratings: internal rating model, based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1 regulatory capital.

60-39 Derivative exposure including netting and collateral, 31 December 2016

in EUR millions	AAA	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total[1]
Financial institutions	-	-	-	58	31	-	-	-	-	-	-	89
Corporate entities	-	-	25	5	347	45	51	72	-	13	-	557
Total	**-**	**-**	**25**	**63**	**378**	**45**	**51**	**72**	**-**	**13**	**-**	**646**

1 Source ratings: internal rating model, based on estimated PD and LGD parameters, which are also deployed in NIBC's AIRB models used for the calculation of expected loss and Pillar-1 regulatory capital.

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 Holding. 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 Holding 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 (EUR 100,000), they are considered insignificant and are therefore excluded. The application of the threshold does not influence the total arrears for 2017 and 2016.

Table 60-40 displays an overview of the arrears for corporate derivatives at 31 December 2017 and 31 December 2016 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 60-40, at 31 December 2017, no marked-to-market exposure in arrear (31 December 2016: no marked-to-market expsoure in arrear).

60-40 Arrears overview, corporate derivative exposure

	2017		2016	
in EUR millions	Exposure (MtM)[1]	Amount in arrear	Exposure (MtM)[1]	Amount in arrear
Age of payment in arrear				
1- 5 days	-	-	-	-
6 - 30 days	-	-	-	-
31 - 60 days	-	-	-	-
61 - 90 days	-	-	-	-
Subtotal less than 90 days	**-**	**-**	**-**	**-**
Over 90 days	-	-	-	-
No payment in arrear	453	-	570	-
Total	453	-	570	-

1 MtM: Marked-to-Market value.

61 Interest rate risk in the Banking book

NIBC Holding defines interest rate risk in the Banking book (IRRBB) as the risk of losses from interest rate sensitive positions in non-trading activities due to movements in interest rates. Interest rate risk is measured both from an economic value perspective and an earnings perspective. The first perspective considers the impact on the market value, while the latter considers the impact on the net interest income.

NIBC Holding's banking book consists of:
- Corporate treasury
- Commercial Treasury
- Corporate banking
- Retail banking

Risk appetite

The risk appetite for IRRBB from an economic value perspective is measured by the modified duration of equity and equal to 5 (with a tolerance of 7.5), while the risk appetite from an earnings perspective is measured by the impact on 1Y earnings and equal to EUR 13 million (assuming a shift in interest rates of 100 bps).

Risk monitoring and measurement

From an economic value perspective the impact of an instantaneous shift in interest rates on a static portfolio is considered. Interest *Basis Point Value* (**BPV**) and interest *Value at Risk* (**VaR)** measures are calculated on a daily basis and reviewed by the Market Risk department:
- Interest BPV measures the sensitivity of the market value to an instantaneous change of one basis point in each time bucket of the interest rate curve. 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;
- The interest VaR measures 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. These weekly changes are superimposed on the current market rates. The VaR is calculated by means of full valuation to take non-linearity into account.

From the earnings perspective changes in interest rates occur both instantaneously and gradually over time. The combination of static and dynamic (changes to the current portfolio composition) analyses are used. The dynamic analysis allows the integration of the business strategy in the earnings, by aligning the development of the balance sheet with the business plan, taking into account both refinancing and reinvestments. Earnings at risk (EatR) is calculated by means of the following measure:
- 12 months earnings impact due to a 200 bps gradual upwards or downwards interest rate shock per currency

EatR as displayed in the tables below represents the 200 bps gradual upwards measure.

The interest rate risk analysis is complemented by a 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 the above measures, both those from the economic value perspective and from an earnings perspective. The limits and utilisation are reported to the ALCO once every two weeks. Any major breach of IRRBB limits is reported to the CRO immediately.

Interest rate risk

Interest rate risk in the Banking book
Interest rate risk in the Banking book from an economic value perspective is mainly present in the Mismatch book and the Mortgages book; note that the books have opposite interest rate risk positions from an economic value perspective.

NIBC accepts a certain economic value risk exposure in the Mismatch book to stabilize earnings. We call this our strategic mismatch exposure. If we would not have this exposure and hedge all our interest bearing assets and liabilities to 3-months Euribor/Libor, our (non-interest bearing) capital will effectively be financing very short-term assets and the interest return on our (non-interest bearing) capital will fluctuate with these short term rates earned on those assets.

The Mismatch book exclusively contains swaps in EUR and GBP as these are, next to USD, the major currencies in which also lending activities take place. The USD position (31 million EUR) in the Mismatch book was closed in Q4 2017 as future increases in interest rates might result in negative carry. At year-end of 2017 the total notional position is 427 EUR mln, with 58% of the mismatch position held in EUR, 42% in GBP and 0% in USD. Duration based the relative positions would be 57% in EUR, 43% in GBP, 0% in USD.

The Mortgage loan book consists of:
- The 'old' (white label) mortgage portfolio, 4.9 billion EUR of which 53 million EUR 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.
- In 2013 NIBC started originating mortgages under the NIBC Direct label and this portfolio grew significantly since then. At year-end 2016 this portfolio's size was 3.3 billion EUR and at year-end 2017 the size of this portfolio is 4.4 billion EUR. This portfolio is accounted on amortised cost. The hedging strategy of this book is based upon notional amounts, i.e. excluding a discount spread.

However the interest rate sensitivity (from an economic value perspective) of both books is measured identically, i.e. by taking into account a discount spread.

The Corporate Treasury Book contains mainly the funding activities of NIBC and the corporate loan books. The Liquidity portfolio, Collateral portfolio and Debt Investments portfolio are part of the Banking Book and consist mainly of investments in financial institutions and securitisations

Tables 61-1 and 61-2 illustrate in EUR the interest rate sensitivity for EUR, USD and GBP in the Mismatch and remaining Banking book at year-end 2017 and 2016. For other currencies, the interest rate risk is minimal.

61-1 Interest rate statistics Banking book, 31 December 2017

	Economic value perspective (BPV)			Earnings perspective (EatR)		
in EUR thousands	Mismatch	Other	Total	Mismatch	Other	Total
EUR	(91)	291	199	(1,954)	16,046	14,092
USD	0	(4)	(4)	-	(343)	(343)
GBP	(68)	8	(60)	(1,377)	445	(932)
Other	-	0	0	-	296	296
Total	**(159)**	**294**	**135**	**(3,331)**	**16,445**	**13,114**

61-2 Interest rate statistics Banking book, 31 December 2016

	Economic value perspective (BPV)			Earnings perspective (EatR)		
in EUR thousands	Mismatch	Other	Total	Mismatch	Other	Total
EUR	(120)	335	216	(1,900)	17,260	15,360
USD	(72)	0	(71)	(1,400)	970	(430)
GBP	(91)	8	(82)	(1,200)	(900)	(2,100)
Other	0	0	0	-	20	20
Total	**(282)**	**344**	**62**	**(4,500)**	**17,350**	**12,850**

From the economic value perspective more detailed statistics with respect to the Mismatch book are presented in the following table.

61-3 Interest rate statistics Mismatch book

	2017		2016	
in EUR thousands	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max[1]	(283)	2,334	(357)	2,540
Average	(232)	1,722	(313)	2,196
Min[2]	(159)	1,060	(272)	1,912
Year-end	**(159)**	**1,060**	**(282)**	**1,971**

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

In the following table the interest BPV statistics of the Banking Book, split in Mismatch, Other and Total are presented.

61-4 Interest rate BPV statistics Banking book

	2017			2016		
in EUR thousands	Mismatch	Other	Total	Mismatch	Other	Total
Max[1]	(283)	525	245	(357)	392	(260)
Average	(232)	298	67	(313)	195	(118)
Min[2]	(159)	180	(1)	(272)	61	1
Year-end	**(159)**	**294**	**135**	**(282)**	**342**	**60**

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

62 Market risk

NIBC Holding defines market risk as:

- the risk of losses in the Trading book arising from adverse movements in market rates and;
- the risk of losses in the Banking Book from NIBC's credit spread risk position and;
- the risk of losses in both the banking and trading book from adverse movements in currencies with respect to the Euro.

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

In Money Markets & Trading, NIBC takes short-term positions in the EUR, GBP and USD yield curves. This book also contains interest rate risk related to derivative transactions of NIBC's clients. All positions within NIBC Markets are part of the Trading book. The Trading book of NIBC Markets contains bonds and a relatively small equity portfolio in those equities, for which NIBC markets is liquidity provider.

Risk appetite

The risk appetite for market risk is moderate. For all market risk types limits are set and monitored on a daily basis.

Risk monitoring and measurement

From an economic value perspective the impact of an instantaneous shift in interest rates on a static portfolio is considered. Interest and credit spread *Basis Point Value* (**BPV**) and interest and credit spread and equity *Value at Risk* (**VaR)** measures are calculated on a daily basis and reviewed by the Market Risk department. VaR is calculated using 4 years of historical data and a confidence level of 99%.

The market risk analysis is complemented by a 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 the above measures. The limits and utilisation are reported to the ALCO once every two weeks. Any major breach of market risk limits is reported to the CRO immediately.

Interest rate risk, credit spread risk and equity risk

Money Markets & Trading contains plain vanilla interest rate derivatives only. Figures per year-end 2017 versus 2016 are displayed below.

62-1 Interest rate statistics Trading book NIBC excluding NIBC Markets, 31 December 2017

	2017		2016	
in EUR thousands	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max[1]	(80)	415	(91)	377
Average	(25)	193	(30)	174
Min[2]	1	67	0	69
Year-end	(40)	128	38	116

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

The Trading book of NIBC Markets consists of bonds and equities. The bonds in the Trading book of NIBC Markets are subject to both interest rate risk and credit spread risk. The equities of the Trading Book of NIBC Markets are related to the function of liquidity provider, which NIBC Markets has for a number of Dutch small and midcap equities. Year-end 2017 figures are displayed in the table below.

62-2 Interest rate & credit spread risk statistics Trading book NIBC Markets, 31 December 2017

	2017			2016		
in EUR thousands	Interest BPV	Credit spread BPV	VaR	Interest BPV	Credit spread BPV	VaR
NIBC Markets	(16)	(46)	150	(18)	(51)	171

The VaR in this table includes both interest rate risk and credit spread risk.

The year-end 2017 equity VaR of NIBC Markets is 61 thousand EUR while in 2016 equity VaR was 38 thousand EUR per end of year.

NIBC's Banking book has credit spread risk mainly in the Liquidity portfolio, Collateral portfolio, the Structured Credits portfolio and the fair value mortgages portfolio. Year-end 2017 credit spread risk figures versus 2016 are displayed below.

62-3 Credit spread risk statistics Banking book, 31 December 2017

	2017		2016	
in EUR thousands	Credit spread BPV	Credit spread VaR	Credit spread BPV	Credit spread VaR
Liquidity / Collateral	(230)	1,370	(233)	1,598
Structured Credits	(46)	679	(59)	687
Mortgages (fair value)	(1,540)	1,806	(1,770)	2,966

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, GBP and JPY. 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 3.5 million at year-end 2017. This currency position is the position prior to hedging, which is always done shortly after month-end. Regulatory capital for currency risk is equal to 0.9 million EUR per end of 2017.

Furthermore, the impact of a *reasonably possible* yearly change (in absolute terms) of EUR against other currencies was calculated. Per end of 2017 the impact of these reasonably possible changes is as follows for NIBC Holding (only currencies with the larger exposures are displayed).

62-4 Currency risk analysis, 31 December 2017

2017			2016		
Currency	Change in currency in %	Impact P&L in mln EUR	Currency	Change in currency in %	Impact P&L in mln EUR
USD	+08	0.8	USD	+08	-0.5
GBP	+11	-0.3	GBP	+13	-0.3
JPY	+09	0.0	JPY	+09	-0.2
CHF	+09	-0.1	CHF	+09	-0.3

The sum of the absolute values of the impact for all currencies is equal to around 1.5 million EUR.

63 Liquidity risk

NIBC Holding defines liquidity risk as the inability of NIBC Holding 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 Holding's most important risk management objectives. NIBC Holding 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 Holding. 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 Holding'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;
- A one notch downgrade is assumed.

The projection of NIBC Holding'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 Holding with derivative counterparties.

In light of these projections, NIBC Holding 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 Holding in respect of non-derivative financial liabilities 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 future undiscounted cash flows. Financial liabilities at fair value through profit or loss are therefore restated to future nominal amounts. 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;
- Conservative assumptions with respect to possible cash outflows (e.g. CSA collateral, callable funding).

63.1 Liquidity maturity calendar, 31 December 2017

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 future cash flows)							
Financial liabilities at amortised cost							
Due to other banks	-	257	4	218	1,207	2	1,688
Deposits from customers	-	5,418	812	2,347	2,230	618	11,425
Own debt securities in issue	-	-	-	1,095	2,270	579	3,944
Debt securities in issue related to securitised mortgages and lease receivables	-	-	267	-	-	-	267
Financial liabilities at fair value through profit or loss (including trading)							
Own debt securities in issue	-	-	-	-	37	-	37
Debt securities in issue structured	-	-	-	20	449	697	1,166
Other financial liabilities							
Other liabilities	-	-	-	113	-	-	113
Deferred tax	-	-	-	-	4	-	4
Employee benefits	-	-	-	-	-	3	3
Subordinated liabilities							
Amortised cost	-	-	-	2	-	112	114
Fair value through profit or loss	-	-	-	-	-	330	330
Other							
Liabilities held for sale	104	-	-	-	-	-	104
Total liabilities (excluding derivatives and interest cash flows	**104**	**5,675**	**1,083**	**3,795**	**6,197**	**2,341**	**19,195**
Total assets relevant for managing liquidity risk at fair value (excluding derivatives and interest cash flows)	**1,214**	**1,933**	**248**	**1,043**	**5,353**	**11,294**	**21,085**

63.2 Liquidity maturity calendar, 31 December 2016

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 future cash flows)							
Financial liabilities at amortised cost							
Due to other banks	-	6	110	63	833	176	1,188
Deposits from customers	-	5,333	744	2,171	2,318	972	11,538
Own debt securities in issue	-	-	-	60	2,044	1,356	3,460
Debt securities in issue related to securitised mortgages and lease receivables	-	-	2	-	-	1,335	1,337
Financial liabilities at fair value through profit or loss (including trading)							
Own debt securities in issue	-	-	-	-	36	-	36
Debt securities in issue structured	-	-	6	17	175	976	1,174
Other financial liabilities							
Other liabilities	-	-	-	275	-	-	275
Deferred tax	-	-	-	-	3	-	3
Employee benefits	-	-	-	-	-	3	3
Subordinated liabilities							
Amortised cost	-	-	-	2	48	68	118
Fair value through profit or loss	-	-	2	7	48	485	542
Other							
Liabilities held for sale	-	-	-	-	-	-	-
Total liabilities (excluding derivatives and interest cash flows)	**-**	**5,339**	**864**	**2,595**	**5,505**	**5,371**	**19,674**
Total assets relevant for managing liquidity risk at fair value (excluding derivatives and interest cash flows)	**1,659**	**1,352**	**268**	**1,096**	**5,291**	**11,969**	**21,635**

63.3 Liquidity maturity calendar of derivatives, 31 December 2017

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 2017 and 2016. The amounts disclosed in the tables are the contractual undiscounted cash flows.

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	411	867	2,285	671	4,234
Outflow	(417)	(1,005)	(2,543)	(922)	(4,887)
Credit derivatives					
Inflow	-	-	-	1	1
Outflow	-	-	-	-	-
Derivatives used for hedging					
Interest rate derivatives (net settled)					
Inflow	11	110	249	25	395
Outflow	(9)	(84)	(306)	(218)	(617)
Total inflow	**422**	**977**	**2,534**	**696**	**4,630**
Total outflow	**(426)**	**(1,089)**	**(2,849)**	**(1,140)**	**(5,504)**

63.4 Liquidity maturity calendar of derivatives, 31 December 2016

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	476	986	2,279	717	4,458
Outflow	(498)	(1,018)	(2,327)	(749)	(4,592)
Credit derivatives					
Inflow	-	-	-	1	1
Outflow	-	-	-	-	-
Derivatives used for hedging					
Interest rate derivatives (net settled)					
Inflow	10	70	296	33	409
Outflow	(14)	(49)	(297)	(52)	(412)
Total inflow	**486**	**1,056**	**2,575**	**750**	**4,868**
Total outflow	**(512)**	**(1,067)**	**(2,624)**	**(801)**	**(5,004)**

63.5 Liquidity maturity calendar off-balance sheet, 31 December 2017

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.

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	1,533	-	-	-	1,533
Committed facilities with respect to residential mortgages financing	158	-	-	-	158
Capital commitments	12	-	-	-	12
Guarantees granted	65	-	-	-	65
Irrevocable letters of credit	35	-	-	-	35
	1,803	**-**	**-**	**-**	**1,803**

63.6 Liquidity maturity calendar off-balance sheet, 31 December 2016

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	1,303	-	-	-	1,303
Committed facilities with respect to residential mortgages financing	708	-	-	-	708
Capital commitments	19	-	-	-	19
Guarantees granted	76	-	-	-	76
Irrevocable letters of credit	18	-	-	-	18
	2,124	**-**	**-**	**-**	**2,124**

64 Capital management

Overview

It is NIBC Holding'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 Holding allocates as a buffer against potential losses from business activities, based upon its assessment of risks. The EC that NIBC Holding 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 Holding 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 Holding's capital allocation and usage process, assisting in allocating Own Funds 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 Holding's desired risk profile and the regulatory requirements.

Methodology
NIBC Holding uses the business model of each activity as the basis for determining the EC. 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 Holding 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 Holding 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 Mortgage Loan portfolio, the Securitisations portfolio and NIBC Holding'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 (mortgage loans and securitisations) or is not part of the CRR/CRD IV Pillar 1 at all (mismatch position).

Capital allocation
NIBC Holding 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 Holding 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 Mortgage Loan portfolio and the interest rate mismatch position, NIBC Holding 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;
- For the Investment loans, NIBC Holding calculates EC usage by applying a credit approach based upon the CRR regulatory capital formula. NIBC Holding 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**);

- 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 Holding adopted the AIRB approach as further specified in CRR/CRDIV for its corporate, retail and institutional exposure classes. NIBC Holding started using the AIRB approach at 1 January 2008. A small residue of exposures is measured on the standardised approach.

For market risk, NIBC Holding adopted an internal model VaR approach.

For measuring operational risk, NIBC Holding adopted the standardised approach, which is based on prescribed business-line activities.

The basis for Pillar 2 is NIBC Holding's ICAAP, which is NIBC Holding's self-assessment of risks not captured by Pillar 1, i.e. the link between NIBC Holding's risk profile, its risk management and risk mitigation, and NIBC Holding's capital planning.

Under Pillar 3, NIBC Holding publishes its regulatory disclosures regarding its capital structure, capital adequacy, liquidity risk, risk management objectives/policies and risk-weighted assets each year. The Pillar 3 disclosures are published on the same date as the Annual Report on our website.

The following table displays the composition of regulatory capital as at 31 December 2017 and 31 December 2016. The regulatory capital is based on the CRR/CRDIV scope of consolidation, calculated for NIBC Holding consolidated on a fully loaded base and including the full year profit after tax of the year. The full year profit after tax is included without permission of DNB at 31 December 2017. NIBC Holding complies with the CRR/CRDIV capital requirements as per 31 December 2017, which formally requires a minimum Common Equity ratio (including capital buffer) of 9.75%, a minimum Tier 1 ratio (including capital buffer) of 11.25% and a minimum Total Capital ratio (including capital buffer) of 13.25%.

in EUR millions	2017	2016
Tier 1		
Called-up share capital	148	148
Share premium	1,138	2,279
Eligible reserves	602	(654)
Profit after tax not included in CET 1 capital	(66)	(25)
Regulatory adjustments	(169)	(244)
Common equity Tier 1 capital	**1,653**	**1,504**
Additional Tier 1 capital	97	-
Total Tier 1 capital	**1,750**	**1,504**
Tier 2		
Qualifying subordinated liabilities	152	284
Total Tier 2 capital	**152**	**284**
Total BIS capital	**1,902**	**1,788**

65 Subsequent events

Changes in Dutch fiscal unity regime as a result of Justice of the European Union Judgement

On 22 February 2018, the Justice of the European Union decided that certain elements of the Dutch fiscal unity regime for corporate income tax purposes violate the freedom of establishment and are therefore contrary to European Union law. As a result, previously announced emergency legislation will change the Dutch fiscal unity regime, with retroactive effect, from 25 October 2017. The wording of this reparatory legislation is expected in the second quarter of 2018. This reparatory legislation may have impact on group companies within the fiscal unity NIBC. Although the various Dutch rules on restrictions of interest deductions will be applicable for group companies of a fiscal unity as from 25 October 2017, the impact for 2017 is immaterial. As soon as the final reparatory legislation is available an impact analysis will be performed by NIBC. and to the extent possible measures will be taken to mitigate potential negative effects

COMPANY FINANCIAL STATEMENTS

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COMPANY INCOME STATEMENT

for the years ended 31 December

in EUR millions	note	2017	2016
Interest and similar income	1	1	-
Interest expense and silimar charges		-	-
Net interest income		**1**	**-**
Fee and commission income		-	-
Fee and commission expense		-	-
Net fee and commission income		**-**	**-**
Income from equity investments		-	-
Income from interests in group companies	2	218	101
Income from group companies and (other) equity investments		**218**	**101**
Results from financial transactions		-	-
Other operating income		-	-
Total operating income		**219**	**101**
Personnel expenses		-	-
Depreciation, amortisation and value adjustments of intangible assets and tangible assets		-	-
Other operating expenses	3	3	-
Impairments and provisions		-	-
Release of impairments and provisions		-	-
Other		-	-
Net impairments and provision charges of loans		**-**	**-**
Impairments of group companies and other financial fixed assets		-	-
Release of impairments of group companies and other financial fixed assets		-	-
Net impairments of group companies and other financial fixed assets		**-**	**-**
Regulatory charges and levies		-	-
Total operating expenses		**3**	**-**
Profit from ordinary operations before tax		**216**	**101**
Tax		-	-
Profit after tax		**216**	**101**

COMPANY BALANCE SHEET

as at 31 December

in EUR millions	note	2017	2016
Assets			
Interests in group companies	4	2,096	1,992
Other assets	5	30	47
Total assets		**2,126**	**2,039**

in EUR millions	note	2017	2016
Liabilities and equity			
Due to group companies	6	206	224
Other liabilities	7	2	-
Total liabilities		**208**	**224**
Equity	**8**		
Share capital		148	148
Share premium		1,138	2,279
Revaluation reserves		93	156
Other reserves		323	(869)
Profit after tax for the year		216	101
Equity attributable to the parent company		**1,918**	**1,815**
Total liabilities and equity		**2,126**	**2,039**

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 Holding 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.

All figures are rounded to the nearest EUR million, except when otherwise indicated. The euro is the functional and presentation currency of NIBC Holding.

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.

Interests in group companies

Interests in group companies, 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 group companies profits or losses is recognised in the income statement.

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 Holding recognises a provision up to the extent of its obligation.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Net interest income

in EUR millions	2017	2016
Interest and similar income	1	-
Interest expense and silimar charges	-	-
	1	**-**

2 Income from interests in group companies

in EUR millions	2017	2016
Income from interests in group companies	218	101
	218	**101**

3 Other operating expenses

in EUR millions	2017	2016
Other operating expenses	3	-
	3	**-**

4 Interests in group companies

in EUR millions	2017	2016
Interests in group companies	2,096	1,992
	2,096	**1,992**
The movement in investments in group companies:		
Balance at 1 January	**1,992**	**1,912**
Movement in revaluation and hedging reserve	(114)	(21)
Income from interests in group companies	218	101
Balance at 31 December	**2,096**	**1,992**

NIBC Bank N.V.	100%
NIBC Investments Management N.V.	100%
NIBC Investments N.V.	100%
BEEQUIP B.V.	75%
Vijlma B.V.	94.9%

5 Other assets

in EUR millions	2017	2016
Other assets	-	6
Deferred tax asset (tax losses carried forward)	30	41
	30	**47**

The deferred tax asset is recognised to the extent that taxable profit will be available against which the temporary difference can be utilised.

Deferred tax was calculated on all temporary differences under the liability method using a nominal tax rate of 25.0% (2016: 25.0%).

6 Due to group companies

in EUR millions	2017	2016
NIBC Bank N.V.	206	224
	206	**224**
The legal maturity analysis of due to group companies is as follows:		
Three months or less	206	224
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
	206	**224**

7 Other liabilities

in EUR millions	2017	2016
Other liabilities	2	-
	2	**-**

8 Equity

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

in EUR millions	2017	2016
Share capital	148	148
Share premium	1,138	2,279
Revaluation reserves	93	156
Other reserves	323	(869)
Profit after tax	216	101
	1,918	**1,815**

Share capital

This section includes the fully issued and paid-up share capital. No changes occurred in the issued share capital in 2017 and 2016.

	2017	2016	2017	2016
	Numbers x 1,000		in EUR millions	
Authorised share capital	500,000	500,000	500	500
Unissued share capital	352,487	352,487	352	352
Issued share capital A shares	147,513	147,513	148	148

Share premium

in EUR millions	2017	2016
Share premium	1,138	2,279
	1,138	**2,279**
The movement in share premium:		
Balance at 1 January	**2,279**	**2,279**
Transfer to retained earnings	(1,085)	-
Distribution to shareholders of the parent	(56)	-
Balance at 31 December	**1,138**	**2,279**

Changes in revaluation reserves

in EUR millions	Property in own use reserve	Available-for-sale reserve	Cash flow hedge reserve	Own credit risk reserve	Total
Balance at 1 January 2017	**8**	**2**	**43**	**103**	**156**
Impact of application IFRS 9 Own credit risk	-			(51)	(51)
Restated balance at 1 January 2017	**8**	**2**	**43**	**52**	**105**
Unrealised revaluations	-	1	-	-	1
Realised gains/losses transferred to the income statement	-	-	-	-	-
Changes in cash flow hedge reserve	-	-	(13)	-	(13)
Changes in own credit risk reserve	-	-	-	-	-
Balance at 31 December 2017	**8**	**3**	**30**	**52**	**93**

in EUR millions	Property in own use reserve	Available-for-sale reserve	Cash flow hedge reserve	Own credit risk reserve	Total
Balance at 1 January 2016	**8**	**3**	**49**	**-**	**60**
Impact of application IFRS 9 Own credit risk	-	-	-	115	115
Restated balance at 1 January 2016	**8**	**3**	**49**	**115**	**175**
Unrealised revaluations	-	(1)	-	-	(1)
Realised gains/losses transferred to the income statement	-	-	-	-	-
Changes in cash flow hedge reserve	-	-	(6)	-	(6)
Changes in own credit risk reserve	-	-	-	(12)	(12)
Balance at 31 December 2016	**8**	**2**	**43**	**103**	**156**

Changes in other reserves

in EUR millions	Legal reserve	Retained earnings	Total
Balance at 1 January 2017	**198**	**(1,067)**	**(869)**
Impact of adopting IFRS 9 Own credit risk	-	-	-
Restated balance at 1 January 2017	**198**	**(1,067)**	**(869)**
Transfer of profit after tax previous financial year	-	101	101
Movement related to legal reserves	(18)	18	-
Transfer from share premium	-	1,085	1,085
Other	-	6	6
Balance at 31 December 2017	**180**	**143**	**323**

in EUR millions	Legal reserve	Retained earnings	Total
Balance at 1 January 2016	**217**	**(1,040)**	**(823)**
Impact of adopting IFRS 9 Own credit risk	-	(115)	(115)
Restated balance at 1 January 2016	**217**	**(1,155)**	**(938)**
Transfer of profit after tax previous financial year	-	70	70
Movement related to legal reserves	(19)	19	-
Other	-	(1)	(1)
Balance at 31 December 2016	**198**	**(1,067)**	**(869)**

Information on NIBC Holding's solvency ratios is included in the risk management section of this Annual Report.

Legal reserves

This concerns the reserve for unrealised fair value changes on mortgage loans (own book and securitised), certain non-listed trading assets, derivatives related to mortgage loans (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.

Including the revaluation and hedging reserves, total legal reserves at 31 December 2017 amount to EUR 224 million, including EUR 52 million relating to Own credit risk reserve and a legal reserve result participations of EUR 1 million (31 December 2016: EUR 257 million, including EUR 103 million relating to Own credit risk reserve and a legal reserve result participations of EUR 2 million).

9 Remuneration of the Statutory Board members and Supervisory Board members

For the remuneration of the Statutory Board and Supervisory Board see notes 7 and 59 to the consolidated financial statements.

As at 31 December 2017 and 31 December 2016, no loans, advance payments or guarantees had been provided by the company to Statutory Board and Supervisory Board members.

10 Related parties

Details of related party transactions can be found in note 56 to the consolidated financial statements.

For services provided to NIBC Bank N.V. income earned in the years 2017 and 2016 amounted to nil.

11 Employee information

During the year 2017, the average number of employees calculated on a full time equivalent basis was nil (2016: nil).

12 Commitments not shown in the balance sheet

No guarantees within the meaning of Section 403 Book 2 of the Dutch Civil Code had been given on behalf of NIBC Holding N.V.

13 Financial risk management

Please refer to notes 60 to 63 to the consolidated financial statements for NIBC Holding's risk management policies.

14 Profit appropriation

in EUR millions	2017
Result available for distribution	216
	216
Final and interim distributions	56
Holders of capital securities	3
Transferred to retained earnings	157
	216

15 Subsequent events

Changes in Dutch fiscal unity regime as a result of Justice of the European Union Judgement

On 22 February 2018, the Justice of the European Union decided that certain elements of the Dutch fiscal unity regime for corporate income tax purposes violate the freedom of establishment and are therefore contrary to European Union law. As a result, previously announced emergency legislation will change the Dutch fiscal unity regime, with retroactive effect, from 25 October 2017. The wording of this reparatory legislation is expected in the second quarter of 2018. This reparatory legislation may have impact on group companies within the fiscal unity NIBC. Although the various Dutch rules on restrictions of interest deductions will be applicable for group companies of a fiscal unity as from 25 October 2017, the impact for 2017 is immaterial. As soon as the final reparatory legislation is available an impact analysis will be performed by NIBC. and to the extent possible measures will be taken to mitigate potential negative effects.

The Hague, 26 February 2018

Managing Board

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

Supervisory Board

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

OTHER INFORMATION

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Independent auditor's report

To: the shareholders and supervisory board of NIBC Holding N.V.

Report on the audit of the 2017 financial statements included in the annual report

Our opinion

We have audited the 2017 financial statements of NIBC Holding N.V. ('NIBC' or 'the Company'), based in 's-Gravenhage. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of NIBC Holding N.V. as at 31 December 2017, and of its result and its cash flows for 2017 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 Holding N.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2017
- The following statements for 2017: the consolidated income statement, the consolidated statements of comprehensive income, changes in shareholder's equity and the consolidated cash flow statement
- The notes comprising a summary of the critical accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at 31 December 2017
- The following statements for 2017: the company income statement, the company statements of comprehensive income and changes in shareholder's equity
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

We are independent of NIBC Holding N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- At a Glance
- Key figures
- Letter from the CEO
- Report of the Managing Board
- Report of the Supervisory Board
- Remuneration Report
- Corporate Governance
- Risk Management
- In Control Report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

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

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management 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, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management 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.

Our responsibilities for the audit of the financial statements

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

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

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

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We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- 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 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 management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events 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. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 26 February 2018

Ernst & Young Accountants LLP

Signed by N.Z.A. Ahmed-Karim

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

in EUR millions	note	2016	2015
Interest and similar income		539	557
Interest expense and similar charges		246	283
Net interest income	2	**293**	**274**
Fee and commission income		32	37
Fee and commission expense		-	1
Net fee and commission income	3	**32**	**36**
Investment income	4	23	24
Net trading income	5	34	-
Other operating income	6	31	20
Operating income		**413**	**354**
Personnel expenses and share-based payments	7	102	97
Other operating expenses	8	82	84
Depreciation and amortisation	9	7	8
Regulatory charges and levies	10	15	4
Operating expenses		**206**	**193**
Impairments of financial assets	11	82	63
Impairments of non-financial assets	11	2	20
Total expenses		**290**	**276**
Profit before tax		**123**	**78**
Tax	12	19	8
Profit after tax		**104**	**70**
Result attributable to non-controlling interests		-	-
Net profit attributable to parent shareholders		**104**	**70**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

in EUR millions	2016 Before tax	2016 Tax charge/ (credit)	2016 After tax	2015 Before tax	2015 Tax charge/ (credit)	2015 After tax
Profit for the period	**123**	**19**	**104**	**78**	**8**	**70**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Revaluation of own credit risk	(16)	(4)	(12)	-	-	-
Items that may be reclassified subsequently to profit or loss						
Net result on hedging instruments	(8)	(2)	(6)	(16)	(4)	(12)
Available-for-sale financial assets:						
Revaluation of equity investments	(4)	(1)	(3)	2	-	2
Revaluation of debt investments	(1)	-	(1)	(7)	(2)	(5)
Total other comprehensive income	**(29)**	**(7)**	**(22)**	**(21)**	**(6)**	**(15)**
Total comprehensive income	**94**	**12**	**82**	**57**	**2**	**55**
Total comprehensive income attributable to						
Parent shareholders	94	12	82	57	2	55
Non-controlling interests	3	-	3	-	-	-
Total comprehensive income	**97**	**12**	**85**	**57**	**2**	**55**

CONSOLIDATED BALANCE SHEET

at 31 December

in EUR millions	note	2016	2015
Assets			
Financial assets at amortised cost			
Cash and balances with central banks	13	918	746
Due from other banks	14	1,468	1,766
Loans and receivables			
Loans	15	7,844	7,294
Residential mortgages own book	16	3,346	2,390
Debt investments	17	287	294
Financial assets available-for-sale			
Equity investments	18	41	48
Debt investments	19	1,028	1,064
Financial assets at fair value through profit or loss (including trading)			
Loans	20	210	316
Residential mortgages own book	21	4,124	4,111
Securitised residential mortgages	22	1,550	2,266
Equity investments (including investments in associates)	23	204	222
Debt investments	24	60	19
Derivative financial assets	25	1,811	2,141
Other			
Investments in associates (equity method)	26	7	7
Intangible assets	27	3	-
Property, plant and equipment	28	50	49
Investment property	29	271	251
Current tax	30	-	-
Deferred tax	31	46	51
Other assets	32	227	47
Assets held for sale	33	-	71
Total assets		**23,495**	**23,153**

at 31 December

in EUR millions	note	2016	2015
Liabilities and equity			
Financial liabilities at amortised cost			
Due to other banks	34	1,290	829
Deposits from customers	35	11,802	11,746
Own debt securities in issue	36	3,855	3,050
Debt securities in issue related to securitised mortgages and lease receivables	37	1,337	2,062
Financial liabilities at fair value through profit or loss (including trading)			
Borrowings	38	49	77
Own debt securities in issue	39	37	36
Debt securities in issue structured	40	620	704
Derivative financial liabilities	25	2,006	2,356
Other			
Other liabilities	41	275	110
Current tax	30	-	1
Deferred tax	31	3	1
Employee benefits	42	3	4
Liabilities held for sale	33	-	42
Subordinated liabilities			
Amortised cost	43	122	120
Fair value through profit or loss	44	276	280
Total liabilities		**21,675**	**21,418**
Shareholders' equity			
Share capital	45	1,408	1,408
Other reserves	45	678	585
Retained earnings		(373)	(328)
Net profit attributable to parent shareholders		104	70
Interim and final dividend paid		-	-
Total parent shareholders' equity		**1,817**	**1,735**
Non-controlling interests		3	-
Total shareholders' equity		**1,820**	**1,735**
Total liabilities and shareholders' equity		**23,495**	**23,153**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

in EUR millions	Share capital	Other reserves[1]	Retained earnings	Net profit	Distribution charged to net profit	Total	Non-controlling interests	Total shareholders' equity
	Attributable to parent shareholders							
Balance at 1 january 2015	**1,408**	**603**	**(231)**	**(97)**	**-**	**1,683**	**-**	**1,683**
Transfer of net profit 2014 to retained earnings	-	-	(97)	97	-	-	-	-
Total comprehensive income for the period ended 31 December 2015	-	(15)	-	70	-	55	-	55
Proceeds from shares issued	-	(3)	-	-	-	(3)	-	(3)
Balance at 31 december 2015	**1,408**	**585**	**(328)**	**70**	**-**	**1,735**	**-**	**1,735**

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

in EUR millions	Share capital	Other reserves[1]	Retained earnings	Net profit	Distribution charged to net profit	Total	Non-controlling interests	Total shareholders' equity
	Attributable to parent shareholders							
Balance at 1 january 2016	**1,408**	**585**	**(328)**	**70**	**-**	**1,735**	**-**	**1,735**
Impact of application IFRS 9 Own credit risk at 1 January 2016	-	115	(115)	-	-	-	-	-
Restated balance at 1 january 2016	**1,408**	**700**	**(443)**	**70**	**-**	**1,735**	**-**	**1,735**
Transfer of net profit 2015 to retained earnings	-	-	70	(70)	-	-	-	-
Total comprehensive income for the period ended 31 December 2016	-	(22)	-	104	-	82	-	82
Proceeds from shares issued	-	-	-	-	-	-	-	-
Other	-		-			-	3	3
Balance at 31 december 2016	**1,408**	**678**	**(373)**	**104**	**-**	**1,817**	**3**	**1,820**

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	2016	2015
Operating activities			
Net profit for the year		104	70
Adjustments for non-cash items			
Depreciation, amortisation and impairment losses	10/11	78	91
Changes in employee benefits	42	(1)	-
Share in result of associates	26	-	(1)
Changes in operating assets and liabilities			
Derivative financial instruments	25	(20)	(151)
Operating assets[1]		(937)	(486)
Operating liabilities (including deposits from customers)[2]		806	1,250
Cash flows from operating activities		**30**	**773**
Investing activities			
Acquisition of property, plant and equipment	28	(8)	(13)
Acquisition of investment property	29	-	(251)
Net (proceeds/repayments) of financial assets	4	(22)	(22)
Non-controlling interest		3	-
Cash flows from investing activities		**(27)**	**(286)**
Financing activities			
Increase in borrowings	38	(29)	77
Proceeds from the issuance of own debt securities	36/39	1,324	1,100
Repayment of issued own debt securities	36/39	(518)	(113)
Proceeds from the issuance of subordinated liabilities	43/44	2	94
Repayment of issued subordinated liabilities	43/44	(4)	(14)
Proceeds from the issuance of debt securities structured	40	63	109
Repayment of issued debt securities structured	40	(147)	(228)
Repayment of issued debt securities related to securitised mortgages and lease receivables	36	(725)	(1,286)
Proceeds from issued shares		-	(3)
Cash flows from financing activities		**(34)**	**(264)**
Net increase/(decrease) in cash and cash equivalents		**(31)**	**223**
Cash and cash equivalents at 1 january		1,244	1,021
Net changes in cash and cash equivalents		(31)	223
Cash and cash equivalents at 31 december		**1,213**	**1,244**
Reconciliation of cash and cash equivalents:			
Cash and balances with central banks (maturity three months or less)	13	777	613
Due from other banks (maturity three months or less)	14	438	631
		1,215	**1,244**
Supplementary disclosure of operating cash flow information:			
Interest paid		258	289
Interest received		545	573

1 Includes all assets excluding derivatives, intangible assets and current tax
2 Includes all liabilities excluding derivatives

ACCOUNTING POLICIES

Authorisation of consolidated financial statements

The consolidated financial statements of *NIBC Holding N.V.* (**NIBC Holding**) for the year ended 31 December 2016 were authorised for issue by the Managing Board of NIBC Holding on 7 March 2017. NIBC Holding together with its subsidiaries (NIBC Holding or the group), is incorporated and domiciled in the Netherlands. The principal activities of NIBC Holding 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 Holding'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 (investment) 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 Holding'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 2016

Changes in IFRS-EU

The following new and/or amended standards became effective in 2016. Note that only the new and/or amended standards that are relevant for NIBC Holding are discussed below.

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception

This narrow scope project involves a number of amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in relation to the exemption from consolidation for investment entities. These amendments do not have any impact on NIBC Holding.

- Annual Improvements 2012-2014 Cycle

This cycle of improvements contains amendments to four standards of which two are relevant for NIBC Holding. These are IFRS 7 Financial Instruments: Disclosures: 'Continuing Involvement' for Servicing Contracts and Offsetting Disclosures in Condensed Interim Financial Statements, IAS 34 Interim Financial Reporting: Disclosure of Information 'Elsewhere in the Interim Financial Report'. These amendments do not have any impact on NIBC Holding.

- Amendments to IAS 1: Disclosure Initiative

This amendment is part of the Disclosure Initiative of the IASB. A portfolio of projects with the objective to improve the effectiveness of disclosures in financial statements. The amendments to IAS 1 are a further clarification of concepts such as aggregation, materiality, and understandability and comparability of information. These amendments do not have any impact on NIBC Holding.

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These amendments do not have any impact to NIBC Holding.

- Amendments to IAS 27: Equity Method in Separate Financial Statements

The objective of this amendment is to include the option to use the equity method of accounting in separate financial statements. Since NIBC Holding values participating interests in group companies at net asset value in accordance with Book 2, title 9 of the Dutch Civil Code option 3 in the statutory financial statements, this amendment has no impact.

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. These amendments do not have any impact on NIBC Holding as there has been no interest acquired in a joint operation during the period.

Other changes

Early application of IFRS 9 - Own credit requirements

NIBC Holding early applied the own credit requirements introduced by IFRS 9 in isolation, without applying the other requirements of IFRS 9. The own credit requirements involves that changes in the fair value of the financial liabilities designated as at FVTPL that is attributable to changes in credit risk are recognised in *Other Comprehensive Income* (**OCI**). As NIBC Holding does not hedge changes in own credit arising on financial liabilities designated at fair value, presenting own credit within OCI does not create or increase an accounting mismatch in the income statement. Early application of the own credit requirements provides more relevant information in the annual report as effects of changes in credit risk on certain market-to-market liabilities are presented in OCI instead of the income statement. The positive impact of early application of the own credit requirements on net trading income within the consolidated income statement for the year 2016 amounts to EUR 12.5 million net of tax. Changes in own credit presented in prior periods have not been restated and remain within Net trading income.

Change in presentation of consolidated income statement

In 2016, NIBC Holding changed the presentation of the consolidated income statement by combining three line items 'dividend income', 'gains less losses from financial assets' and 'share in results of associates' in to line item 'investment income'. Where relevant, the comparative figures and related notes are adjusted accordingly.

Change in segment reporting

NIBC Holding changed its single operating segment ('NIBC Holding') to 3 reporting segments: Corporate Banking, Retail Banking and Treasury & Group Functions. This change has been implemented mainly to improve transparency in reporting of the segments. The new presentation has no effect on the overall historical group results or financial position of NIBC Holding. The segment information presented in 2015 has been adjusted to reflect the new reportable operating segments in 2016.

Upcoming changes after 2016

New and/or amended standards not yet effective

The following new accounting standards, amendments and/or interpretations are issued by the *International Accounting Standards Board* (**IASB**) and endorsed by the EU, but are not yet effective. The new accounting standards, amendments and interpretations are required to be applied as from 1 January 2018. Note that only the amendments to IFRSs that are relevant for NIBC Holding are discussed below.

- IFRS 9 'Financial Instruments'

Introduction

As from 1 January 2018, the current IFRS standard for financial instruments (IAS 39) will be replaced by IFRS 9. Changes contain three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting. In 2015, NIBC Holding has set up a multidisciplinary implementation team with members from Finance, Risk Management, IT and Operations departments to prepare for IFRS 9 application. The project is sponsored by the CFO and the CRO.

The project has three work streams: 1. Classification and measurement, 2. Impairments and 3. Reporting. The initial assessment and analysis stage has been completed at the end of 2016. Currently, the design phase is finalised. In the course of 2017, new processes and systems will be implemented to be ready for initial application per January 2018. Simultaneously, work stream Reporting will set up a parallel process to provide IFRS 9 based figures in the second half of 2017.

Classification and measurement of financial instruments

Financial assets, except equity instruments and financial derivatives, are classified and measured in accordance with the business models of NIBC Holding as well as by the type of contractual cash flows of the underlying financial assets. Both elements determine whether they will be measured at *Amortised Cost* (**AC**), *Fair Value with adjustments processed through Other Comprehensive Income* (**FVOCI**) or *Fair Value through Profit or Loss account* (**FVtPL**). In many cases, the classification and measurement will be in line with IAS 39. However, there will be (some) deviations, especially where the tests *(Solely Payments of Principal and Interest test)* – (**SPPI**) fail, even though the business model is still 'Hold to Collect'.

There are limited changes in the processing of financial liabilities with exception of designated liabilities at fair value, where the fair value changes related to changes in NIBC Holding's own credit risk have to be processed via *Other Comprehensive Income* (**OCI**) (i.e. IFRS 9 Own credit requirements). NIBC Holding early applied the IFRS 9 Own credit requirements in isolation from the rest of the IFRS 9 standard as from 1 January 2016, see section 'Other changes' in the Accounting policies for further information.

Having completed its initial assessment, NIBC Holding expects that application of IFRS 9 has the following consequences for the classification and measurement of financial assets and liabilities:

- The outcome of the business model analysis shows that NIBC Holding mainly manages "Hold to Collect" portfolios. The "Hold to Collect and Sell" business model is also applicable, mostly for assets held for liquidity management purposes;
- For some asset classes, mainly related to NIBC Holding's mezzanine and equity portfolios, the SPPI-test fails, leading to FVOCI or FVtPL classification, even though the business model is "Hold to Collect"; and
- In case of the residential mortgages (own book and securitised), a potential reclassification to AC at initial application of IFRS 9 (in line with NIBC Holding's "Hold to Collect" business model) could have a significant negative impact on NIBC Holding's equity. At initial application, the difference between the fair value and the carrying value under AC will be recognised in retained earnings. As the fair value of the mortgage books also includes the fair value effects of changes in interest rates, fully offset by hedging derivatives, this may create a relatively large temporary deviation in equity: as the hedging derivatives remain classified as FVtPL, no adjustment can be made under IFRS 9 for these positions. Hence, the full fair value effect of changed interest rates will be recognised in retained earnings one-sided in addition to the fair value effect of changed credit spreads.

In general, this implies that:

- The majority of financial assets classified at AC under IAS 39 remain to be classified at AC under IFRS 9;
- The majority of the debt investments classified as available for sale under IAS 39 is expected to be measured at FVOCI; and
- The FVtPL classification will be applied to trading assets and liabilities, financial derivatives and assets that do not meet the SPPI test.

NIBC Holding is in the process of evaluating how the new IFRS 9 classification and measurement rules will impact NIBC Holding's financial position and regulatory capital. Based on the analysis to date, NIBC Holding anticipates a modest impact on equity and regulatory capital, except for the potential voluntary (as NIBC Holding is also allowed to continue current FVtPL designation under IFRS 9) reclassification effect of residential mortgages designated at FVtPL to AC by revoking the previous fair value designation. The magnitude of the effect of a potential reclassification of residential mortgages classified at FVtPL to AC will depend, amongst others, on market circumstances at the moment of initial application, as interest rates have a material impact on the fair value of the portfolio.

Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS 9 become mandatory on 1 January 2018. NIBC Holding has not yet decided to continue to apply hedge accounting under IAS 39.

Impairment of financial assets

Overview

The new IFRS 9 impairment requirements replace the IAS 39 criteria for the recognition of credit losses, i.e., it is no longer necessary for a credit event to have occurred before credit losses are recognised. Moreover, IFRS 9 requires NIBC Holding to recognise credit losses before the actual credit event occurs. As a consequence, NIBC Holding expects its recognised provisions to increase. The introduction of the new impairment model presented in IFRS 9 will have a significant impact on NIBC Holding due to the following developments:

- Single impairment model for AC and FVOCI assets;
- A new 'three-stage' model for impairments based on significant deterioration of credit risk from the moment of initial recognition; and
- Incorporation of forward-looking information, move from an 'incurred loss' model to an 'expected loss' model.

Single impairment model

Under IFRS 9, a single set of impairment requirements applies to all financial assets in scope. Under IAS 39, there were different models for assets at AC, available-for-sale assets (debt instruments) and available-for-sale assets (equity instruments).

NIBC Holding will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVtPL. Additionally, IFRS 9 requires NIBC Holding to include loan commitments and financial guarantee contracts in the scope of the impairment model.

'Three-stage' model

NIBC Holding is required to recognise an allowance depending on whether there has been a significant increase in credit risk since initial recognition or the financial asset was credit-impaired on initial recognition. A key assessment is, therefore, whether a significant deterioration in the credit risk of a financial asset occurred between initial recognition and maturity. The guiding principle of the *Expected Credit Loss* (**ECL**) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial assets. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. In general, there are two measurement bases:

1. 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality; and

2. Lifetime ECLs, which applies when a significant increase in credit risk has occurred on an individual or collective basis (Stage 2) or when there is an objective evidence of impairment as a result of one or more events that occurred before or after the initial recognition of the financial asset.

The appropriate stage is determined by performing an assessment based on staging triggers. The staging triggers contain one of the following elements:

1. A quantitative element (i.e. reflecting a quantitative comparison of *Probability of Default* (**PD**) at the reporting date and PD at initial recognition);
2. A qualitative element (e.g. expert judgment); and
3. 'Backstop' indicators (i.e. measures of last resort if other indicators are not available, e.g. the '90 days past due' rebuttable presumption).

NIBC Holding expects to use both the quantitative element and the qualitative element to determine significant increases in credit risk, as the assessment can be based on a mixture of quantitative and qualitative information. In certain circumstances, qualitative and non-statistical quantitative information may be sufficient to determine that a financial asset has met the criterion for the recognition of lifetime ECLs. That is, the information does not need to flow through a statistical model or credit ratings process in order to determine whether there has been a significant increase in the credit risk of the financial asset.

Special attention will be given to the definition of stage 2 assets and the interaction of the IFRS 9 criteria of significant increased credit risk with the existing credit quality framework of NIBC Holding.

Incorporation of forward looking information
Estimating ECL requires, amongst others, consideration of multiple forward-looking scenarios, whereby the final ECL is an average of the ECLs calculated under the different scenarios. In line with market developments, NIBC Holding plans to use three scenarios: base, downturn and benign; updated semi-annually.

NIBC Holding will develop a model that will translate the forecasted developments of macro-economic factors into portfolio-specific point-in-time PD and *Loss Given Default* (**LGD**) changes and consequently into ECL developments. In doing so, it is NIBC Holding's intention to leverage on the current stress testing methodology and apply it on IFRS 9 compliant scenarios.

Reporting

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

Capital management

NIBC Holding is in the process of evaluating how the full implementation of IFRS 9 will impact NIBC Holding's ongoing regulatory capital structure. Based on the analysis to date, subject to further analysis, NIBC Holding anticipates a negative effect on its regulatory capital. The magnitude of the effect will mainly depend on the decisions regarding the residential mortgages portfolios, market developments and potential transitional provisions for these (temporary) effects.

- IFRS 15 'Revenue from Contracts with Customers'

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

New and/or amended standards not yet endorsed

The following new or revised standards and amendments have been issued by the IASB, but are not yet endorsed by the European Union and are therefore not open for early adoption. Note that only the amendments to IFRSs that are relevant for NIBC Holding are discussed below.

- IFRS 16 'Leases'

IFRS 16 'Leases' (**IFRS 16**) becomes effective as of 2019, subject to endorsement by the EU. IFRS 16 requires lessees to recognise most leases on their balance sheets. NIBC Holding does not expect IFRS 16 to have a significant impact on the consolidated financial statements.

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendment is effective from 1 January 2017. NIBC Holding is currently evaluating the impact.

- Amendments to IAS 7: Disclosure Initiative

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). These amendments are effective for annual periods beginning on or after 1 January 2017. Application of the amendments will result in additional disclosures provided by NIBC Holding.

- Clarifications to IFRS 15 Revenue from Contracts with Customers

The IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition. The amendments have an effective date of 1 January 2018, which is the effective date of IFRS 15. NIBC Holding does not expect IFRS 15 to have a significant impact on the consolidated financial statements.

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018. NIBC Holding is assessing the potential effect of the amendments on its consolidated financial statements .

- Annual Improvements to IFRS Standards 2014-2016 Cycle

This cycle of improvements contains amendments to three standards of which two are relevant for NIBC Holding. These are IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Venture which are effective for annual periods beginning on or after 1 January 2017 and 1 January 2018 respectively. NIBC Holding is assessing the potential effect of the amendments on its consolidated financial statements .

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Effective for annual periods beginning on or after 1 January 2018. NIBC Holding is assessing the potential impact.

- Amendments to IAS 40: Transfers of Investment property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Effective for annual periods beginning on or after 1 January 2018. NIBC Holding is assessing the potential impact.

Basis of consolidation

The consolidated financial statements are comprised of the financial statements of NIBC Holding and its subsidiaries as at and for the years ended 31 December 2016 and 2015.

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.

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 presented under other operating income as negative goodwill. 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 Holding.

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, 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 (investment income).

Investment in associates and joint ventures

Associates are all entities over which the group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:

- Representation in the board of directors;
- Participation in the policymaking process; and
- Interchange of managerial personnel.

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 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.

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.

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 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 investment income (sub line item share in result of associates) 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.

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.

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 Holding. For details of NIBC Holding's operating segments 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 Holding.

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 Holding becomes a party to the contractual provisions that comprise the financial instrument.

Financial assets and liabilities, with the exception of loans and receivables and residential mortgages at fair value through P&L, are initially recognised on the trade date, i.e., the date that NIBC Holding becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances and residential mortgages at fair value through P&L are recognised when funds are transferred to the customers' account. NIBC Holding recognises due to customer balances when funds reach NIBC Holding.

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 Holding 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 Holding 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 Holding'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 Holding 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 Holding's continuing involvement is the amount of the transferred asset that NIBC Holding 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 Holding'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.

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 Holding intends to sell immediately or in the short term, which are classified as held for trading;

(b) those that NIBC Holding upon initial recognition designates at fair value through profit or loss;

(c) those that NIBC Holding 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 2016 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).

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 2016 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 investment income (sub line item gains less losses from financial assets).

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 investment income (sub line item dividend income) when NIBC Holding's right to receive payment is established.

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 Holding 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 Holding 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 Holding 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 Holding 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 Holding 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 investment income. Interest is recorded in interest income using the effective interest rate method, while dividend income is recorded in investment income (sub line item dividend income) when NIBC Holding's right to receive payment is established.

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 Holding classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. NIBC Bank's perpetual bonds are not redeemable by the holders but bear an entitlement to distributions that is not at the discretion of NIBC Bank. 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.

Own credit requirements IFRS 9 (early adopted in isolation as from 1 January 2016)
Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the NIBC Holding's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Reclassification

In accordance with the amendment to IAS 39: 'Reclassifications of Financial Assets', NIBC Holding 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 Holding 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:
  - US Structured Credits 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;

- 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 Holding. 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 2016.

Changes to the classification of financial assets

NIBC Holding 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 IFRS 11) 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.

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:

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

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 Holding has access at that date. NIBC Holding 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 Holding'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. Deferred day one profit or loss is amortised to income over the contractual life until maturity or settlement.

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 Holding 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.

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 Holding 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.

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 Holding's financial instruments that are not carried at fair value in the balance sheet.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when, and only when, NIBC Holding 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 fair value. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

Derivative financial instruments and hedging

NIBC Holding uses derivative financial instruments both for trading and hedging purposes. NIBC Holding 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 in net trading income.

When derivatives are designated as hedges, NIBC Holding 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') (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 Holding 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 Holding documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. NIBC Holding 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 Holding 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 Holding 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 in net trading income 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 in net trading income.

Portfolio fair value hedge

NIBC Holding 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 Holding 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 Holding 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 Holding 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 in net trading income.

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.

Hedge effectiveness testing

To qualify for hedge accounting, NIBC Holding 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. ‘Significant’ and ‘prolonged’ are interpreted on a case-by-case basis for specific equity securities. Generally fair value less than 75% of cost and 6-9 months are used as triggers.

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 investment income (sub line item gains less losses).

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 Holding 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 Holding 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 (land and buildings), 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 Holding 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
- Assets under operating leases 1 - 5 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.

Investment property

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

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the income statement.

Where the group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date.

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. When assets are held subject to an operating lease, the assets are included in Assets held under operating leases under Property, plant and equipment.

Financial guarantees

In the ordinary course of business, the group issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the income statement in impairments of financial assets. The premium received is recognised in the income statement in fee and commission income on a straight line basis over the life of the guarantee.

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.

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.

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. Provisions are presented under other liabilities.

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 Holding operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to NIBC Holding by the employees and is recorded as an expense under personnel expenses and share-based payments. Unpaid contributions are recorded as a liability. NIBC Holding does not operate a defined benefit plan.

Termination benefits

NIBC Holding 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 Holding 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 Holding revises its estimates of the number of shares or options that are expected to vest based on the non-market vesting conditions. NIBC Holding 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 Holding 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 Holding 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 Holding 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 Holding's principal temporary differences arise from the revaluation of certain financial assets and liabilities including derivative contracts, the depreciation of property 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.

Shareholders' 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.

Treasury shares
When NIBC Holding or an entity in the group acquires the company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until the shares are cancelled. When such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of NIBC Holding's own equity instruments.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments, and changes in fair value are reported in the income statement.

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 Holding 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.

Investment income

Investment income includes the following income items:

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.

Dividend income

Dividends are recognised in the income statement when NIBC Holding's right to receive payment is established.

Share in result of associates (equity method)

Share in result of associates includes gains and losses related to investments in associates (equity method).

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 investment income; gains less losses from financial assets. Net trading income includes related foreign exchange gains and losses.

Rental income

The group manages a portfolio of German Residential and Commercial Property. Rental income from operating leases from the German Residential and Commercial Property is recognised in income on a straight line basis over the lease term net of discounts and other deductions.

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 Holding 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 Holding 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;
- Impairment of equity investments classified as available for sale; and
- Income taxes.

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 2016, the fair value of these liabilities was estimated to be EUR 933 million (31 December 2015: EUR 1,020 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 2016 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 bank estimates its own credit risk from market observable data such as NIBC Holding senior unsecured issues and secondary prices for its traded debt.

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 2016 by EUR 4.0 million (31 December 2015: EUR 5.0 million).

Residential mortgages

NIBC Holding 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 Holding. 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 Holding 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* (hereafter: "**RMBS**"). NIBC Holding therefore collects quotes from publicly issued RMBS's 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 Holding 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 Holding 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 2016 of approximately EUR 16 million (31 December 2015: EUR 18 million) on the fair value of the mortgages. A 1% point shift in the assumption NIBC Holding makes about expected prepayments would have had an impact as of 31 December 2016 of approximately EUR 13 million (31 December 2015: EUR 13.0 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 Holding. 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 2016, the fair value of this portfolio was estimated to be EUR 245 million (31 December 2015: EUR 270 million). This portfolio is reported as equity investments (including investments in associates) at fair value through profit or loss (31 December 2016: EUR 204 million; 31 December 2015: EUR 222 million) and as equity investments at available for sale (31 December 2016: EUR 41 million; 31 December 2015: EUR 49 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 Holding 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 Holding 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 Holding'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 Holding 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 2016, for each of NIBC Holding's impaired corporate loans, the net present value of the estimated cash flows had been 5% lower or higher than estimated, NIBC Holding would have recognised an additional impairment loss or gain of EUR 18.4 million (31 December 2015: EUR 14.4 million).

Impairment of debt investments classified at amortised cost

NIBC Holding 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 Holding 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 2016, for each of NIBC Holding's impaired debt investments, the net present value of the estimated cash flows had been 5% lower or higher than estimated, NIBC Holding would have recognised an additional impairment loss or gain of EUR 0.8 million (31 December 2015: EUR 0.9 million).

Impairment of debt investments classified as available of sale

NIBC Holding 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 Holding 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 2016, for each of NIBC Holding's impaired debt investments, the fair value had been 5% lower or higher, NIBC Holding would have recognised an additional impairment loss or gain of EUR 0.1 million (31 December 2015: EUR 0.1 million).

Impairment of equity investments classified as available for sale

NIBC Holding 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 Holding 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 Holding, 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 Holding 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 Holding 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 0.4 million (2015: EUR 0.1 million) reduction in the profit before tax (investment income) in 2016.

Income taxes

Deferred tax assets are included only if it is probable that taxable profits will be realised in the near future against which these temporary differences can be offset. When determining future taxable profits, estimates are used since these are subject to uncertainty.

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 Holding. Segment reporting puts forth a presentation of the segment results based on management reporting methods and a reconciliation between the results of the operating segments and the consolidated financial statements. The Managing Board is the Group's chief operating decision-maker. This year, NIBC changed its single operating segment ('NIBC Holding') to three reporting segments: Corporate Banking, Retail Banking and Treasury and Group Functions. This change has been implemented mainly to improve transparency in reporting of the segments. The comparative figures have been adjusted accordingly. The new format of presentation has no effect on the overall historical group results or financial position of the bank.

Operating segments

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

Corporate Banking

Corporate Banking provides advice and debt, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany and the UK. Sectors in which we are active include Food, Agriculture, Retail & Health, Commercial Real Estate, Industries & Manufacturing, Infrastructure & Renewables, Telecom, Media, Technology & Services. Furthermore, we are active in two global sectors in which we have longstanding expertise: Oil & Gas Services and Shipping & Intermodal. The recently acquired SNS Securities (renamed to NIBC Markets) is included in this segment.

Retail Banking

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

Treasury and Group Functions

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

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

Certain financial assets and liabilities are not allocated to Corporate Banking and Retail Banking as they are managed on a group basis. These financial assets and liabilities are held within the segment Treasury and Group Functions and mainly comprise cash, debt investments, derivative assets and liabilities as well as majority of the bank's funding. As the assets of Corporate Banking and Retail Banking are largely funded internally with transfer pricing, majority of the bank's external funding is held within Treasury and Group Functions.

Inter-segment income and expenses are eliminated on consolidation level.

Reconciliation with consolidated income statement

The accounting policies of the segments are the same as those described in our Accounting Policies section, with the exception of the following two adjustments.

1. Special items: The gains and losses that do not arise in the ordinary course of business have been excluded as 'special items.' In 2016, these include the badwill from acquisition of NIBC Markets of EUR 22 million, a EUR 18 million credit loss on resolving pre-crisis retail exposure and EUR 6 million one-off expenses relating to the outsourcing of our technical IT-environment and to the alignment of the NIBC Markets franchise to our business model as well as the further development of this franchise. There were no special items reported in 2015, and;
2. For non-financial companies over which NIBC has control IFRS requires to consolidate these entities. The investments in these entities are non-strategic and the activities of these entities are non-financial. Therefore, in the income statement of the Internal Management Report, only the share of NIBC in the net result of these entities is included in the line-item 'Investment income'. These differences are present only in 2015 as the only remaining investment was exited towards the end of that year.

Additionally, the Holding items column shows the details of two companies that are excluded from the Bank's operations and held within NIBC Holding. These entities are included in the internal management reporting as a separate line-item and are consolidated in the total Holding financial statements.

NIBC Holding operates in four geographical locations namely the Netherlands, Germany, the UK and Belgium. The income and expenses incurred at each location are provided.

The following table presents the Segment report comprising of a summary of our internal management report and the reconciliation to the consolidated results under IFRS for the years ended 31 December 2016 and 31 December 2015.

	For the year ended 31 December 2016							
in EUR millions	Corporate Banking	Retail Banking	Treasury & Group functions	Internal management report	Reconciliation	Total Bank (consolidated financial statements)	Holding items	Total Holding (consolidated financial statements)
Net interest income	162	117	27	306	-	306	(14)	293
Net fee and commission income	32	0	(1)	32	-	32	0	32
Investment income	33	-	(2)	31	(8)	23	0	23
Net trading income	16	(4)	(1)	12	-	12	22	34
Other operating income	0	0	1	0	22	22	9	31
Operating income	**244**	**114**	**24**	**381**	**14**	**395**	**17**	**413**
Regulatory charges and levies	-	10	5	15	-	15		15
Other operating expenses	118	47	15	180	9	188	3	191
Operating expenses	**118**	**57**	**20**	**194**	**9**	**203**	**3**	**206**
Impairments of financial assets	57	1	0	57	14	72	12	84
Profit before tax	**69**	**56**	**4**	**129**	**(9)**	**120**	**3**	**123**
Tax	12	14	0	25	(7)	18	1	19
Profit after tax	**58**	**42**	**4**	**104**	**(2)**	**102**	**2**	**104**
Result attributable to non-controlling interests	0	0	0	0	-	0	0	0
Net profit before special items	**58**	**42**	**4**	**104**	**(2)**	**102**	**2**	**104**
Special items net of tax	(18)	-	16	(2)				
NET PROFIT NIBC BANK	**39**	**42**	**20**	**102**				
Holding items				2				
NET PROFIT NIBC HOLDING				**104**				
Total FTEs	508	122	74	704	-	704	12	716
EC Usage	1,084	334	107	1,525		1,525		1,525
Available capital start of the year				1,886		1,886		1,735
ROE (SBU based on EC Usage)	5.3%	12.7%	3.8%	6.8%		6.7%		6.8%
ROE (on available capital)				5.5%		5.4%		6.0%
Cost Income ratio	48%	50%		51%		51%		50%

in EUR millions	For the year ended 31 December 2016 The Netherlands	Germany	United Kingdom	Belgium	Total
Operating income	338	48	21	6	413
Operating expenses	159	31	12	4	206
Impairments & other	83	1	0	-	84
Result before tax	**96**	**15**	**9**	**2**	**123**
Tax	12	5	2	1	19
Net profit	**85**	**11**	**7**	**2**	**104**
FTEs	591	87	34	5	716

in EUR millions	Corporate Banking	Retail Banking	Treasury & Group functions	Internal management report	Reconciliation	Total Bank (consolidated financial statements)	Holding items	Total Holding (consolidated financial statements)
	For the year ended 31 December 2015							
Net interest income	149	114	22	286	-	286	(12)	274
Net fee and commission income	36	-	-	36	-	36	0	36
Investment income	3	-	1	4	20	24	-	24
Net trading income	7	(8)	(11)	(12)	-	(11)	11	0
Other operating income	-	-	1	1	15	17	3	19
Operating income	**197**	**106**	**13**	**316**	**36**	**352**	**2**	**354**
Regulatory charges and levies	-	-	4	4	-	4		4
Other operating expenses	104	48	21	172	15	187	2	189
Operating expenses	**104**	**48**	**25**	**177**	**15**	**191**	**2**	**193**
Impairments of financial assets	60	1	2	63		63		63
Impairments of non-financial assets	-	-	-	-	20	20		20
Profit before tax	**33**	**58**	**(14)**	**77**	**1**	**78**	**0**	**78**
Tax	0	14	(8)	6	1	7	1	8
Profit after tax	**34**	**43**	**(7)**	**71**	**0**	**71**	**(1)**	**70**
Result attributable to non-controlling interests	0	0	-	0	-	0	-	-
Net profit before special items	**34**	**44**	**(7)**	**71**	**0**	**71**	**(1)**	**70**
Special items net of tax			0					
NET PROFIT NIBC BANK	**34**	**44**	**(7)**	**71**				
Holding items				(1)				
NET PROFIT NIBC HOLDING				**70**				
Total FTEs	451	119	74	644	-	644	-	644
EC Usage	1,099	292	87	1,479	-	1,479		1,479
Available capital start of the year				1,831		1,831		1,656
ROE (SBU based on EC Usage)	3.0%	14.9%	-7.8%	4.7%		4.7%		4.7%
ROE (on available capital)				3.8%		3.8%		4.2%
Cost Income ratio	53%	45%		56%		54%		55%

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	For the year ended 31 December 2015				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
Operating income	273	61	14	6	354
Operating expenses	145	33	11	4	193
Impairments & other	82	1	0	-	83
Result before tax	**46**	**27**	**3**	**2**	**78**
Tax	8	(2)	1	1	8
Net profit	**38**	**29**	**2**	**1**	**70**
FTEs	499	102	36	7	644

2. Net interest income

in EUR millions	2016	2015
Interest and similar income		
Interest income from assets designated at fair value through profit or loss	156	161
Interest income from other assets	383	396
	539	**557**
Interest expense and similar charges		
Interest expense from liabilities designated at fair value through profit or loss	18	17
Interest expense from other liabilities	228	266
	246	**283**
	293	**274**

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 2016, interest income included a negative charge on accrued interest on impaired financial assets of EUR 1 million (2015: EUR 5 million positive).

Interest income includes negative interest from liabilities for an amount of EUR 40 million (2015: EUR 35 million).

For the year ended 31 December 2016, interest expense related to deposits from customers amounted to EUR 170 million (2015: EUR 197 million).

Interest expense includes negative interest from financial assets for an amount of EUR 38 million (2015: EUR 29 million).

3. Net fee and commission income

in EUR millions	2016	2015
Fee and commission income		
Agency and underwriting fees	4	5
Investment management fees	8	17
Advisory fees	6	8
Brokerage fees	5	1
Other fees	9	6
	32	**37**
Fee and commission expense		
Other non-interest related	-	1
	-	**1**
	32	**36**

4. Investment income

in EUR millions	2016	2015
Gains less losses		
Equity investments		
Gains less losses from equity investments (available-for-sale)		
Net gain/(losses) on disposal	1	6
Impairment losses equity investments	-	(5)
Gains less losses from equity investments (fair value through profit or loss)		
Gains less losses from associates	29	38
Gains less losses from other equity investments	(6)	(18)
Debt investments		
Gains less losses from debt investments (available-for-sale)	(2)	1
	22	**22**
Dividend income (available-for-sale)	**-**	**1**
Share in result of associates	1	1
	23	**24**

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5. Net trading income

in EUR millions	2016	2015
Debt securities (designated at fair value through profit or loss)	(5)	(14)
Debt investments (designated at fair value through profit or loss)	-	(1)
Residential mortgages own book and securitised residential mortgages	9	3
Loans (designated at fair value through profit or loss)	7	5
Assets and liabilities held for trading	2	6
Other interest rate instruments	(12)	2
Investment property	17	-
Foreign exchange	(1)	1
Other trading income:		
Fair value hedges of interest rate risk	9	(2)
Cash flow hedges of interest rate risk	(2)	(6)
Other net trading income	10	6
	34	**-**

6. Other operating income

in EUR millions	2016	2015
Badwill (negative goodwill)	22	-
Other	9	20
	31	**20**

Badwill (negative goodwill) for an amount of EUR 22 million is recognised following the acquisition of SNS Securities N.V. on 30 June 2016. For further details see note 53 Business combinations and divestments.

7. Personnel expenses and share-based payments

in EUR millions	2016	2015
Salaries	75	64
Variable compensation		
Cash bonuses	5	6
Share-based and deferred bonuses including expenses relating to previous years' grants	2	2
Pension and other post-retirement charges:		
Defined-contribution plan	11	11
Other post-retirement charges/(releases) including own contributions of employees	(1)	(1)
Social security charges	7	7
Other staff expenses	2	2
Staff cost of non-financial companies included in the consolidation	0	6
	102	**97**

The increase in salaries in 2016 is mainly explained by an increase in the average number of *Full-Time Equivalents* (**FTEs**), mainly driven by the acquisition of NIBC Markets on 30 June 2016 and BEEQUIP on 31 March 2016.

Announced internal reorganisations in 2016

A new operating model for the IT-department was developed in 2016. After a positive advice of the Work Council it was decided to outsource some of the IT-tasks to an external supplier. Because a number of IT activities will not be carried out by NIBC Holding anymore 36 employees within the IT department will become redundant in due course.

In addition, following the acquisition of NIBC Markets mid 2016 an evaluation of the staff base was started. Consequently the workforce was reduced with 5 FTEs in 2016.

As a result of the internal reorganisations a one-off personnel expense to an amount of approximately EUR 5.4 million is recognised in 2016.

The number of FTEs (excluding the non-financial companies included in the consolidation) increased from 644 at 31 December 2015 to 716 at 31 December 2016. The number of FTEs employed outside of the Netherlands decreased from 145 at 31 December 2015 to 125 at 31 December 2016.

At 31 December 2016, no FTEs (31 December 2015: 83 FTEs) were employed at the non-financial companies included in the consolidation.

The variable compensation in cash charged to the income statement decreased in 2016, partly due to a release of the higher reserved amount in 2015 then granted. The total amount of variable income granted in 2016, with respect to the performance over 2015, amounts to EUR 6.4 million. This grant consists of (direct and deferred) cash and (vested and unvested) share based instruments.

In 2016 one employee was awarded a total compensation of more than EUR 1 million (in 2015: 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)

in EUR	2016	2015
The breakdown of the total remuneration of the statutory board is as follows:[1]		
Cash compensation (base salary)	2,243,750	2,275,000
Cash compensation (sign-on payment)[2]	51,625	-
Short-term incentive compensation (cash bonus)	108,588	116,025
Short-term incentive compensation (phantom share units)	108,588	116,034
Vesting of prior years short-term deferred share awards compensation	93,210	126,389
Vesting of 2009-2014 co-investment related deferred share awards compensation	174,382	503,002
Pension costs	442,419	429,665
Other remuneration elements	228,596	235,988
	3,451,157	**3,802,103**

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 2015/2016.
2 The sign-on relates to a one-off compensation to the new CRO for leaving an attractive position with his previous employer. The sign-on is delivered in a pre-defined mix: 30% in cash, 20% in deferred cash, 30% in Phantom Share Units and 20% in unvested Phantom Share Units.

As at 31 December 2016, current and former members of the Statutory Board held 144,252 Common Depositary Receipts (CDRs) (31 December 2015: 202,143), 104,288 Conditional Common Depositary Receipts (CCDRs) (31 December 2015: 79,488) and 43,138 Conditional Restricted Depositary Receipts (CRDRs) (31 December 2015: 72,123).

Key management personnel compensation (Supervisory Board)

in EUR	2016	2015
Total remuneration of the supervisory board is as follows:		
Annual fixed fees, committee fees	544,333	497,250
	544,333	**497,250**

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
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.

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. 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.

Share plans

Common Depositary Receipts
At year-end 2016, 2,083,120 (2015: 2,083,120) CDRs were in issue to employees. Of these, 2,261 (or 0.1%) were considered cash-settled (2015: 2,261 and 0.1%); 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)	
	2016	2015	2016	2015
Changes in common depositary receipts:				
Balance at 1 January	**2,083,120**	**2,391,683**		
Exercised	-	48,414		
CDRs repaid	-	(356,977)		
Balance at 31 December	**2,083,120**	**2,083,120**	**7.96**	**8.84**
Of which relates to investment from own funds at 31 December	**904,359**	**904,359**		

Conditional Common Depositary Receipts

At year-end 2016, 104,288 (2015: 79,488) of the total 268,812 of CCDRs had been issued to current and former Statutory Board members. All CCDRs are considered equity-settled in both 2016 and 2015.

	Conditional Common Depositary Receipt awards (in numbers)		Weighted average fair value at grant date (in EUR)	
	2016	2015	2016	2015
Changes in conditional common depositary receipts:				
Balance at 1 January	**244,012**	**225,563**	**9.18**	**9.25**
Vesting of one-off matching shares awarded in 2009, 2012 and 2014 on investment from own funds	18,449	18,449	8.37	8.37
Vesting of cancellation LTI arrangement	6,351	-	8.60	-
Balance at 31 December	**268,812**	**244,012**	**9.11**	**9.18**

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 7.96.

Conditional Restricted Depositary Receipts

At year-end 2016, 43,138 CRDRs (2015: 72,123) 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 0.8 years (2015: 1.1 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.

All CRDRs are considered equity-settled in both 2016 and 2015.

	Conditional Restricted Depositary Receipt awards (in numbers)		Weighted average fair value at grant date (in EUR)	
	2016	2015	2016	2015
Changes in conditional restricted depositary receipts:				
Balance at 1 January	**72,123**	**90,572**	**8.42**	**8.41**
Forfeited	(4,186)	-	8.60	-
Vested into conditional CDRs	(24,800)	(18,449)	8.43	8.37
Balance at 31 December	**43,137**	**72,123**	**8.39**	**8.42**

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 7.96.

Phantom Share Units

As at year-end 2016, 225,012 (2015: 208,010) 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)	
	2016	2015	**2016**	2015
Changes in phantom share units:				
Balance at 1 January	**208,010**	**191,365**	**8.63**	**8.63**
Granted	97,387	84,928	7.96	8.84
Vesting of RPSUs	42,783	69,015	-	8.53
Exercised	(123,168)	(137,298)	-	8.64
Balance at 31 December	**225,012**	**208,010**	**11.42**	**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 7.96.

Restricted Phantom Share Units

As at year end 2016, 165,747 (2015: 146,791) 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)	
	2016	2015	**2016**	2015
Changes in restricted phantom share units:				
Balance at 1 January	**146,791**	**159,526**	**8.63**	**8.49**
Granted	74,729	64,779	7.96	8.84
Vesting of RPSUs	(42,783)	(69,015)	-	8.53
Forfeited	(12,990)	(8,499)	-	8.48
Balance at 31 December	**165,747**	**146,791**	**11.23**	**8.63**

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. The fair value at reporting date was EUR 7.96.

With respect to all instruments relating to NIBC Choice (CDRs, RDRs, CCDRs, CRDRs, PSUs, RPSUs and deferred cash), an amount of EUR 2 million was expensed through personnel expenses in 2016 (2015: EUR 2 million), of which EUR 2 million (2015: EUR 1 million) refers to cash-settled instruments (deferred cash and vested PSUs) and 0 million (2015: 1 million) 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 (2015: EUR 3 million).

With respect to the equity-settled instruments (CDRs, RDRs, CCDRs and CRDRs), 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 4 million (2015: EUR 3 million).

The current account with NIBC Holding includes EUR 29 million payable (2015: EUR 29 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 (2015: 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.

8. Other operating expenses

in EUR millions	2016	2015
Other operating expenses	80	76
Other operating expenses of non-financial companies included in the consolidation	-	6
Fees of external independent auditor	2	2
	82	**84**

The presentation of servicing expenses relating to residential mortgages and retail savings to an amount of EUR 18 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 2016

in EUR thousands	Accountants	Other network	Other audit firms	Total
Fees of the external independent auditors can be categorised as follows:				
Audit of financial statements	1,165	254	-	1,419
Other audit-related services	303	-	186	489
Other non-audit related services	15	-	128	143
Tax services	-	-	22	22
	1,483	**254**	**336**	**2,073**

Audit fees 2015

in EUR thousands	Accountants	Other 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**

The fees listed above relate to the procedures applied to NIBC Holding 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 2016 and 2015 annual reports, regardless of whether the work was performed during the financial year.

9. Depreciation and amortisation

in EUR millions	2016	2015
Property, plant and equipment	7	6
Intangible assets	-	2
	7	**8**
Amortisation of intangible assets can be categorised as follows:		
Trademarks and licenses	-	1
Customer relationships	-	1
Other intangibles	-	-
	-	**2**

10. Regulatory charges and levies

in EUR millions	2016	2015
Resolution levy	4	3
Deposit Guarantee Scheme	11	1
	15	**4**

11. Impairments of financial and non-financial assets

Financial assets

in EUR millions	2016	2015
Impairments		
Loans classified at amortised cost	78	72
Debt investments classified at amortised cost	6	16
Debt investments classified available-for-sale	-	1
Residential mortgages own book classified at amortised cost	1	-
	85	**89**
Reversals of impairments		
Loans classified at amortised cost	(4)	(25)
Debt investments classified at amortised cost	-	(1)
Debt investments classified available-for-sale	-	-
Residential mortgages own book classified at amortised cost	-	-
	(4)	**(26)**
Other	1	-
	82	**63**

Non-financial assets

Impairment of non-financial assets in 2016 (EUR 2 million) and 2015 (EUR 20 million) is related to intangible assets of NIBC's non-financial company Olympia Nederland Holding B.V. (Olympia). Olympia was classified as Disposal group held for sale as per 31 December 2015 and sold in June 2016. See note 27 Intangible assets and note 33 Disposal group held for sale.

12. Tax

in EUR millions	2016	2015
Current tax	31	12
Deferred tax	(12)	(4)
	19	**8**

Further information on deferred tax is presented in note 31. 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	2016	2015
Tax reconciliation:		
Profit before tax	**123**	**78**
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2015: 25.0%)	31	20
Impact of income not subject to tax	(13)	(7)
Result final tax assessment previous years	-	(5)
Effect of different tax rates other countries	1	-
	19	**8**

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

The effective tax rate for the year ended December 2016 was 15.4% (2015: 9.9%).

The current tax expense related to non-financial companies included in the consolidation is nil (2015: 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.

13. Cash and balances with central banks (amortised cost)

in EUR millions	2016	2015
Cash and balances with central banks (amortised cost)	918	746
	918	**746**
Cash and balances with central banks can be categorised as follows:		
Receivable on demand	777	613
Not receivable on demand	141	133
	918	**746**
Legal maturity analysis of cash and balances with central banks not receivable on demand:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	8	7
Longer than five years	-	-
Assets with central banks due to mandatory reserve deposits	133	126
	141	**133**

Cash and balances with central banks included EUR 707 million on the current account balance held with Dutch Central Bank (2015: EUR 532 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.

14. Due from other banks (amortised cost)

in EUR millions	2016	2015
Current accounts	438	631
Deposits with other banks	1,030	1,135
	1,468	**1,766**
Due from other banks can be categorised as follows:		
Receivable on demand	442	631
Cash collateral placements posted under CSA agreements	1,026	1,128
Not receivable on demand	-	7
	1,468	**1,766**
Legal maturity analysis of due from other banks not receivable on demand:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	3
Longer than five years	-	4
	-	**7**

There were no subordinated loans outstanding due from other banks in 2016 and 2015.

No impairments were recorded in 2016 and 2015 on the amounts due from other banks at amortised cost.

An amount of EUR 1,026 million (2015: EUR 1,128 million) related to cash collateral given to third parties and was not freely available to NIBC Holding.

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

15. Loans (amortised cost)

in EUR millions	2016	2015
Loans	7,732	7,294
Finance lease receivables	112	-
	7,844	**7,294**
Legal maturity analysis of loans:		
Three months or less	223	102
Longer than three months but not longer than one year	747	686
Longer than one year but not longer than five years	4,625	4,110
Longer than five years	2,137	2,396
	7,732	**7,294**
Movement schedule of loans:		
Balance at 1 january	**7,294**	**6,994**
Additions	3,312	2,040
Disposals	(2,787)	(2,045)
Other (including exchange rate differences)	(87)	305
Balance at 31 december	**7,732**	**7,294**
Movement schedule of impairment losses on loans:		
Balance at 1 january	**140**	**170**
Additional allowances	78	72
Write-offs / disposals	(30)	(51)
Amounts released	(4)	(25)
Unwinding of discount adjustment	(9)	(5)
Other (including exchange rate differences)	4	(21)
Balance at 31 december	**179**	**140**
Legal maturity analysis of gross investment in finance lease recaivables:		
One year or less	9	-
Longer than one year but not longer than five years	109	-
Longer than five years	4	-
	122	**-**
Unearned future finance income on finance leases	10	-
Net investment in finance leases	**112**	**-**
Legal maturity analysis of net investment in finance lease recaivables:		
One year or less	9	-
Longer than one year but not longer than five years	100	-
Longer than five years	3	-
	112	**-**

There is no allowance for uncollectable finance lease receivables and loans for 2016 and 2015.

No individual finance lease receivable has terms and conditions that significantly affect the amount, timing or certainty of the consolidated cash flows of NIBC holding.

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 2016, related to the available-for-sale loans reclassified to the loans at amortised cost category on 1 July 2008, amounted to EUR 16 million (2015: EUR 15 million).

The maximum credit risk exposure including undrawn credit facilities arising on loans at amortised cost amounted to EUR 9,147 million (2015: EUR 9,240 million).

The total amount of subordinated loans in this item amounted to EUR 150 million in 2016 (2015: EUR 148 million).

As per 31 December 2016, EUR 42 million (2015: EUR 20 million) was guaranteed by the Dutch State.

16. Residential mortgages own book (amortised cost)

in EUR millions	2016	2015
Residential mortgages own book	3,346	2,390
	3,346	**2,390**
Legal maturity analysis of residential mortgages own book:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	2	1
Longer than five years	3,344	2,389
	3,346	**2,390**
Movement schedule of residential mortgages own book:		
Balance at 1 january	**2,390**	**1,078**
Additions	1,093	1,368
Disposals	(137)	(56)
Other (including exchange rate differences)	-	-
Balance at 31 december	**3,346**	**2,390**

The maximum credit exposure including committed but undrawn facilities was EUR 4,261 million at 31 December 2016 (31 December 2015: EUR 2,791 million).

The total impairments on residential mortgages own book at amortised cost at 31 December 2016 were EUR 2 million (2015: EUR 1 million).

17. Debt investments (amortised cost)

in EUR millions	2016	2015
Debt investments	287	294
	287	**294**
Debt investments analysed by listing:		
Listed	237	266
Unlisted	50	28
	287	**294**
Legal maturity analysis of debt investments:		
Three months or less	-	-
Longer than three months but not longer than one year	50	20
Longer than one year but not longer than five years	129	146
Longer than five years	108	128
	287	**294**
Movement schedule of debt investments:		
Balance at 1 january	**294**	**359**
Additions	86	8
Disposals	(84)	(65)
Impairments	(6)	(13)
Exchange differences and amortisation	(3)	5
Balance at 31 december	**287**	**294**
Movement schedule of impairment losses on debt investments:		
Balance at 1 january	**39**	**26**
Additional allowances	6	16
Write-offs	-	(2)
Amounts released	-	(1)
Other (including exchange rate differences)	(2)	-
Balance at 31 december	**43**	**39**

18. Equity investments (available-for-sale)

in EUR millions	2016	2015
Equity investments	41	48
	41	**48**
Movement schedule of equity investments:		
Balance at 1 january	**48**	**53**
Additions	-	-
Disposals (sales and/or capital repayments)	(3)	(12)
Changes in fair value	(4)	4
Other (including exchange rate differences)	-	3
Balance at 31 december	**41**	**48**
Movement schedule of impairment losses on equity investments:		
Balance at 1 january	**78**	**73**
Additional allowances	-	5
Write-offs	-	(5)
Other (including exchange rate differences)	1	5
Balance at 31 december	**79**	**78**

19. Debt investments (available-for-sale)

in EUR millions	2016	2015
Debt investments	1,028	1,064
	1,028	**1,064**

All debt investments are non-government, except for EUR 55 million.

in EUR millions	2016	2015
Debt investments analysed by listing:		
Listed	1,025	911
Unlisted	3	153
	1,028	**1,064**
Legal maturity analysis of debt investments:		
Three months or less	34	21
Longer than three months but not longer than one year	54	79
Longer than one year but not longer than five years	230	272
Longer than five years	710	692
	1,028	**1,064**
Movement schedule of debt investments:		
Balance at 1 january	**1,064**	**945**
Additions	442	680
Disposals	(479)	(574)
Changes in fair value	(1)	(5)
Exchange rate differences	2	18
Balance at 31 december	**1,028**	**1,064**
Movement schedule of impairment losses on debt investments:		
Balance at 1 january	**18**	**18**
Additional allowances	-	-
Write-offs	(7)	-
Balance at 31 december	**11**	**18**

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

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

in EUR millions	2016	2015
Loans	210	316
	210	**316**
Legal maturity analysis of loans:		
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	65	63
Longer than five years	144	253
	210	**316**
Movement schedule of loans:		
Balance at 1 january	**316**	**374**
Additions	8	-
Disposals	(99)	(70)
Changes in fair value	9	1
Other (including exchange rate differences)	(24)	11
Balance at 31 december	**210**	**316**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC Holding 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 cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a loss of EUR 9 million (2015: EUR 21 million) and the change for the current year is a gain of EUR 12 million.

The portion of fair value changes in 2016 included in the balance sheet amount (designated at fair value through profit or loss) as at 31 December 2016 relating to the movement in credit spreads amounted to EUR 3 million (2015: nil).

The maximum credit risk exposure including undrawn credit facilities amounted to EUR 211 million (2015: EUR 316 million).

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

in EUR millions	2016	2015
Residential mortgages own book	4,124	4,111
	4,124	**4,111**
Legal maturity analysis of residential mortgages own book:		
Three months or less	9	11
Longer than three months but not longer than one year	17	7
Longer than one year but not longer than five years	104	106
Longer than five years	3,994	3,987
	4,124	**4,111**
Movement schedule of residential mortgages own book:		
Balance at 1 january	**4,111**	**3,441**
Additions (including transfers from consolidated SPEs)	466	1,010
Disposals (sale and/or redemption, including replenishment of consolidated SPEs)	(471)	(370)
Changes in fair value	18	30
Balance at 31 december	**4,124**	**4,111**

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

The cumulative change in fair value is disclosed in note 22 Securitised residential mortgages.

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

The maximum credit exposure including committed but undrawn facilities was EUR 4,125 million (2015: EUR 4,112 million).

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

in EUR millions	2016	2015
Securitised residential mortgages	1,550	2,266
	1,550	**2,266**
Legal maturity analysis of securitised residential mortgages:		
Three months or less	1	2
Longer than three months but not longer than one year	1	3
Longer than one year but not longer than five years	19	32
Longer than five years	1,529	2,229
	1,550	**2,266**
Movement schedule of securitised residential mortgages:		
Balance at 1 january	**2,266**	**3,720**
Additions	-	-
Disposals (sale and/or redemption including transfers to own book)	(666)	(1,333)
Changes in fair value	(50)	(121)
Balance at 31 december	**1,550**	**2,266**

At 31 December 2016 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 423 million debit (2015: EUR 455 million debit) related to both interest rates and credit spreads. As NIBC Holding 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 2016 included in the balance sheet amount relating to the movement in credit spreads on residential mortgages own book (see note 21 Residential mortgages own book) and securitised residential mortgages amounted to EUR 35 million debit at 31 December 2016 (2015: EUR 22 million debit), being an increase in the carrying amount.

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 98 million (2015: EUR 95 million) and the change for the current year is a gain of EUR 3 million.

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

At 31 December 2016, securitised residential mortgages in the amount of EUR 1,550 million (2015: EUR 2,266 million) were pledged as collateral for NIBC Holding's own liabilities (see note 51 Assets transferred or pledged as collateral).

The maximum credit exposure was EUR 1,550 at 31 December 2016 (31 December 2015: EUR 2,266 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 21 Residential mortgages own book) and securitised residential mortgages at 31 December 2016 amounted to a liability of EUR 14 million (2015: EUR 16 million).

Securitised residential mortgages are recognised on NIBC Holding's balance sheet based on the risks and rewards NIBC Holding retains in the *special purpose entities* (**SPEs**) issuing the mortgage-backed notes. Risks and rewards can be retained by NIBC Holding by retaining issued notes, providing overcollateralisation to the SPEs or implementing reserve accounts in the SPEs. At the balance sheet date, NIBC Holding retained EUR 135 million (31 December 2015: EUR 187 million) of notes issued by the SPEs and reserve accounts amounted to EUR 11 million (31 December 2015: EUR 15 million).

23. Equity investments (designated at fair value through profit or loss, including investments in associates)

in EUR millions	2016	2015
Investments in associates	185	172
Other equity investments	17	50
Long position in listed and actively traded equities	2	-
	204	**222**
Movement schedule of investments in associates:		
Balance at 1 january	**172**	**225**
Additions	31	9
Disposals	(38)	(103)
Changes in fair value	20	41
Balance at 31 december	**185**	**172**

At the end of 2016 and 2015, all investments in associates were unlisted.

Other disclosure requirements for associates are presented in note 55 Principal subsidiaries and associates.

in EUR millions	2016	2015
Movement schedule of other equity investments:		
Balance at 1 january	**50**	**51**
Additions	10	18
Disposals	(37)	(2)
Other (including exchange rate differences)	(6)	(17)
Balance at 31 december	**17**	**50**

At the end of 2016 and 2015, other equity investments were unlisted.

in EUR millions	2016	2015
Movement schedule of long position in listed and actively traded equities:		
Balance at 1 january	**-**	**-**
Additions	6	-
Disposals	(4)	-
Other (including exchange rate differences)	-	-
Balance at 31 december	**2**	**-**

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

in EUR millions	2016	2015
Held for trading	60	12
Designated at fair value through profit or loss	-	7
	60	**19**
Legal maturity analysis of debt investments designated at fair value through profit or loss:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	-	7
	-	**7**
Movement schedule of debt investments designated at fair value through profit or loss:		
Balance at 1 january	**7**	**6**
Additions	-	-
Disposals (sale and/or redemption including transfers to own book)	(7)	(1)
Changes in fair value	-	1
Exchange rate differences	-	1
Balance at 31 december	**-**	**7**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC Holding 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 2016 included in the carrying amount (designated at fair value through profit or loss) relating to the movement in credit spreads amounted to EUR 0 million (2015: EUR 1 million debet, being an increase 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.

25. Derivative financial instruments

in EUR millions	2016	2015
Derivative financial assets		
Derivative financial assets used for hedge accounting	177	168
Derivative financial assets - other	1,634	1,973
	1,811	**2,141**
Derivative financial liabilities		
Derivative financial liabilities used for hedge accounting	89	45
Derivative financial liabilities - other	1,917	2,311
	2,006	**2,356**

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 60 Market risk (Key risk statistics Trading portfoliom excluding NIBC Markets).

Derivative financial instruments used for hedge accounting at 31 December 2016

	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	-	10	7,996	8,006	121	87
Interest currency rate swaps	-	-	18	18	6	-
	-	**10**	**8,014**	**8,024**	**127**	**87**
Derivatives accounted for as cash flow hedges of interest rate risk						
OTC products:						
Interest rate swaps	25	225	1,852	2,102	50	2
	25	**225**	**1,852**	**2,102**	**50**	**2**
Total derivatives used for hedge accounting	**25**	**235**	**9,866**	**10,126**	**177**	**89**

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 - other at 31 December 2016

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]	6,170	10,617	24,097	40,884	1,443	1,784
Interest rate options (purchase)	-	60	714	774	2	-
Interest rate options (sale)	-	30	782	812	-	2
	6,170	**10,707**	**25,593**	**42,470**	**1,445**	**1,786**
Currency derivatives						
OTC products:						
Interest currency rate swaps	277	760	1,809	2,846	148	88
Currency/cross-currency swaps	451	-	-	451	4	-
	728	**760**	**1,809**	**3,297**	**152**	**88**
Other derivatives (including credit derivatives)						
OTC products:						
Credit default swaps (guarantees given)	-	10	4	14	-	1
Credit default swaps (guarantees received)	-	10	-	10	-	-
Other swaps	27	-	23	50	37	42
	27	**20**	**27**	**74**	**37**	**43**
Total derivatives - other	**6,925**	**11,487**	**27,429**	**45,841**	**1,634**	**1,917**

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 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]	3,176	35,548	13,920	52,644	1,848	2,199
Interest rate options (purchase)	-	414	45	459	1	-
Interest rate options (sale)	-	515	54	569	-	2
	3,176	**36,477**	**14,019**	**53,672**	**1,849**	**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	43	53
	52	**-**	**25**	**77**	**43**	**54**
Total derivatives - other	**3,638**	**39,253**	**14,076**	**56,967**	**1,973**	**2,311**

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	2016	2015
Fair value pay - fixed swaps (hedging assets) | assets	6	3
Fair value pay - fixed swaps (hedging assets) | liabilities	(80)	(34)
	(74)	**(31)**
Fair value pay - floating swaps (hedging liabilities) | assets	121	123
Fair value pay - floating swaps (hedging liabilities) | liabilities	(7)	(10)
	114	**113**

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	2016	2015
Fair value receive - fixed swaps | assets	50	42
Fair value receive - fixed swaps | liabilities	(2)	(1)
	48	**41**
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	2016	2015
Fair value pay swaps | assets	127	126
Fair value receive swaps | assets	50	42
	177	**168**
Fair value pay swaps | liabilities	(87)	(44)
Fair value receive swaps | liabilities	(2)	(1)
	(89)	**(45)**

The average remaining maturity (in which the related cash flows are expected to enter into the determination of profit or loss) is five years (2015: four years).

Hedging activities

Portfolio fair value hedge of plain vanilla funding
According to NIBC Holding's Hedging Policy, NIBC Holding 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 Holding uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate funding. To mitigate any accounting mismatches, NIBC Holding 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 2016 was EUR 18 million debit (2015: EUR 18 million debit). The gains on the hedging instruments were nil (2015: loss of EUR 3 million). The gains on the hedged items attributable to the hedged risk were nil (2015: gain of EUR 3 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 Holding's Hedging Policy, NIBC Holding should not be exposed to interest rate risk from its fixed rate retail deposit activities above certain limits prescribed by the ALCO. Consequently, NIBC Holding uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate funding. To mitigate any accounting mismatches,

NIBC Holding 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 2016 was EUR 33 million debit (2015: EUR 49 million debit). The losses on the hedging instruments were EUR 6 million (2015: loss of EUR 14 million). The gains on the hedged items attributable to the hedged risk were EUR 7 million (2015: gain of EUR 14 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 Holding's Hedging Policy, NIBC Holding should not be exposed to interest rate risk from its fixed rate mortgages activities above certain limits prescribed by the ALCO. Consequently, NIBC Holding uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate mortgages. To mitigate any accounting mismatches, NIBC Holding 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 2016 was EUR 59 million credit (2015: EUR 18 million credit). The losses on the hedging instruments were EUR 32 million (2015: gain of EUR 6 million). The gains on the hedged items attributable to the hedged risk were EUR 40 million (2015: loss of EUR 7 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 Holding's hedging policy, NIBC Holding 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 Holding 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 Holding 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 2016 was EUR 59 million debit (2015: EUR 42 million debit). The gains on the hedging instruments were EUR 8 million (2015: loss of EUR 8 million). The losses on the hedged items attributable to the hedged risk were EUR 7 million (2015: gain of EUR 8 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 Holding's hedging policy, NIBC Holding should not be exposed to interest rate risk from its corporate loan activities above certain limits as set by ALCO. Consequently, NIBC Holding uses interest rate swaps to hedge the fair value interest rate risk arising from these fixed rate loans. To mitigate any accounting mismatches, NIBC Holding 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 2016 was EUR 11 million credit (2015: EUR 10 million credit). Losses on the hedging instruments were EUR 3 million (2015: gain of EUR 2 million). The gains on the hedged items attributable to the hedged risk were nil (2015: loss of EUR 3 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 Holding's hedging policy, NIBC Holding 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 Holding 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 Holding 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 2016 was nil. (2015: nil). The losses on the hedging instruments were nil (2015: gain of EUR 1 million). The gains on the hedged items attributable to the hedged risk were nil (2015: nil). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Cash flow hedges
NIBC Holding 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 Holding. Therefore NIBC Holding 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 Holding 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 48 million debit (2015: EUR 41 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 seven years. In 2016 the ineffectiveness recognised in the income statement that arose from cash flow hedges was a loss of EUR 2 million (2015: loss of EUR 6 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 2016 was EUR 12 million credit (2015: EUR 3 million credit). The amount that was transferred from equity to the income statement in 2016 was a gain of EUR 18 million net of tax (2015: gain of EUR 23 million).

26. Investments in associates (equity method)

in EUR millions	2016	2015
Investments in associates	7	7
	7	**7**
Movement schedule of investments in associates:		
Balance at 1 january	**7**	**6**
Purchases and additional payments	-	-
Disposals	(1)	-
Share in result of associates	1	1
Balance at 31 december	**7**	**7**

At the end of 2016 and 2015, 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 2016 and 2015.

Other disclosure requirements for associates which are equity accounted are included in note 55 Principal subsidiaries and associates.

27. Intangible assets

in EUR millions	2016	2015
Intangible assets	3	-
	3	**-**
Intangible assets may be summarised as follows:		
Cost	3	-
Accumulated amortisation	-	-
	3	**-**

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:					
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 EUR millions	Goodwill	Trademarks and licenses	Customer relationships	Other intangibles	Total
The movement in intangible assets may be summarised as follows:					
Balance at 1 january 2016	**-**	**-**	**-**	**-**	**-**
Additions	2	-	1	-	3
Impairment losses	-	-	-	-	-
Amortisation	-	-	-	-	-
Transfer assets held for sale	-	-	-	-	-
Balance at 31 december 2016	**2**	**-**	**1**	**-**	**3**

In 2015 all presented intangible assets are related to the non-financial company Olympia Nederland Holding B.V.

In February 2016 NIBC reached an agreement on the sale of Olympia to a third party which was closed on 2 June 2016. See note 33 Disposal group held for sale.

28. Property, plant and equipment

in EUR millions	2016	2015
Land and buildings	40	43
Other fixed assets	4	6
Assets under operating leases	6	-
	50	**49**
Movement schedule of land and buildings:		
Balance at 1 january	**43**	**37**
Additions	-	9
Revaluation	-	-
Depreciation	(3)	(3)
Impairments	-	-
Disposals	-	-
Balance at 31 december	**40**	**43**
Gross carrying amount as at 31 December	97	97
Accumulated depreciation as at 31 December	(57)	(54)
Accumulated impairments as at 31 December	-	-
Balance at 31 december	**40**	**43**
Movement schedule of revaluation surplus:		
Balance at 1 january	**11**	**11**
Depreciation	(1)	-
Balance at 31 december	**10**	**11**
Movement schedule of other fixed assets:		
Balance at 1 january	**6**	**5**
Additions	2	4
Revaluation	-	-
Depreciation	(4)	(3)
Impairments	-	-
Disposals	-	-
Balance at 31 december	**4**	**6**
Gross carrying amount as at 31 December	27	24
Accumulated depreciation as at 31 December	(23)	(18)
Accumulated impairments as at 31 December	-	-
Balance at 31 december	**4**	**6**

NIBC Holding's land and buildings in own use were revalued as of 31 December 2014 based on an external appraisal (a valuation is carried out every three years).

Buildings in use by NIBC Holding are insured for EUR 74 million (2015: EUR 72 million). Other fixed assets are insured for EUR 43 million (2015: EUR 36 million).

29. Investment property

in EUR millions	2016	2015
Investment property	271	251
	271	**251**
The movement in investment property may be summarised as follows:		
Balance at 1 january	**251**	**-**
Additions resulting from acquisition	-	397
Disposals	-	(146)
Changes in fair value	20	-
Balance at 31 december	**271**	**251**

Revenue from investment property mainly consist out of rental income and service charges recovered from tenants to an amount of EUR 21 million and EUR 9 million respectively and is recognised in Other operating income of the income statement. All revenue relates to rent of residential, commercial and parking space is realised in Germany.

There are no material contingent rents recognised as income.

Some leases contain options to break before the end of the lease term. Properties under operating leases are included in investment property in the consolidated balance sheet. The period of leases whereby the group leases out its investment property under operating leases is 1 year or more.

NIBC Holding holds 5,186 residential, 266 commercial properties and 1,716 parking spaces and 87 other units in Germany.

All investment property is owned by the group and held to earn rentals or for capital appreciation. The property is not used for the production or supply of goods and services or in any other way occupied for own use.

In case of a disposal of investment property, the proceeds are disbursed to the shareholder and lenders as agreed with the lenders within NIBC Holding.

Measurement of fair values

As a 31 December 2016, the fair values of the properties are based on external appraisals as per 30 June 2016 performed by an accredited independent valuer or is based on sales prices for properties that are sold or for which a signed sales contract exists on or prior to 31 December 2016.

Changes in fair value of investment property are recognised in net trading income of the income statement.

Valuation techniques underlying management's estimation of fair value

The fair value of the investment property has been determined using internal and external valuations. The valuation of the properties is based on a combination of an Income Approach and a Market Approach. These two approaches provide a bandwidth of the value of the properties on the balance sheet. The final valuation is based on the average of the two methods.

The Income Approach
The fair value of investment property under the Income Approach has been determined by external expert valuers as at 30 June 2016, or is based on sales prices for properties that are sold or for which a signed sales contract exists on or prior to 31 December 2016.

The value of the properties has been assessed in accordance with the Market Value definition relevant to international property valuations with adherence (where appropriate) to the provisions of the International Valuation Standards Committee and the RICS Valuation Standards.

The discounted cash flow approach under the Income Method accounts for 65 % of fair value. The contracted sales prices at balance sheet date account for 35% of fair value.

The Market Approach
In addition to the Income approach the value of the real estate portfolio is determined on the Market approach (comparable sales method). The rationale for applying the Market approach is the available sales history and the homogeneous characteristics of the portfolio as well as the fact that NIBC actively pursues selling the remainder of the portfolio.

The market approach is based on prices from properties sold in 2014. Outliers are removed from this sample set and subsequently an average price per square meter based on this set of sold properties is derived for each rating category.

Sensitivity analyses
The sensitivity of the fair value of unsold investment properties varies between plus and minus EUR 13 million in case the valuation differs positively or negatively by 5%.

30. Current tax

in EUR millions	2016	2015
Current tax assets	-	-
	-	**-**
in EUR millions	2016	2015
Current tax liabilities	-	1
	-	**1**

31. Deferred tax

in EUR millions	2016	2015
Deferred tax assets	46	51
Deferred tax liabilities	3	1
	43	**50**
Amounts of deferred income tax assets, without taking into consideration the offsetting of balances within the same jurisdiction:		
Debt investments (available-for-sale)	2	2
Tax losses carried forward	63	71
	65	**73**
Amounts of deferred income tax liabilities, without taking into consideration the offsetting of balances within the same jurisdiction:		
Equity investments (available-for-sale)	3	3
Cash flow hedges	14	16
Property, plant and equipment	4	4
Temporary tax differences	1	-
	22	**23**
	43	**50**

in EUR millions	2016	2015
Gross movement on the deferred income tax account may be summarised as follows:		
Balance at 1 january	**50**	**48**
Debt investments (reported as available-for-sale):		
Fair value remeasurement charged/(credited) to revaluation reserve	-	2
Cash flow hedges:		
Fair value remeasurement charged/(credited) to hedging reserve	2	4
Temporary tax differnces		
IFRS - HGB deferred Tax	(1)	-
Tax losses carried forward	(8)	(4)
Balance at 31 december	**43**	**50**

Deferred tax assets and liabilities are measured for all temporary differences using the liability method. The effective tax rate in the Netherlands for measuring deferred tax is 25% (2015: 25%). There were no changes in deferred tax assets and liabilities resulting from changes in the effective tax rate in the Netherlands. No deferred tax asset has been recognised for unused tax losses totaling EUR 130 million at 31 December 2016 (31 December 2015: EUR 132 million). Deferred tax assets of EUR 31 million at 31 December 2016 (31 December 2015: EUR 32 million) have not been recognised because future taxable profits are not considered probable. These carried forward losses relate to various tax authorities. The term to maturity of EUR 103 million of these carry forward losses is four years and the term to maturity of EUR 27 million is largely unlimited. Deferred tax assets recognised in respect of carry forward losses can only be utilized if taxable profits are realized in the future. To measure deferred tax assets, NIBC takes a prudent approach regarding future compensation of carry forward losses. On 31 December 2016 there was a realistic expectation that sufficient taxable profits would be generated within the applicable periods for the recognised deferred tax asset.

32. Other assets

in EUR millions	2016	2015
Accrued interest	1	-
Other accruals and receivables	53	47
Pending settlements	173	-
	227	**47**

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.

Pending settlements are related to NIBC Markets N.V., a newly acquired subsidiary in 2016. These transitory amounts are related to the brokerage activities and settled within 3 days.

33. Disposal group held for sale

As per 31 December 2016 there are no assets or liabilities classified as disposal group held for sale.

Disposal group held for sale in 2015 and closed in the first half year of 2016

In September 2015, NIBC committed to a plan to sell its non-financial company *Olympia Nederland Holding B.V.* (**Olympia**) and was consequently classified as a Disposal group held for sale. In February 2016 NIBC reached an agreement on the sale of Olympia to a third party. For further details see note 53 Business combinations and divestments.

Assets held for sale

in EUR millions	2016	2015
Intangible assets	-	21
Other assets	-	50
	-	**71**

Liabilities held for sale

in EUR millions	2016	2015
Due to other banks	-	-
Other liabilities	-	42
	-	**42**

34. Due to other banks (amortised cost)

in EUR millions	2016	2015
Due to other banks	390	588
Due to central banks	900	241
	1,290	**829**
Due to other banks:		
Payable on demand	6	75
Not payable on demand	1,284	754
	1,290	**829**
Legal maturity analysis of due to other banks not payable on demand:		
Three months or less	120	287
Longer than three months but not longer than one year	68	9
Longer than one year but not longer than five years	905	242
Longer than five years	191	216
	1,284	**754**

Interest is recognised in interest expense and similar charges on an effective interest basis.

NIBC Holding 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 2016, an amount of EUR 114 million (2015: EUR 188 million) related to cash collateral received from third parties.

Amounts drawn under *Targeted Longer Term Refinancing Operation* (**TLTRO** program) is EUR 900 million (2015: EUR 241 million).

35. Deposits from customers (amortised cost)

in EUR millions	2016	2015
Retail deposits	9,723	10,080
Institutional/corporate deposits	2,079	1,666
	11,802	**11,746**
Deposits from customers:		
On demand	5,455	4,552
Term deposits	6,347	7,194
	11,802	**11,746**
Legal maturity analysis of term deposits:		
Three months or less	761	939
Longer than three months but not longer than one year	2,221	2,965
Longer than one year but not longer than five years	2,371	2,410
Longer than five years	994	880
	6,347	**7,194**

Interest is recognised in interest expense and similar charges on an effective interest basis.

36. Own debt securities in issue (amortised cost)

in EUR millions	2016	2015
Bonds and notes issued	3,855	3,050
	3,855	**3,050**
Legal maturity analysis of own debt securities in issue:		
Three months or less	-	67
Longer than three months but not longer than one year	67	285
Longer than one year but not longer than five years	2,277	1,589
Longer than five years	1,511	1,109
	3,855	**3,050**
Movement schedule of own debt securities in issue:		
Balance at 1 january	**3,050**	**2,064**
Additions	1,328	1,038
Disposals	(453)	(103)
Other (including exchange rate differences)	(70)	51
Balance at 31 december	**3,855**	**3,050**

In the first half year of 2016 a ten years conditional pass through covered bond of EUR 500 million and a senior unsecured bond of EUR 300 million was issued. In September an additional tap of EUR 200 million on the senior unsecured bond was placed. In 2015 NIBC issued a senior unsecured bond of EUR 500 million and a seven years conditional pass through covered bond of EUR 500 million.

The disposals of own debt securities in issue at amortised cost for 2016 include mainly redemptions at the scheduled maturity date to an amount of EUR 453 million (2015

EUR 61 million) and repurchases of debt securities before the legal maturity date to an amount of EUR nil (2015: EUR 41 million).

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

in EUR millions	2016	2015
Bonds and notes issued	1,337	2,062
	1,337	**2,062**
Legal maturity analysis of debt securities in issue related to securitised mortgages and lease receivables:		
Three months or less	2	3
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	49
Longer than five years	1,335	2,010
	1,337	**2,062**
Movement schedule of debt securities in issue related to securitised mortgages and lease receivables:		
Balance at 1 january	**2,062**	**3,348**
Additions	-	
Disposals	(725)	(1,286)
Other (including exchange rate differences)	-	
Balance at 31 december	**1,337**	**2,062**

38. Borrowings (designated at fair value through profit or loss)

in EUR millions	2016	2015
Borrowings	49	77
	49	**77**
The legal maturity analysis of borrowings is as follows:		
Three months or less	23	-
Longer than three months but not longer than one year	26	-
Longer than one year but not longer than five years	-	77
Longer than five years	-	-
	49	**77**

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a loss of EUR 15 million and the change for the current year is a gain of EUR 4 million (2015: loss EUR 15 million).

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 62 million at 31 December 2016 (2015: EUR 133 million).

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

in EUR millions	2016	2015
Bonds and notes issued	37	36
	37	**36**
Legal maturity analysis of own debt securities in issue:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	37	36
Longer than five years	-	-
	37	**36**
Movement schedule of own debt securities in issue:		
Balance at 1 january	**36**	**35**
Additions	1	2
Disposals	-	-
Changes in faur value	-	(1)
Other (including exchange rate differences)	-	-
Balance at 31 december	**37**	**36**

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

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 34 million at 31 December 2016 (2015: EUR 32 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 2 million and the change for the current year amounts to a loss of nil recognised in other comprehensive income following early adoption of IFRS 9 Own credit risk (2015: loss of EUR 1 million). See note 46.7 for further information with respect to IFRS 9 Own credit risk.

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

in EUR millions	2016	2015
Bonds and notes issued	620	704
	620	**704**
Legal maturity analysis of debt securities in issue structured:		
Three months or less	-	-
Longer than three months but not longer than one year	16	53
Longer than one year but not longer than five years	55	82
Longer than five years	549	569
	620	**704**
Movement schedule of debt securities in issue structured:		
Balance at 1 january	**704**	**823**
Additions	56	53
Disposals	(169)	(157)
Changes in fair value	35	(69)
Other (including exchange rate differences)	(6)	54
Balance at 31 december	**620**	**704**

The disposals of debt securities in issue designated at fair value through profit or loss for 2016 include redemptions at the scheduled maturity date to an amount of EUR 169 million (2015: EUR 151 million) and repurchases of debt securities before the legal maturity date to an amount of nil (2015: EUR 6 million). The changes in fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC Holding hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated with results on financial derivatives.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 654 million at 31 December 2016 (2015: EUR 744 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a loss of EUR 3 million and the change for the current year is a loss of EUR 11 million recognised in other comprehensive income following early adoption of IFRS 9 Own credit risk (2015: loss of EUR 16 million, recognised in net trading income). See note 46.7 for further information with respect to IFRS 9 Own credit risk.

41. Other liabilities

in EUR millions	2016	2015
Other accruals	29	21
Reorganisation provisions	2	-
Payables	108	89
Pending settlements	136	-
	275	**110**

Movement schedule of reorganisation provisions:		
Balance at 1 january	**-**	**-**
Additional allowances	2	-
Write-offs	-	-
Amounts released	-	-
Balance at 31 december	**2**	**-**

In 2016, a reorganisation provision of EUR 2,3 million has been recognised for the transformation of the IT department and the reorganisation of NIBC Markets.

These initiatives have been announced in 2016 and the estimate of the reorganisation provisions is inherently uncertain. The provisions at balance sheet date represent the best estimate of the expected redundancy costs and are expected to be sufficient to cover these costs. For further details refer to note 7 Personnal expenses and share-based payments.

Pending settlements are related to NIBC Markets N.V., a newly acquired subsidiary in 2016. These transitory amounts are related to the brokerage activities and settled within 3 days.

42. Employee benefits

in EUR millions	2016	2015
Employee benefits	3	4
	3	**4**

The movement in employee benefits recognised in the balance sheet may be summarised as follows:		
Balance at 1 january	**4**	**3**
Paid	-	-
Increase	-	1
Releases	(1)	-
Balance at 31 december	**3**	**4**

Employee benefit obligations of EUR 3 million at 31 December 2016 are related to payments to be made in respect of other leave obligations (2015: EUR 4 million). These obligations are short-term in nature and therefore valued at nominal value.

Pension benefit obligations

Obligations and expense under pension plans
On 29 September 2014 NIBC Holding 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 changed under IFRS from a defined-benefit pension plan to a defined-contribution plan.

in EUR millions	2016	2015
The amounts of pension charges recognised in personnel expenses in the income statement were as follows:		
Collective Defined Contribution plans		
Employer's contribution	11	10
Participants' contributions	(1)	(1)
Administrative expenses	1	1
	11	**10**

Employer's contributions in 2016 includes EUR 2 million (2015: 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
A defined-contribution plan is a pension plan under which NIBC Holding 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 Holding pays contributions directly into the member's scheme. NIBC Holding 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 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 CDC-plan the annual pension contributions are calculated according to a fixed contribution calculation mechanism. The annual pension contribution of NIBC Holding is maximised at 26% of the pensionable salary (salary minus a social security deductible). By paying the agreed fixed annual contribution NIBC Holding is released from all its obligations.

43. Subordinated liabilities - amortised cost

in EUR millions	2016	2015
Subordinated loans	122	120
	122	**120**
Legal maturity analysis of subordinated liabilities:		
One year or less	-	-
Longer than one year but not longer than five years	2	2
Longer than five years but not longer than ten years	50	50
Longer than ten years	70	68
	122	**120**
Movement schedule of subordinated liabilities:		
Balance at 1 january	**120**	**67**
Additions	-	62
Disposals	-	(15)
Other (including exchange rate differences)	2	6
Balance at 31 december	**122**	**120**

All of the above loans are subordinated to the other liabilities of NIBC Holding. With respect to the CRR/CRDIV requirements regarding additional Tier-1 capital instruments, non-qualifying subordinated loans amounted to EUR 58 million (2015: EUR 56 million). Interest expense of EUR 4 million was recognised on subordinated liabilities during the year 2016 (2015: EUR 4 million). In 2016 and 2015, 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	2016	2015
Non-qualifying as grandfathered additional Tier-1 capital	179	172
Subordinated loans other	97	108
	276	**280**
Legal maturity analysis of subordinated liabilities:		
One year or less	1	17
Longer than one year but not longer than five years	-	1
Longer than five years but not longer than ten years	-	-
Longer than ten years	275	262
	276	**280**
Movement schedule of subordinated liabilities:		
Balance at 1 january	**280**	**253**
Additions	1	1
Disposals	(17)	-
Other (including exchange rate differences)	12	26
Balance at 30 june / 31 december	**276**	**280**

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC Holding 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 405 million at 31 December 2016 (2015: EUR 411 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in credit risk amounts to a gain of EUR 137 million and the change for the current year amounts to a loss of EUR 5 million recognised in other comprehensive income following early adoption of IFRS 9 Own credit risk (2015: loss of EUR 1 millionl). See note 46.7 for further information with respect to IFRS 9 Own credit risk.

All of the above loans are subordinated to the other liabilities of NIBC. The non-qualifying as grandfathered additional Tier-1 capital consists of perpetual securities and may be redeemed by NIBC only with the prior approval of the DNB. Interest expense of EUR 16 million was recognised on subordinated liabilities during the year 2016 (2015: EUR 17 million). In 2016 and 2015, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

NIBC Holding has not had any defaults of principal, interest or redemption amounts on its liabilities during 2016 or 2015.

45. Shareholder's equity

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

Share Capital

in EUR millions	2016	2015
Paid-up capital	1,408	1,408
	1,408	**1,408**

	2016	2015
The number of authorised shares:		
Number of authorised shares	500,000,000	500,000,000
Number of shares issued and fully paid	147,513,369	147,513,369
Par value per share	1.00	1.00
Reconciliation of number of shares outstanding:		
Balance at 1 january	**145,993,810**	**146,323,810**
Shares issued	-	(330,000)
Balance at 31 december	**145,993,810**	**145,993,810**

Out of the total number of shares issued by NIBC Holding, 2,088,949 (2015: 2,088,949) shares are held by Stichting Administratiekantoor (STAK) NIBC Holding in view of the share-based incentive scheme. The total number of treasury shares held by NIBC Holding is 1,159,559 (2015: 1,159,559).

Dividend restrictions

NIBC Holding and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital, and reserves required by law. Additionally, certain Bank companies are subject to restrictions on the amount of funds they may transfer in the form of dividend or otherwise to the parent company.

Furthermore, in addition to the restrictions in respect to minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

in EUR millions	2016	2015
Other reserves are as follows:		
Share premium	525	525
Hedging reserve	43	49
Revaluation reserve - equity investments (available-for-sale)	6	9
Revaluation reserve - debt investments (available-for-sale)	(7)	(6)
Revaluation reserve - property, plant and equipment	8	8
Revaluation reserve - own credit risk	103	-
Shares hold by STAK	(37)	(37)
Other	37	37
	678	**585**

in EUR millions	Share premium	Hedging reserve	Revaluation reserves	Own credit risk reserve	Shares hold by STAK	Other	Total
Balance at 1 januari 2015	**528**	**61**	**14**	**-**	**(43)**	**43**	**603**
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)**
Proceeds from shares issued	(3)	-	-	-	-	-	(3)
Transfer to retained earnings	-	-	-	-	6	(6)	-
Balance at 31 december 2015	**525**	**49**	**11**	**-**	**(37)**	**37**	**585**

in EUR millions	Share premium	Hedging reserve	Revaluation reserves	Own credit risk reserve	Shares hold by STAK	Other	Total
Balance at 1 januari 2016	**525**	**49**	**11**	**-**	**(37)**	**37**	**585**
Impact of adopting IFRS 9 Own credit risk at 1 January 2016	-	-	-	115	-	-	115
Restated balance at 1 januari 2016	**525**	**49**	**11**	**115**	**(37)**	**37**	**700**
Net result on hedging instruments	-	(6)	-	-	-	-	(6)
Revaluation/remeasurement (net of tax)	-	-	(4)	(12)	-	-	(16)
Total recognised directly through other comprehensive income in equity	**-**	**(6)**	**(4)**	**(12)**	**-**	**-**	**(22)**
Balance at 31 december 2016	**525**	**43**	**7**	**103**	**(37)**	**37**	**678**

OTHER RESERVES

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 amortised cost 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)
This reserve comprises changes in fair value of available-for-sale debt investments (net of tax).

Revaluation reserve - property, plant and equipment
This reserve comprises changes in fair value of land and buildings (net of tax).

Revaluation reserve - own credit risk
This reserve includes the cumulative changes in the fair value of the financial liabilities designated as at FVtPL that are attributable to changes in the credit risk of these liabilities other than those recognised in profit or loss (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

This note describes the fair value measurement of both financial and non-financial instruments and is structured as follows:

46.1. Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as follows:

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

46.2. Valuation governance

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

46.3. Financial instruments by fair value hierarchy

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

in EUR millions	Level 1	Level 2	Level 3	2016
Financial assets available-for-sale				
Equity investments	-	-	41	41
Debt investments	840	187	1	1,028
	840	**187**	**42**	**1,069**
Financial assets at fair value through profit or loss (including trading)				
Loans	-	210	-	210
Residential mortgages own book	-	-	4,124	4,124
Securitised residential mortgages	-	-	1,550	1,550
Equity investments (including investments in associates)	2	-	202	204
Debt investments	-	59	1	60
Derivative financial assets	-	1,811	-	1,811
	2	**2,080**	**5,877**	**7,959**
	842	**2,267**	**5,919**	**9,028**

in EUR millions	Level 1	Level 2	Level 3	2016
Financial liabilities at fair value through profit or loss (including trading)				
Borrowings	-	49	-	49
Own debt securities in issue	-	37	-	37
Debt securities in issue structured	-	620	-	620
Derivative financial liabilities	-	2,006	-	2,006
Subordinated liabilities	-	276	-	276
	-	**2,988**	**-**	**2,988**

in EUR millions	Level 1	Level 2	Level 3	2015
Financial assets available-for-sale				
Equity investments	-	-	48	48
Debt investments	839	224	1	1,064
	839	**224**	**49**	**1,112**
Financial assets at fair value through profit or loss (including trading)				
Loans	-	302	14	316
Residential mortgages own book	-	-	4,111	4,111
Securitised residential mortgages	-	-	2,266	2,266
Equity investments (including investments in associates)	-	-	222	222
Debt investments	-	19	-	19
Derivative financial assets	-	2,141	-	2,141
	-	**2,462**	**6,613**	**9,075**
	839	**2,686**	**6,662**	**10,187**

in EUR millions	Level 1	Level 2	Level 3	2015
Financial liabilities at fair value through profit or loss (including trading)				
Borrowings	-	77	-	77
Own debt securities in issue	-	36	-	36
Debt securities in issue structured	-	704	-	704
Derivative financial liabilities	-	2,356	-	2,356
Subordinated liabilities	-	280	-	280
	-	**3,453**	**-**	**3,453**

46.4. Valuation techniques

The following is a description of the determination of fair value for financial instruments that are recorded at fair value using either quoted prices or valuation techniques. These incorporate NIBC Holding's interpretation of valuation assumptions (qualitative) that a market participant would consider when valuing the instruments.

Financial assets available-for-sale

Debt investments - level 1

For the determination of fair value at 31 December 2016, NIBC Holding used market-observable prices (including broker quotes). NIBC Holding has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Debt investments - level 2

For the determination of fair value at 31 December 2016, NIBC Holding used market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC Holding has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Equity investments - 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 Holding.

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

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

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

Financial assets at fair value through profit or loss

Equity investments - level 1
The level 1 portfolio consists of unadjusted, quoted prices for assets in an active market. The assets have been valued at the market's closing price of the 30rd of December.

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 2016, NIBC Holding applied market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC Holding has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

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

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

Residential mortgages (own book and securitised) - level 3
NIBC Holding determines the fair value of residential mortgages (both those NIBC Holding holds on its own book and those NIBC Holding has securitised) by using a valuation model

developed by NIBC Holding. To calculate the fair value, NIBC Holding discounts expected cash flows (after expected prepayments) to present value using inter-bank zero-coupon rates, adjusted for a spread that principally takes into account the credit spread risk of the mortgages and uncertainty relating to prepayment estimates.

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

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

Equity investments (including investments in associates) - level 3
The fair value of investments in equity funds is determined based on the net asset value reported by the managers of these funds. These net asset values are analysed for reasonableness, so as to ascertain that the reported net asset value has been appropriately derived using proper fair value principles as part of a robust process. To approximate the fair value at the reporting date, the net asset value is adjusted, where appropriate, for factors such as, subsequent capital contributions and fund distributions, movements in exchange rate and subsequent changes in the fair value of the underlying investee companies, where these are known to NIBC Holding.

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

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

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

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

Own liabilities designated at fair value through profit or loss - level 2
This portfolio was designated at fair value through profit or loss and is reported on the face of the balance sheet under the following headings:
- Borrowings (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 (financial liabilities at fair value through profit or loss); and
- Subordinated liabilities (financial liabilities at fair value through profit or loss).

Borrowings at fair value through profit and loss consist of senior, junior and minority shareholder loans that were attracted at third parties to fund a specific portfolio of German real-estate. These loans were originated before NIBC acquired the portfolio and are valued based on the cash flows that result from the waterfall structure embedded in the portfolio.

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

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

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

46.5. Valuation adjustments and other inputs and considerations

Credit and debit valuation adjustments

NIBC Holding calculates CVA/DVA (as defined in Critical accounting estimates and judgements) on a counterparty basis over the entire life of the exposure.

Bid-offer

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

Day 1 profit

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

46.6. Impact of valuation adjustments

The following table shows the amount recorded in the income statement:

in EUR millions	2016	2015
Type of adjustment		
Risk related	-	-
Credit value adjustment/Debit value adjustment	2	-
Totally Risk related	**2**	**-**
Bid-offer adjustment	(3)	(4)
Day-1 profit (see the following table)	3	3
	2	**(1)**

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

in EUR millions	2016	2015
Movement schedule of day-1 profit		
Balance at 1 january	**16**	**19**
Deferral of profit on new transactions	-	-
Recognised in the income statement during the year:		
Subsequent recognition due to amortisation	(2)	(3)
Derecognition of the instruments	-	-
Balance at 31 december	**14**	**16**

46.7. Own credit adjustments on financial liabilities designated at fair value

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

in EUR millions	2016	2015
Recognised during the period (before tax):	Included in OCI	Included in Net trading income
Realised gain/(loss)	-	2
Unrealised gain/(loss)	(16)	(18)
	(16)	**(16)**
Unrealised life-to-date gain/(loss)	136	153
	136	**153**

46.8. Transfers between level 1 and level 2

During the year ended 31 December 2016 and 2015, there were no transfers between level 1 and level 2 fair value measurements.

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

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

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 reflected the underlying valuation methodology.

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 2015	Amounts recognised in the income statement	Amounts recog-nised in OCI	Purchases/ Additions	Sales	Settle-ments / Disposals	Transfers into level 3	Transfers from level 3	At 31 December 2015
Available-for-sale financial assets									
Equity investments	53	5	2	-	(12)	-	-	-	48
Debt investments	1	-	-	-	-	-	-	-	1
Financial assets at fair value through profit or loss (including trading)									
Loans	-	-	-	-	-	-	14	-	14
Residential mortgages own book	3,441	30	-	1,009	-	(369)	-	-	4,111
Securitised residential mortgages	3,720	(121)	-	-	-	(1,333)	-	-	2,266
Equity investments (including investments in associates)	276	24	-	27	(105)	-	-	-	222
Debt investments	-	-	-	-	-	-	-	-	-
	7,491	**(62)**	**2**	**1,036**	**(117)**	**(1,702)**	**14**	**-**	**6,662**

in EUR millions	At 1 January 2016	Amounts recognised in the income statement	Amounts recog-nised in OCI	Purchases/ Additions	Sales	Settle-ments / Disposals	Transfers into level 3	Transfers from level 3	At 31 December 2016
Available-for-sale financial assets									
Equity investments	48	(1)	(3)	-	(3)	-	-	-	41
Debt investments	1	-	-	-	-	-	-	-	1
Financial assets at fair value through profit or loss (including trading)									
Loans	14	6	-	-	-	(20)	-	-	-
Residential mortgages own book	4,111	18	-	466	-	(471)	-	-	4,124
Securitised residential mortgages	2,266	(50)	-	-	-	(666)	-	-	1,550
Equity investments (including investments in associates)	222	14	-	41	(75)	-	-	-	202
Debt investments	-	-	-	1	-	-	-	-	1
	6,662	**(13)**	**(3)**	**508**	**(78)**	**(1,157)**	**-**	**-**	**5,919**

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

	For the year ended							
	31 December 2016				31 December 2015			
in EUR millions	Net trading income	Invest-ment income	Revaluation reserve	Total	Net trading income	Invest-ment income	Revaluation reserve	Total
Financial assets available-for-sale								
Equity investments	-	(1)	(3)	(4)	-	5	2	7
Debt investments	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss (including trading)								
Loans	6	-	-	6	-	-	-	-
Residential mortgages own book	18	-	-	18	30	-	-	30
Securitised residential mortgages	(50)	-	-	(50)	(121)	-	-	(121)
Equity investments (including investments in associates)	-	14	-	14	-	24	-	24
	(26)	**13**	**(3)**	**(16)**	**(91)**	**29**	**2**	**(60)**

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

	For the year ended			
	31 December 2016		31 December 2015	
in EUR millions	Held at balance sheet date	Derecognised during the year	Held at balance sheet date	Derecognised during the year
Financial assets available-for-sale				
Equity investments	(1)	-	3	2
Debt investments	-	-	-	-
Financial assets at fair value through profit or loss (including trading)				
Loans	-	6	-	-
Residential mortgages own book	18	-	30	-
Securitised residential mortgages	(50)	-	(121)	-
Equity investments (including investments in associates)	15	(1)	24	-
	(18)	**5**	**(64)**	**2**

Recognition of unrealised gains and losses in Level 3

Amounts recognised in the profit and loss account relating to unrealised gains and losses during the year that relates to Level 3 assets and liabilities are included in the profit and loss account as follows:

	For the year ended					
	31 December 2016			31 December 2015		
in EUR millions	Net trading income	Invest-ment income	Total	Net trading income	Invest-ment income	Total
Financial assets available-for-sale						
Equity investments	-	(1)	(1)	-	(1)	(1)
Debt investments	-	-	-	-	-	-
Financial assets at fair value through profit or loss (including trading)						
Loans	-	-	-	-	-	-
Residential mortgages own book	18	-	18	30	-	30
Securitised residential mortgages	(50)	-	(50)	(121)	-	(121)
Equity investments (including investments in associates)	-	9	9	-	13	13
	(32)	**8**	**(24)**	**(91)**	**12**	**(79)**

46.10. Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The following table provides a summary of the valuation techniques, key unobservable inputs and the lower and upper range of such unobservable inputs, by type of level 3 asset/liability.

The lower and upper range mentioned in the overview represent the lowest and highest variance of the respective valuation input as actually used in the valuation of the different financial instruments. Amounts and percentages stated are unweighted. The range could change from period to period subject to market movements and change in level 3 position. Lower and upper bounds reflect the variability of level 3 positions and their underlying valuation inputs in the portfolio, but do not adequately reflect their level of valuation uncertainty. For valuation uncertainty assessment, please refer to following section 46.11 Sensitivity of fair value measurements to changes in observable market data.

	At 31 December 2016					
	in EUR millions					
	Fair value of level 3 assets	Fair value of level 3 liabilities	Valuation technique	Significant unobservable inputs	Lower range	Upper range
Financial assets available-for-sale						
Equity investment[1]	41	-	Discounted cash flows	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	1	-	Expected cash flows	Expected cash flows from collateral	0%	100%
Financial assets at fair value through profit or loss (including trading)						
Residential mortgages own book	4,124	-	Discounted projected cash flows	No direct transaction quotes available	119	174
Securitised residential mortgages	1,550	-	Discounted projected cash flows	No direct transaction quotes available	119	174
Equity investments (including investments in associates)[1]	202	-	Discounted cash flow	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	1	-	Bid price	Price %	0%	100%
	5,919	**-**				

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

	At 31 December 2015					
	in EUR millions					
	Fair value of level 3 assets	Fair value of level 3 liabilities	Valuation technique	Significant unobservable inputs	Lower range	U
Financial assets available-for-sale						
Equity investments[1]	48	-	Discounted cash flows	Financial statements	n.a.	
			Multiplier method	Observable Market Factors	n.a.	
			Comparable transactions	-	n.a.	
Debt investments	1	-	Expected cash flows	Expected cash flows from collateral	0%	
Financial assets at fair value through profit or loss (including trading)						
Loans	14	-	Prices based	Price %	60%	
Residential mortgages own book	4,111	-	Discounted projected cash flows	No direct transaction quotes available	119	
Securitised residential mortgages	2,266	-	Discounted projected cash flows	No direct transaction quotes available	119	
Equity investments (including investments in associates)[1]	222	-	Discounted cash flow	Financial statements	n.a.	
			Multiplier method	Observable Market Factors	n.a.	
			Comparable transactions	-	n.a.	
Debt investments[1]	1	-	Bid price	Price %	0%	
	6,663	**-**				

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

Non-Listed equity investments

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

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

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

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

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

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

	For the year ended			
	31 December 2016		31 December 2015	
in EUR millions	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets available-for-sale				
Equity investments	41	2	48	2
Debt investments	1	-	1	-
Financial assets at fair value through profit or loss (including trading)				
Loans	-	-	14	-
Residential mortgages own book	4,124	12	4,111	12
Securitised residential mortgages	1,550	4	2,266	6
Equity investments (including investments in associates)	202	10	222	11
Debt investments	1	-	-	-

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

- For the residential mortgages classified at fair value through profit or loss (both those NIBC Holding holds on its own book and those NIBC Holding has securitised), NIBC Holding adjusted the discount spread with 10bp as a reasonably possible alternative outcome; and
- For the debt investments, NIBC Holding 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;

In 2016, there were no significant changes in the business or economic circumstances that affect the fair value of the NIBC Holding's financial assets and liabilities and there were no reclassifications of financial assets.

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

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

	Fair value information at 31 December 2016				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,844	-	7,844	7,945
Residential mortgages own book	-	-	3,346	3,346	3,618
Debt investments	-	287	-	287	261
Financial liabilities at amortised cost					
Own debt securities in issue	-	3,855	-	3,855	3,717
Debt securities in issue related to securitised mortgages and lease receivables	-	-	1,337	1,337	1,348
Subordinated liabilities	-	122	-	122	120

	Fair value information at 31 December 2015				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,294	-	7,294	7,362
Residential mortgages own book	-	-	2,390	2,390	2,552
Debt investments	-	294	-	294	276
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

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.

46.13. Non-financial assets valued at fair value

Property, plant and equipment

NIBC Holding's land and buildings are valued at fair value through equity. The carrying amount of NIBC Holding's land and buildings (level 3) as of 31 December 2016 was EUR 40 million (2015: EUR 43 million). The land and buildings were last revalued as of 31 December 2014 based on external appraisal. No fair value movements were recognised in the statement of comprehensive income or the income statement in respect of NIBC Holding's land and buildings in 2016 and 2015.

Investment property

NIBC Holding's investment property is valued at fair value through profit or loss. The carrying amount of NIBC Holding's investment property (level 3) as of 31 December 2016 was EUR 271 million (2015: EUR 251 million). See note 29 Investment property for further information on valuation techniques and sensitivity analysis.

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

As of 1 July 2008, NIBC Holding 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 Holding 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 Holding reclassified financial assets from held for trading and available-for-sale to loans and receivables. At the date of reclassification NIBC Holding had the intention and ability to hold these reclassified loans and receivables for the foreseeable future or until maturity.

Impact reclassification financial assets on comprehensive income

in EUR millions	2016 After reclassification	2016 Before reclassification	2015 After reclassification	2015 Before reclassification
Net interest income	16	15	23	22
Net trading income	1	1	(1)	(1)
Impairment of financial assets	4	4	(8)	(6)

Impact reclassification financial assets

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

in EUR millions	Loan portfolio reclassified from: Available-for-sale category to AC	Debt investments reclassified from: Held for trading category to AC	Available-for-sale category to AC	Held for trading category to AFS
Fair value on date of reclassification	569	150	33	14
Carrying amount as per 31 December 2016	617	86	30	1
Fair value as per 31 December 2016	583	73	30	1
Range of effective interest rates at the date of reclassification[1]	5-9%	6-13%	5-8%	18-23%
Expected undiscounted recoverable cash flows EUR	625	33	8	31

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

Revaluation reserve financial assets reclassified into available-for-sale category
In 2016 and 2015, no transfers to impairment expense with a fair value loss were recognised in the revaluation reserve in shareholders' 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 net of tax gain (2015: no gain) would have been recognised in the income statement and an incremental net of tax gain of EUR 1 million (2015: net of tax gain of EUR 4 million) would have been recognised in the revaluation reserve in equity in 2016 due to changes in fair value.

48. Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	At 31 December 2016					
				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	1,811	-	1,811	-	114	1,697
Reverse repurchase agreements	-	-	-	-	-	-
	1,811	**-**	**1,811**	**-**	**114**	**1,697**

	At 31 December 2016					
				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	2,006	-	2,006	-	1,016	990
Repurchase agreements	-	-	-	-	-	-
	2,006	**-**	**2,006**	**-**	**1,016**	**990**

	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	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	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**

Related amounts which cannot be set off in the balance sheet position 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 does not meet all requirements for offsetting in IAS 32.

49. Repurchase and resale agreements and transferred financial assets

NIBC Holding 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 holding 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 holding, 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 holding may in certain circumstances, require, or be required, to pay additional cash collateral. NIBC Holding 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 Holding 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 holding, which instead records a separate asset for the cash collateral given.

NIBC Holding conducts these transactions under terms agreed in Global Master Repurchase Agreements.

Transferred financial assets

This disclosure provides insight into the relationship between these transferred financial assets and associated financial liabilities in order to understand which risks the holding is exposed to when the assets are transferred.

If transferred financial assets continue to be recognised on the balance sheet, NIBC Holding is still exposed to changes in the fair value of the assets.

Transferred financial assets that are not derecognised in their entirety
The following table shows transferred financial assets that are not derecognised in their entirety.

	2016		2015	
	RMBS programme	Covered Bond programme	RMBS programme	Covered Bond programme
in EUR millions	Securitised residential mortgages FVtPL	Residential mortgages own Book (AC and FVtPL)	Securitised residential mortgages FVtPL	Residential mortgages own Book (AC and FVtPL)
Securitisations				
Carrying amount transferred assets	1,550	2,428	2,266	1,823
Carrying amount associated liabilities	1,337	2,028	2,037	1,521
Fair value of assets	1,550	2,526	2,266	1,868
Fair value of associated liabilities	1,348	1,881	2,047	1,412
Net position	202	645	219	456

RMBS programme
NIBC Holding uses securitisations as a source of funding whereby the *Structured Entity* (**SE**) issues debt securities. Pursuant to a securitisation transaction utilising true sale mechanics, NIBC Holding transfers the title of the assets to SEs.When the cash flows are transferred to investors in the notes issued by consolidated securitisation vehicles, the assets (residential mortgage loans) are considered to be transferred.

The Covered Bond programme
Under NIBC Holding's Covered Bond programme, notes are issued by NIBC Holding from its own balance sheet. Bond holders are protected from suffering a loss even in the event that NIBC defaults because at the point the notes were issued, NIBC Holding also transferred the legal title of a portfolio of mortgages to a *Structurred Entity* (**SE**) to act as collateral for the covered bond investors. From a legal perspective, the SE guarantees the repayment of the Covered Bonds. The title transfer of the mortgages has been achieved by NIBC providing an inter-company loan on the same terms and conditions as the external bonds to the SE. The SE used the proceeds to purchase the mortgage portfolio. The net result is that the SE retains the legal title, but proceeds from the mortgages are passed through the intercompany loan to the covered bond holders. NIBC Holding consolidates the SE on the basis that, in addition to having power as the sole owner, NIBC Holding also is entitled to substantial variable returns through the over-collateralised portion of the sold mortgages.

Continuing involvement in transferred financial assets that are derecognised in their entirety
In prior years, NIBC Holding transferred certain financial assets to securitisation vehicles it did not control. NIBC Holding 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 Holding 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 year ended 31 December 2016 Carrying amount asset	Carrying amount related liability
Loans at fair value through profit or loss	-	-
Debt securities in issue related to securitised mortgages (amortised costs)	-	-

in EUR millions		For the year ended 31 December 2016 Carrying amount assets before transfer
Loans at fair value through profit or loss	-	-

in EUR millions	For the year 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 year ended 31 December 2015 Carrying amount assets before transfer
Loans at fair value through profit or loss	49

50. Commitments and contingent assets and liabilities

At any time, NIBC Holding has outstanding commitments to extend credit. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months. Commitments extended to customers related to mortgages at fixed-interest rates or fixed spreads are hedged with interest rate swaps recorded at fair value. These commitments are designated upon initial recognition at fair value through profit or loss.

NIBC Holding 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 below, 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	2016	2015
Contract amount:		
Committed facilities with respect to corporate loan financing	1,303	1,416
Committed facilities with respect to residential mortgages	708	407
Capital commitments with respect to equity investments	19	25
Guarantees granted	76	41
Irrevocable letters of credit	18	12
	2,124	**1,901**

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 Holding as at 31 December 2016. No material provision has been made as at 31 December 2016, 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	2016	2015
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	2,943	1,865
Debt securities in issue related to securitised loans and mortgages	1,945	2,802
Derivative financial liabilities	888	1,128
	5,776	**5,795**
Details of the carrying amounts of assets pledged as collateral:		
Assets pledged		
Debt investments/Residential mortgages own book	3,518	1,902
Securitised loans and mortgages	2,170	3,619
Cash collateral (due from other banks)	1,004	1,128
	6,692	**6,649**

As part of NIBC Holding's funding and credit risk mitigation activities, the cash flows of selected financial assets are transferred or pledged to third parties. Furthermore, NIBC Holding 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 Holding's continuing involvement in these financial assets varies by transaction.

The asset encumbrance ratio (encumbered assets and total collateral received re-used divided by total assets and total collateral re-used) at year end 2016 was 29% (2015: 29%).

52. Assets under management

NIBC Holding provides collateral management services, whereby it holds and manages assets or invests funds received in various financial instruments on behalf of customers. NIBC Holding receives fee income for providing these services. Assets under management are not recognised in the consolidated balance sheet. NIBC Holding is not exposed to any credit risk relating to these assets, as it does not guarantee these investments.

in EUR millions	2016	2015
Assets held and managed by NIBC on behalf of customers	3,111	3,394
	3,111	**3,394**

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 Holding'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
- Asset management activities at NIBC Holding level consist of collateral management activities of a legacy portfolio of structured investments (such as RMBS and CLOs) predominantly in the US.

NIBC Holding's sustainability policy framework, including applicable sector policies, is also applicable to the investments made under these programmes.

For more information please see NIBC Holding's website.

53. Business combinations and divestments

Acquisitions

Acquisitions in 2016

Acquisition of SNS Securities N.V.
On 30 June 2016, NIBC Holding obtained control of SNS Securities N.V., located in Amsterdam, by acquiring 100% of the share capital and voting interests in the company from SNS Bank N.V. With the acquisition, NIBC Holding initially intended to expand its service offering with capital market solutions, bond and stock broking, research and execution services for independent asset managers, commercial lending and principal investments. The acquisition of SNS Securities N.V. has been approved by the appropriate regulatory authorities and work councils. On 30 June 2016 SNS Securities N.V. changed its name into NIBC Markets N.V. Based on change in strategic priorities NIBC Holding announced in January 2017 to discontinue a part of these services in the first half year of 2017. Refer to note 63 Subsequent events for further information.

Acquisition-related costs
Acquisition related costs of EUR 0.5 million have been charged to other operating expenses in the consolidated income statement for the period ended 31 December 2016.

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

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

NIBC Holding paid EUR 4 million in cash for 100% of the shares outstanding.

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

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

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

Revenue and profit contribution
From the date of acquisition to 31 December 2016 the impact of NIBC Markets N.V. on NIBC Holding's results was a loss of EUR 2.4 million (excluding recognised badwill of EUR 22 million).

If this acquisition had occurred on 1 January 2016, management estimates that the result from this company included in the consolidation would have been a loss of EUR 3.3 million.

Acquisition of BEEQUIP

Revenue and profit contribution
From the date of acquisition to 31 December 2016 BEEQUIP has affected NIBC Holding's results for a loss of EUR 0.6 million.

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

Acquisitions in 2015
In 2015 there were no business combinations.

Divestments

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

The transaction resulted in a net loss of EUR 2 million in 2016 which was charged to impairment of non-financial assets in the income statement. Reference is made to note 33 Disposal group held for sale.

Divestments closed in 2015
There were no divestments in 2015.

54. Related party transactions

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

Transactions involving NIBC Holding's shareholders

in EUR millions	2016	2015
Transactions involving NIBC Holding's shareholders		
Assets	30	30
Liabilities	-	-
Off-balance sheet commitments	11	11
Income received	(1)	5
Expenses paid	-	-

In 2015, NIBC Bank (a subsidiary of NIBC Holding) made a commitment of USD 10 milllion to 'Flowers Fund IV' and in 2016 NIBC made an additional commitment of USD 5 million to 'Flowers Fund III' bringing the total commitment in this fund to USD 15 million. Both funds are managed by an affiliate of J.C. Flowers & Co.

Transactions with other entities controlled by NIBC Holding's shareholders
In 2016 and 2015 there were no transactions between NIBC Holding and other entities controlled by NIBC Holding's shareholders.

Transaction related to associates

in EUR millions	2016	2015
Transactions related to associates		
Assets	86	87
Liabilities	-	-
Off-balance sheet commitments	12	9
Income received	10	8
Expenses paid	-	-

Assets, liabilities, commitments and income related to Associates result from transactions which are executed as part of the normal banking business. Summarised financial information for the group's investments in associates is set out in note 53 Principal subsidiaries and associates.

NIBC Holding did not earn fees on the loans from these associates in 2016 and 2015.

Key management personnel compensation

NIBC's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of NIBC Holding (directly or indirectly) and comprise the Statutory Board members and Supervisory Board members.

Except for the transaction reported below transactions with key employees are reported in the tables in note 57 Remuneration of Statutory Board members and Supervisory Board members.

In December 2016 the members of the Managing Board personally invested directly in ordinary shares of NIBC Holding N.V. for a total amount of EUR 3.5 million on the back of a secondary trade (at a fair value of EUR 5,81 per share) with current shareholders.

The following table shows the specifics of the investments of the Managing Board-members in shares NIBC Holding N.V.:

Management participant	Number of shares	Investment with own funds	Loans provided by shareholders of NIBC Holding N.V.	Total invested amount	Interest in share capital of NIBC Holding N.V.
			In EUR		
P.A.M. de Wilt (CEO)	258,141	300,000	1,200,000	1,500,000	0.17%
H.H.J. Dijkhuizen (CFO)	172,094	200,000	800,000	1,000,000	0.12%
R.D.J. van Riel (CRO)	172,094	200,000	800,000	1,000,000	0.12%
	602,329	700,000	2,800,000	3,500,000	0.41%

Details of the transaction in shares of NIBC Holding N.V.:

- The loans provided by shareholders of NIBC Holding N.V. are bearing interest at 5 per cent, including the premium of the put options. The term of the loans is five years;
- The shares have been pledged to the providers of the loans;
- The voting rights of the shares have been transferred to the providers of the loans;
- The management participants have a put option with an exercise price at 80% of the purchase price, adjusted for the accrued and capitalised interest and an exercise date five years after the purchase date;
- The providers of the loans have a call option with an exercise price at 80% of the purchase price, adjusted for the accrued and capitalised interest and an exercise date five years after the purchase date; and
- Any future transactions in shares will be executed at fair value.

The shares purchased cannot be sold for five years, except in the situation of a change of control of NIBC Holding N.V. In that case the loans including capitalised and accrued interest must be repaid. If a member of the Managing Board ceases employment during the five year period, the shares may not be sold.

55. Principal subsidiaries and associates

INFORMATION ON SUBSIDIARIES

Composition of NIBC Holding
NIBC Holding is the direct or indirect holding company for NIBC Holding's subsidiaries.

NIBC Holding consists of 73 (2015: 71) consolidated entities, including 15 (2015: 14) consolidated structured entities (for further details see note 56). 57 (2015: 57) of the entities controlled by NIBC Holding are directly or indirectly held by NIBC Holding at 100% of the ownership interests (share of capital). Third parties also hold ownership interests in 16 (2015: 14) of the consolidated entities (non-controlling interests).

Accounting for investment in subsidiaries
In the company financial statements of NIBC Holding, investments in subsidiaries are stated at net asset value.

Principal subsidiaries
NIBC Holding's principal subsidiaries are set out below. This includes those subsidiaries that are most significant in the context of NIBC Holding's business, results or financial position.

	Principal place of business	Country	Nature of relationschip	Percentage of voting rights held
SUBSIDIARIES OF NIBC HOLDING N.V.				
NIBC Bank N.V.	The Hague	Netherlands	Banking	100%
NIBC Investment Management N.V.	The Hague	Netherlands	Financing	100%
NIBC Investments N.V.	The Hague	Netherlands	Financing	100%
BEEQUIP B.V.	Rotterdam	Netherlands	Financing	75%
SUBSIDIARIES OF NIBC BANK N.V.				
NIBC Bank Deutschland AG	Frankfurt	Germany	Banking	100%
NIBC Markets N.V.	Amsterdam	Netherlands	Brokerage	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 Holding has control of an entity is generally straightforward, based on ownership of the majority of the voting rights. 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 Holding, 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 Holding may conclude that the managers of the structured entity are acting as its agent and therefore NIBC Holding 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 Holding has control of an entity. However certain entities are excluded from consolidation because NIBC Holding does not have exposure to their variable returns and/or are managed by external parties and consequently are not controlled by NIBC Holding. 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 Holding's assets
Legal, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of NIBC Holding to access and transfer assets freely to or from other entities within NIBC Holding and to settle liabilities of NIBC Holding.

Since NIBC Holding 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 Holding's ability to use assets:

- NIBC Holding 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 Holding's ability to transfer assets to or from other entities within NIBC Holding in certain jurisdictions.

Carrying amounts of restricted assets

in EUR millions	At 31 December 2016 Total assets	At 31 December 2016 Restricted assets	At 31 December 2015 Total assets	At 31 December 2015 Restricted assets
Financial assets at amortised cost				
Due from other banks	1,468	1,304	1,766	1,744
Loans	7,844	613	7,294	759
Residential mortgages own book	3,346	2,020	2,390	698
Financial assets at available-for-sale				
Equity investments	41	27	48	35
Financial assets at fair value through profit or loss (including trading)				
Loans	210	128	316	155
Residential mortgages own book	4,124	2,516	4,111	2,294
Securitised residential mortgages	1,550	1,550	2,266	2,266
Debt investments	60	-	19	-
Investments in associates	204	200	222	189
Investments in associates (equity method)	7	6	7	6
	18,854	**8,364**	**18,439**	**8,146**

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 Holding. 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 Holding 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 133 million and EUR 126 million as per 31 December 2016 and 31 December 2015, 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 Holding holds interests in 34 (2015: 37) associates. Five associates are considered to be material to NIBC Holding, based on the carrying value of the investment and NIBC Holding's income from these investees. There are no joint arrangements which are considered individually significant.

Accounting classification and carrying value

in EUR millions	2016	2015
Investments in associates (fair value through profit or loss)	186	172
Investments in associates (equity method)	7	7
	193	**179**

Significant associates
NIBC Holding'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 Holding's investments in associates material to NIBC Holding.

Name of the associate	Principal place of business	Country	Nature of relationschip	Percentage of voting rights held
MBF Equity 1B	The Hague	Netherlands	Investment company	53%
NEIF	The Hague	Netherlands	Investment company	29%
GCF II	The Hague	Netherlands	Investment company	11%
Noordlease Holding B.V.	Groningen	Netherlands	Leasing	50%
FINCO FUEL BENELUX B.V.	Dordrecht	Netherlands	Oil Company	30%

The amounts shown in the following table are of the investees, not just NIBC Holding's share for the year ended 31 December 2016. These associates are highly leveraged by equity.

in EUR millions	Assets	Liabilities	Operating income	Other comprehensive income	Total omprehensive income[1]
MBF Equity 1B	186	1	(9)	-	(9)
NEIF	360	-	15	-	15
GCF II	196	8	66	-	66
Noordlease Holding B.V.	70	56	2	(1)	1
FINCO FUEL BENELUX B.V.	32	20	1	-	1

The figures are based on the latest publicly available financial information of the investee.

1 The firgures are based on the lastest publicly available financial information of the investees.

NIBC Holding received no dividends from above significant associates in 2016 and 2015.

Investments in associates (equity method)
Summarised financial information for NIBC Holding's investments in associates (equity method) is set out below. The amounts shown are the net income of the investees, not just NIBC Holding's share for the year ended 31 December 2016 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	2016	2015
Profit or loss from continuiing operations	-	(2)
Other comprehensive income/(loss)	-	-
	-	**(2)**

Aggregated carrying amount of associates that are individually immaterial to NIBC Holding

in EUR millions	2016	2015
Aggregated amount of NIBC Holding's share of profit/(loss) from continuing operations	1	2
Aggregated amount of NIBC Holding's share of post-tax profit/(loss) from discontinued operations	-	-
Aggregated amount of NIBC Holding's share of other comprehensive income	-	-
	1	**2**

Unrecognised share of the losses of individually immaterial associates was nil in 2016 and 2015.

OTHER INFORMATION ON ASSOCIATES

NIBC Holding's associates are subject to statutory requirements such that they cannot make remittances of dividends or make loan repayments to NIBC Holding without agreement from the external parties.

NIBC Holding's share of contingent liabilities or capital commitments of its associates was nil in 2016 and 2015.

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 Holding and the structured entities indicate that the structured entities are controlled by NIBC Holding, 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 Holding's interests in consolidated structured entities

Securitisation vehicles
NIBC Holding primarily has contractual arrangements for securitisation vehicles which may require it to provide financial support. NIBC Holding uses securitisation as a source of financing and a means of risk transfer. At 31 December 2016, there were no significant outstanding loan commitments to these entities.

Financial support provided or to be provided to consolidated structured entities
NIBC Holding has not provided any non-contractual financial support during 2016 and 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 Holding's interests in unconsolidated structured entities
The structured entities covered by this section are not consolidated since NIBC Holding does not has control them through voting rights, contract, funding agreements and/or other means. The extent of NIBC Holding'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 and guarantees in which NIBC Holding is absorbing variability of returns from the structured entities.

Securitisation vehicles
NIBC Holding 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.

Third-party fund entities
NIBC Holding 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 Holding's involvement involves predominantly equity investments.

Income derived from involvement with unconsolidated structured entities
NIBC Holding 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 Holding 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 Holding, is reflected by the notional amounts. Such amounts do not reflect the economic risks faced by NIBC Holding because they do not take into account the effects of collateral or hedges nor the probability of such losses being incurred.

At 31 December 2016 off-balance sheet instruments amounts to EUR 21 million (2015: 17 million). There were no derivatives linked to structured entities.

Size of structured entities
NIBC Holding 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 Holding derives its interests through notes its holds and notional of derivatives when NIBC Holding'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 Holding'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 Holding because they do not take into account the effects of collateral or hedges.

in EUR millions	Securitisations	Third party fund entities	2016
Financial assets at amortised cost			
Loans	-	36	36
Debt investments	127	-	127
Financial assets at available-for-sale			
Equity investments	-	27	27
Debt investments	135	-	135
Financial assets at fair value through profit or loss (including trading)			
Equity investments (including investments in associates)	-	146	146
Total assets	**262**	**209**	**471**
Off-balance sheet exposure	-	21	21
Total maximum exposure to loss	**262**	**230**	**492**
Size of structured entities	6,608	3,440	10,048

in EUR millions	Securitisations	Third party fund entities	2015
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 36 million (2015: EUR 70 million) consist of investments in securitisation tranches and financing to third party fund entities. NIBC Holding's financing to third party fund entities is collateralised by the assets in those structured entities.

No debt investments are collateralised by the assets contained in these entities.

Equity investments of EUR 172 million (2015: EUR 253 million) primarily consist of investments in associates of EUR 12 million, EUR 107 million and EUR 33 million in NIBC MBF Equity IB B.V., NIBC European Infrastructure Fund I C.V. and NIBC MBF Mezzanine IB B.V. respectively.

Exposure to losses

NIBC Holding'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 Holding. 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	2016
Securitisations					
I) Maximum exposure to loss	-	58	-	204	262
II) Potential losses held by other investors	-	489	1,532	4,324	6,345

in EUR millions	Subordinated interests	Mezzanine interests	Senior interests	Most senior interests	2015
Securitisations					
I) Maximum exposure to loss	-	72	-	107	179
II) Potential losses held by other investors	49	451	-	2,182	2,682

Income from interests in unconsolidated structured entities
The following table presents NIBC Holding's total income received from its interests in unconsolidated structured entities:

in EUR millions	Securitisations	Third party entities	2016
Net income unconsolidated structured entities			
Net interest income	4	(1)	3
Net fee and commission income	-	1	1
Investment income	-	10	10
	4	**10**	**14**

in EUR millions	Securitisations	Third party entities	2015
Net income unconsolidated structured entities			
Net interest income	1	14	15
Net fee and commission income	-	12	12
Investment income	-	45	45
	1	**71**	**72**

Financial support provided or to be provided to unconsolidated structured entities
NIBC Holding 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 Holding 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 Holding is also deemed a sponsor for a structured entity if market participants would reasonably associate the entity with NIBC Holding. Additionally, the use of the NIBC Holding name for the structured entity indicates that NIBC Holding has acted as a sponsor.

Income from sponsored unconsolidated structured entities in which NIBC Holding did not hold an interest as per 31 December 2016 comprised to nil (31 December 2015: 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 2016, the average number of members of the Statutory Board appointed under the articles of association was 3.7 (2015: 4.0). 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 2016 the following changes occurred in the Statutory Board: At 15 March 2016 Petra van Hoeken stepped down as Chief Risk Officer of the statutory Board and her employment ended on the same date. At 1 August 2016 Reinout van Riel joined NIBC and was appointed as Chief Risk Officer of the Statutory Board on 15 August 2016.

Base salary and short-term incentive compensation (cash bonus)
In 2016, the base salary for the Chairman was increased with EUR 25,000 to EUR 800,000 gross per year, whilst the base salary for members of the Statutory Board increased with EUR 50,000 to EUR 550,000 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 2016 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	2016	2015
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		
Base salary	800,000	775,000
Short-term incentive compensation (cash bonus)	40,800	39,525
	840,800	**814,525**
Mr. Herman Dijkhuizen, Chief Financial Officer		
Base salary	550,000	500,000
Short-term incentive compensation (cash bonus)	28,050	25,500
	578,050	**525,500**
Mr. Reinout van Riel, Chief Risk Officer[1]		
Base salary	229,167	-
Sign-on compensation	25,813	-
Short-term incentive compensation (cash bonus)	11,688	-
	266,667	**-**
Mr. Rob ten Heggeler, Chief Client Officer[2]		
Base salary	550,000	500,000
Short-term incentive compensation (cash bonus)	28,050	25,500
	578,050	**525,500**
Ms. Petra van Hoeken, former Chief Risk Officer[3]		
Base salary	114,583	500,000
Short-term incentive compensation (cash bonus)	-	25,500
	114,583	**525,500**
Total cash compensation	**2,378,150**	**2,391,025**

1 Mr. Van Riel joined NIBC on 1 August 2016 and was appointed as Chief Risk Officer of the Statutory Board on 15 August 2016.
2 Mr. Ten Heggeler stepped down as Chief Client Officer of the Statutory Board on 31 December 2016 and his employment ended on the same date.
3 Ms. Van Hoeken stepped down as Chief Risk Officer of the Statutory Board on 15 March 2016 and her employment ended on the same date.

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	2016	2015
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	27,200	26,350
Mr. Herman Dijkhuizen	18,700	17,000
Mr. Reinout van Riel (sign-on)	17,208	-
Mr. Reinout van Riel	7,792	-
Mr. Rob ten Heggeler	18,700	17,000
Ms. Petra van Hoeken	-	17,000
Total short-term deferred cash compensation	**89,600**	**77,350**

Table 3

in EUR	2016	2015
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	5,126	4,471
Number of restricted phantom share units	3,417	2,981
Fair value of short-term incentive at date of grant (in EUR)	68,000	65,875
Mr. Herman Dijkhuizen		
Number of phantom share units	3,524	2,885
Number of restricted phantom share units	2,349	1,923
Fair value of short-term incentive at date of grant (in EUR)	46,750	42,500
Mr. Reinout van Riel (sign-on)		
Number of phantom share units	3,243	-
Number of restricted phantom share units	2,162	-
Fair value of short-term incentive at date of grant (in EUR)	43,021	-
Mr. Reinout van Riel		
Number of phantom share units	1,468	-
Number of restricted phantom share units	979	-
Fair value of short-term incentive at date of grant (in EUR)	19,479	-
Mr. Rob ten Heggeler		
Number of phantom share units	3,524	2,885
Number of restricted phantom share units	2,349	1,923
Fair value of short-term incentive at date of grant (in EUR)	46,750	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	**224,000**	**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	2016	2015
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	53,039	52,844
Mr. Herman Dijkhuizen	52,628	52,521
Mr. Reinout van Riel	18,564	
Mr. Rob ten Heggeler	75,883	70,035
Ms. Petra van Hoeken, former Chief Risk Officer	28,482	60,588
Total other remuneration elements	**228,596**	**235,988**

Table 5 - Pension costs

in EUR	2016	2015
The amounts of pension costs per member and former member of the statutory board were as follows:		
Mr. Paulus de Wilt	151,297	142,866
Mr. Herman Dijkhuizen	122,997	95,566
Mr. Reinout van Riel	38,651	-
Mr. Rob ten Heggeler	107,720	95,667
Ms. Petra van Hoeken, former Chief Risk Officer	21,754	95,566
Total pension costs	**442,419**	**429,665**

As at 31 December 2016 and 31 December 2015, 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	2016	2015
Members		
Mr. W.M. van den Goorbergh[1]	96,500	96,500
Mr. D.R. Morgan	71,500	71,500
Mr. M.J. Christner	55,000	55,000
Mr. J.C. Flowers	40,000	40,000
Mr. N.W. Hoek [1/2]	-	16,250
Mr. A. de Jong[1]	51,500	51,500
Ms. S.A. Rocker	50,000	50,000
Mr. D.M. Sluimers [1/3]	63,333	-
Ms. K.M.C.Z. Steel[1]	66,500	66,500
Mr. A.H.A. Veenhof[1]	50,000	50,000
Total remuneration	**544,333**	**497,250**

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. N.W. Hoek stepped down as a member of the Supervisory Board on 30 March 2015.
3 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.

The remuneration of the Supervisory Board members consists of annual fixed fees and committee fees. As at 31 December 2016 and 31 December 2015, 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)	2016	2015
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, former Chief Risk Officer	24,638	24,638
Total number of common depositary receipts (investment from own funds)	**144,252**	**144,252**

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)	2016	2015
Mr. Paulus de Wilt	21,437	9,637
Mr. Herman Dijkhuizen	10,400	4,502
Mr. Rob ten Heggeler	44,640	43,244
Ms. Petra van Hoeken, former Chief Risk Officer	18,638	12,932
Total number of conditional common depositary receipts (vested one-off matching shares	**95,115**	**70,315**

NUMBER OF CONDITIONAL COMMON DEPOSITARY RECEIPTS (LTI)	2016	2015
Mr. Rob ten Heggeler	9,173	9,173
TOTAL NUMBER OF CONDITIONAL COMMON DEPOSITARY RECEIPTS (LTI)	**9,173**	**9,173**

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 program.

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.

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.

This offer was made to and accepted by Mr Dijkhuizen and Mr. de Wilt when they joined the Statutory Board.

The following table shows the holdings by members of the Statutory Board:

Number of conditional restricted depositary receipts (one-off matching shares)	2016	2015
Mr. Paulus de Wilt	25,761	37,561
Mr. Herman Dijkhuizen	13,190	19,088
Mr. Rob ten Heggeler	4,187	5,582
Ms. Petra van Hoeken, former Chief Risk Officer	-	9,892
Total number of conditional restricted depositary receipts (one-off matching shares	**43,138**	**72,123**

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.

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. 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. 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	2016	2015
Mr. Paulus de Wilt	9,597	4,471
Mr. Herman Dijkhuizen	6,409	2,885
Mr. Reinout van Riel	4,711	-
Mr. Rob ten Heggeler	6,409	2,885
Ms. Petra van Hoeken, former Chief Risk Officer	2,885	2,885
Total number of phantom share units	**30,010**	**13,126**

Restricted Phantom Share Units

The following table shows the holdings by members of the Statutory Board:

Number of restricted phantom share units	2016	2015
Mr. Paulus de Wilt	6,398	2,981
Mr. Herman Dijkhuizen	4,272	1,923
Mr. Reinout van Riel	3,141	-
Mr. Rob ten Heggeler	4,272	1,923
Ms. Petra van Hoeken, former Chief Risk Officer	-	1,923
Total number of restricted phantom share units	**18,083**	**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;
- Derivatives.

58-1 Credit risk exposure breakdown per portfolio

in EUR millions	31 December 2016	31 December 2015
Corporate/ investment loans	9,473	9,122
Corporate loans	9,227	8,961
Investment loans	246	161
Lease receivables	236	221
Residential mortgages	8,831	8,580
Equity investments	262	300
Debt investments	1,232	1,296
Debt from financial institutions and corporate entities	459	482
Securitisations	773	814
Cash management	1,371	1,382
Derivatives[1]	1,812	2,164
Total	**23,217**	**23,066**

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, this is generally the total commitment of NIBC Holding, 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 Holding 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 Holding's regulatory authority, the DNB, in 2008. In 2014, NIBC Holding 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 internal NIBC Holding sector organisation. NIBC Holding steers its business on internal sector classification, however it can be mapped to the industry sectors of NACE classification, if necessary. For comparability purposes portfolio breakdown based on NACE codes is also provided in a separate document published on NIBC Holding's website.

Tables 58-2 and 58-3 display a breakdown of the Corporate Loan portfolio among regions and industry sectors, at year-end 2016 and 2015. The Corporate Loan portfolio increased by EUR 266 million in 2016 to EUR 9,227 million mainly due to exposure increase in the industry sectors: I&M (Industries & Manufacturing), TMTS (Telecom, Media, Technology & Services) and FARH (Food, Agri, Retail and Health). The relative weight of NIBC Holding's core growth market the Netherlands increased, also the share of Germany increased and the weight of the United Kingdom slightly decreased. The corporate loan portfolio in the Netherlands increased to 36% of the total exposure at 31 December 2016 (31 December 2015: 33%).

58-2 Corporate loan exposure per industry sector and region, 31 December 2016

In %	Infrastructure & Renewables	Industries & Manufacturing	Shipping & Intermodal	Commercial Real Estate	Telecom, Media, Technology & Services	Oil & Gas Services	Food, Agri, Retail & Health	Total	TOTAL (in EUR millions)
The Netherlands	2	8	2	10	4	2	7	36	3,301
Germany	4	4	1	2	6	-	4	21	1,930
United Kingdom	11	1	1	-	2	2	-	18	1,660
Rest of Europe	1	1	5	-	2	4	-	13	1,168
Asia/Pacific	-	-	2	-	-	2	-	4	387
North America	-	-	4	-	-	2	-	6	511
Other	-	-	1	-	-	1	1	3	270
Total	**18**	**15**	**16**	**12**	**14**	**13**	**12**	**100**	**9,227**
TOTAL (in EUR millions)[1]	**1,618**	**1,364**	**1,512**	**1,095**	**1,257**	**1,233**	**1,149**		**9,227**

1 The market value of collateral related to NIBC's Corporate Loan portfolio amounts to EUR 7.4 billion (net realizable value after haircuts of EUR 6.6 billion).

58-3 Corporate loan exposure per industry sector and region, 31 December 2015

In %	Infrastructure & Renewables	Industries & Manufacturing	Shipping & Intermodal	Commercial Real Estate	Telecom, Media, Technology & Services	Oil & Gas Services	Food, Agri, Retail & Health	Total	TOTAL (in EUR millions)
The Netherlands	3	8	2	9	3	2	5	33	2,946
Germany	4	4	1	2	4	-	4	19	1,736
United Kingdom	13	-	1	-	2	2	-	19	1,679
Rest of Europe	2	1	5	-	2	4	-	14	1,218
Asia / Pacific	-	-	3	-	-	3	-	7	634
North America	-	-	3	-	-	2	-	5	475
Other	-	-	1	-	-	1	1	3	272
Total	**22**	**14**	**17**	**11**	**11**	**14**	**10**	**100**	**8,961**
TOTAL (in EUR millions)	**1,990**	**1,266**	**1,537**	**1,022**	**968**	**1,282**	**896**		**8,961**

CRR/CRD IV and credit approval process

NIBC Holding 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:

- CCR, reflecting the PD of the borrower. The default definition is in line with the CRR/CRD IV definition[1]
- 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
- EAD, which is the amount that is expected to be outstanding at the moment a counterparty defaults.

The PDs, LGDs and EADs that are calculated through NIBC Holding'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 Holding 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.

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 Holding'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.

All approvals of individual credit proposals are granted after risk management has made a credit risk assessment and has analysed proposals by taking into consideration, among others, aggregate limits 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.

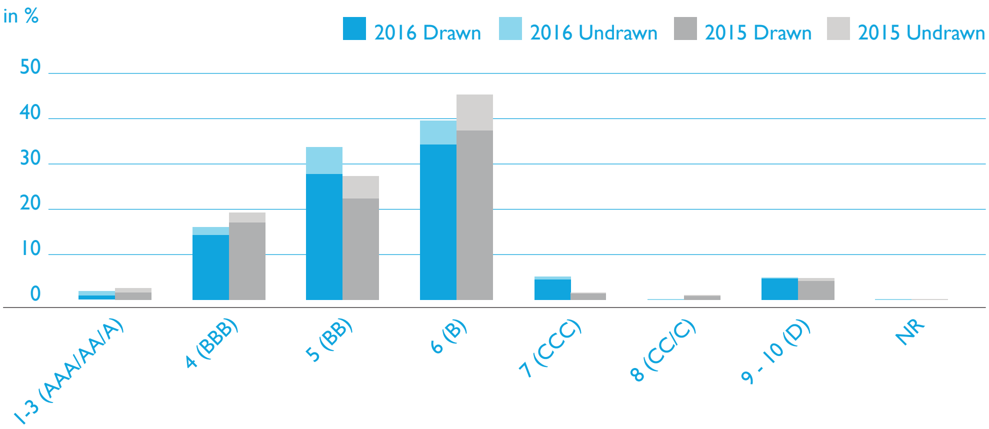
Credit ratings

NIBC Holding 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 remained stable during 2016 to 6+ with an average PD of 2.2% at 31 December 2016 (31 December 2015: 2.3%). 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 Holding'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 (0.1% at 31 December 2016; 0.1% at 31 December 2015). NR is assigned to entities for which NIBC Holding's corporate rating tools were not suitable at the time of rating.

58-4 Drawn and undrawn corporate loan exposure per CCR rating

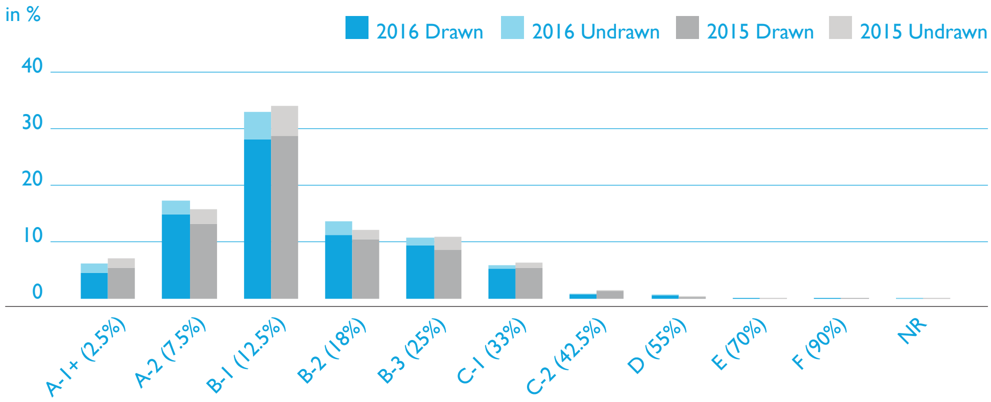


Collateral and LGD

NIBC Holding'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 improved to B-1 grade with an average LGD of 15.3% at 31 December 2016 (31 December 2015: 15.4%). The weighted average is calculated for non-defaulted loans. Nearly all facilities within NIBC Holding 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 Holding's LGD grades and notches, whereas the numbers in parentheses refer to the loss percentage assigned to each LGD rating. NR was negligible (0.1% of corporate loans at 31 December 2016; 0.4% at 31 December 2015).

58-5 Drawn and undrawn non-defaulted corporate loan exposure per LGD rating



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 counterparty enters default, the impairment amount becomes a more meaningful measure of the loss.

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 moveable 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 increased to 1.1% at 31 December 2016 (31 December 2015: 0.8%). 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 2016 and 31 December 2015. The column labelled 'Impairment Amount' includes on-balance sheet impairment amounts only (31 December 2016: EUR 144 million; 31 December 2015: EUR 129 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 2016 to EUR 166 million (31 December 2015: EUR 138 million). Tables 58-11 and 58-12 provide more information on impairment amounts.

58-6 Corporate loan amounts in arrear, 31 December 2016

	Exposure		Outstanding		Amount in arrear[1]		
in EUR millions	Total	% of Exposure	Total	% of On-Balance	Total	% of On-Balance	Impairment Amount
Age of payment in arrear							
1- 5 days	44	0.5%	43	0.5%	18	0.2%	-
6 - 30 days	33	0.4%	33	0.4%	-	-	-
31 - 60 days	-	-	-	-	-	-	-
61 - 90 days	6	0.1%	6	0.1%	-	-	-
Subtotal less than 90 days	**83**	**0.9%**	**82**	**1.0%**	**18**	**0.2%**	**-**
Over 90 days	191	2.1%	158	2.0%	65	0.8%	48
No payment in arrear	8,953	97.0%	7,657	97.0%	-	-	118
Total	**9,227**	**100%**	**7,897**	**100%**	**83**	**1.1%**	**166**

1 Of the total arrears of EUR 83 million, an amount of EUR 18 million is not impaired (EUR 17 million in the '1-5 days' bucket and EUR 1 million in the 'Over 90 days' bucket).

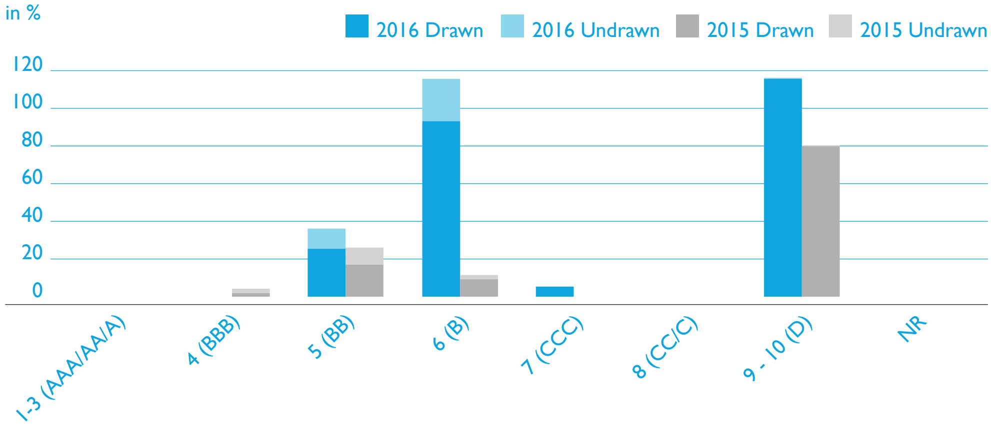
58-7 Corporate loan amounts in arrear, 31 December 2015

	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	0.5%	7	0.1%	3
6 - 30 days	-	-	-	-	-	-	-
31 - 60 days	14	0.2%	12	0.2%	12	0.2%	7
61 - 90 days	-	-	-	-	-	-	-
Subtotal less than 90 days	**61**	**0.7%**	**47**	**0.6%**	**20**	**0.3%**	**10**
Over 90 days	61	0.7%	61	0.8%	38	0.5%	32
No payment in arrear	8,839	98.6%	7,385	98.6%	-	-	96
Total	**8,961**	**100%**	**7,494**	**100%**	**57**	**0.8%**	**138**

NIBC Holding 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 83 million at 31 December 2016 (31 December 2015: EUR 57 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 arrears. The total exposure amount at 31 December 2016 was EUR 274 million (31 December 2015: EUR 122 million) and the total drawn amount at 31 December 2016 was EUR 240 million (31 December 2015: EUR 108 million).

58-8 Distribution of drawn and undrawn amounts with an arrear per rating category



Forbearance and non-performing Corporate Loans

NIBC Holding considers a client to be forborne if:

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

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

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

Tables 58-9 and 58-10 provide the total forborne outstanding in NIBC Holding's Corporate Loan portfolio per industry sector and per region as at 31 December 2016. The forborne outstanding is divided in performing and non-performing outstanding. NIBC Holding 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 2016, EUR 76 million non-performing outstanding was not forborne. Comparable figures for 2015 can be seen in Tables 58-11 and 58-12.

Impairments of forborne facilities (excluding IBNR) amounted to EUR 131 million at 31 December 2016, which represented 17% of the total forborne balances. The total impairments of the Corporate Loan portfolio amounted to EUR 166 million at 31 December 2016, 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 2016

in EUR millions	Exposure		Total Exposure	Impairment Amount
	Non-performing	Performing		
Infrastructure & Renewables	51	32	83	14
Industries & Manufacturing	15	2	17	8
Shipping & Intermodal	56	203	259	28
Commercial Real Estate	158	-	158	50
Telecom, Media, Technology & Services	-	45	45	-
Oil & Gas Services	66	136	202	28
Food, Agri, Retail & Health	7	-	7	4
IBNR Corporate Loans				17
Total	**353**	**418**	**771**	**148**

Table 58-10 Forborne exposure per region, 31 December 2016

in EUR millions	Exposure		Total Exposure	Impairment Amount
	Non-performing	Performing		
The Netherlands	25	105	129	15
Germany	206	29	234	61
United Kingdom	33	77	110	25
Rest of Europe	16	126	142	3
Asia / Pacific	47	10	57	27
North America	-	72	72	-
Other	26	-	26	-
IBNR Corporate Loans				17
Total	**353**	**418**	**771**	**148**

Table 58-11 Forborne exposure per industry sector, 31 December 2015

in EUR millions	Exposure Non-performing	Exposure Performing	Total Exposure	Impairment Amount
Infrastructure & Renewables	52	36	87	14
Industries & Manufacturing	38	17	55	12
Shipping & Intermodal	36	-	36	2
Commercial Real Estate	206	-	206	56
Telecom, Media, Technology & Services	32	56	88	14
Oil & Gas Services	49	54	102	23
Food, Agri, Retail & Health	11	6	18	7
IBNR Corporate Loans				9
Total	**424**	**169**	**592**	**136**

Table 58-12 Forborne exposure per region, 31 December 2015

in EUR millions	Exposure Non-performing	Exposure Performing	Total Exposure	Impairment Amount
The Netherlands	40	87	127	23
Germany	275	40	315	72
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	**424**	**169**	**592**	**136**

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 Holding 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 Holding 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 2016, the total write-offs (EUR 30 million) decreased compared to 2015 (EUR 51 million), mainly in the industry & manufacturing and shipping sectors. The stock of impairments increased and amounted to EUR 166 million at year-end 2016 (year-end 2015: EUR 138 million).

Tables 58-13 and 58-14 display an overview of impairments at 31 December 2016 and 31 December 2015, subdivided in industry sectors and regions, respectively. The column labelled 'Exposure' includes both drawn and undrawn amounts.

58-13 Impairment per industry sector

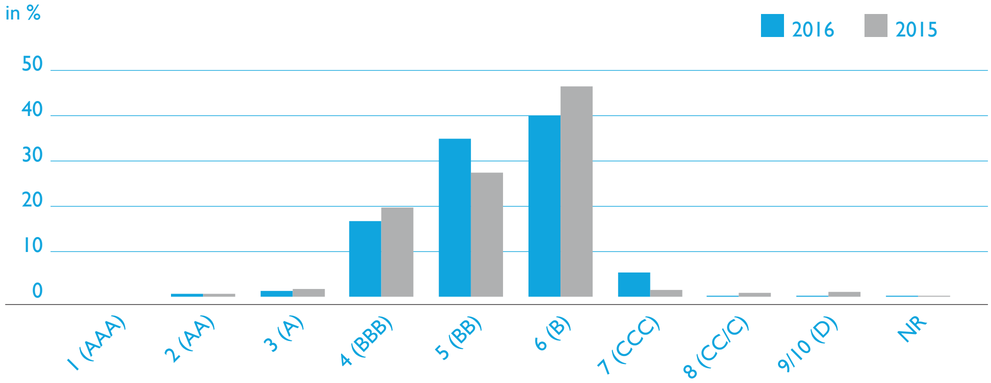
	31 December 2016				31 December 2015			
in EUR millions	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
Infrastructure & Renewables	1,618	52	15	-	1,990	45	14	-
Industries & Manufacturing	1,364	28	15	10	1,266	30	12	17
Shipping & Intermodal	1,512	58	28	-	1,537	10	2	33
Commercial Real Estate	1,095	159	51	8	1,022	160	57	-
Telecom, Media, Technology & Services	1,257	9	6	7	968	23	14	-
Oil & Gas Services	1,233	87	31	-	1,282	49	23	-
Food, Agri, Retail & Health	1,149	7	4	4	896	11	7	-
IBNR Corporate Loans			17				9	
Total	**9,227**	**399**	**166**	**30**	**8,961**	**328**	**138**	**51**

58-14 Impairment per region

	31 December 2016				31 December 2015			
in EUR millions	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
The Netherlands	3,301	37	21	8	2,946	33	24	17
Germany	1,930	217	68	14	1,736	222	72	-
United Kingdom	1,660	63	27	-	1,679	27	19	-
Rest of Europe	1,168	17	4	7	1,218	14	8	21
Asia / Pacific	387	47	27	-	634	31	6	-
North America	511	19	2	-	475	-	-	13
Other	270	-	-	-	272	-	-	-
IBNR Corporate Loans			17				9	
Total	**9,227**	**399**	**166**	**30**	**8,961**	**328**	**138**	**51**

Corporate loans without impairments or arrears
At 31 December 2016, the size of the corporate loan exposure carrying neither impairments nor arrears equalled EUR 8,674 million or 94% of the total Corporate Loan portfolio (31 December 2015: EUR 8,560 million or 93%). Graph 58-15 displays the distribution of exposure amounts without impairments or arrears, at 31 December 2016 and 31 December 2015. Of this exposure 92% 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 2016: 0.1% of all loans without impairments or amounts in arrear; 31 December 2015: 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 Holding did not experience any counterparty defaults from this risk in 2016.

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 Holding Funds**). Direct investments are all other investments.

Direct investments are approved by the *Investment Committee* (**IC**) of NIBC Holding. Indirect investments are approved by the investment committees of the NIBC Holding Funds, subject to the investment guidelines stipulated in the fund agreements between the manager of the NIBC Holding 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 Holding Fund. All impairments are reviewed and approved by the IC.

The total size of investment loans at 31 December 2016 was EUR 246 million (31 December 2015: EUR 161 million), of which 91% had been drawn (31 December 2015: 89%). 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 2016, the weighted average counterparty credit rating of non-defaulted investment loans remained stable at an internal rating 6 (31 December 2015: 6) on NIBC Holding'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 2016 and 31 December 2015.

58-16 Breakdown of investment loans per region

	31 December 2016		31 December 2015	
in EUR millions	Exposure	%	Exposure	%
The Netherlands	243	99%	143	89%
United Kingdom	3	1%	8	5%
Rest of Europe	-	-	-	-
North America	-	-	9	6%
Total	**246**	**100%**	**161**	**100%**

58-17 Breakdown of investment loans per industry sector

	31 December 2016		31 December 2015	
in EUR millions	Exposure	%	Exposure	%
Infrastructure & Renewables	19	8%	4	2%
Industries & Manufacturing	6	3%	17	11%
Shipping & Intermodal	-	-	-	-
Commercial Real Estate	20	8%	-	-
Telecom, Media, Technology & Services	69	28%	82	51%
Oil & Gas Services	16	7%	16	10%
Food, Agri, Retail & Health	116	47%	42	26%
Total	**246**	**100%**	**161**	**100%**

Arrears

The amounts in arrear as a percentage of exposure at year-end 2016 remained at 0% for the investment loans, the same as at year-end 2015.

58-18 Investment loan amounts in arrear, 31 December 2016

in EUR millions	Exposure Total	Exposure % of Exposure	Outstanding Total	Outstanding % of On-Balance	Amount in arrear Total	Amount in arrear % of On-Balance	Impairment Amount
Age of payment in arrear							
1 - 5 days	9	3.7%	6	3%	5	-	-
> 90 days	6	2.5%	6	3%	6	-	6
no payment arrear	230	93.7%	210	94%	-	-	6
Total	246	100%	222	100%	12	-	13

58-19 Investment loan amounts in arrear, 31 December 2015

in EUR millions	Exposure Total	Exposure % of Exposure	Outstanding Total	Outstanding % of On-Balance	Amount in arrear Total	Amount in arrear % of On-Balance	Impairment Amount
Age of payment in arrear							
6 - 30 days	20	12.3%	18	13%	-	-	-
No payment in arrear	141	87.7%	125	87%	-	-	1
Total	161	100%	142	100%	-	-	1

Impairment amounts

At 31 December 2016, impairments on investment loans increased to EUR 13 million due to one retail exposure (31 December 2015: EUR 1 million). Table 58-20 shows the breakdown of impairments and write-offs in industry sectors at 31 December 2016 and 31 December 2015. The column labelled 'Exposure' includes both drawn and undrawn amounts, and the column labelled 'Impairment Amount' refers to drawn amounts of impaired facilities. In 2016, no write-offs occurred on investment loans.

58-20 Impairment per industry sector

	31 December 2016				31 December 2015			
in EUR millions	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
Infrastructure & Renewables	19	-	-	-	4	-	-	-
Industries & Manufacturing	6	-	-	-	17	-	-	-
Shipping & Intermodal	-	-	-	-	-	-	-	-
Commercial Real Estate	20	-	-	-	-	-	-	-
Telecom, Media, Technology & Services	69	3	-	-	82	4	1	-
Oil & Gas Services	16	-	-	-	16	-	-	-
Food, Agri, Retail & Health	116	22	12	-	42	-	-	-
Total	246	25	13	-	161	4	1	-

At 31 December 2016, the investment loans that carried neither impairments nor past-due amounts equalled EUR 221 million or 90% of total (31 December 2015: EUR 157 million or 97% of total).

Lease receivables

In 2014, NIBC Holding obtained a leasing portfolio as a result of the acquisition of Gallinat-Bank AG in Germany. This is a static portfolio and strict criteria were in place to determine the eligibility of lease contracts for this programme. These were entered into with German lessees to finance moveable 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. The portfolio is financed by NIBC Holding via a ring-fenced structure benefiting from different layers of credit enhancement. At the end of December 2016, the leasing portfolio decreased from EUR 221 million to EUR 123 million.

Equipment leasing was added to our product pallet in 2016 via the establishment of the new venture BEEQUIP. This venture primarily focuses on financing/leasing transactions for used equipment, mainly for small and medium enterprises in the sectors infrastructure, earth-moving, construction and logistics sectors. At the end of December 2016, the BEEQUIP portfolio amounted EUR 113 million.

Residential mortgages

The composition of the Residential Mortgage portfolio at year-end 2016 and at year-end 2015 is displayed in Table 58-21.

58-21 Breakdown of Residential Mortgage portfolio

in EUR millions	31 December 2016	31 December 2015
Dutch Own Book portfolio	7,215	6,227
Dutch Securitised portfolio	1,532	2,236
German Own Book portfolio	84	117
Total[1]	**8,831**	**8,580**

1 The collateral value related to NIBC's Residential Mortgages amounts to EUR 11.9 billion (EUR 9.4 billion (Own book) and EUR 2.5 billion (Securitized)).

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 (NIBC Vastgoed Hypotheek) mortgages for investors were started in January 2015 and continued to show strong growth in 2016. This niche currently comprises approximately 4% of the total mortgage portfolio. Servicing and administration of the mortgage portfolio is outsourced to a third-party servicer. Acceptance and special servicing is performed in-house.

At 31 December 2016, 33% of the Residential Mortgage portfolio (31 December 2015: 37%) 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 Holding has retained the junior notes and other positions related to these securitisation programmes. As a result the securitisation programmes are consolidated on NIBC Holding's balance sheet. The total amount of the retained positions at 31 December 2016 was EUR 135 million (31 December 2015: EUR 184 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 2016, the following amendments were implemented as well:

- Maximum NHG guaranteed loan amount stayed at EUR 245 thousand.
- Maximum Loan-to-Value decreased to 102% in 2016 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 Holding 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 Holding 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 one week, 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 Holding bids for own foreclosed properties at auctions to ensure the proceeds are at arm's length. If needed, NIBC Holding acquires these properties.

NIBC Holding 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 2016 and 31 December 2015. Overall, the amount of loans in arrear decreased compared to year-end 2015.

58-22 Arrears overview, Dutch Residential Mortgage portfolio

In %	31 December 2016	31 December 2015
No payment in arrear	97.6	97.5
0-30 days	1.2	1.2
31-60 days	0.4	0.5
61-90 days	0.2	0.2
Over 90 days	0.6	0.7
Total [1]	**100**	**100**
Total (in eur million)	**8,747**	**8,463**

1 Of the total arrears of EUR 100 million, an amount of EUR 98.5 million is not impaired'.

Forbearance Dutch Residential Mortgages

NIBC Holding 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 Holding has been providing a forbearance program to its mortgagers who are experiencing financial difficulties since May 2013. The Client Retention team of the Special Servicing department has the responsibility of assessing the nature and the expected duration of a client's financial distress, and will determine necessity of providing forbearance measures to that client and the conditions that should apply. The team considers forbearance solutions for clients who do not fully meet their financial obligations to NIBC Holding. Forbearance solutions are also submitted to the Arrears Management Committee for further approval. At 31 December 2015, EUR 27 million was forborne of which EUR 21 million was performing and EUR 6 million non-performing. At 31 December 2016, EUR 38 million was reported as forborne of which EUR 23 million was performing and EUR 15 million non-performing.

Risk measurement Dutch Residential Mortgages

NIBC Holding'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[2].

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%.

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

2 For buy-to-let mortgages, Basel standardized approach for credit risk is used

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 Holding 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 2016 and 31 December 2015. A PD of 100% means that a borrower is close to or more than 90 days in arrears.

58-23 PD allocation of Dutch residential mortgages

	Own book Dutch mortgages[1]		Securitised Dutch mortgages	
In %	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Probability of default				
<= 1%	97.5	97.1	95.3	95.8
1%> <=2%	0.4	0.6	0.3	0.3
2%> <=5%	1.3	0.2	2.4	0.3
5%> <100%	0.7	1.3	1.7	2.1
100%	0.2	0.8	0.3	1.5
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:

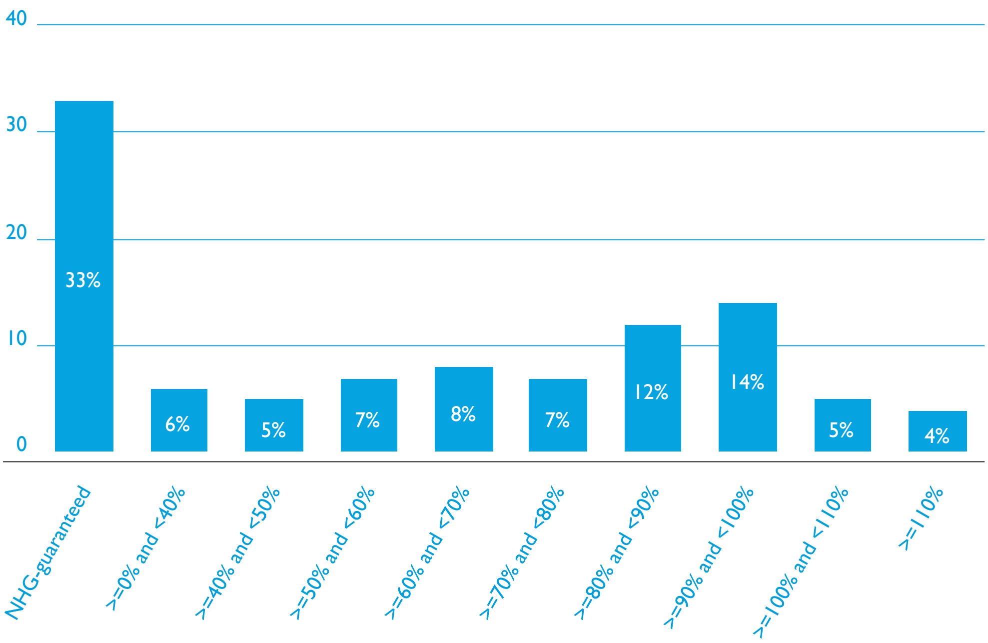
- The underlying property is pledged as collateral;
- 40% of the Dutch Own Book portfolio and 2% of the Securitised portfolio are covered by the NHG programme; and
- For the part of the Dutch portfolio that has been securitised, credit losses higher than the retained positions, excess spread and reserve 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.

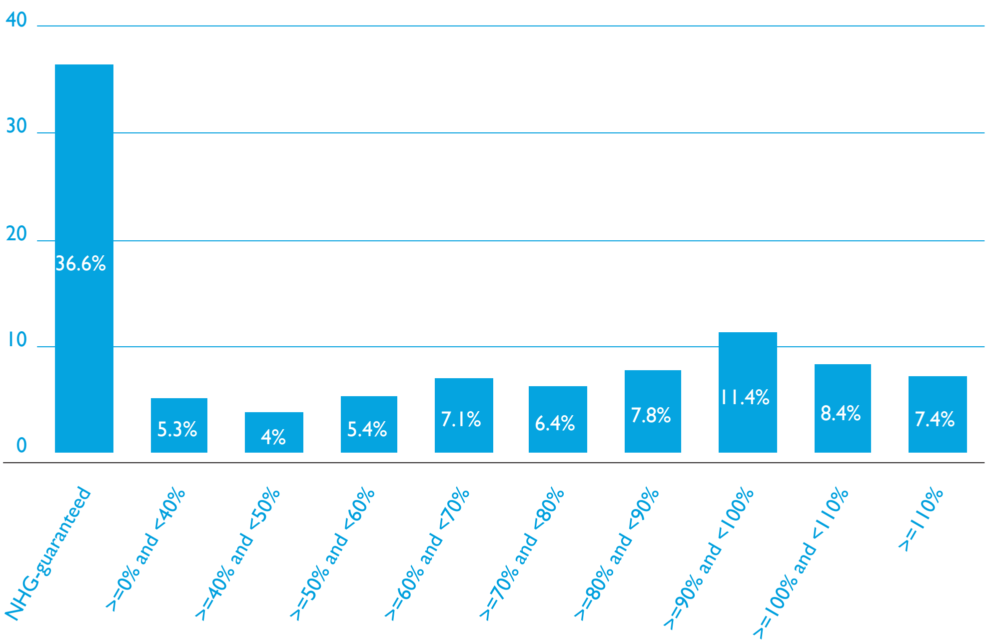
An indicator for potential losses, taking into account indexation of house prices and seasoning, is the *Loan-to-Indexed-Market-Value* (**LTIMV**). The indexation is made by using the CBS/Kadaster index, which is based on market observables. The Kadaster (national property register) is a public government 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 55-22 and 55-23 show a breakdown of the LTIMV for the total Dutch Residential Mortgage portfolio at 31 December 2016 and 31 December 2015. 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. 9% 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 8,747 million), 31 December 2016



56-25 LTIMV of Dutch Residential Mortgage portfolio (EUR 8,463 million), 31 December 2015



German Residential Mortgage portfolio

The German Residential Mortgage portfolio amounted to EUR 84 million at 31 December 2016 (31 December 2015: EUR 117 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 Holding 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 2016 and 31 December 2015 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 2016, only 17 loans (1.4% of the total exposure) had been transferred to special servicing and cancelled, from a total portfolio of 1,170 mortgages.

58-26 Arrears overview, German Residential Mortgage portfolio

In %	31 December 2016	31 December 2015
No payment in arrear	90.6	90.6
0-30 days	2.8	1.7
31-60 days	2.1	1.9
61-90 days	0.9	0.7
Over 90 days	2.2	1.0
Special Servicing Cancelled Loans	1.4	4.1
Total	**100**	**100**
Total (in eur million)	**84**	**117**

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 Holding 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 FMCR department.

Apart from single issuer limits, risk is also monitored by assessing credit spread risk. Both sensitivity analysis (*basis point values,* **BPV**s) and Value at Risk (**VaR**) numbers are used[3].

Note 60 on Market Risk contains 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

NIBC Holding invests in debt (bonds) issued by financial institutions and corporate entities. The size of this sub-portfolio decreased in the course of 2016 to EUR 459 million at 31 December 2016 (31 December 2015: EUR 482 million). Of the total exposure, 37% (31 December 2015: 38%) were covered bonds. The remaining 63% (31 December 2015: 62%) was senior unsecured debt.

In 2014, NIBC Holding began to use internal ratings to assess the creditworthiness of a financial institution. In general debt investments are rated more conservative by NIBC Holding than by the external rating agencies.

The amount of EUR 459 million at 31 December 2016 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 2016

in EUR millions	AAA	AA	A	BBB	BB	<= b	NR	Total[1]
Financial institutions	170	5	82	88	-	4	-	349
Corporate entities	8	-	-	11	50	-	-	68
Sovereigns	24	18	-	-	-	-	-	41
Total	**201**	**23**	**82**	**99**	**50**	**4**	**-**	**459**

1 Source ratings: internal rating model (excluding soevereigns)

56-28 Debt of financial institutions and corporate entities, 31 December 2015

in EUR millions	AAA	AA	A	BBB	BB	<= b	NR	Total[1]
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**

1 Source ratings: internal rating model (excluding soevereigns)

At both 31 December 2016 and 31 December 2015, the portfolio of debt from financial institutions and corporate entities had no impairments and contained no arrears.

3 Sensitivity Analysis for NIBC Markets is accounted for in Note 60 Market Risk

Securitisations

NIBC Holding 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 Holding's total securitisation exposure resulting from its activities as investor in securitisations. The exposure relating to NIBC Holding'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 Holding'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 Holding's total exposure as an originator to consolidated securitisations was EUR 224 million at 31 December 2016 (31 December 2015: EUR 299 million).

NIBC Holding distinguishes two Securitisation sub-portfolios: the portfolio of Western European Securitisations and the Liquidity Investments portfolio.

NIBC Holding's total securitisation exposure (investor and non-consolidated originator) decreased to EUR 773 million at 31 December 2016 (31 December 2015: EUR 814 million), mainly due to a decrease of the Western European Securitisations portfolio.

The portfolio of investments in Western European securitisations contains NIBC Holding's investor securitisations in Western Europe as well as all investments in NIBC Holding's own non-consolidated securitisations. All investments in NIBC Holding'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 256 million at 31 December 2016 (31 December 2015: EUR 299 million). The Liquidity Investments portfolio was set up to invest part of NIBC Holding's excess liquidity in the securitisation market. Investments are in majority 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 FMCR. Exposure in this portfolio increased to EUR 518 million at 31 December 2016 (31 December 2015: EUR 515 million).

58-29 Exposure to securitised products, 31 December 2016

Book value, in eur millions	AAA	AA[1]	A	BBB	BB	<BB	Total[2]
Eu - abs	-	-	-	-	-	-	1
Eu - cdo	24	10	9	-	4	12	59
Eu - cmbs	-	-	-	-	-	132	132
Eu - rmbs	5	13	29	4	-	12	64
Total western european securitisations	**29**	**23**	**38**	**5**	**4**	**157**	**256**
NL - RMBS AAA Liquidity portfolio	363	-	3	-	-	-	366
EU- ABS AAA Liquidity portfolio	152	-	-	-	-	-	152
Total securitisation exposure	**543**	**23**	**41**	**5**	**4**	**157**	**773**

1 Of AA related exposure of EUR 23 million and < BB related exposure of EUR 162 million an amount of respectively EUR 2 million and EUR 131 million relates to NIBC's own non-consolidated securitisations.
2 Source: external ratings

58-30 Exposure to securitised products, 31 December 2015

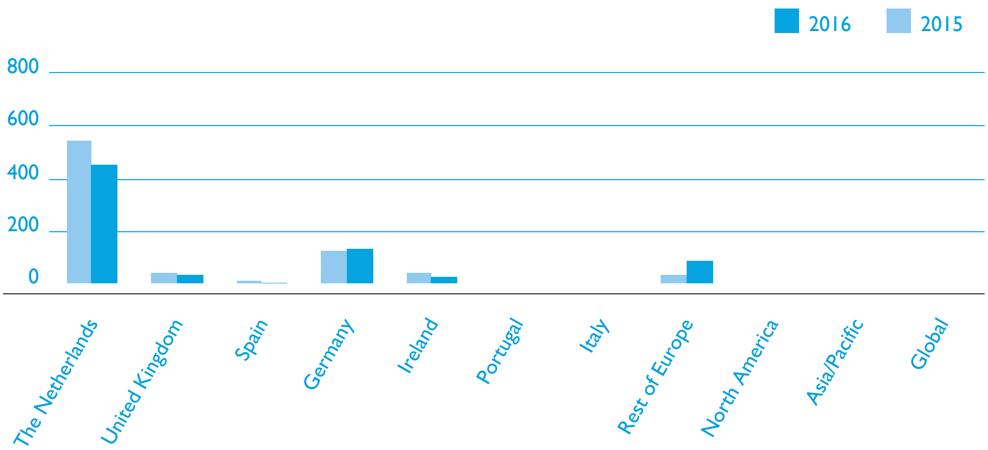
Book value, in eur millions	AAA	AA	A	BBB	BB	<BB	Total[1]
Eu - abs	-	-	-	-	-	1	1
Eu - cdo	15	20	5	5	11	15	71
Eu - cmbs	- -		2	-	2	142	146
Eu - rmbs	6	25	33	5	-	12	81
Total western european securitisations	**21**	**45**	**40**	**11**	**13**	**170**	**299**
NL - RMBS AAA Liquidity portfolio	375	-	-	-	-	-	375
EU- ABS AAA Liquidity portfolio	140	-	-	-	-	-	140
Total securitisation exposure	**536**	**45**	**40**	**11**	**13**	**170**	**814**

1 Source: external ratings

Geographic distribution of securitisations

Graph 58-31 presents the distribution of the Securitisations portfolio by geographic region at 31 December 2016 and 31 December 2015. NIBC Holding 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 (59%), Germany (18%) and the United Kingdom (5%). NIBC Holding's exposure in Ireland, Italy, Spain and Portugal is limited and had decreased to EUR 44 million at 31 December 2016 (31 December 2015: EUR 57 million). Approximately 79% of this exposure is investment grade exposure. NIBC Holding had no exposure in Greece at 31 December 2016 or 2015.

58-31 Distribution of securitisations per region, 31 December 2016 (EUR 773 million) and 31 December 2015 (EUR 814 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 decreased to EUR 47 million at 31 December 2016 (31 December 2015: EUR 57 million).

Securitisations without impairments
Table 58-32 presents the rating breakdown of securitisation exposure that did not carry an impairment amount at 31 December 2016 (EUR 762 million). The total amount of securitisations without impairments at 31 December 2015 was EUR 791 million.

58-32 Distribution of securitisation exposure without impairments per rating category, 31 December 2016

Book value, in eur millions	AAA	AA	A	BBB	BB	<BB	Total[1]
Securitisation exposure without impairments	**543**	**23**	**41**	**5**	**4**	**145**	**762**

1 Source: external ratings

58-33 Distribution of securitisation exposure without impairments per rating category, 31 December 2015

Book value, in eur millions	AAA	AA	A	BBB	BB	<BB	Total[1]
Securitisation exposure without impairments	**536**	**45**	**39**	**7**	**13**	**151**	**791**

1 Source: external ratings

Cash management
NIBC Holding is exposed to credit risk as a result of cash management activities. In 2016, NIBC Holding's risk management framework for cash management continued its conservative approach, taking into account the vulnerable financial markets.

Risk monitoring and measurement
NIBC Holding 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 Holding holds foreign currency accounts at correspondent banks and also utilises third-party account providers for internal securitisations.

Exposures
At 31 December 2016, NIBC Holding's total cash amounted EUR 1,371 million (31 December 2015: EUR 1,382 million). EUR 917 million of the cash was held at DNB and Deutsche Bundesbank, EUR 439 million at financial institutions and the remaining EUR 14 million at corporate entities (securitisation-related liquidity facilities).

58-34 Cash, 31 December 2016

in EUR millions	AAA	AA	A	≤bbb	Total[1]
Cash and balances with central banks	917	-	-	-	917
Financial institutions	-	77	282	81	439
Corporate entities	4	-	10	-	14
Total	**922**	**-**	**292**	**81**	**1,371**

1 Source ratings: internal rating model (excluding Cash and balances with central banks)

58-35 Cash, 31 December 2015

in EUR millions	AAA	AA	A	≤bbb	Total[1]
Cash and balances with central banks	746	-	-	-	746
Financial institutions	-	-	575	47	622
Corporate entities	4	-	10	-	14
Total	**750**	**-**	**585**	**47**	**1,382**

1 Source ratings: internal rating model (excluding Cash and balances with central banks)

At year-end 2016, EUR 1,016 million cash collateral has been excluded from the cash management exposure (year-end 2015: EUR 1,128 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 2016 and 31 December 2015, 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 Holding's credit risk in derivatives can be split into exposures to financial institutions and corporate entities. NIBC Holding's policy is to minimise this risk. NIBC Holding 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 Holding 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 2016, EUR 866 million of NIBC Holding'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 Holding 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 2016 to EUR 1,812 million at 31 December 2016 (31 December 2015: EUR 2,164 million).

58-36 Derivative exposure excluding netting and collateral, 31 December 2016

in EUR millions	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total[1]
Financial institutions	-	31	1,121	91	-	-	-	-	-	-	1,242
Corporate entities	-	25	5	358	45	52	72	-	13	-	570
Total	-	56	1,126	449	45	52	72	-	13	-	1,812

1 Source ratings: internal rating model

58-37 Derivative exposure excluding netting and collateral, 31 December 2015

in EUR millions	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total[1]
Financial institutions	-	-	1,261	228	-	-	-	-	-	36	1,525
Corporate entities	22	-	6	352	35	178	-	-	45	-	639
Total	22	-	1,267	580	35	178	-	-	45	36	2,164

1 Source ratings: internal rating model

Collateral
To the extent possible, NIBC Holding attempts to limit credit risk arising from derivatives. NIBC Holding 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 Holding 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 2016 and in table 58-39 at December 2015.

58-38 Derivative exposure including netting and collateral, 31 December 2016

in EUR millions	AAA	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total[1]
Financial institutions	-	-	-	58	31	-	-	-	-	-	-	89
Corporate entities	-	-	25	5	347	45	51	72	-	13	-	557
Total	**-**	**-**	**25**	**63**	**378**	**45**	**51**	**72**	**-**	**13**	**-**	**646**

1 Source ratings: internal rating model

58-39 Derivative exposure including netting and collateral, 31 December 2015

in EUR millions	AAA	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total[1]
Financial institutions	-	-	-	95	8	-	-	-	-	-	1	103
Corporate entities	-	22	-	6	339	35	177	-	-	45	-	625
Total	**-**	**22**	**-**	**101**	**347**	**35**	**177**	**-**	**-**	**45**	**1**	**728**

1 Source ratings: internal rating model

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 Holding. 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 Holding 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 (EUR 100,000), they are considered insignificant and are therefore excluded. The application of the threshold does not influence the total arrears for 2016 and 2015.

Table 58-40 displays an overview of the arrears for corporate derivatives at 31 December 2016 and 31 December 2015 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 2016, no marked-to-market exposure an arrear (31 December 2015: exposure of less than EUR 1 million with an arrear of EUR 1 million).

56-40 Arrears overview, corporate derivative exposure

in EUR millions	2016 Exposure (MtM)[1]	2016 Amount in arrear	2015 Exposure (MtM)*	2015 Amount in arrear
Age of payment in arrear				
1- 5 days	-	-	-	1
6 - 30 days	-	-	-	-
31 - 60 days	-	-	-	-
61 - 90 days	-	-	-	-
Subtotal less than 90 days	-	-	-	1
Over 90 days	-	-	-	-
No payment in arrear	570	-	625	-
Total	570	-	625	1

1 MtM: Marked-to-Market value

59. Interest rate risk in the Banking book

NIBC Holding defines interest rate risk in the Banking book (IRRBB) as the risk of losses from interest rate sensitive positions in non-trading activities due to movements in interest rates. Interest rate risk is measured both from an economic value perspective and an earnings perspective. The first perspective considers the impact on the market value, while the latter considers the impact on the net interest income.

NIBC Holding's banking book consists of:

- Corporate treasury
- Commercial Treasury
- Corporate banking
- Consumer banking

Risk appetite

The risk appetite for IRRBB from an economic value perspective is measured by the modified duration of equity and equal to 5 (with a tolerance of 7.5), while the risk appetite from an earnings perspective is measured by the impact on 1Y earnings and equal to EUR 13 million (assuming a shift in interest rates of 100 bps).

Risk monitoring and measurement

From an economic value perspective the impact of an instantaneous shift in interest rates on a static portfolio is considered. Interest *Basis Point Value* (**BPV**) and interest *Value at Risk* (**VaR)** measures are calculated on a daily basis and reviewed by the Market Risk department:

- Interest BPV measures the sensitivity of the market value to an instantaneous change of one basis point in each time bucket of the interest rate curve. 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;
- The interest VaR measures 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. These weekly changes are superimposed on the current market rates. The VaR is calculated by means of full valuation to take non-linearity into account.

From the earnings perspective changes in interest rates occur both instantaneously and gradually over time. The combination of static and dynamic (changes to the current portfolio composition) analyses are used. The dynamic analysis allows the integration of the business strategy in the earnings, by aligning the development of the balance sheet with the business plan, taking into account both refinancing and reinvestments. Earnings at risk (EatR) is calculated by means of the following measure:

- 12 months earnings impact due to a 200 bps gradual upwards or downwards interest rate shock per currency

EatR as displayed in the tables below represents the 200 bps gradual upwards measure.

The interest rate risk analysis is complemented by a 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 the above measures, both those from the economic value perspective and from an earnings perspective. The limits and utilisation are reported to the ALCO once every two weeks. Any major breach of IRRBB limits is reported to the CRO immediately.

Interest rate risk

Interest rate risk in the Banking book

Interest rate risk in the Banking book from an economic value perspective is mainly present in the Mismatch book and the Mortgages book; note that the books have opposite interest rate risk positions from an economic value perspective.

NIBC Holding accepts a certain economic value risk exposure in the Mismatch book to stabilize earnings. We call this our strategic mismatch exposure. If we would not have this exposure and hedge all our interest bearing assets and liabilities to 3-months Euribor/Libor, our (non-interest bearing) capital will effectively be financing very short-term assets and the interest return on our (non-interest bearing) capital will fluctuate with these short term rates earned on those assets.

The Mismatch book exclusively contains swaps in EUR, USD and GBP, as these are the major currencies, in which also lending activities take place. At year-end of 2016 the total notional position is 687 EUR mln, with 41% of the mismatch position held in EUR, 31% in GBP and 29% in USD. Duration based the relative positions would be 42% in EUR, 25% in GBP, 32% in USD.

The Mortgages book consists of:

- The "old" (white label) mortgage portfolio, 5.7 billion EUR of which 84 million EUR 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.
- In 2013 NIBC Holding started originating mortgages under the NIBC Direct label and this portfolio grew significantly since then. At year-end 2016 this portfolio's size was 3.3 billion EUR. This portfolio is accounted on amortised cost. The hedging strategy of this book is based upon notional amounts, i.e. excluding a discount spread.

However the interest rate sensitivity (from an economic value perspective) of both books is measured identically, i.e. by taking into account a discount spread.

The Corporate Treasury Book contains mainly the funding activities of NIBC Holding and the corporate loan books. The Liquidity portfolio, Collateral portfolio and Debt Investments portfolio are part of the Banking Book and consist mainly of investments in financial institutions and securitisations.

Tables 59-1 and 59-2 illustrate in EUR the interest rate sensitivity for EUR, USD and GBP in the Mismatch and remaining Banking book at year-end 2016. For other currencies, the interest rate risk is minimal.

59-1 Interest rate statistics Banking book, 31 December 2016

	Economic value perspective (BPV)			Earnings perspective (EatR)		
in EUR thousands	Mismatch	Other	Total	Mismatch	Other	Total
EUR	(120)	335	216	(1,900)	17,260	15,360
USD	(72)	-	(72)	(1,400)	970	(430)
GBP	(91)	8	(82)	(1,200)	(900)	(2,100)
Other	-	-	-	-	20	20
Total	**(282)**	**344**	**62**	**(4,500)**	**17,350**	**12,850**

59-2 Interest rate statistics Banking book, 31 December 2015

	Economic value perspective (BPV)			Earnings perspective (EatR)		
in EUR thousands	Mismatch	Other	Total	Mismatch	Other	Total
EUR	(147)	130	(16)	(2,525)	15,625	13,100
USD	(80)	8	(72)	(1,442)	2,632	1,190
GBP	(124)	7	(117)	(2,070)	(2,830)	(4,900)
Other	-	3	3	-	(500)	(500)
Total	**(350)**	**148**	**(202)**	**(6,038)**	**14,928**	**8,890**

From the economic value perspective more detailed statistics with respect to the Mismatch book are presented in the following table.

59-3 Interest rate statistics Mismatch book, 31 December 2016

	2016		2015	
in EUR thousands	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max[1]	(357)	2,540	(362)	2,586
Average	(313)	2,196	(334)	2,335
Min[2]	(272)	1,912	(293)	1,940
Year-end	(282)	1,971	(350)	2,519

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

In the following table the interest BPV statistics of the Banking Book, split in Mismatch, Other and Total are presented.

59-4 Interest rate BPV statistics Banking book, 31 December 2016

in EUR thousands	2016 Mismatch	2016 Other	2016 Total	2015 Mismatch	2015 Other	2015 Total
Max[1]	(357)	392	(260)	(362)	289	(453)
Average	(313)	195	(118)	(334)	85	(248)
Min[2]	(272)	61	1	(293)	-	(7)
Year-end	**(282)**	**342**	**60**	**(350)**	**113**	**(236)**

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

60. Market risk

NIBC Holding defines market risk as the risk of losses from an economic value perspective:

- in the Trading book;
- due to changes in credit spreads, for assets accounted on fair value (either through equity or P&L) in the banking book
- due to changes in the value of equities in the banking book; and
- due to changes in FX rates both in the banking and trading book

The predominant market risk drivers for NIBC Holding are interest rate risk (in the trading book only) and credit spread risk (both in the trading and banking book).

Per 30 June 2016, NIBC Markets (formerly SNS Securities) was acquired by NIBC Holding. All positions within NIBC Markets are part of the Trading book. In the Trading book excluding NIBC Markets, NIBC Holding takes short-term positions in the EUR, GBP and USD yield curves. This book also contains interest rate risk related to derivative transactions of NIBC Holding's clients. The Trading book of NIBC Markets contains bonds and a relatively small equity portfolio in those equities, for which NIBC markets is liquidity provider.

Risk appetite

The risk appetite for market risk is moderate. For all market risk types limits are set and monitored on a daily basis.

Risk monitoring and measurement

From an economic value perspective the impact of an instantaneous shift in interest rates on a static portfolio is considered. Interest and credit spread *Basis Point Value* (**BPV**) and interest and credit spread *Value at Risk* (**VaR)** measures are calculated on a daily basis and reviewed by the Market Risk department. VaR is calculated using 4 years of historical data and a confidence level of 99%.

The market risk analysis is complemented by a 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 the above measures. The limits and utilisation are reported to the ALCO once every two weeks. Any major breach of market risk limits is reported to the CRO immediately.

Interest rate risk, credit spread risk and equity risk

The Trading book excluding NIBC Markets contains plain vanilla interest rate derivatives only. Trading book figures excluding NIBC Markets per year-end 2016 versus 2015 are displayed below.

60-1 Interest rate statistics Trading book NIBC excluding NIBC Markets, 31 December 2016

	2016		2015	
in EUR thousands	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max[1]	(91)	377	(65)	631
Average	(30)	174	(1)	288
Min[2]	0	69	0	89
Year-end	**38**	**116**	**37**	**133**

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

The Trading book of NIBC Markets consists of bonds and equities. The bonds in the Trading book of NIBC Markets are subject to both interest rate risk and credit spread risk. The equities of the Trading Book of NIBC Markets are related to the function of liquidity provider, which NIBC Markets has for a number of Dutch small and midcap equities. Year-end 2016 figures are displayed in the table below.

60-2 Interest rate & credit spread risk statistics Trading book NIBC Markets, 31 December 2016

	2016		
in EUR thousands	Interest BPV	Credit spread BPV	VaR
NIBC Markets	(18.00)	(51.00)	171.00

The VaR in this table includes both interest rate risk and credit spread risk.

The year-end 2016 equity VaR of NIBC Markets is 38K.

NIBC Holding's Banking book has credit spread risk mainly in the Liquidity portfolio, Collateral portfolio, the Structured Credits portfolio and the fair value mortgages portfolio.

60-3 Credit spread risk statistics Banking book, 31 December 2016

	2016		2015	
in EUR thousands	Credit spread BPV	Credit spread VaR	Credit spread BPV	Credit spread VaR
Liquidity / Collateral	(233)	1,598	(278)	2,918
Structured Credits	(59)	687	(113)	1,757
Mortgages (fair value)	(1,770)	2,966	(1,938)	6,055

Currency risk

NIBC Holding manages its overall currency position based on the currency positions in the monthly balance sheets. The main exposures in foreign currencies for NIBC Holding are USD, GBP and JPY. NIBC Holding 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 18 million at year-end 2016. This currency position is the position prior to hedging, which is always done shortly after month-end.

61. Liquidity risk

NIBC Holding defines liquidity risk as the inability of NIBC Holding 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 Holding's most important risk management objectives. NIBC Holding 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 Holding. 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 Holding'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 Holding'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 Holding with derivative counterparties.

In light of these projections, NIBC Holding 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 Holding in respect of non-derivative financial liabilities 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).

61.1. Liquidity maturity calendar, 31 December 2016

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	-	6	120	68	905	191	1,290
Deposits from customers	-	5,455	761	2,221	2,371	994	11,802
Own debt securities in issue	-	-	-	67	2,277	1,511	3,855
Debt securities in issue related to securitised mortgages and lease receivables	-	-	2	-	-	1,335	1,337
Financial liabilities at fair value through profit or loss (including trading)							
Own debt securities in issue	-	-	-	-	-	-	-
Debt securities in issue structured	-	-	1	3	31	173	208
Other							
Other liabilities	-	-	-	275	-	-	275
Current tax	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	3	-	3
Employee benefits	-	-	-	-	-	3	3
Liabilities held for sale	-	-	-	-	-	-	-
Subordinated liabilities							
Amortised cost	-	-	-	2	50	70	122
Fair value through profit or loss	-	-	2	6	40	407	455
							-
TOTAL LIABILITIES (excluding derivatives)	**-**	**5,461**	**886**	**2,642**	**5,677**	**4,684**	**19,350**
Estimated contractual interest cash flows	-	-	63	167	744	2,222	3,196
TOTAL LIABILITIES (excluding derivatives, including estimated contractual interest rate cash flows)	**-**	**5,461**	**949**	**2,809**	**6,421**	**6,906**	**22,546**
TOTAL ASSETS RELEVANT FOR MANAGING LIQUIDITY RISK AT FAIR VALUE (excluding derivatives and interest cash flows)	**1,659**	**1,352**	**268**	**1,096**	**5,291**	**11,969**	**21,635**

61.2. 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	939	2,965	2,410	880	11,746
Own debt securities in issue	-	-	67	285	1,589	1,109	3,050
Debt securities in issue related to securitised mortgages and lease receivables	-	-	3	-	49	2,010	2,062
Financial liabilities at fair value through profit or loss (including trading)							
Borrowings	-	-	-	-	77	-	77
Own debt securities in issue	-	-	-	-	1	-	1
Debt securities in issue structured	-	-	2	5	30	179	216
Other financial liabilities							
Other liabilities	-	-	-	110	-	-	110
Current tax	-	-	-	1	-	-	1
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**	**1,300**	**3,382**	**4,439**	**4,894**	**18,684**
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**	**1,357**	**3,526**	**4,903**	**6,097**	**20,552**
TOTAL ASSETS RELEVANT FOR MANAGING LIQUIDITY RISK AT FAIR VALUE (excluding derivatives and interest cash flows)	**1,788**	**1,377**	**136**	**855**	**4,770**	**12,035**	**20,961**

61.3. Liquidity maturity calendar of derivatives, 31 December 2016

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 2016 and 2015. The amounts disclosed in the tables are the contractual undiscounted cash flows.

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	476	986	2,279	717	4,458
Outflow	(498)	(1,018)	(2,327)	(749)	(4,592)
Credit derivatives					
Inflow	-	-	-	1	1
Outflow	-	-	-	-	-
Derivatives used for hedging					
Interest rate derivatives (net settled)					
Inflow	10	70	296	33	409
Outflow	(14)	(49)	(297)	(52)	(412)
Total inflow	**486**	**1,056**	**2,575**	**750**	**4,867**
Total outflow	**(512)**	**(1,067)**	**(2,624)**	**(801)**	**(5,004)**

61.4. 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)**

61.5. Liquidity maturity calendar off-balance sheet, 31 December 2016

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.

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	1,303				1,303
Committed facilities with respect to residential mortgages financing	708				708
Capital commitments	19				19
Guarantees granted	76				76
Irrevocable letters of credit	18				18
	2,124	**-**	**-**	**-**	**2,124**

61.6. 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**

62. Capital management

Overview
It is NIBC Holding'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 Holding allocates as a buffer against potential losses from business

activities, based upon its assessment of risks. The EC that NIBC Holding 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 Holding 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 Holding's capital allocation and usage process, assisting in allocating Own Funds 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 Holding's desired risk profile and the regulatory requirements.

Methodology

NIBC Holding uses the business model of each activity as the basis for determining the EC. 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 Holding 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 Holding 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 Holding'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 Holding 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 Holding 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 Holding 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 Holding calculates EC usage by applying a credit approach based upon the CRR regulatory capital formula. NIBC Holding 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 Holding adopted the AIRB approach as further specified in CRR/CRDIV for its corporate, retail and institutional exposure classes. NIBC Holding started using the AIRB approach at 1 January 2008. A small residue of exposures is measured on the standardised approach.

For market risk, NIBC Holding adopted an internal model VaR approach.

For measuring operational risk, NIBC Holding adopted the standardised approach, which is based on prescribed business-line activities.

The basis for Pillar 2 is NIBC Holding's ICAAP, which is NIBC Holding's self-assessment of risks not captured by Pillar 1, i.e. the link between NIBC Holding's risk profile, its risk management and risk mitigation, and NIBC Holding's capital planning.

Under Pillar 3, NIBC Holding publishes its regulatory disclosures regarding its capital structure, capital adequacy, liquidity risk, risk management objectives/policies and risk-weighted assets each year. The Pillar 3 disclosures are published on the same date as the Annual Report on NIBC Holding's website.

The following table displays the composition of regulatory capital as at 31 December 2016 and 31 December 2015.The regulatory capital is based on the CRR/CRDIV scope of consolidation, calculated for NIBC Holding 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 Holding 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	2016	2015
Tier-1		
Called-up share capital	1,408	1,408
Share premium	524	524
Eligible reserves	(159)	(248)
Net profit not included in CET 1 capital	(25)	-
Regulatory adjustments	(244)	(321)
Common equity Tier-1 capital	1,504	1,363
Additional Tier-1 capital	-	-
Total tier-1 capital	1,504	1,363
Tier-2		
Qualifying subordinated liabilities	284	257
Total Tier-2 capital	284	257
Total BIS Capital	1,788	1,620

63. Subsequent events

In January 2017, NIBC Holding announced that, despite their logical position in and their contribution to NIBC Markets, the activities of *NIBC Vermogensbeheerders Services* (**NVS**), *Third Party Execution* (**TPS**) and *Specialised Asset Management* (**SAM**) are no longer part of the strategic priorities of NIBC Holding. Because of the current and expected scale and profitability, increasing regulatory pressures (ao MiFID II and EMIR) and the related deployment of scarce resources, for example for IT investments, it was decided that these services will be discontinued in the first half of 2017. In the best interest of the related employees and clients, options are being explored for transferring the NVS and SAM services to another market player.

Within NIBC Markets, NIBC Holding decided to give priority to ECM and DCM, Fixed Income and Equity Sales & Trading and Research. These business units are crucial to NIBC Holding's strategic ambition. They offer NIBC Holding's investor clients and corporate clients primary and secondary sales & trading solutions, and independent equity research.

COMPANY FINANCIAL STATEMENTS

COMPANY INCOME STATEMENT

for the year ended 31 December

in EUR millions	note	2016	2015
Interest and similar income		-	-
Interest expense and silimar charges		-	-
Net interest income		**-**	**-**
Fee and commission income		-	-
Fee and commission expense		-	-
Net fee and commission income		**-**	**-**
Income from equity investments		-	-
Income from interests in group companies	1	101	70
Income from group companies and (other) equity investments		**101**	**70**
Results from financial transactions		-	-
Other operating income		-	-
Total operating income		**101**	**70**
Personnel expenses		**-**	**-**
Depreciation, amortisation and value adjustments of tangible assets and intangible assets		-	-
Other operating expenses		-	-
Impairments and provisions		-	-
Release of impairments and provisions		-	-
Other		-	-
Net impairments and provision charges of loans		**-**	**-**
Impairments of group companies and other financial fixed assets		-	-
Release of impairments of group companies and other financial fixed assets		-	-
Net impairments of group companies and other financial fixed assets		**-**	**-**
Regulatory charges and levies		-	-
Total operating expenses		**-**	**-**
Profit from ordinary operations before tax		**101**	**70**
Tax		-	-
Profit after tax		**101**	**70**

COMPANY BALANCE SHEET

before profit appropriation, at 31 December

in EUR millions	note	2016	2015
Assets			
Interests in group companies	2	1,992	1,912
Other assets	3	47	53
Total assets		**2,039**	**1,965**

in EUR millions	note	2016	2015
Liabilities and equity			
Due to group companies	4	224	231
Total liabilities		**224**	**231**
Shareholders' equity	5		
Share capital		148	148
Share premium		2,279	2,279
Revaluation reserves		156	60
Other reserves		(869)	(823)
Net profit		101	70
Total shareholders' equity		**1,815**	**1,734**
Total liabilities and shareholders' equity		**2,039**	**1,965**

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 Holding 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 Holding.

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.

Interests in group companies

Interests in group companies, 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 group companies profits or losses is recognised in the income statement.

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 Holding recognises a provision up to the extent of its obligation.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Income from interests in group companies

in EUR millions	2016	2015
Income from interests in group companies	101	70
	101	**70**

2. Interests in group companies

in EUR millions	2016	2015
Interests in group companies	1,992	1,912
	1,992	**1,912**
The movement in investments in group companies:		
Balance at 1 january	**1,912**	**1,857**
Movement in revaluation and hedging reserve	(21)	(15)
Income from interests in group companies	101	70
Balance at 31 december	**1,992**	**1,912**

List of Principal Participating Interests of NIBC Holding	
NIBC Bank N.V.	100%
NIBC Investments Management N.V.	100%
NIBC Investments N.V.	100%

3. Other assets

in EUR millions	2016	2015
Other assets	6	6
Deferred tax (tax losses carried forward)	41	47
	47	**53**

The deferred tax asset is recognised to the extent that taxable profit will be available against which the temporary difference can be utilised.

Deferred tax was calculated on all temporary differences under the liability method using a nominal tax rate of 25.0% (2015: 25.0%).

4. Due to group companies

in EUR millions	2016	2015
NIBC Bank N.V.	224	231
	224	**231**
The legal maturity analysis of deposits from banks is as follows:		
Three months or less	224	231
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
	224	**231**

5. Shareholder's equity

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

in EUR millions	2016	2015
Share capital	148	148
Share premium	2,279	2,279
Revaluation reserves	156	60
Other reserves	(869)	(823)
Net profit	101	70
	1,815	**1,734**

Share capital

This section includes the fully issued and paid-up share capital. No changes occurred in the issued share capital in 2016 and 2015.

	2016	2015	2016	2015
	Numbers x 1,000		In EUR millions	
Authorised share capital	500,000	500,000	500	500
Unissued share capital	352,487	352,487	352	352
Issued share capital A shares	147,513	147,513	148	148

Share premium

No changes occurred in the share premium in 2016 and 2015.

Changes in revaluation reserves

in EUR millions	Property in own use reserve	Available-for-sale reserve	Cash flow hedge reserve	Own credit risk reserve	Total
Balance at 1 januari 2015	**8**	**6**	**61**	**-**	**75**
Unrealised revaluations	-	(3)	-	-	(3)
Realised gains/losses transferred to the income statement	-	-	-	-	-
Changes in cash flow hedge reserve	-	-	(12)	-	(12)
Changes in own credit risk reserve	-	-	-	-	-
Balance at 31 december 2015	**8**	**3**	**49**	**-**	**60**

in EUR millions	Property in own use reserve	Available-for-sale reserve	Cash flow hedge reserve	Own credit risk reserve	Total
Balance at 1 januari 2016	**8**	**3**	**49**	**-**	**60**
Impact of application IFRS 9 Own credit risk	-	-	-	115	115
Restated balance at 1 januari 2016	**8**	**3**	**49**	**115**	**175**
Unrealised revaluations	-	(1)	-	-	(1)
Realised gains/losses transferred to the income statement	-	-	-	-	-
Changes in cash flow hedge reserve	-	-	(6)	-	(6)
Changes in own credit risk reserve	-	-	-	(12)	(12)
Balance at 31 december 2016	**8**	**2**	**43**	**103**	**156**

Changes in other reserves

in EUR millions	Statutory reserve	Retained earnings	Total
Balance at 1 januari 2015	**247**	**(795)**	**(548)**
Transfer of net profit previous financial year	-	(97)	(97)
Other	-	(178)	(178)
Movement related to statutory reserves	(30)	30	-
Balance at 31 december 2015	**217**	**(1,040)**	**(823)**

in EUR millions	Statutory reserve	Retained earnings	Total
Balance at 1 januari 2016	**217**	**(1,040)**	**(823)**
Impact of adopting IFRS 9 Own credit risk	-	(115)	(115)
Restated balance at 1 januari 2016	**217**	**(1,155)**	**(938)**
Transfer of net profit previous financial year	-	70	70
Other	-	(1)	(1)
Movement related to statutory reserves	(19)	19	-
Balance at 31 december 2016	**198**	**(1,067)**	**(869)**

Information on NIBC Holding's solvency ratios is included in the risk management section of this Annual Report.

Statutory reserves
This concerns the reserve for 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.

Including the revaluation and hedging reserves displayed in note 45 of the consolidated financial statements, total legal reserves at 31 December 2016 amount to EUR 245 million, including an amount of EUR 103 million relating to the Own credit risk reserve (2015: EUR 284 million).

6. Remuneration of the Statutory Board members and Supervisory Board members

For the remuneration of the Statutory Board and Supervisory Board see notes 7 and 57 of the consolidated financial statements.

As at 31 December 2016 and 31 December 2015, no loans, advance payments or guarantees had been provided by the company to Statutory Board and Supervisory Board members.

7. Related parties

Details of related party transactions can be found in note 54 of the consolidated financial statements.

For services provided to NIBC Bank N.V. income earned in the years 2016 and 2015 amounted to nil.

8. Employee information

During the year 2016, the average number of employees calculated on a full time equivalent basis was nil (2015: nil).

9. Commitments not shown in the balance sheet

No guarantees within the meaning of Section 403 Book 2 of the Dutch Civil Code had been given on behalf of NIBC Holding N.V.

10. Financial risk management

Please refer to notes 58 to 61 of the consolidated financial statements for NIBC Holding's risk management policies.

11. Profit appropriation

in EUR millions	2016
Result available for shareholders' distribution	101
	101
Interim dividend paid 2016	-
Proposed final dividend 2016	25
Transferred to retained earnings	76
	101

12. Subsequent events

Disposal of subsidiaries (non-financial companies)

In January 2017, NIBC Holding announced that, despite their logical position in and their contribution to NIBC Markets, the activities of NIBC Vermogensbeheerders Services (NVS), Third Party Execution (TPS) and Specialised Asset Management (SAM) are no longer part of the strategic priorities of NIBC Holding. Because of the current and expected scale and profitability, increasing regulatory pressures (ao MiFID II and EMIR) and the related deployment of scarce resources, for example for IT investments, it was decided that these services will be discontinued in the first half of 2017. In the best interest of the related employees and clients, options are being explored for transferring the NVS and SAM services to another market player.

Within NIBC Markets, NIBC Holding decided to give priority to ECM and DCM, Fixed Income and Equity Sales & Trading and Research. These business units are crucial to NIBC's strategic ambition. They offer NIBC's investor clients and corporate clients primary and secondary sales & trading solutions, and independent equity research.

The Hague, 7 March 2017

Managing Board

Paulus de Wilt, *Chief Executive Officer, Chief Client Officer and Chairman*
Herman Dijkhuizen, *Chief Financial Officer*
Reinout van Riel, *Chief Risk Officer*[4]

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

[4] Mr. van Riel joined NIBC on 1 August 2016 and was appointed as Chief Risk Officer.

OTHER INFORMATION

AUDITOR'S REPORT

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Independent auditor's report

To: the shareholders and supervisory board of NIBC Holding N.V.

Report on the audit of the financial statements 2016 included in the annual report

Our opinion
We have audited the financial statements 2016 of NIBC Holding N.V. (hereinafter: NIBC or the Company'), based in 's-Gravenhage. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of NIBC Holding N.V. as at 31 December 2016, and of its result and its cash flows for 2016 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 Holding N.V. as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:
- The consolidated statement of financial position as at 31 December 2016
- The following statements for 2016: the consolidated income statement, the consolidated statements of comprehensive income, changes in shareholder's equity and the consolidated cash flow statement
- The notes comprising a summary of the critical accounting policies and other explanatory information

The company financial statements comprise:
- The company balance sheet as at 31 December 2016
- The following statements for 2016: the company income statement, the company statements of comprehensive income and changes in shareholder's equity
- The notes comprising a summary of the accounting policies and other explanatory information

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

We are independent of NIBC Holding N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- At a Glance
- Key figures
- Letter from the CEO
- Report of the managing board
- Report of the supervisory board
- Remuneration Report
- Corporate Governance
- Risk Management
- In Control Report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

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

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

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

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

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

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

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Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- 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 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 managing boards' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events 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. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

We communicate with the managing board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 7 March 2017

Ernst & Young Accountants LLP

signed by N.Z.A. Ahmed-Karim

The Company

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Carnegieplein 4
2517 KJ The Hague
The Netherlands

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London EC2A 2AP
United Kingdom

Independent Auditors to the Company

through the financial year ended 31 December 2015
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Thomas R. Malthusstraat 5
1066 JR Amsterdam
The Netherlands

as from the financial year beginning 1 January 2016
ERNST & YOUNG ACCOUNTANTS LLP
Antonio Vivaldistraat 150,
1083 HP Amsterdam
The Netherlands

Merrill Corporation Ltd, London
18-7448-2