



**BANKING IN A
CHANGING WORLD**

NIBC ANNUAL REPORT
HOLDING 2013

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At a Glance

PROFILE

NIBC Holding N.V. (NIBC Holding) is an enterprising bank offering corporate and consumer banking services. We put our clients first and share with them a forward-thinking, can-do spirit – what we call our ‘think yes’ mentality. We have two business pillars: Corporate Banking and Consumer Banking. We spring into action with tailor-made solutions at decisive moments in our clients’ lives. Headquartered in The Hague, we also have offices in Brussels, Frankfurt and London.

Corporate Banking

Agile and flexible, we think and act like entrepreneurs to support our corporate clients in building their businesses, helping them navigate complex issues to achieve their strategic ambitions. To do this, we offer advice, financing and co-investing. Our expertise spans debt and equity mezzanine, mergers & acquisitions, capitalisation advisory, leveraged finance and structured finance. We have expert knowledge of the following sectors: food, agri & retail, commercial real estate, industries & manufacturing, infrastructure & renewables, oil & gas services, shipping & intermodal and technology, media & services.

Consumer Banking

For enterprising, independent-minded retail customers, Consumer Banking offers straightforward, transparent products. These include residential mortgages and savings deposits via NIBC Direct in the Netherlands, Germany and Belgium. In Germany, we also offer brokerage activities.

VISION, MISSION AND AMBITION

Client focus is our guiding principle. Our mission and ambition statement fully reflect our client-centred strategy.

NIBC vision

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

NIBC mission

The bank of choice for decisive financial moments.

NIBC ambition

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

STRATEGY

Ever since NIBC Holding began by financing entrepreneurs in 1945, our clients have been our starting point. We act at decisive moments in their lives – whether they are buying a home, for example, or planning a transformational takeover for their company. We use our sector expertise and knowledge to understand their challenges in our fast-changing world and then employ our agility, flexibility and ‘yes’ mentality to devise clear, innovative solutions that help our clients achieve their aims.

This client focus and social commitment is the heart of our corporate responsibility. Everything we do is in the service of our clients. In order to serve them to the best of our abilities, we need to be financially healthy. That knowledge is why our long-standing strategic financial priorities are sustainable profitability, strong solvency and ample liquidity.

CORPORATE RESPONSIBILITY

Our focus on clients and fundamental commitment to supporting entrepreneurs are at the heart of our corporate responsibility. We build long-lasting relationships with clients and ensure our products and services are transparent, trustworthy and sustainable. To better serve our clients, we stay abreast of sustainability and sector developments in the changing world around us. This helps us understand the risks and opportunities that these developments may bring for our clients.

At the same time, we take responsibility for our own operations, reducing our environmental footprint and enabling staff to become involved in community programmes.

Dialogue with our stakeholders in 2013 affirmed the focus of our corporate responsibility strategy. We will continue to fine-tune our efforts and further incorporate sustainability into our core business and client relations, searching for the opportunities sustainability developments can offer new or existing clients.

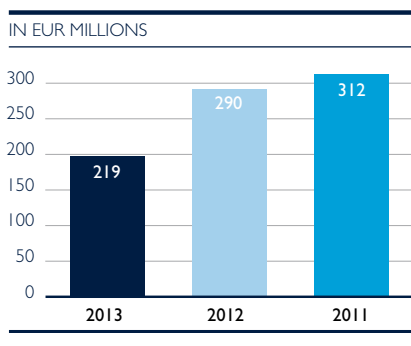
KEY FIGURES

Consolidated balance sheet

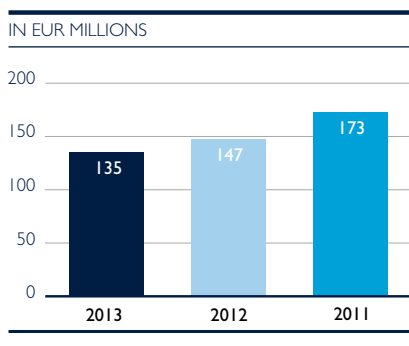
	2013	2012	2011
Shareholder's equity (EUR millions)	1,765	1,813	1,773
Group capital base (EUR millions)	2,063	2,160	2,154
Loans to customers	6,459	7,851	8,490
Residential mortgages	7,562	8,187	8,745
Balance sheet total	22,299	25,917	28,257

Consolidated income statement

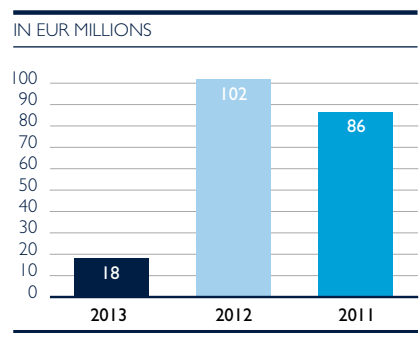
Operating income



Operating expenses



Net profit attributable to parent shareholder



Solvency information

Core Tier-I ratio

16.8%

2012	2011
14.1%	12.8%

Tier-I ratio

20.0%

2012	2011
16.9%	15.2%

BIS ratio

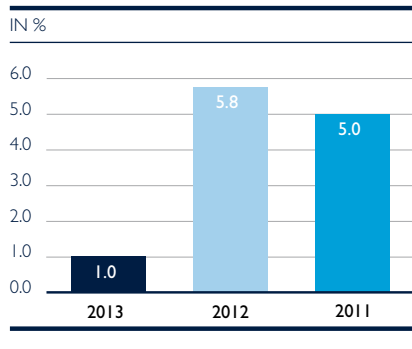
20.9%

2012	2011
17.9%	16.3%

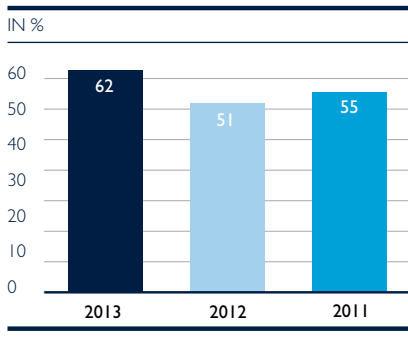
	2013	2012	2011
Risk weighted assets (EUR billions)	8.3	9.6	11.4
Debt/equity ratio	11.6	13.3	14.9

Earnings ratio

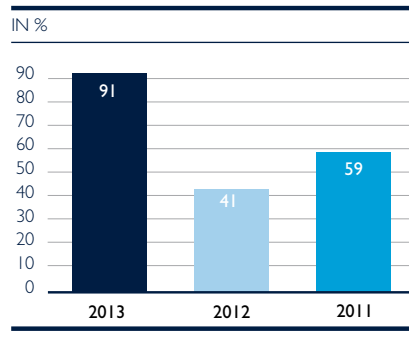
Return on equity



Cost-to-income ratio



Dividend payout ratio



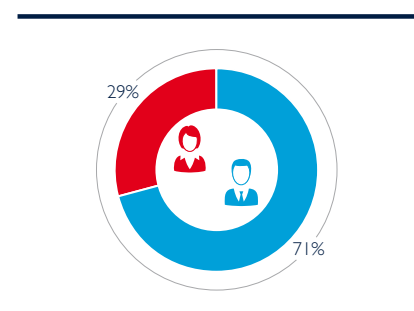
Other information

	2013	2012	2011
Assets under management for third parties (EUR billions)	3.4	3.1	4.3

Total number of FTEs end of year

	2012	2011
Total number of FTEs end of year	596	627 664

Male/female ratio



Letter from the CEO

Last year was marked by economic and political uncertainty – especially in the first half of 2013 – that dampened business activity and consumer spending. We further improved our costs and our already strong capital and liquidity position, but the difficult climate inevitably took its toll on NIBC Holding's financial results.

NIBC Holding posted a net profit of EUR 18 million versus 2012's EUR 102 million and *NIBC Bank N.V. (NIBC)* ended 2013 with a net profit of EUR 22 million compared to a EUR 73 million profit in 2012.

The challenging external environment subdued demand for our corporate lending and advisory services and precluded profitable private equity exits or one-off gains. Our bottom line was also affected by EUR 62 million of impairments in our 2013 results, and our decision to park EUR 1.2 billion of liquidity with the ECB in readiness for this year's repayment of our last outstanding government-guaranteed bonds.

Our Corporate Banking business saw activity pick up in the fourth quarter, however, as economic growth and corporate confidence improved, closing 2013 with new deal volumes 36% higher than in 2012. Our Consumer Banking activities enjoyed another good year, further increasing retail savings in the Netherlands, Germany and Belgium, and making a successful return to the Dutch mortgage market.

Financial fitness

Financial health is central to our drive to serve clients the best we can. We progressed further last year on our strategic priorities of sustainable profitability, strong solvency and ample liquidity. Our capital and liquidity positions remained well above Basel III requirements. NIBC Holding's core Tier-1 ratio improved to reach as high as 16.8% – among the strongest in Europe. Our Liquidity Coverage Ratio is 150% and our Net Stable Funding Ratio 107%.

We achieved this by maintaining strict cost control, constantly evaluating the quality of our assets, and using the full range of funding options at our disposal – ranging from NIBC Direct retail and unsecured funding to the world's first pass-through covered bond, which testified to our powers of innovation. Our financial fitness also allowed us to repay outstanding government-guaranteed bonds ahead of time last year, in two transactions totalling EUR 2 billion.

Social commitment

Our operating environment and the needs of our clients are changing both rapidly and fundamentally. There is a strong and rightful call for banks to make a clearly meaningful contribution to society. We at NIBC Holding have worked hard to do this ever since we were founded in 1945 to help finance the reconstruction of the war-torn Netherlands. This ethos has remained throughout our evolution into a two-pillar bank offering corporate and consumer banking.

We are constantly in dialogue with our clients and our other stakeholders, obtaining their valuable feedback at specially organised sessions and through channels such as customer surveys. We use that input to help shape our products and services.

Part of the way in which the world around us is changing is in the growing need for alternative forms of financing, as stricter capital requirements restrict banks' lending abilities. We are ever more active in this field. Last year saw us fulfil our aim of being a front-runner in developing alternative ways of financing in which we can play the role of intermediary, using our credit analysis and



From left to right: Rob ten Heggeler, Jeroen Drost, Petra van Hoeken and Herman Dijkhuizen.

structuring skills to help corporate clients. A good example is the fund we launched together with Belgian insurer Vivium, part of the P&V Group and a similar initiative in the Netherlands with Dutch insurance company Delta Lloyd.

Society is also changing in terms of what private individuals demand of their banks. There is a clear appetite for simple products and transparent communication – something that NIBC Direct fulfils with its simple and transparent savings products. We went a step further in 2013 with the launch of NIBC Direct-branded mortgages. This move emphasised our role as a market challenger, and again showed how we move with the times: our pure annuity mortgages cater to new Dutch regulations and reward customers who make repayments. Demand for our mortgages was strong, accelerating fast in the fourth quarter.

Evidence of our clients' satisfaction was once again highlighted by another strong performance by NIBC in the *Net Promoter Score (NPS)* survey,

which showed net 28% of Corporate Banking clients would recommend NIBC. We are also gratified by the positive client feedback we continued to receive informally last year.

This was particularly gratifying given the ongoing public scepticism around banks. Confidence received another major blow last year from financial scandals such as Libor fixing. Such appalling developments further undermine faith in all banks, even those – like NIBC Holding – who are not involved. That said, persistent political focus on the failings of financial institutions risks being counterproductive.

We introduced an internal programme in 2013 to re-emphasise our culture of professionalism, integrity and trust, and address the views of our different stakeholders. Called *Banking on Trust*, this programme raises awareness of NIBC Holding's business values and encourages openness in dealing with dilemmas.

Looking ahead

With green shoots of recovery appearing in Europe, we are moderately optimistic about the economic outlook for 2014, although we need to see a robust recovery in confidence if economic growth is really to gain some momentum.

For NIBC Holding, the priority remains building long-term relationships with our clients and helping them achieve their ambitions in our dynamic world. With our strong financial position, we look forward to remaining a robust and dependable banking partner to our clients in 2014 and beyond. Although businesses remain vulnerable in the wake of the crisis, our solid foundations, prudent financial policy and client-focused business model position us to benefit from continued economic recovery and improve our profitability in the medium term.

Nothing would have been possible last year without the commitment and hard work of our employees. We are delighted that our 2013 Employee Engagement Survey showed world-class levels of employee engagement - for the fourth year in a row. This is a remarkable result in such a persistently challenging business environment.

Last year we welcomed a new *Chief Financial Officer (CFO)*, Herman Dijkhuizen. Herman brings long experience in diverse managerial roles in professional services, an extensive strategic track record and a can-do mentality that matches the NIBC Holding spirit. My thanks go to his predecessor Kees van Dijkhuizen for his major role in helping build the strong and well-capitalised bank that we are today.

On a personal note, this is my last NIBC Holding annual report letter, as I will step down after the April 2014 Annual General Meeting of Shareholders. NIBC Holding's transformation since the crisis is largely complete and having led the bank for six years, I believe this is a natural time for me to hand over leadership. I would like to thank and applaud everyone at NIBC Holding for their sterling work in recent years and wish them all the very best for the future.

On behalf of the Managing Board,

The Hague, 11 March 2014

Jeroen Drost

*Chief Executive Officer,
Chairman of the Managing Board*

Report of the Managing Board

We were established in 1945 with a fundamental social purpose: to provide financing for the entrepreneurs who helped rebuild the Netherlands after World War Two. Putting clients first was then, is now and will always be our guiding principle. We employ a 'yes' mentality - spotting opportunities for our clients and doing all we can to help them reach their goals.

OUR STRATEGY

This client focus and social commitment is the heart of our corporate responsibility. Everything we do is in the service of our clients. In order to serve them to the best of our abilities, we need to be financially healthy. That knowledge is why our long-standing strategic financial priorities are strong solvency, ample liquidity and sustainable profitability.

To fulfil these priorities, we need to work within the parameters set by financial stakeholders such as the *Dutch Central Bank (DNB)*, our shareholders and the rating agencies. Reconciling their diverse demands and interests is integral to how we operate.

Client focus

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

In Corporate Banking, we focus on helping our clients navigate complex issues to achieve their strategic ambitions. Our relatively modest size enables sector and product specialists to work together to develop tailor-made financial solutions for evolving client demands. In these turbulent times, we remain focused on the long term.

We aim to expand our existing client relationships on the back of our sector knowledge, as well as using that knowledge and our track record to expand our client base.

In Consumer Banking, we offer no-nonsense, transparent retail products such as savings accounts, brokerage and mortgage lending. Here too, we have the clear intention to grow.

Funding and solvency

In order to serve our clients well, we need a solid funding position. Financial institutions worldwide saw their access to capital markets deteriorate rapidly after the credit crisis. Diversification of funding has been an important part of our strategy since early 2008.

In order to ensure long-term stability, we took decisive steps to diversify our funding and ensure stable, transparent and tightly-controlled liquidity. We have obtained forms of funding such as retail savings products via NIBC Direct, covered bonds, securitisations and senior unsecured debt.

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

Sustainable profitability

Our aim is to be profitable in a sustainable manner, which is a multi-year process. Sustainable profitability is crucial to all our stakeholders. In order to serve our clients and create shareholder and stakeholder value, we aim to deliver the optimal balance between risk and return and we focus relentlessly on controlling costs. NIBC Holding's risk management approach ensures responsible banking, in line with regulatory requirements and ethical, environmental, social and other sustainability standards.

Our performance is measured not only by financial achievements, but also by our economic, social and environmental contribution. Three areas of attention have been defined to ensure that sustainability considerations are incorporated into every aspect of our business, drive our performance and contribute to sustainable profitability:

1. Client business: to maintain long-term relationships, deliver responsible services and realise sustainable growth;

2. Corporate citizenship: to contribute towards building a sustainable society for future generations and to minimise our impact on the environment; and
3. People: to develop our people personally and professionally and to take our responsibility towards our employees and people in the world around us.

We believe this will enable us to perform better as a company and to build sustainable client relationships.

SWOT ANALYSIS

The following table sets out an assessment of our strengths, weaknesses, opportunities and threats.

STRENGTHS	WEAKNESSES
Clear strategic choice for client-focused business sectors	Exposure to cyclical sectors
Expert, highly engaged staff	Impact of NIBC Bank's credit rating on our funding costs and market access
High corporate and retail client satisfaction	Restricted product range
Strong capital and liquidity	Current profitability and current level of operating income
OPPORTUNITIES	THREATS
Economic recovery	Low level of confidence in financial institutions and the banking system
Increased client confidence in home markets	Continued low interest rate environment
Recovery of Dutch residential mortgage market	More complex regulatory environment
Need for alternative forms of financing	Excess liquidity of corporate clients, reflected in high level of loan prepayments

ECONOMIC ENVIRONMENT

The long-standing adverse economic environment and volatile market conditions persisted into 2013. The Netherlands, our main market, remained in recession for much of the year, with depressed business and consumer confidence subduing demand for banks' corporate lending and advisory services, as well as for residential mortgages. This climate is also encouraging many businesses to continue reducing their debt, rather than invest in new projects.

In macroeconomic terms, sentiment began to pick up slowly in the second half of the year as indicators such as business and consumer confidence indices turned more positive and the Dutch housing

market started to revive. This echoes improving business conditions in the Eurozone in general, where a tentative recovery seems to be taking hold.

Confidence in the financial industry remained low in the ongoing wake of the financial crisis, with the entire sector receiving a fresh reputational blow from serious, high-profile operational issues at a number of Dutch banks.

A clear trend is the ever greater demand for banks to put their clients' interests first and make a contribution to society. In retail banking, consumers are hungry for simple, transparent and cost-competitive products such as savings accounts and mortgages. At the other end of the scale,

business customers need increasingly innovative forms of financing as alternatives to bank lending, which is under pressure from tighter capital requirements.

REGULATORY ENVIRONMENT

The banking industry remained under major public, political and regulatory scrutiny. There are two main types of regulatory pressure that affect us. The first is regulation focused on the stability of the financial system and of individual banks, led by DNB. As Europe moves towards a banking union, DNB is asking Dutch banks for increasingly detailed information about their asset quality and capitalisation, with its reporting requests becoming ever broader and more frequent.

The second regulatory focus – led here by the *Netherlands Authority for the Financial Markets (AFM)* – is on ensuring banks fulfil their duty of care to customers, which in NIBC Holding's case relates particularly to consumers. As NIBC

Holding's retail activities continue to grow, this becomes ever more significant for us.

This array of rules and regulations from authorities including DNB, AFM, the EU and the European Central Bank, means ever increasing numbers of new rules and regulations. We fully support regulations aimed at making the banking sector more robust and transparent, but care should be taken not to overburden the system with excessive regulatory demands which might be less effective than hoped.

In 2013, we appointed a Regulatory Officer to monitor the many developments in national and international regulations and to ensure that all relevant regulations are implemented at NIBC Holding. The Regulatory Officer reports to the head of Compliance and is responsible for assessing existing and new regulations, analysing what is relevant to NIBC Holding and coordinating initiatives to comply bank-wide and within specific departments.

FINANCIAL PERFORMANCE

Income statement

IN EUR MILLIONS	2013	2012
Net interest income	142	120
Net fee and commission income	17	12
Dividend income	2	8
Net trading income	57	124
Gains less losses from financial assets	1	27
Share in result of associates	(1)	(1)
Other operating income		
OPERATING INCOME	219	290
Personnel expenses	(82)	(89)
Other operating expenses	(48)	(52)
Depreciation and amortisation	(5)	(6)
OPERATING EXPENSES	(135)	(147)
Impairment of financial assets	(62)	(25)
TOTAL EXPENSES	(197)	(172)
PROFIT BEFORE TAX	22	118
Tax	(5)	(16)
PROFIT AFTER TAX	18	102
Result attributable to non-controlling interests		
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDER	18	102

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

Progress on strategic financial priorities

Ever since we were established in 1945, putting clients first has been our guiding principle. Client focus and social commitment are at the heart of our corporate responsibility. In order to serve clients to the best of our abilities, we need to be financially healthy. That is why our long-standing strategic financial priorities are strong solvency, ample liquidity and sustainable profitability.

Here, we describe our progress against these priorities in 2013.

Funding and solvency

Diversification of funding has been an important part of our strategy since the beginning of 2008. We further diversified our funding sources last year, striking a healthier balance between wholesale and retail funding, and improved our liquidity position. We took several steps to increase the diversification of our funding base:

1. We successfully placed a long-term infrastructure loan-based funding transaction of GBP 0.6 billion in the market. Together with Aviva Investors, NIBC Holding successfully placed what was the world's first infrastructure *collateralised loan obligation (CLO)* since the financial crisis erupted. Named *Adriana Infrastructure CLO 2008-I B.V. (Adriana)*, the CLO is backed by UK sterling loans to operational *public-private partnership (PPP)* projects in the UK originated by NIBC Holding. *Adriana*, the CLO issuer, is a lender to 47 borrowers.
2. We closed a landmark transaction: the world's first-ever conditional pass-through covered bond. This new five-year EUR 500 million bond, backed by a pool of Dutch residential mortgage loans, met strong market appetite, selling out in hours and being 2.7 times oversubscribed with an order book of more than EUR 1.3 billion. This innovative transaction won widespread international acclaim and was named IFR Best Covered Bond of 2013, a prestigious award in the global capital markets.
3. We grew retail savings under our NIBC Direct label to EUR 8.4 billion from EUR 7.7 billion at year-end 2012.
4. We closed a new transaction in our successful residential mortgage-backed securities programme with the launch of Dutch MBS XVIII. This transaction, with a total size of EUR 526.5 million, was collateralised by a pool

of high quality Dutch residential mortgages with an attractive loan-to-index-market value of 72.3%. We also issued a CHF 150 million senior unsecured bond.

Our solid financial position allowed us to repay outstanding *government-guaranteed bonds (GGBs)* ahead of time in two EUR 1 billion transactions. These tender offers substantially accelerated the buyback of outstanding GGBs, expiring in April 2014 and December 2014. In 2012, NIBC Holding had already bought back EUR 500 million of GGBs, expiring in April 2014.

Our ample liquidity position is evidenced by our Liquidity Coverage Ratio of 150% (236% at year-end 2012), Net Stable Funding Ratio of 107% (114% at year-end 2012) and a Basel III leverage ratio of 6.3% (5.5% at year-end 2012).

We remained one of the best capitalised banks in Europe. The core Tier-1 ratio of NIBC Holding rose to 16.8% from 14.1%. NIBC Bank's core Tier-1 ratio improved further to 18.1% from 15.3% at year-end 2012.

The fully loaded (end state) Basel III common equity ratio for NIBC Holding amounts to 14.7% at year-end 2013.

Sustainable profitability

Interest income

Net interest income increased by 18% in 2013 compared to 2012. This was driven by a number of factors:

- Lower funding expenses due to repurchased state-guaranteed bonds;
- Lower funding expenses due to a lower average funding spread on retail, partially offset by higher funding expenses from increased volume of retail funding;
- Net interest income from corporate loans and residential mortgages, with lower income from the decrease of the portfolios roughly compensated by higher income from re-pricing and origination at higher spread levels.

To enhance the sustainability of our profitability, we need to see convincing improvement in the economic environment. This will spur demand for our products and services, thereby boosting our sales volumes, margins and top-line growth.

Cost control

Also positive for profitability was a further decrease in costs, with operating expenses dropping to EUR 135 million from EUR 147 million the previous year as we maintained strict cost control. Our cost-to-income ratio deteriorated from 51% in 2012 to 62% in 2013, driven by a decrease in operating income.

Personnel expenses decreased by 8% to EUR 82 million. The number of *full-time equivalents* (FTEs) fell to 596 from 627 in 2012, as a result of specific choices in a limited number of cases and attrition. Other operating expenses declined by 8%.

Asset quality

We enhanced our asset quality in 2013 by further de-risking our portfolio. This included selling a number of non-core assets that reduced our exposure to the shipping and commercial real estate sectors. The percentage of shipping and commercial real estate in our total corporate loan exposure declined from 40% to 33% in 2013.

Impairments increased compared to 2012. Our 2013 impairments were largely related to a single relatively large legacy position in the fashion retail sector, of which the junior part has been fully provisioned, and to two commercial real estate loans.

Sustainable operations

Corporate responsibility is primarily reflected in our client business. We constantly stay on top of sustainability developments in the world around us, to understand the risks and opportunities these create for our clients. At the same time, we take responsibility for our own operations, reducing our environmental impact and contributing to building a sustainable society for future generations.

We have achieved the 25% energy saving target we set in 2009. We have invested in a major energy-saving programme as environmental responsibility is an element of our sustainability strategy. However, following our consultation with stakeholders and achievement of this target, we realise this should no longer be a focus point. We are not a big polluter and care for the environment has become a basic element of our operations. We will continue to be a carbon-neutral organisation, but our direct environmental impact is not an area where we can make a substantial difference.

PERFORMANCE AGAINST 2013 TARGETS

The table below shows the targets the Managing Board set for 2013, and NIBC Holding's performance against those targets.

Targets	Performance
Client focus	
<p>✓ Continue to rebalance Corporate Loan and Residential Mortgage portfolios.</p>	<p>The size of the Residential Mortgage and Corporate Loan portfolios are aligned, with both portfolios at roughly the same level of EUR 7.5 billion (including undrawn commitments) at year-end 2013.</p>
<p>✓ Optimise the composition of the Corporate Loan portfolio.</p>	<p>Diversification of the Corporate Loan portfolio continued to increase, with our combined exposure to shipping and commercial real estate decreasing from 40% at year-end 2012 to 33% at year-end 2013.</p>
<p>✓ Maintain a positive NPS for Corporate Banking and high customer satisfaction with NIBC Direct, and thus remain in the top quartiles within the financial sector.</p>	<p>We asked an increased number of clients for feedback. Corporate Banking achieved a good NPS score of net 28%, above the peer bank average. Consumer Banking saw customer satisfaction increase to 7.7 (2012: 7.4). Feedback is used to further improve client processes.</p>
<p>✓ Assist our corporate and investor clients with non-bank financing, such as private placements.</p>	<p>NIBC Holding structured and closed a number of innovative transactions where institutional investors were engaged to meet the financing needs of both corporate and financial clients. For example, the Zaanstad prison project, a Dutch public private partnership.</p>
Sustainable profitability	
<p>✗ Reduce cost-to-income ratio to below 50%.</p>	<p>Even though we managed to reduce our operating expenses by 8% in 2013, our cost-to-income ratio deteriorated from 51% in 2012 to 62% in 2013, driven by a decrease in operating income.</p>
<p>✓ Maintain tight credit risk control and keep impairment level of total Loan portfolio below 40 basis points.</p>	<p>Impairments level of loans and debt investments was 39.5 basis points throughout 2013.</p>
<p>✗ Increase return on equity compared to previous years.</p>	<p>Return on equity decreased in 2013, driven by a decline in net profit.</p>
<p>✓ Continue to exceed global financial sector benchmark for employee engagement.</p>	<p>Employee engagement again exceeded this benchmark, reaching 85% in 2013. This is in line with high-performing organisations.</p>
<p>✓ Increase number of women in senior management positions, with mid-term goal to increase this to 30% in 2015.</p>	<p>Figures improved compared to 2012. In 2013, 18% of our Managing Board members and Managing Directors were women (2012: 16%). At Director level, 9% were women (2012: 7%). Nevertheless, we still have a considerable way to go to reach the ultimate goal.</p>
<p>✓ Keep up-to-date with sustainability and regulatory developments.</p>	<p>NIBC Holding continuously monitors its regulatory obligations via a legal control framework and has appointed several experts who follow the latest developments in their fields of expertise. On 1 July 2013, NIBC Holding appointed a Regulatory Officer who is responsible for monitoring compliance with current financial laws and regulations, as well as developments in impending financial laws and regulations and their impact on NIBC Holding.</p> <p>We constantly engage with our stakeholders to keep up-to-date with developments around us.</p> <p>We began updating our sustainability policy framework at the beginning of 2013 to reflect developments in the world around us. We took measures to ensure NIBC Holding could apply the new version of the EP (EPIII) from 1 January 2014.</p>
<p>✗ Act as responsible social citizen and encourage at least 10% of employees to undertake or participate in social citizenship activities.</p>	<p>NIBC Holding employees actively participated in several social citizenship activities. Due to the fact that the Dutch Banking Association's 'Week of Money' was postponed from end-2013 to early 2014, the percentage of staff involved in social projects in 2013 temporarily fell below our target of 10%.</p>
<p>✓ Reduce NIBC Holding's energy use by 25% as of end-2013 compared to 2009.</p>	<p>We have been investing in a major energy-saving programme at our offices in The Hague. Electricity use has declined 25% and gas use 85% since 2009.</p>

Funding and solvency	
✓ Keep core Tier-I ratio at Holding level above 12% and realise an S&P <i>Risk-Adjusted Capital (RAC)</i> ratio above 10%.	Our solvency position improved further in 2013, remaining one of the strongest in the Dutch banking sector, with our core Tier-I ratio increasing from 14.1% in 2012 to 16.8% in 2013 and the S&P RAC ratio from 9.8% to 10.9%.
✓ Maintain strong liquidity position by keeping Basel Liquidity Coverage Ratio and Net Stable Funding Ratio above 100%.	Our liquidity position remains robust, with a Liquidity Coverage Ratio of 150% and a Net Stable Funding Ratio of 107%.
✓ Keep debt/equity ratio below 15.	Debt/equity ratio at Holding level ended 2013 at 11.6.
✓ Continue funding diversification by further increasing retail savings and examining opportunities for securitisation, covered bonds and/or an unsecured bond.	In 2013, retail savings increased from 35% to 44% of our total funding, with unsecured wholesale funding decreasing from 28% to 17%. We were also active last year in all areas of the capital markets, with transactions including a covered bond issue, a mortgage securitisation and a number of unsecured wholesale private placements.

CORPORATE BANKING

Our Corporate Banking activities cover advice, financing and co-investing. We have expert sector knowledge in food, agri & retail; commercial real estate; industries & manufacturing; infrastructure & renewables; oil & gas services; shipping & intermodal; and technology, media & services.

Last year was a year of two halves for our Corporate Banking business. Dutch market activity was highly subdued during the first six months, with companies continuing to reduce their debt levels. This played out in two ways: companies had less need of new credit due to their reluctance to commit to new investments or projects, and at the same time made voluntary prepayments and repayments of existing bank loans. We also saw an increased number refinancing through the capital markets rather than with bank lending.

Deal flow picked up significantly in the second half of the year, however, and we ended the year with new deal volumes 36% higher than in 2012.

Our German activities continued to perform relatively well, including in the first half of the year, buoyed by corporate confidence and economic activity that were clearly stronger than in the Netherlands. We achieved our aim of rebalancing our portfolio by reducing exposure to the shipping and real estate sectors, which reduced our risk profile. Linked to this, we closed our office in Singapore, which was principally active in shipping. We increased our total exposure to the food, agri & retail, technology, media & services and industries & manufacturing sectors.

As a whole, however, the greater than expected number of pre-payments and repayments thwarted our intention to grow the overall portfolio. Our Corporate Loan exposure (both drawn and undrawn) decreased by 15% to EUR 7.4 billion at year-end 2013.

Private equity valuations were under pressure throughout the year. This, coupled with the fact we did not make major exits on any of our stakes, meant our private equity activities made a limited contribution to our earnings.

Satisfied clients

Last year was the second year of our sector-based approach. Implemented at the beginning of 2012, all our Corporate Banking activities are integrated into client-focused groups of sector specialists. This promotes better dialogue and sharing of industry expertise across the bank, which clearly benefits our corporate clients.

We constantly gather feedback from our clients, both informally in the form of post-transaction reviews and formally through NPS surveys. In November, we will switch from a system of conducting NPS surveys annually to a continuous NPS approach, whereby we obtain direct feedback from clients after a deal has been closed.

Feedback from our clients last year showed they continue to value our knowledge of sectors and their businesses, and the efficiency of our processes. Our average NPS score for Corporate Banking in the Netherlands, Belgium, UK and Germany was net 28%.

We scored positively in the NPS survey, which asks customers whether they would recommend NIBC Holding to friends and business contacts. This is because we have more ‘promoters’ – people who tend to speak positively about the bank – than detractors. There are very few banks with such a positive NPS score in our client segments.

We use client feedback gathered through NPS surveys and individual interviews to enhance client awareness and implement improvements where they count most for clients, such as the speed and efficiency of transactions, sector knowledge, creative solutions and value for money.

Beyond lending

As Basel III capital requirements affect banks’ lending powers and institutional investors seek yields higher than those on government bonds, there is ever greater appetite among institutions to invest directly in infrastructure projects and companies. Once economic growth gains traction, corporate demand for financing will revive and may outstrip banks’ ability to lend.

With our industry and market knowledge and our credit skills, NIBC Holding is perfectly equipped to play a prominent role in this trend, and we indeed increased our activity on this front in 2013. We are committed to playing a major role in these new financing structures.

We are working with a number of institutional investors, banks, law firms and accounting firms to set up a European private placement association, an important step towards establishing a European private placement market that may in time grow to resemble the huge US private placement market. This initiative was taken by Joost van der Does de Willebois, one of NIBC Holding’s Senior Board Advisors.

The market challenges also created new opportunities, and we seized these with both hands.

NIBC Holding Belgium joined forces with cooperative P&V Group, the sixth largest insurer in Belgium, to launch an initiative to finance Belgian mid-sized companies via long-term loans. P&V Group allocated EUR 50 million in financing and NIBC Holding will use its expertise and experience for the credit analysis of the target companies.

The initiative responds to a growing need among Belgian companies to diversify their funding and to secure it for the long-term.

Similarly, in the Netherlands we are working with Delta Lloyd to set up a private debt fund for medium sized north-west European enterprises. The fund will offer loans to companies, offering an alternative financing source. Our aim is to attract institutional investors to invest in the fund with a target size of EUR 750 million.

NIBC Holding was also involved in a landmark project attracting direct institutional investment into infrastructure, filling the gap left by the scarcity of long-term bank funding in the post-crisis capital markets. With Aviva Investors, we successfully placed a long-term EUR 0.6 billion infrastructure CLO. Named Adriana Infrastructure CLO 2008-I B.V., the CLO is backed by UK sterling loans to operational PPP projects in the UK originated by NIBC Holding. This is a superb example of how we can use our structuring skills in an innovative way that satisfies contemporary transparency requirements.

There was abundant interest in NIBC Holding’s new funding structure for a PPP project to build a new prison in Westzaan, near Amsterdam. The Dutch state is building and maintaining Zaanstad Penitentiary in partnership with local consortium Pi2. We were delighted to win the PFI Award for PPP Deal of the Year 2013 for this financing.

NIBC Holding provided the short-term bank debt for the construction phase, along with ING. More significantly, we sourced long-term funding using a new structure called PEBBLE-Commute. This structure provided insurance companies and pension funds the opportunity to invest directly in a PPP project at financial close.

Sustainable client business

Client focus is our guiding principle. Maintaining long-term relationships and delivering responsible services to clients are at the core of our sustainability strategy. To better serve our corporate clients, we stay abreast of sustainability and sector developments. This helps us understand the risks and opportunities these developments may bring for our clients.

We continued screening all our new Corporate Banking clients against our sustainability risk framework. This framework sets the standards we expect clients to meet and is based on industry best practices such as the Equator Principles and UN Global Compact. By taking a risk-based approach, we ensure due diligence levels are proportionate to the potential risks associated with a specific transaction. For further details, see the NIBC in society section.

Board advisors

Our insight into market needs and demands was enhanced again in 2013 by advice from our Senior Board Advisors and Advisory Board. These boards' members are all senior professionals with strong track records, reputations and relevant networks.

The Advisory Board meets regularly to discuss strategy, trends and/or special issues for the benefit of NIBC Holding's clients. It met twice in 2013 and its members had much individual ad hoc contact with NIBC Holding bankers during the year. Please see our website for more information about the Boards and their members.

CONSUMER BANKING

For enterprising, independent-minded retail customers, our Consumer Bank offers straightforward, transparent products. These include residential mortgages and savings deposits via NIBC Direct in the Netherlands, Germany and Belgium. In Germany we also offer brokerage activities.

Our Consumer Banking activities business expanded strongly in 2013 as customers continued to welcome our 'what you see is what you get' blend of simple products, transparent communication and competitive pricing.

We achieved significant further growth in our savings accounts, staged a successful return to the Dutch mortgage market, and tripled our assets under management in Germany.

Savings grow further

Under the brand name NIBC Direct, we provide retail savings to clients in the Netherlands, Germany and Belgium. The same approach applies to all countries: no small print and equal treatment of all savings clients, regardless of age, amount of savings, and whether they are new or existing clients.

NIBC Direct savings have grown strongly every year since 2008. Volumes increased again in 2013 as yet more consumers placed their trust in us. The total volume of Dutch, German and Belgian savings with NIBC Direct rose to EUR 8.4 billion at year-end from EUR 7.7 billion at end-2012. Some 42% of the volume is placed in term deposits with maturities of up to 10 years.

Last year was the second full year of our NIBC Direct operations in Belgium, where we have carved out a strong position since launching savings in late 2011. Savings levels grew, and we were awarded the accolade of 'Savings account of the year' by *Spaargids* for the second consecutive year.

Our savings growth was particularly gratifying given the ongoing low interest rate environment. Last year saw savings interest rates fall sharply, due to a steep decline in the underlying Euribor swap rate.

Return to Dutch mortgage market

A major development was our launch in May of NIBC Direct-branded residential mortgages in the Netherlands, a logical step in the further expansion of our retail business.

Our mortgages are 100% annuity mortgages in line with our distinctive NIBC Direct mix of simplicity and transparency. Borrowers are rewarded for making repayments: they have their interest rate reduced at once, rather than having to wait until the revision date of their interest rate.

Our decision to offer pure annuity mortgages also catered to new Dutch regulations, under which only new or increased mortgages with an annuity component are tax-deductible. Annuity mortgages now represent a substantial part of the market, and it is clear that the entire Dutch market is moving towards becoming an annuity market, as is already the case in Germany.

Our mortgages are sold through three high-street mortgage chains, because in this changing regulatory environment, we believe it is important our clients receive the right advice from professionals with specialist knowledge.

During the year, we aligned the terms and conditions of our mortgages with those of the *Nationale Hypotheek Garantie (NHG)*, the national

mortgage guarantee system. Instead of multiple pages of terms and conditions, we now simply list the few exceptions to the NHG conditions. This makes it far easier and transparent for mortgage brokers to understand and explain our product to their customers. In September, NIBC Direct mortgages were pronounced 'Best Buy' by the *Consumentenbond*, the Dutch consumers' association.

NIBC Holding's Residential Mortgages portfolio reached a level of EUR 7.6 billion. The latter months of the year saw particularly strong demand for our NIBC Direct mortgages amid tentative signs of recovery in the long-depressed Dutch housing market.

German brokerage activities expand

NIBC Direct has offered brokerage activities in Germany since 2011, allowing clients to keep their savings and financial investments in one place. Via the NIBC Direct platform, clients can invest, on an execution-only basis, in various shares, bonds, investment funds and index trackers. In total, we offer some 650,000 securities listed on the nine German exchanges.

Last year saw us almost triple our assets under management in Germany as retail investors sought alternatives to the low savings rates on offer in the market.

NIBC Direct won two brokerage awards in Germany in 2013 from the renowned *Euro am Sonntag*, a consecutive award of 2012, and *Handelsblatt*.

Listening to customers

Listening to our customers is fundamental to NIBC Direct. We devise our products by carefully assessing client needs. We closely monitor customer satisfaction both through surveys and through feedback received via call centres. We rigorously train call centre staff and review customer conversations in order to improve our service. We tackle customer complaints as quickly and thoroughly as we can, a process we optimised further in 2013.

When we launched NIBC Direct in 2008, we sought to counter consumer dissatisfaction with existing savings accounts. Our clear, transparent, flat-tariff savings structure differed from other

banks' systems. We post interest rate changes prominently on our website, because consumers said they were often frustrated at being unable to find such information. In addition, we proactively inform our clients by e-mail of interest rate changes, regardless of whether rates have increased or decreased.

Similarly with our Dutch mortgages, we wanted to create a clear, simple product that countered consumer irritations with existing products. By charging customers lower interest rates as soon as they move into a lower loan-to-value category, we address widespread frustration that bank costs are rarely reduced even when homeowners have paid off much of their loans.

We are constantly striving to make processes simpler and more efficient for our customers. Last year, we introduced a virtual assistant called Sabine on our Dutch website, who answers frequently-asked questions. In Belgium, we introduced monthly payouts on long-term deposits at the request of some, especially older, clients in that country.

For mortgage-holders in arrears, we strive to enable people to stay in their homes, rather than simply acting as a debt collection agency.

We measure customer satisfaction formally in two main ways. Firstly, in an annual survey conducted by an independent research bureau, clients receive a detailed questionnaire covering a wide range of topics. This format, which includes multiple open questions, generates a wealth of qualitative feedback. Secondly, we measure customer satisfaction quantitatively through NPS surveys.

In all countries we outperformed the average NPS of our group of benchmark banks. Our average client satisfaction score increased in 2013 from 7.4 to a level of 7.7 on a 10-point scale.

OUR PEOPLE

The quality of our people determines our success as a business. It is their specialist knowledge and can-do mentality that set NIBC Holding apart and ensure our clients – who share our entrepreneurial spirit – get the best possible advice and support. Our focus on people is part of our strategic commitment to sustainable profitability. We aim to be an attractive employer for people from all

backgrounds. We select, retain and develop the best people to enable the sustainable growth of our business. We also encourage our people to give back to society by volunteering their time and skills to help others in our local communities.

Focus areas in 2013

In 2013, we focused on updating our employee benefits and terms and conditions of employment so they better reflect current trends in the banking sector. This means we need to modernise our compensation and benefits package carefully and effectively, and manage its costs. This will enable us to continue rewarding our talented staff well and to retain them.

When negotiations with trade unions about a new *Collective Labour Agreement (CAO)* broke down after around two years of talks, we concluded that the required modernisation would not be achieved through a CAO. We therefore entered into discussions with the *Employees' Council (Council)* to agree on changes to employment conditions. These will be included in our new staff manual in early 2014. We will also work closely with NIBC Holding's Pensions Committee and the Council this year to adjust our employee pension plan in accordance with new legal requirements and to reflect the higher retirement age.

In 2013, we introduced an internal programme to help staff understand the impact of external events on our good name, even though NIBC Holding was not involved. Called *Banking on Trust*, this raised awareness of NIBC Holding's seven business values, which we sharpened in 2013 to make them even clearer, and re-emphasized our culture of integrity.

As part of this, an e-learning on trust and integrity was developed for all employees. These activities were also developed in anticipation of the Banker's Oath that will cover all employees from 2015. The Managing Board and Supervisory Board members have already pledged the Banker's Oath.

Employee engagement

When it comes to engagement, NIBC Holding is ahead of other financial institutions and in line with high-performing organisations. Maintaining this high level of engagement (85%) in a tough operating environment indicates the scale of our employees' commitment and their pride in our company.

The numbers underline this: 91% of respondents in our annual employee engagement survey said they were proud to be associated with NIBC Holding and almost 90% believe they are contributing to our strategy. As a result, our people are motivated to go the extra mile for our customers. This creates a stronger organisation.

Action plans stemming from the 2013 employee engagement survey will be implemented in 2014 to address areas where we can improve.

Promoting diversity

NIBC Holding puts great effort into creating a stimulating work environment for people from all backgrounds. When we recruit and promote staff, we take diversity into account and consider candidates irrespective of gender, age or nationality.

We remain committed to putting more women into senior positions. Our high retention of staff means top vacancies do not open up very often, however, and we are lagging on our ambitious target to have 30% women in senior management positions by 2015. Currently we have one woman, Petra van Hoeken, in our Managing Board and one in our Supervisory Board. Overall, 28.8% of people in our organisation are women.

We are a signatory to the 'Talent to the Top' Charter, a code with clear agreements regarding the realisation of gender diversity at the top and sub-top management levels. By signing the Charter in 2012, NIBC Holding gained access to tools, knowledge and resources to support us in our strategy of embedding gender diversity throughout our organisation.

We are setting up a mentor programme to encourage more age diversity. This is not only for more experienced employees to coach younger colleagues, but also for young people to share their knowledge of new trends such as social media.

Talent development

Developing our people is a key focus area. In 2013, we paid particular attention to enhancing the professional skills of the people who work on transactions in Corporate Banking.

We rolled out a tailored training programme called *Deal Team Dynamics*. This aims to increase the effectiveness and efficiency of teams working on

client transactions and implement the specific steps and processes to be followed for deals and internal projects. The first phase of the programme concluded in October and was attended by around 260 participants. This was followed by a series of workshops that runs until April 2014.

We also offered an advanced corporate credit training course from Fitch for the second year, following the popularity of the first one in 2012. Our Analyst Programme for young bankers was extended from one year to 18 months. There were 13 participants in 2013 (2012:16). The course is adjusted every year to reflect our business and operating environment.

We continued to provide customised training for staff. We believe we are well positioned in the market, spending an average of EUR 1,950 per employee on training and education -close to the 75th percentile when benchmarked with financial services and close to the 90th percentile compared to general industries.

Health and safety

A healthy workforce makes good long-term business sense. As part of our health and safety policy, we offer preventative measures such as flu inoculations for staff, which 70 people took up (2012: 66). Absenteeism remained low at 2.65% (2012: 2%).

Getting the work-life balance right and helping employees manage stress remains an important area for us. Our flexible working arrangements are now widely used.

Employees' Council

The Council represents the interests of all NIBC Holding employees based in the Netherlands. It has 11 members from all departments and levels across the bank.

In 2013, the Council gained a new chairman when the previous chairman's maximum seven-year term expired. A new representative from Consumer Banking joined the Council.

To keep staff updated on proposed organisational changes and other matters that may affect them, as well as to gauge their opinion, the Council introduced an electronic newsletter in 2013. It also initiated informal get-togethers and open meetings

where staff can ask questions and raise issues.

As the voice of employees, the Council regularly meets with the members of the Managing Board. Twice a year, it meets with members of the Supervisory Board.

Among the matters the Council advised on in 2013 was the appointment of the new CFO. It also worked closely with HR to develop the new employee benefits to be introduced in 2014, and ensured staff were consulted about organisational changes requiring them to become more agile. It is closely following developments in the NIBC Holding Pension Fund, which is on the verge of change, to protect staff interests.

NIBC IN SOCIETY

At NIBC Holding, we believe we can make a contribution towards creating a more sustainable society and delivering responsible financial services to our business and consumer clients. Our corporate sustainability strategy is aimed at incorporating sustainability into our core business while taking responsibility for our own operations.

Stakeholders

We believe transparency strengthens trust between an organisation and its stakeholders. We define stakeholders as groups or individuals who are affected by or can affect the achievements of our objectives. We distinguish these groups of stakeholders as clients, employees, shareholders, investors, suppliers, society and environment, peer financial institutions, regulators, rating agencies and the government.

We engage with our stakeholders to understand their expectations and interests. Engagement takes place in different forms, from regular and ongoing dialogues that generate input for our daily activities to direct feedback requests and specific consultation sessions. We take feedback seriously and constantly and carefully balance the interests of our various stakeholders; their support is necessary for our long-term success. Please see our website for an overview of engagements with stakeholders in 2013 and the results of this engagement.

Stakeholder consultations

In 2013, we conducted stakeholder consultations to gather feedback on our sustainability strategy and priorities. At a stakeholder meeting in November

attended by clients, academics, investors and our *Chief Executive Officer (CEO)* and *Chief Risk Officer (CRO)*, we discussed and challenged our sustainability approach.

Attendees confirmed that we have chosen the right strategy. They also stressed that sustainability efforts should not be limited to managing risk but should also focus on seizing opportunities for our bank and clients.

This strengthened our commitment to further fine-tuning our strategy: our focus on putting our clients first, helping them achieve their goals, and identifying opportunities. We had already identified supporting sustainability opportunities as an important element of our sustainability strategy.

This is reflected in our activities in areas such as the renewable energy sector, but also in our support for a client building a new factory in China in line with all the latest sustainability standards. In the coming year, we will make efforts to identify how we can take a more proactive approach to supporting our clients' sustainability opportunities.

Our clients and experts also advised us to continue to find inspiration in NIBC Holding's history as a bank established with a fundamental social goal: to help rebuild the Netherlands after World War Two by financing entrepreneurs.

We hold one-on-one meetings with stakeholders on various topics. For example, we ask our corporate clients for feedback after completing a transaction, and we last year met with representatives of *Eerlijke Bankwijzer* to discuss transparency. This meeting helped us better understand their expectations, and it guided us when drafting our annual report.

Stakeholder consultation also creates dilemmas when stakeholder interests are not aligned. While *Eerlijke Bankwijzer* asks us to publish client names, our clients expect client confidentiality and sometimes prefer not to have their details made public. In those cases, we carefully balance the diverse interests. We are generally transparent about clients and transactions on our website, but only publish client details after they give consent.

We collected feedback on our sustainability strategy from consumer clients through a survey. Answers from more than 1,250 respondents showed that

consumer clients consider providing transparent and simple products, operating with integrity, sound remuneration policies and submitting corporate clients to high sustainability standards to be the most relevant sustainability themes to NIBC Holding.

All the stakeholders' feedback showed no major changes to our sustainability strategy were needed. We maintain our focus on aspects identified as 'material': putting our clients' interest first and providing responsible products and services, while contributing to the society that we are part of.

Following the realisation of our environmental target (see also Sustainable operations in the Sustainable profitability section), we decided to focus less on environmental initiatives related to our own operations in the future. We are not a big polluter and stakeholders indicated this is not a top priority for a financial institution. Care for the environment has become a basic element of our operations, and we will continue to be a carbon-neutral organisation, but our direct environmental impact is not an area where we can make a substantial difference.

Stakeholder feedback also guided our materiality assessment process for this Annual Report. Overall, stakeholders mentioned two main themes: trust and integrity, and role in society. This Annual Report focuses on these two themes, which are supported by the non-financial key figures in the Other Information section and throughout the report. Visit our website, for more details of the materiality assessment process and the report of stakeholder consultation.

Sustainable client business

Client focus is our guiding principle. Maintaining long-term relationships and delivering responsible services to clients are at the core of our sustainability strategy.

Last year, we reported on our client focus initiatives to the AFM, as part of its 'Putting clients' interests first' programme. We conducted a self-assessment based on an AFM outline to obtain an overview of our client focus initiatives. Among the initiatives we reported were those related to our mortgage and savings business, such as our mechanism for collecting and processing client complaints.

To better serve our corporate clients, we stay abreast of sustainability and sector developments. We organise sector-focused client events, involving

clients, sector experts and other stakeholders. We also continued our stakeholder dialogue with clients in the real estate sector. As a signatory to the Dutch Green Building Council financial sector covenant, NIBC Holding, along with peers, is exploring how financiers can contribute to making the real estate sector 'greener'.

We also stimulate debate on topics that we are not or not yet involved in, to learn and facilitate a dialogue or generate new business opportunities. At our Impact Investing Event, attended by about 30 clients, we discussed impact investing - which is aimed at realising both financial and social or environmental returns - and explored the opportunities it may offer.

We continued screening our clients against our sustainability risk framework. This framework sets the standards we expect clients to meet. By taking a risk-based approach, we ensure due diligence levels are proportionate to the potential risks associated with a specific transaction. In 2013, we performed an increased risk assessment for 22 new or potential transactions. This concerned, for example, potential risks associated with a chemicals company, oil & gas projects and the supply chain of a food producer. All these clients met the standards as defined in NIBC Holding's policy framework.

As a signatory to the *Equator Principles (EP)*, NIBC applies EP for all project financing transactions. In 2013, we were involved in eight transactions completed in line with EP, all category C projects in Northwest Europe¹. A new version of EP (EP III) was introduced in the summer of 2013. We embedded this in our relevant systems and were ready to apply them as of 1 January 2014.

Corporate citizenship

As a good corporate citizen, we encourage our people to participate in their local communities and help to build a sustainable society for future generations. Our expertise lies in finance, so we tend to focus on projects where we can add value and share our knowledge.

NIBC is a founding partner in a debt prevention project with the city of The Hague that teaches young people how to manage their finances responsibly. For a fourth year, several NIBC Holding employees volunteered in 2013 as guest

teachers at five secondary schools in The Hague, reaching 400 students (2012: 350).

NIBC also supports the Dutch Banking Association's 'Week of Money' initiative to raise awareness of the value and function of money among primary school pupils. However, the organisers postponed the 2013 event until early 2014. As a result, no NIBC Holding volunteers could participate in the programme in 2013, temporarily reducing the percentage of staff involved in social projects to below our target of 10%. We expect to meet this target again in 2014. Overall, 48 colleagues participated in community projects in 2013.

In addition, our staff volunteered their time for non-financial projects in their local communities, such as taking a group of children from a children's home on a trip to a nearby farm. At Christmas, we hosted a party for children from less privileged neighbourhoods and staff donated gifts from the children's wish lists. In London, 16 colleagues volunteered to help at the Spitalfields City Farm, near our offices. We encourage our people to give back to society and we match any funds they raise for charity or time they spend supporting charitable initiatives.

We support local start-up companies in The Hague by providing office space in a separate section of our Hague building. Five start-ups used these facilities in 2013

Employees

Our commitment to respecting human rights is reflected in both how we manage our employees and in our client due diligence.

Trust and integrity are the foundation on which the financial sector is built and have always been key elements of our corporate culture. In 2013, we launched Banking on Trust, an internal programme to re-emphasise our corporate culture and the behaviours that will help restore trust in the financial sector.

As part of this internal programme, the Compliance department developed an e-learning tool on trust and integrity. Launched in November 2013, this covers areas such as having an ethical culture, how our stakeholders view trust and integrity, the frameworks we have at NIBC Holding and

¹ For more details see the EP Report.

employees' own responsibilities in integrity-related matters. To further enhance awareness of the importance of ethically sound behaviour, we made a video about NIBC Holding's core values and the dilemmas we encounter on a day-to-day basis. The video shows that behaviour can make the difference.

Banking on Trust was also a theme of the senior management offsite meeting in June 2013. Discussions during a workshop focused on how the attitude of banking staff towards clients can contribute to strengthening trust in the financial industry.

As part of the Banking on Trust initiative, and in line with regulatory requirements, the Managing Board and Supervisory Board members took the Banker's Oath in 2013.

Business principles

We refreshed the NIBC Holding business principles in 2013 by fine-tuning the definitions and providing more specific examples of sound behaviour. Each of the principles was highlighted in a new cartoon introduced every fortnight. Our business principles are:

1. We think clients
2. We deliver quality
3. We shape solutions
4. We work together
5. We focus on results
6. We develop people
7. We take responsibility

LOOKING AHEAD

With signs of economic recovery emerging in the latter part of 2013, we are moderately optimistic on the outlook for 2014. Confidence indices have begun to suggest improvement in sentiment in Europe, the Netherlands has officially pulled out of recession, the Dutch housing market has begun to pick up, and the German economy is growing. Stronger US economic indicators are also encouraging.

Challenges remain, and we need a recovery in confidence if we are to see robust recovery in economic growth. But the positive signals are clear and are increasing both in number and size. We are likely to enter a positive spiral in 2014, albeit with economic growth at lower levels than before the crisis.

A general risk for 2014 is the unwinding of crisis measures, starting with the 'tapering' announced by the US Federal Reserve in December 2013. Many central banks remain over-dominant in the financial markets, with crisis measures still to be unwound not only in the US but also in Europe and Japan. Market participants are monitoring these developments closely and markets will remain volatile and vulnerable.

In 2014, NIBC Holding will pay off the last two tranches of GGBs issued in 2009 – the last vestige of our own crisis measures. This is a sign of our financial strength and our ability to face the future with confidence.

As a bank, we will focus relentlessly on top-line growth in 2014 in the right balance with our client-centred strategy. After several years of streamlining our structure around core business and rigorously cutting costs, we are in a position to grow our corporate banking activities once the market picks up. Given the five years of economic adversity so many companies and consumers have endured, however, they remain vulnerable, and we will keep a close eye on credit quality.

This year, NIBC Holding will invest in setting up an AG (stock corporation) as part of our German franchise. We will use this corporation for corporate banking activities; we aim to fund these activities via the AG in Germany, strengthening our long-term links with German corporate and institutional investors. In this way, we will diversify our business further both in terms of assets and funding.

We believe that our solid foundations, prudent financial policy and client-focused business model – such as our strategic focus on innovative alternative financing methods – position us to benefit from continued economic recovery and improve profitability in the medium term.

Targets for 2014

Client focus

- Maintain a positive NPS for Corporate Banking and high customer satisfaction with NIBC Direct, and thus remain in the top quartiles within the financial sector;
- Medium-term average Mortgage Loan portfolio above EUR 7 billion;
- Medium-term average Corporate Loan portfolio above EUR 7 billion; and

- Assist our corporate and investor clients with non-bank financing, such as private placements and sustainability opportunities.

Sustainable profitability

- Improve cost-to-income ratio towards 50%, as a result of increased revenues;
- Maintain tight credit risk control and keep impairment level of total Loan portfolio below 40 basis points;
- Increase return on equity compared to previous years;
- Continue to exceed global financial sector benchmark for employee engagement;
- Increase number of women in senior management positions, with mid-term goal to increase this to 30% in 2015; and
- Act as responsible social citizen and encourage at least 10% of employees to undertake or participate in social citizenship activities.

Funding and solvency

- Keep core Tier-1 ratio at Holding level above 12% and realise an S&P RAC ratio above 10%;
- Maintain strong liquidity position by keeping Basel Liquidity Coverage Ratio and Net Stable Funding Ratio above 100%; and
- Keep leverage ratio at Holding level at minimum of 5%.

RISK OVERVIEW

As last year saw more failures in the banking sector both internationally as well as in the Netherlands, we further enhanced our forward-looking, proactive attitude and structured disciplined approach to managing risk across all three lines of defence.

We continued de-risking our balance sheet by successfully restructuring certain distressed assets, selling more volatile debt and securitisation investments and reducing concentration in our corporate loan book, especially in the commercial real estate and shipping sectors.

Besides the essential attention we paid to credit risk and market risk, we continued raising awareness of operational risk so that everyone at NIBC Holding understands this is about ensuring our own people, systems and processes do not fail, and we do not make mistakes that result in business losses. We actively try to learn from operational deficiencies and ensure that lessons learned are shared across the organisation.

We are constantly working to develop a stronger risk culture and behaviour to underpin NIBC Holding's strategic goals. Further examples of our actions and their outcomes in 2013 include:

- Through its credit and new product approval processes, Risk Management actively supported Corporate Banking in closing some landmark transactions, such as the managed account with Belgian insurer P&V, the conditional pass-through covered bond and the infrastructure Adriana CLO. It also supported Consumer Banking in the launch of NIBC Direct-branded mortgages;
- We enhanced our asset quality by further de-risking our portfolio through the divestment of non-core assets;
- We received approval from DNB to use our internally developed models for the calculation of capital requirements for our bank counterparties exposure under the advanced Basel approach. This portfolio had been originally exempt from the approval we received in 2008;
- We further strengthened and diversified our funding position. Liquidity remained key and was strong throughout the year. Interest rate risk management was further enhanced in view of the low interest rate environment and our changed funding model; and
- We further promoted bank-wide awareness of operational risk by increasing the frequency of operational *risk and control self-assessments (RCSA)* across all business units and countries. We appointed one operational risk 'champion' in the first line to ensure early identification and proper management of risks and events.

Understanding client interest and the suitability of our products for our clients is embedded in our Corporate and Consumer Banking product offering. Especially as our Consumer Banking activities grow, we enjoy the trust of an increasing number of clients. We are keenly aware of our duty of care to these customers and of their need for smooth, efficient, effective and transparent service. Our expanding retail activity also increases the importance of managing reputational risks.

We are building NIBC Holding's strength and value while supporting the economies and communities in which we operate. Compliance with local and international laws and regulations – both the letter

and the spirit – and corporate responsibility are cornerstone values of our risk management principles. This is integral to our client-focused model: by ensuring our clients thrive, so does NIBC Holding. We wish to work with clients who meet our ethical, environmental, social and other sustainability standards and to fulfil our duty of care to all our clients.

We appointed a Regulatory Officer within the Compliance department to monitor developments in the regulatory field and to ensure adequate and timely implementation of regulatory requirements. Alongside the internal programme Banking on Trust, the Compliance department launched an e-learning tool on trust and integrity aimed at all NIBC Holding employees.

In addition, Risk Management continued expanding its internal training offering through tailor-made trainings and awareness sessions on credit skills and models, risk management topics in the Analyst Programme, regulation (such as EMIR/central clearing, AIFMD, clients' interests first and other compliance topics) and operational risk management.

Sustainability policies

Before we enter into a client relationship, we make sure we thoroughly understand the client and its business activities. Part of this customer due

diligence is using a risk-based approach to understand how the company and its processes are organised. We assess the organisational set-up of the company and any other parties involved that may affect our direct client relationship.

Our sustainability policies provide guidance on managing environmental and social risks, including human rights, in the business sectors in which we operate. We use a risk-based sustainability framework and apply this to all Corporate Banking clients, meaning we identify the relevant sustainability risks for each client or transaction before assessing how these risks are managed and mitigated, rather than subjecting all clients to the same sustainability screening.

As a signatory to the EP, NIBC applies EP for all project financing transactions. In 2013, we were involved in 8 transactions closed in line with EP (2012: 16)².

For 2014, our structured, disciplined and proactive approach to risk management will ensure we can withstand challenges while benefiting from economic recovery.

More detailed information on Risk Management is included in the Risk Management chapter and notes 53-54 to the consolidated financial statements in this Annual Report.

² For more details see the EP Report.

Report of the Supervisory Board

Last year's low-growth climate was not a stimulating one for a bank like NIBC Holding, as it diminished demand among businesses and consumers for our core financial services. All the same, NIBC Holding performed healthily in 2013 as a whole. Corporate Banking picked up in the second half, and Consumer Banking had another year of strong growth.

NIBC Holding's already strong solvency and liquidity position strengthened even further. So despite the difficult commercial environment, the bank remained highly robust through sharp cost management, constant monitoring of asset quality and skilled use of the spectrum of liquidity sources.

Several high-profile reputational issues afflicted Dutch banks last year, undermining the already weak public confidence in the sector. Against this backdrop, the NIBC Holding Managing Board and employees maintained their dedication and concentration, demonstrating a team spirit that we on the Supervisory Board highly appreciate.

Last year saw the departure of Kees van Dijkhuizen to become CFO of ABN AMRO. We thank him for his contribution to NIBC and wish him every success for the future. We were delighted to find a worthy successor in Herman Dijkhuizen, who brings with him a strong track record and valuable 'outsider's view' thanks to his experience in accountancy and advisory.

Our CEO Jeroen Drost decided last November that he would step down after the 2014 *Annual General Meeting (AGM)*. We are deeply grateful to Jeroen for his leading role in NIBC Holding's transition since the financial crisis erupted in 2008. His leadership has been decisive in making NIBC Holding the strong and well-capitalised bank it is today. We are also grateful to him for giving the Supervisory Board ample time to find a successor.

COMPOSITION OF THE SUPERVISORY BOARD

As of 31 December 2013, the Supervisory Board of NIBC Holding had nine members, who are also members of the Supervisory Board of NIBC (see table). Mr. C.H. van Dalen resigned as member of the Supervisory Board on 1 May 2013. Mr. N.W. Hoek and Ms. S.A. Rocker were re-appointed as members of the Supervisory Board by the Extraordinary General Meeting of Shareholders on 21 June 2013 following the approval by the DNB on 13 May 2013.

NAME	Year of birth	Nationality	Member since	End of term	Committee Memberships ¹
Mr. W.M. van den Goorbergh (Chairman)	1948	Dutch	2005	2014	ACC, RNC, RPC, RPTC
Mr. D.R. Morgan ² (Vice-Chairman)	1947	Australian	2010	2014	RNC, RPC
Mr. A.A.G. Bergen	1950	Belgian	2010	2014	ACC, RPC, RPTC
Mr. M.J. Christner ²	1972	German	2011	2015	ACC
Mr. J.C. Flowers ²	1957	American	2012	2016	-
Mr. N.W. Hoek	1956	Dutch	2005	2017	ACC, RNC
Mr. A. de Jong	1954	Dutch	2005	2015	RPC
Ms. S.A. Rocker ²	1954	American	2009	2017	RNC
Mr. A.H.A. Veenhof	1945	Dutch	2006	2015	RPTC, RNC

¹ ACC - Audit and Compliance Committee; RNC - Remuneration and Nominating Committee; RPC - Risk Policy Committee; RPTC - Related Party Transactions Committee.

² Do not meet the independence criteria contained in the Dutch Corporate Governance Code.

Five out of nine Supervisory Board members meet the independence criteria contained in the Dutch Corporate Governance Code. For a detailed explanation of our compliance with the Dutch Corporate Governance Code, please see our website. The subcommittees of the Supervisory Board all have an independent chairman. All members of the Supervisory Board meet the criteria of the Dutch Corporate Governance Code relating to other positions, insofar as they are relevant to the performance of the duties of the Supervisory Board member. For a detailed overview of their additional functions, please see our website. On 1 January 2013,

the Dutch Act on Management and Supervision came into force and accordingly this law, we are monitoring the number of supervisory functions conducted by our Supervisory Board members. This legislation also indicates a diversity target of 30% for Managing Boards and Supervisory Boards. With Petra van Hoeken being member of the Managing Board we meet 25% for our Managing Board. The Supervisory Board currently has one woman aboard. When a Supervisory Board member is appointed or re-appointed, compliance with this new law will be checked both from a diversity angle and for the number of supervisory functions.

COMPOSITION OF THE MANAGING BOARD

NAME	Year of birth	Nationality	Member since	End of term ¹
Mr. J.P. Drost (Chairman, CEO)	1961	Dutch	2008	2016
Mr. H.H.J. Dijkhuizen (CFO)	1960	Dutch	2013	2017
Mr. R.H.L. ten Heggeler (Chief Client Officer)	1963	Dutch	2009	2017
Ms. P.C. van Hoeken (Chief Risk Officer)	1961	Dutch	2011	2015

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

As at 31 December 2013, the Managing Board of NIBC had four members, who are also members of the Managing Board of NIBC. On 1 May 2013, Kees Van Dijkhuizen left the Managing Board of NIBC to continue his career as CFO of ABN AMRO. The Supervisory Board accepted his resignation and thanked him for his dedication and contribution. On 1 October 2013, Herman Dijkhuizen was appointed as his successor. The DNB approved the appointment of Herman Dijkhuizen on 18 September 2013. Rob ten Heggeler was re-appointed as member of the Managing Board for an additional period of four years by the Supervisory Board as of 1 September 2013. In November 2013, Jeroen Drost announced that he would step down as CEO from NIBC Holding after the AGM in April 2014. Jeroen Drost made his decision and timed his departure in consultation with the Supervisory Board, which is entrusted with the search for and appointment of his successor.

Meetings of the Supervisory Board

The Supervisory Board met on six occasions in 2013. There were five regular two-day meetings of the Supervisory Board and on 27 June 2013 a Strategy Day was organised at which the Supervisory Board and the Managing Board discussed the current and future strategy of NIBC Holding. Five members of

the Supervisory Board participated in all the 2013 meetings; four members were absent from one meeting. Each quarter, the Supervisory Board had lunch meetings with senior management of the bank.

During the regular meetings, there was extensive discussion of NIBC Holding's risk/return, and financial performance discussions were held in relation to the interim results of 2013 and the 2014 budget. Other matters discussed were quarterly results, control-related topics, the financial reporting process, composition of the Supervisory Board and its committees and compliance with legislation and regulations.

In 2013, the Supervisory Board continued its programme of lifelong learning and had, among others, sessions on regulatory developments, duty of care and information security. For more detail on the lifelong learning programme, please see our website. Also in 2013, the Supervisory Board evaluated its functioning. The profile of the Supervisory Board was amended following this evaluation and to meet relevant new requirements. The amendments were discussed in advance with the Council, Managing Board and shareholder. The profile for the Supervisory Board can be found on our website.

The financial statements and the findings of the external auditor were discussed in the external auditor's presence. Most of the discussions and decisions of the Supervisory Board were prepared in the committees referred to below, at which at least two members of the Supervisory Board are always present. Members of the Managing Board attended all meetings of the Supervisory Board, but did not attend the executive sessions held by the Supervisory Board preceding a Supervisory Board meeting in the presence of the CEO four times in 2013.

Members of the Supervisory Board attended two consultation meetings between the Managing Board and the Council. The Supervisory Board also met with the external auditor to discuss the financial statements.

Meetings of the committees of the Supervisory Board

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

Audit and Compliance Committee

The *Audit and Compliance Committee (ACC)* assists the Supervisory Board in monitoring NIBC Holding's systems of financial risk management internal control and compliance with legislation and regulations, the integrity of its financial reporting process and the content of its annual financial statements and reports. The ACC also advises on corporate governance and corporate social responsibility issues.

During 2013, the ACC extensively reviewed NIBC Holding's quarterly, semi-annual and annual financial reports and related press releases and trading updates, and discussed the reports of the external auditor, including the Board Report and the Management Letter, before these were dealt with in the Supervisory Board meeting.

The ACC also discussed Internal Audit's annual plan and its quarterly reports, and Compliance's annual plan and its quarterly reporting. Both internal auditor and external auditor reported on the quality and effectiveness of governance, internal control and risk management.

The ACC also took note of and discussed NIBC Holding's contacts with the DNB.

The ACC evaluated the external auditor and the functioning of Internal Audit and Compliance. The ACC met four times in 2013 in the presence of all members of the Managing Board. The external auditors, by mutual agreement, and the internal auditors and the compliance officer were represented at all meetings.

Remuneration and Nominating Committee

The *Remuneration and Nominating Committee (RNC)* advises the Supervisory Board on the remuneration of the members of the Supervisory Board, the Managing Board and certain other senior managers. Furthermore, it provides the Supervisory Board with proposals for appointments and re-appointments to the Supervisory Board, its committees and the Managing Board, evaluates the performance of the other Supervisory Board committees, and assesses the performance of the members of the Managing Board and the Supervisory Board. The RNC monitors the remuneration policy, which entails discussing the total available pool for variable compensation and defining the collective and individual performance targets that form the basis for the variable compensation of individual members of the Managing Board. Furthermore, the RNC oversees the remuneration of Identified Staff and determines the remuneration of the control functions.

In 2013, the RNC discussed the Remuneration Policy and associated governance, individual compensation arrangements for the members of the Managing Board and senior management, market positioning (remuneration benchmark by McLagan and Towers Watson), the overall available funding for variable compensation arrangements, and the performance and targets of the Managing Board. Developments in forthcoming legislation and regulations were also on the agenda, such as Dutch bonus-capping rules, developments in the pension sector and the status of the Dutch Collective Labour Agreement for the banking sector.

Special attention this year was given to the size and composition of committees, succession management and culture. The RNC advised reducing the size of the Supervisory Board from 11 to nine members. Mr. van Dalen and Mr. Rümker stepped down, while Ms. Rocker and Mr. Hoek were re-appointed. In addition, the RNC advised on the appointment of Herman Dijkhuizen and the search for a new CEO.

The RNC held five meetings in 2013. A delegation of the RNC attended a meeting of the control functions.

Risk Policy Committee

The *Risk Policy Committee (RPC)* assists the Supervisory Board in monitoring NIBC Holding's risk policy and profile in relation to its general lending and investment policy. The committee also advises the Supervisory Board on credit, liquidity, market, investment and operational risks and with regard to regulatory changes. During 2013, the RPC extensively discussed NIBC Holding's assets, liquidity, stress tests and risk profile, including NIBC Holding's risk appetite. Reports on specific parts of the portfolio, country risk reports, impairment reports and credit risk portfolio overviews were also discussed.

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

The RPC met four times in 2013.

Related Party Transactions Committee

The *Related Party Transactions Committee (RPTC)* assists the Supervisory Board in assessing material agreements of any kind with a person or group of persons who hold, directly or indirectly, 10% of NIBC's issued and outstanding share capital, or of the voting rights at the AGM of Shareholders, or any person affiliated with any such person(s). An agreement will, in any event, be considered material if the amount involved exceeds EUR 10 million. The Supervisory Board has delegated the authority to approve such material transactions to the RPTC.

In the case of transactions in which there are conflicts of interest with the Managing Board and/or the Supervisory Board, best practice provisions III.6.1 to III.6.3, III.6.4 and II.3.2 to II.3.4 will be observed and complied with. In March 2013, a

proposal for dividend in kind for 2012 was presented to the RPTC. In August, a proposal for the distribution of interim dividend in kind for the first half of 2013 was discussed. In 2013, no other related party transactions that require Supervisory Board approval were presented to the Related Party Transactions Subcommittee.

The RPTC met twice in 2013.

Financial statements and dividend proposal

The financial statements have been drawn up by the Managing Board and audited by PricewaterhouseCoopers Accountants N.V., who issued an unqualified opinion dated 11 March 2014. The Supervisory Board advises and proposes that shareholders adopt the 2013 Financial Statements at the AGM of Shareholders on 25 April 2014. The Supervisory Board supports the proposal of the Managing Board to pay out dividends twice a year if the results allow it. The Supervisory Board has approved the Managing Board's proposal for the payment of dividend of 2013.

The Supervisory Board recommends that the AGM of Shareholders discharge the Managing Board and Supervisory Board for their respective management and supervision during the financial year 2013.

The Hague, 11 March 2014 Supervisory Board

Mr. W.M. van den Goorbergh, *Chairman*
Mr. D.R. Morgan, *Vice-Chairman*
Mr. A.A.G. Bergen
Mr. M.J. Christner
Mr. J.C. Flowers
Mr. N.W. Hoek
Mr. A. de Jong
Ms. S.A. Rocker
Mr. A.H.A. Veenhof

Corporate Governance

It is crucial for NIBC Holding that our corporate governance and reporting lines are sound and transparent. On our website, you can find our articles of association, policies, charters and other information on corporate governance, the compliance statements with respect to the Dutch Banking Code and the Dutch Corporate Governance Code. This chapter contains some important highlights of our governance structure. To the extent applicable, NIBC Holding adheres to international governance standards such as the EBA Guidelines on Internal Governance. There were no changes to NIBC Holding's corporate governance in 2013.

MANAGING BOARD

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

Herman Dijkhuizen was appointed member of the Managing Board and CFO, effective 1 October 2013. He succeeded Kees van Dijkhuizen, who left the bank in May 2013 after having worked with NIBC for 7.5 years.

The Managing Board, which meets weekly, represents and balances the interests of all stakeholders. The interests of stakeholders are also discussed in the *Engagement and Compliance Committee* (ECC), which comprises members of the Managing Board, the general counsel, the head of Legal and the head of Group Compliance and CSR. The ECC meets weekly, to manage potential conflicts of interests presented by commercial deals or clients, and to ensure that the decision-making process for commercial deals fulfils legal, regulatory and other compliance and corporate social responsibility requirements.

The Managing Board members have all taken the Banker's Oath, which replaces the moral and ethical declaration prescribed in the Dutch Banking Code.

This declaration is embedded in our updated Code of Conduct, which applies to our entire organisation and is included in our employee contracts. More information about the Managing Board, including short biographies, can be found on our website.

Since 2011, we have had an Ethics Advisory Bureau at NIBC Holding. This body, which falls under the auspices of the ECC, is a sounding board that makes non-binding recommendations on ethical dilemmas submitted to it by NIBC Holding individuals, teams or bodies such as the Transaction Committee or Investment Committee.

SUPERVISORY BOARD

The Supervisory Board oversees management performance and advises the Managing Board. As of 31 December 2013, the Supervisory Board consists of nine people with extensive and international expertise in fields such as banking and finance, corporate governance and corporate management. For more information about the Supervisory Board, its activities and short biographies of its members, please refer to the report of the Supervisory Board or visit our website.

DUTCH BANKING CODE

The Dutch Banking Code was established by the Dutch Banking Association in September 2009 following the outbreak of the financial crisis. Its aim was to restore public trust in financial institutions, which was damaged by the crisis. Under the Code,

banks must abide by rules on issues such as remuneration, risk management and audit.

In December 2009, our Supervisory Board approved revisions to NIBC Holding's charters, those of our committees, the Supervisory Board and the Managing Board, to ensure our governance was fully aligned with the Banking Code. We have implemented all procedural and operational measures required under the Banking Code.

We have revised our remuneration policies for staff and for the Managing Board. The Managing Board members signed a moral and ethical conduct declaration as worded in the Banking Code and this is published on NIBC Holding's website. In March 2013 the members of the Managing Board and Supervisory Board took the Banker's Oath. Since 2010, we have had a programme of lifelong learning and held regular training sessions for the Managing Board and the Supervisory Board. The Supervisory Board evaluated its performance in 2010 and 2011 with the support of external advisors and has followed up on the recommendations. The Report of the Supervisory Board offers more information.

NIBC Holding is fully compliant with the Dutch Banking Code. A detailed explanation of the Dutch Banking Code and an overview of NIBC Holding's compliance with it can be found on our website.

DUTCH CORPORATE GOVERNANCE CODE

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

On our website you can find a detailed overview of NIBC Holding's compliance with the principles of the Dutch Corporate Governance Code, including the motivation for the above and other minor deviations, as well as the full text of the Code.

Remuneration Report

The Supervisory Board reviewed and amended NIBC Holding's Remuneration Policy in 2013. The review took into account all relevant 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)*.

NIBC Holding's Remuneration Policy and Managing Board remuneration for 2013 are outlined below. An overview of the remuneration of other staff and the Supervisory Board is also presented. More information about the Remuneration Policy can be found on our website.

MANAGING BOARD REMUNERATION 2013

To avoid unnecessary duplication, we refer to note 52 of the consolidated financial statements for all relevant tables. These can be considered an integral part of this Remuneration Report.

Remuneration principles

NIBC Holding's Remuneration Policy is sustainable, balanced and in line with our chosen strategy and risk appetite. It identifies the following five key principles: remuneration is (i) aligned with business strategy; (ii) appropriately balanced between short-term and long-term; (iii) differentiated and relative to the realisation of performance objectives and the results of the bank; (iv) externally competitive and internally fair; and (v) managed in an integrated, total compensation manner.

Peer group composition

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

Market positioning

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

Base salaries

The base salary for the Chairman is set at EUR 800,000 gross per annum, while the base salary for members is set at EUR 500,000 gross per annum. Base salaries are payable in 12 equal monthly instalments. The Supervisory Board will review the level of base salaries against the market each year and may decide to adjust it.

Short-term incentive compensation

As of 1 January 2012, all short-term variable compensation has been eliminated.

Long-term incentive compensation

The maximum long-term incentive is 70% of base salary for the CEO, 60% for the member of the Managing Board responsible for commercial activities and 40% for the CFO and CRO.

If any *long-term incentive (LTI)* is granted conditionally, this will be in the form of 66.67% *Conditional Restricted Depositary Receipts (CRDRs)* and 33.33% cash. The LTI is conditional upon the achievement of performance conditions, is forward-looking and is subject to a three-year performance period and an additional three-year pro rata deferral period. The Supervisory Board has agreed a set of six long-term performance conditions.

Two are financial performance conditions and have a weighting of 60% (average return on equity and average impairment level). Four are non-financial performance conditions and have a weighting of 40% (employee engagement, client satisfaction for corporate as well as consumer clients and diversity). These are aligned with the overall corporate targets. The final LTI grant depends on the degree to which the agreed performance criteria have been met.

In view of current legislation, the Supervisory Board is not able to grant any variable compensation until NIBC Holding has repaid all outstanding state-guaranteed funding.

For the LTI that was granted conditionally to the Managing Board in 2011, the three-year cliff vesting period ends on 1 April 2014. The Supervisory Board reviewed the agreed performance conditions. The financial performance conditions (60%) were not met. The non-financial performance conditions (40%) were almost met on stretch level. The Supervisory Board therefore awarded a vesting of 38% of the LTI, consequently 62% was forfeited. The vested instruments (*Conditional Common Depositary Receipts (CCDRs)*) have an additional retention period of two years. Furthermore, these vested instruments need to be held until a liquidity event takes place to ensure alignment with the shareholders.

Pension

The Chairman and members of the Managing Board are members of the NIBC Holding pension plan, in line with the arrangements available to all other employees. The pension plan consists of a defined benefit pension arrangement up to a maximum salary and a defined contribution arrangement up to their respective base salaries.

The pensionable age for the Chairman and the members of the Managing Board is 65. There are no contractual early retirement provisions. A standard flat-rate contribution is paid by NIBC into the pension fund. Just like other employees the Managing Board members are required to make a personal contribution towards their pension.

Other key benefits

The Chairman and the members of the Managing Board are entitled to a company (lease) car up to a certain price limit or, if they choose, the equivalent value of the (lease) car limit as a gross cash

allowance. The Chairman is entitled to the use of a permanent chauffeur from the chauffeur pool, while the other members of the Managing Board are entitled to use a chauffeur from the pool for business purposes only, unless specifically otherwise agreed by the Supervisory Board. In addition, the Chairman and the members of the Managing Board are entitled to dividend compensation on share awards conditionally granted before 2012. In line with other employees, the Chairman and the members of the Managing Board are entitled to a contribution towards their medical insurance, disability insurance, accident insurance and permanent travel insurance and a subsidy on mortgage interest paid.

Employment contracts

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

Amendments to Managing Board Remuneration Policy in 2013

After the thorough review of Managing Board remuneration in 2013, the Supervisory Board decided that no further amendment for 2014 is necessary.

Other staff remuneration

In line with the DNB Principles, employees whose professional activities have a material impact on NIBC Holding's risk profile are designated 'Identified Staff'. Specific remuneration conditions may apply to Identified Staff other than Managing Board members. The outlines of the remuneration policies for Identified Staff and other staff are given below. For further details on the policies for Identified Staff, please refer to our website.

Total compensation funding

Each year, based on a proposal by the Managing Board, the Supervisory Board decides, at its discretion, on the overall amount of money available for total compensation, the amount of variable compensation and the specific forms in which variable compensation may be awarded. The 2013 compensation ratio (total compensation costs as percentage of operating income) was 36.4%.



Variable compensation

All employees are eligible for STI compensation. Whether they actually receive it or not is wholly discretionary and depends on the overall performance of the bank, of their respective business unit and their own personal performance.

Each employee will have a pre-agreed set of financial and non-financial performance targets. The performance assessment takes into account the realisation of pre-agreed targets, as well as the way the employee has behaved according to the Business Principles of NIBC Holding. The Dutch Banking Code has and will also serve as a guideline for other employees.

Pay mix

Variable compensation, if any, will be delivered in various components: (i) cash; (ii) deferred cash; (iii) vested *Phantom Share Units (PSUs)*; (iv) unvested PSUs. STI compensation will be a combination of cash, deferred cash and PSUs. The Managing Board determines the precise split between cash and equity or equity-linked components, the proportion of deferred compensation and the form in which this is distributed (e.g. cash or unvested equity), whether a threshold applies for the deferred component and, if so, how high that threshold is.

For Identified Staff, no threshold applies and all variable compensation, if any, is delivered in a predefined mix: 30% is delivered in cash, 20% in deferred cash, 30% in PSUs and 20% in unvested PSUs. With this, NIBC Holding complies with regulations stating that (for Identified Staff) 50% of all variable compensation is in the form of equity or equity-linked instruments and 40% of both the cash and equity component are deferred.

Special situations

Only in exceptional cases and only in the first year of employment will the Managing Board offer sign-on or guaranteed minimum bonuses to new employees and retention bonuses to existing employees. In the unforeseen circumstance that these amount to more than 100% of the base salary of the individual employee concerned, prior approval will be obtained from the RNC and Supervisory Board.

Any severance payment made in the event of termination of employment by NIBC Holding without cause is subject to local legislation. For the

Netherlands, the prevailing business court formula (*kantonrechttersformule*) and, in the case of reorganisation, the bank's Social Protocol are applicable. Special compensation plans for specific groups of employees are subject to prior approval by the Managing Board, which will annually inform the RNC and Supervisory Board about these arrangements.

Supervisory Board remuneration

Remuneration for the Supervisory Board remains unchanged. The Chairman and the members of the Supervisory Board are entitled to an annual gross basic fee that amounts to EUR 60,000 for the Chairman, EUR 50,000 for the Vice-Chairman and EUR 40,000 for a member. In addition to the annual basic fee, the Chairman and members of the Supervisory Board are entitled to further fees for membership of one or more committees amounting to EUR 15,000 for the ACC, EUR 11,500 for the RPC and EUR 10,000 for the RNC. The Chairman and the members of the Supervisory Board are further entitled to reimbursement of genuine business expenses made in the fulfillment of their duties.

Remuneration governance

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

The Supervisory Board has discussed employees with the highest proposed variable compensation for 2013, Identified Staff and the remuneration and performance of control functions. Scenario analyses have been conducted to assess the possible outcomes of the variable remuneration components on an individual and collective basis.

Any vested amounts of STI, LTI or one-off variable remuneration are subject to claw back by the Supervisory Board in the event they have been based on inaccurate financial or other data, fraud, or when the employee in question is dismissed 'for cause'. Moreover, in exceptional circumstances, the Supervisory Board has the discretion to adjust downwards any or all variable remuneration if, in its opinion, this remuneration would have unfair or unintended effects. In assessing performance

against pre-agreed performance criteria, financial performance shall be adjusted to allow for estimated risks and capital costs.

In addition to claw backs the concept of ‘malus’ is part of the Remuneration Policy. This is an arrangement that permits NIBC Holding to prevent vesting of all or part of the amount of deferred compensation in relation to risk outcomes of performance. Malus is a form of ex-post risk adjustment, one of the key requirements, in addition to ex-ante risk adjustments.

In case of resignation, any unvested amounts of compensation will be forfeited.

Conclusion

The RNC and the Supervisory Board believe that the Remuneration Policy is compliant with the latest regulations and is prudent and sustainable. The Supervisory Board continues to believe in prudent management of remuneration but recognises that NIBC Holding operates in a competitive marketplace where it needs to be able to attract, motivate and retain sufficient talent.

NIBC Holding’s determined to make a positive contribution towards creating the level playing field that regulators envisage with regard to variable compensation.

In Control Report

The responsibilities of the Managing Board are anchored in the principles of the Dutch Financial Supervision Act³ and other regulations. These responsibilities include compliance with relevant legislation and responsibility for the implementation of risk management and control systems. The management and control systems aim to ensure reliable financial reporting and to control downside risk to the operational and financial objectives of NIBC Holding.

RISK MANAGEMENT AND CONTROL

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

The internal risk management and control systems based on a risk identification process combined with an established set of detective, preventative and repressive control measures provide reasonable assurance that the financial reporting does not contain errors of material importance and that the internal risk management and control systems regarding the financial reporting risks worked properly in the year under review.

In view of the above, the Managing Board of NIBC Holding believes it is in compliance with the requirements of best practice II.1.4 and best practice II.1.5 of the Dutch Corporate Governance Code.

RESPONSIBILITY STATEMENT

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

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

The Hague, 11 March 2014

Managing Board

Jeroen Drost, *Chief Executive Officer, Chairman*
Herman Dijkhuizen, *Chief Financial Officer*
Rob ten Heggeler, *Chief Client Officer*
Petra van Hoeken, *Chief Risk Officer*

³ Wet op het financiële toezicht (Wft), 12 October 2006.

Risk Management

Within NIBC Holding, Risk Management is fully integrated in the strategic planning and daily business activities thus enforcing efficiency, prioritisation and effectiveness throughout the organisation. Risk Management is implemented in NIBC Holding's two pillars, Corporate and Consumer Banking.

KEY DEVELOPMENTS IN 2013

- Continuation of de-risking our balance sheet and further reduction of portfolios through the divestment of non-core assets;
- Proactive portfolio management in line with current market conditions with strong focus on credit quality of existing and newly originated clients;
- Increased bank-wide awareness on operational risk by increasing the frequency of operational risk and control self-assessments RCSA across all business units and countries;
- Through its credit and new product approval processes, Risk Management actively supported Corporate Banking in closing some landmark transactions, such as the conditional pass-through covered bond transaction;
- Further diversified funding with expansion of the retail savings to EUR 8.4 billion and a new CLO securitisation transaction; and

- Interest rate risk management was further enhanced in view of the low interest rate environment and our changed funding model.

Risk Management includes credit, market, operational, liquidity, investment, regulatory and reputation risk. In line with previous years, NIBC Holding had no sovereign debt exposure.

Notes 53, 54, 55 and 56 to the consolidated financial statements contain more detailed information on Risk Management as well as on NIBC Holding's internal rating process and its use in decision-making. Additional information can be found in NIBC Holding's Pillar 3 report on capital adequacy and risk management, published on NIBC Holding's website.

PORTFOLIO OVERVIEW

Table 1 presents a breakdown of the book value of NIBC Holding's risk exposures (drawn and

I Overview of risk exposures

IN EUR MILLIONS	Main risk types	31 December 2013	31 December 2012
CORPORATE/ INVESTMENT LOANS		7,681	8,923
Corporate loans	Credit risk	7,555	8,750
Investment loans	Credit risk	126	173
RESIDENTIAL MORTGAGES	Credit risk	7,564	8,187
EQUITY INVESTMENTS	Investment risk	340	311
DEBT INVESTMENTS		1,549	1,422
Debt from financial institutions and corporate entities	Credit risk / Market risk	711	601
Securitisations	Credit risk / Market risk	838	821
CASH MANAGEMENT		1,798	2,209
Cash	Credit risk	1,798	2,188
Repo	Credit risk	-	21
DERIVATIVES¹	Credit risk / Market risk	2,800	3,927
TOTAL		21,732	24,980

¹ Positive replacement values.

undrawn), together with the types of risk present in these portfolios. Definitions of the main risk types are given in the respective sections that follow.

The exposure amounts of table 1 are in general aligned with the regulatory capital view of Basel II capital calculations, except for derivatives, which show the positive replacement values only, without netting and without any potential future exposure add-on. The numbers presented can differ from the numbers on the balance sheet, on which only drawn amounts are shown, with the exception of equity investments. Note 53 to the consolidated financial statements presents a more detailed comparison between risk figures and balance sheet amounts. The exposure of a securitised loan (EUR 143 million) is included in the Corporate Loan portfolio.

RISK GOVERNANCE

NIBC Holding uses the so-called 'three lines of defence' model, which has become a standard model in a modern financial institution's approach to managing uncertainty and risk. The first line consists of the business. The second line are the control functions, made up primarily of risk management and compliance. These functions set policies, define work practices and oversee the business frontlines with regard to risk and compliance. The third line of defence refers to internal audit, who regularly review both the business frontlines and the control functions to ensure that they are carrying out their tasks to the required level of competency.

With its responsibilities as the second line of defence, NIBC Holding Risk Management translates and cascades the risk appetite throughout the organisation via a risk management culture, policies, limits and approvals.

NIBC Holding has a two-tier board structure consisting of Supervisory Board and Managing Board. The overseeing body at Supervisory Board level for risk-related matters is the RPC and for compliance and audit-related topics - the ACC. Formal authority and decision-making are the responsibilities of the Managing Board, who delegates to the *Risk Management Committee (RMC)*, the *Transaction Committee (TC)*, the *Asset & Liability Committee (ALCO)*, the *Investment Committee (IC)* and the ECC. These committees ensure that all risks NIBC is

exposed to are effectively managed and that the bank is operating in line with the overall desired risk appetite.

The risk committees are supported by a robust risk management organisation, which focuses on the daily risk monitoring and management. The risk departments are *Credit Risk Management (CRM)*, *Restructuring & Distressed Assets Management (RDA)*, *Financial Markets Credit Risk and Risk Policy & Reporting (FMCR/RP&R)*, *Market Risk Management (MRM)*, *Risk Analytics & Model Validation (RA/MV)*, and *Operational Risk Management (ORM)*. *Compliance & CSR (C&C)* and Legal joined Risk Management in 2012, which further enhanced the cohesiveness of the second line of defence. In 2013, *Asset & Liability Management (ALM)* moved to the new combined Treasury & ALM department to strengthen the first line of defence, to bring liquidity management responsibility close to the funding management responsibility and in order to take responsibility for the Banking book activities.

Effective and comprehensive internal risk reporting enables senior management to promptly and accurately assess the bank's risk profile and to ensure it remains within the predefined risk appetite framework. It further empowers the first line of defence, by providing tools and management information to optimise their portfolio decisions from a risk perspective. External risk reporting ensures that all stakeholders are informed through annual reports, interim reports and regulatory reports such as the Pillar 3 report on capital adequacy and risk management.

Risk appetite

NIBC Holding defines risk appetite as the level and type of risk a firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through both quantitative and qualitative means and should consider extreme conditions and events. The outcomes of NIBC Holding's Stress Testing framework and consequently Risk Appetite are reported quarterly to the RMC and RPC by Risk Management. Based on budgets and forecasts, risk appetite outcomes are predicted on a forward-looking basis enabling management to consider NIBC Holding's risk profile in strategic decision making. Limits are adjusted according to the bank's

strategy, while temporary limits are considered if the business activities are unable to adapt to the bank's risk appetite within historically anticipated timelines. On a lower level, risk appetite statements are translated to Key Risk Indicators and risk limits are used throughout NIBC Holding.

Currently, the risk appetite framework consists of four elements, for which limits have been formulated and approved by the RPC. These four elements are designed to review the adequacy of NIBC Holding's capital and liquidity position under varying circumstances. They consist of targets on P&L and Fair Value losses due to severe stress as defined in the Event Risk framework, buffer requirements to facilitate *Economic Capital (EC)* usage under stress, a minimum for the core Tier-1 capital ratio and restrictions on the outcome of three liquidity stress tests. On an annual basis, Risk Management reviews all hypothetical, historical and regulatory scenarios used, to see if they are still relevant and comprehensive enough to capture all significant risks contained in NIBC Holding's positions. The set of selected stress scenarios are designed to provide the business with incentive to improve asset quality and combined they provide a holistic overview of NIBC Holding's risk profile and the sensitivities.

CREDIT RISK

NIBC Holding defines credit risk as the current or potential threat to the company's earnings and capital as a result of a counterparty's failure to make required payments related to financial obligations on time or to comply with other conditions of the agreement. The possibility of restrictions on or impediments to the transfer of payments from abroad also fall under credit risk. Credit risk at NIBC Holding is present in corporate loans, residential mortgages, debt investments, investment loans, cash management and derivatives. These portfolios are further discussed in note 53 to the consolidated financial statements.

Corporate loans

For quantifying the credit risk of its Corporate Loan portfolio, NIBC Holding has been employing an internally developed methodology under the Basel II *Advanced Internal Ratings Based (AIRB)* approach since 2008. In line with regulations, the methodology consists of three elements: a *counterparty credit rating (CCR)* that reflects the *probability of default (PD)* of the borrower, an

anticipated loss element that expresses the potential loss in the event of default (*loss given default, (LGD)*), which takes into account the presence of collateral, and *exposure at default (EAD)*, defined as the amount that is expected to be outstanding at the moment that a counterparty defaults.

Main developments in the Corporate Loan portfolio

In 2013, NIBC Holding continued strengthening its sector focus, further concentrating on industries in which it possesses strong expertise and knowledge and where it can best assist its clients to achieve their strategic ambitions. Excellent understanding of customer needs, key industry fundamentals, market developments and, simultaneously, constantly following the trends, are of pivotal importance.

The Corporate Loan portfolio is one of NIBC Holding's core portfolios. The total exposure amounted to EUR 7,555 million at 31 December 2013 (31 December 2012: EUR 8,750 million). The seven sectors in the Corporate Loan portfolio are Infrastructure & Renewables, Commercial Real Estate, Shipping & Intermodal, Oil & Gas Services, Industries & Manufacturing, Technology, Media & Services, Food, Agri & Retail. In 2012, Leveraged Finance assets were reported as a separate sector. However for 2013, the Leveraged Finance assets are included in the sectors Industries & Manufacturing, Technology, Media & Services and Food, Agri & Retail.

In 2013, the geographical distribution of corporate loans remained stable. Europe comprises 87% of exposure, which is located mainly in the Netherlands (30%), Germany (23%) and the United Kingdom (19%). The exposure distribution in North America (4%) and other regions (4%) remained stable in 2013. Compared to 2012, the distribution in Asia/Pacific (5%) decreased slightly.

The Infrastructure & Renewables sector decreased slightly in 2013 to EUR 1,944 million. The market witnessed an increased appetite from institutional investors in the last year, to which the sector's increased focus on the capital markets led to the execution of a landmark transaction. This deal subsequently won the Thomson Reuters Project Finance International European Public Private Partnership deal of the year. There was a continued application of the team's expertise to execute

advisory mandates. In terms of geographical split, the sector is spread across the United Kingdom (61%), Germany (16%) and the Netherlands (14%). The remainder of the portfolio is located in the rest of Europe. The portfolio spans various industry sectors, of which education (25%), renewable energy (19%), healthcare (18%) and roads & railways (15%) are the most prominent sectors.

The Commercial Real Estate portfolio amounted to EUR 1,445 million at year-end 2013 and fell strongly due to client prepayments and repayments as well as the sale of selective exposures. In 2013, the emphasis was on active portfolio management with frequent screenings and semi-annual reviews of key clients Credit default swap protection (EUR 98 million) remained in place and significant steps were taken in restructuring a number of exposures, which resulted in maintaining the overall portfolio quality. More than 65% of the portfolio is appraised every year by external parties, with another 15% carried out on demand of the lender, both in line with the increased focus on external and timely valuations. Early engagement with clients is pursued for upcoming redemptions and loan repayments. Commercial Real Estate remains a well-diversified portfolio across various commercial real estate classes with a continued reduction in large exposures. The properties are located in Germany (52%) and the Netherlands (48%). Residential commercial property financing accounts for 63% of the portfolio, which significantly reduces the concentration risk in the underlying collateral pool given the large number of tenants. The majority of NIBC Holding's residential commercial properties are located in Germany (76%), where in general the market has remained stronger. Other prominent segments relate to offices (11%), hotels (10%) and retail property financing (6%). The exposure of a securitised loan (EUR 143 million) is included in the Commercial Real Estate portfolio.

The exposure of the Shipping & Intermodal sector was reduced in 2013 to EUR 1,136 million, despite new transactions broadening the client base. The adverse economic conditions that the industry has been experiencing for the past years continued throughout 2013 but this seems to be bottoming out. Active portfolio management remained a high priority and resulted in a relatively stable credit quality. The sector did not experience new defaults with the portfolio stabilising leaving room for new

opportunities. Emphasis on asset quality, owner of the asset and access to cargo, all of which are required for healthy cash flow generation, continued. In 2013, NIBC Holding also centralised its Shipping & Intermodal activities to its headquarters creating a knowledge centre and economies of scale to better serve its clients globally. NIBC Holding's Shipping & Intermodal portfolio consists mainly of tankers (41%), bulk carriers (26%), container vessels (10%) and container boxes (also known as intermodal; 8%). Borrowers are mainly located in Europe (46%), Asia/Pacific (26%) and North America (20%).

The Industries & Manufacturing portfolio was EUR 1,024 million at year-end 2013 consisting of EUR 672 million in Corporate Lending and EUR 352 million in Leveraged Finance. Most of the clients are located in the Netherlands (63%) and the remainder in Germany (23%) and the rest of Europe (14%). The credit quality of the portfolio remained stable, as a result of active portfolio management and disciplined approach towards origination. Leveraged Finance remained selective, avoiding more aggressive deals while staying aligned with the sector including its mid-market focus. Although, in general, the demand for industrial products tends to be cyclical, NIBC Holding focuses on the more stable subsectors where it has sufficient expertise with clients that exhibit geographical diversification. The portfolio is well balanced and split across various industry sectors: industrial products (32%), rental and leasing activities (14%), transportation & storage (13%), chemicals (8%), wholesale (7%), financial services (5%) and consumer products (5%). Certain transactions in the financial services industry are funded through a financial markets' structure with highly-rated and self-liquidating collateral.

Oil & Gas Services performed well and the portfolio decreased to EUR 864 million despite execution of a number of new transactions. Prepayments and currency fluctuations led to the reduction. The portfolio includes a Leveraged Finance transaction of EUR 18 million. In 2013, the sector continued diversifying its client base and further built its presence in the reserve-based lending and offshore support segments. The credit quality remained solid with no defaults, impairments or arrears. The total exposure in this portfolio is split over five main subsectors of which offshore support vessels (31%), drilling (29%) and production (17%) are

the most prominent subsectors. In terms of geographical focus, the sector is balanced across Europe (59%), Asia/Pacific (13%) and North America (11%) and the assets are located all over the world in key oil and gas areas.

The exposure of the Food, Agri & Retail sector amounted to EUR 518 million at year-end 2013 consisting of EUR 175 million in Corporate Lending and EUR 343 million in Leveraged Finance. The portfolio is balanced across several segments. NIBC Holding's clear sector and client strategy allowed for the execution of a number of successful transactions. Most of the clients in this sector operate in retail (30%), food & beverages (29%), wholesale (20%), healthcare (9%), services (8%) and other (4%). In terms of geographic distribution, the corporate lending focus is exclusively on Europe and predominantly in the Netherlands and Germany, while Leveraged Finance also includes a smaller focus in the United Kingdom. The overall portfolio is spread across the Netherlands (57%), Germany (27%), the rest of Europe (12%) and the United Kingdom (4%). The credit quality remained solid, resulting from the continuous emphasis on a well-balanced credit selection where Leveraged Finance was successful with its continued selective approach with respect to origination by avoiding more aggressive deals and focusing on mid-market companies and relationships with financial sponsors.

The Technology, Media & Services' portfolio amounted to EUR 487 million at year-end 2013 consisting of EUR 282 million in Corporate Lending and EUR 205 million in Leveraged Finance. Both of these segments witnessed slower activity in 2013 although NIBC Holding participated in a number of selective transactions. The credit quality of the portfolio remained relatively stable during 2013 with Leveraged Finance avoiding more aggressive deal structures. Technological changes are playing an increasingly larger role in driving change in the overall sector in general. Certain sub-sectors, such as media, faced a more difficult time in 2013, while others such as services started to see positive indicators towards the end of the year. The portfolio mostly consists of financial services (34%), general services (31%), IT services (14%), media (7%), electronics (3%) and other (11%). Borrowers are mainly located in the Netherlands (38%), the United Kingdom (26%) and

Germany (21%). The sector has a small presence in the rest of Europe (8%) and in Asia/Pacific (3%).

The remainder of the Corporate Loan portfolio consists of an auto lease transaction of EUR 75 million, two transactions related to retail markets totaling EUR 55 million and a small exposure in our legacy Aviation portfolio of EUR 8 million.

Note 53 to the financial statements provides more detailed information on the Corporate Loan portfolio and the Investment Loan portfolio.

Development of credit quality and special attention exposure

The credit quality of the Corporate Loan Portfolio remained fairly stable in 2013. Emphasis during the year was on ensuring solid quality of existing and newly originated clients. This was enforced by strong and pro-active portfolio management and increased sector emphasis.

In terms of CCR's distribution, the credit quality of the portfolio is concentrated in the 5 and 6 categories in NIBC Holding's internal rating scale (BB and B categories in external rating agencies' scales). The concentration of NIBC Holding's corporate loan exposure in sub-investment grade is counterbalanced by the fact that almost all loans have some form of collateralisation. Loans can be collateralised by mortgages on vessels and real estate, by lease and other receivables, by pledge on machinery and equipment, or by third-party guarantees and other similar agreements. The collateral portfolio also benefits from external valuations. As a result, NIBC Holding's LGDs are concentrated in those LGD categories that correspond to recoveries in the range of 80% and 90%, which are relatively high for the banking industry.

As a result of several successful restructurings during 2013, executed in close cooperation between the business and Risk Management, the corporate loan exposure carrying an arrear fell sharply to EUR 102 million at 31 December 2013 (31 December 2012: EUR 307 million). However, more write-offs were taken in 2013 (EUR 90 million) compared to 2012 (EUR 28 million), while the stock of impairments decreased by 20% to EUR 107 million.

Risk Management monitors the special attention exposure on an ongoing basis, which enables a prompt and proactive response, if needed. Several metrics defining the special attention exposure are used to capture potential problematic borrowers:

- Exposure managed by the RDA department;
- Exposure on watch list: the watch list consists of obligors not managed by RDA, but with a higher risk of default. Several criteria exist for placement on the watch list, which mostly relate to credit ratings, rating migrations, non-commercial restructuring or non-performing facilities;
- Defaulted exposure: defined by the Basel II definition (see note 53). A counterparty is considered defaulted if it carries an internal CCR rating of 9 or 10;
- Impaired exposure: defined by the *International Financial Reporting Standards (IFRS)* accounting standard. Facilities are considered impaired if the TC decides on an impairment amount for that facility; and
- Non-performing exposure: defined by the *International Monetary Fund (IMF)*. Non-performing includes facilities with an arrear for more than 90 days, and facilities with an arrear for less than 90 days and carrying an impairment amount.

Table 2 shows an overview of the five metrics as a percentage of the total exposure at 31 December 2013 and 31 December 2012.

2 Overview of special attention exposure

IN % OF TOTAL EXPOSURE	31 December 2013	31 December 2012
Defaulted exposure	6.3	6.1
Impaired exposure	5.4	4.8
Non-performing exposure	0.7	3.1
Exposure managed by RDA	10.6	11.1
Exposure on watch list	3.6	2.2

Note 53 to the financial statements provides more detailed information on the development of impairments and write-offs.

Residential mortgages

Since 1 January 2008, NIBC Holding's rating methodology for residential mortgages using the AIRB approach for calculating solvency

requirements and reporting to the DNB has been approved by the regulator. The calculation of PD, LGD and EAD is performed by an internally developed Basel II AIRB model, which has been in use since 2006. This AIRB model is periodically assessed by the DNB to ensure that their requirements are met.

The Residential Mortgage portfolio at 31 December 2013 amounted to EUR 7,564 million (31 December 2012: EUR 8,187 million). The majority (97%) of the Residential Mortgage portfolio consists of Dutch mortgages. The remainder of EUR 233 million comprises German mortgages. An amount of EUR 3,878 million is securitised in various RMBS transactions. In 2013, the portfolio decreased by approximately EUR 625 million, mainly due to repayments being higher than originations. The portfolio consists of residential mortgage loans originated both in the Netherlands and Germany.

In 2013, NIBC Holding successfully placed a securitisation transaction (EUR 527 million) backed by residential mortgages under its long-standing Dutch MBS programme. Additionally, NIBC Holding placed a covered bond transaction (EUR 500 million) backed by residential mortgages under its new type of Dutch law based conditional pass through covered bond programme.

The residential mortgage market remained challenging in 2013. However, uncertainties about credit regulations and tax deductibility have largely been clarified. As sentiment on the Dutch housing market improved, 2013 saw the start of new origination with the introduction of the NIBC Direct mortgage programme. Competition in the residential mortgage market has increased in 2013 putting a strain on origination spreads. Credit losses were contained and stabilised during 2013. The recovery on the Dutch housing market however, remains fragile and susceptible to broader macro-economic climate on both the Dutch and European market as a whole.

Debt investments

The Debt Investments portfolio contains issuer risk, which is the credit risk of losing the principal amount on products such as bonds. It is calculated based on the book value. This portfolio contained no sovereign exposures.

NIBC Holding identifies the following sub-portfolios:

- Debt from financial institutions and corporate entities; and
- Securitisations, further broken down into Western European and Liquidity Investments portfolio.

The portfolio of debt issued by financial institutions and corporate entities amounted to EUR 711 million at 31 December 2013 (31 December 2012: EUR 601 million). This portfolio is used to support NIBC Holding's liquidity position. Bonds issued by financial institutions comprised 95% of this amount, and 5% were corporate bonds. The exposure was mainly from issuers located in the Netherlands (23%), the United States (17%), Germany (14%), the United Kingdom (13%), and other Western European countries (33%). There were no *Credit Default Swaps (CDS)* outstanding in the Debt Investments portfolio.

The total securitisation exposure amounted to EUR 838 million at 31 December 2013 (31 December 2012: EUR 821 million), which was all located in Western Europe.

The size of both portfolios combined increased in 2013, mainly due to increased investments in the liquidity portfolio.

Note 53 to the consolidated financial statements provide more information for both portfolios.

Cash management

NIBC Holding is also exposed to credit risk as a result of cash management activities. This exposure consists of cash and balances with central banks and cash accounts with other banks. NIBC Holding holds foreign currency accounts at correspondent banks and also utilises third-party account providers for internal securitisations.

In 2013, NIBC Holding's risk management framework for cash management continued its conservative attitude, taking into account the vulnerable financial markets.

NIBC Holding places its excess cash primarily at the DNB and a selected number of strong investment-grade financial institutions. For the approved financial counterparties, a monitoring

process is set up within the FMCR department. Ratings of financial counterparties are verified on a daily basis.

The size of this portfolio decreased to EUR 1,798 million at 31 December 2013 (31 December 2012: EUR 2,188 million), mainly as a result of the redemptions and buy-backs of government-guaranteed funding. At 31 December 2013, 68% of NIBC Holding's excess cash was placed at the DNB. The remainder was mainly placed at financial institutions rated single-A or higher, of which 57% were located in the Netherlands, 26% in the United States, 7% in France, and 10% in other European countries.

Note 53 to the consolidated financial statements provide more information on cash management.

Derivatives

Credit risk in derivatives is the risk of having to replace the counterparty in derivative contracts. NIBC Holding manages this risk, based upon the marked-to-market value plus a *Potential Future Exposure (PFE)*. The PFE reflects a potential future change in marked-to-market value during the remaining lifetime of the derivative contract.

NIBC Holding's credit risk in derivatives can be split into exposures to financial institutions and corporate entities. Our policy is to minimise this risk. With respect to financial institutions, NIBC Holding only enters into *Over The Counter (OTC)* derivatives with investment-grade counterparties with ratings of single-A or higher. NIBC Holding has bilateral collateral contracts in place with all of the financial institutions it does business with. These contracts aim to mitigate credit risk in the derivatives by means of *Credit Support Annexes (CSA)*. In 2013, NIBC Holding started to clear derivatives centrally. EUR 433 million of our derivative portfolio excluding netting, collateral and PFE has been centrally cleared.

For corporate clients, NIBC Holding enters into a derivative transaction as part of its relationship management. CSA agreements are not in place for these contracts, however corporate derivative exposures usually benefit from the collateral also supporting the related loan exposure.

The size of NIBC Holding's derivative portfolio excluding netting, collateral and PFE amounted to

EUR 2,800 million at 31 December 2013 (31 December 2012: EUR 3,927 million). Including netting and collateral, the size was EUR 839 million (31 December 2012: EUR 981 million). Netting and collateral almost exclusively reduce the exposure to derivatives with financial institutions.

Derivative contracts are closed with financial institutions and corporate clients in NIBC Holding's core geographies. In terms of net exposure, 44% is located in the Netherlands, 30% in the United Kingdom, 10% in Germany, 7% in France and 9% in other countries. In terms of industry sector, all of NIBC Holding's financial counterparties fall into the financial services sector. Corporate clients with derivatives are mainly active in Infrastructure & Renewables (49%), Commercial Real Estate (38%) and Securitisation vehicles (5%).

Note 53 to the consolidated financial statements provides more information on derivatives.

MARKET RISK

NIBC Holding defines market risk as the current and prospective threat to its earnings and capital as a result of movements in market prices. Market risk includes price risk, interest rate risk and foreign exchange risk, both within and outside the Trading book. For fixed-income products, market risk also includes credit spread risk, which is the risk due to movements of underlying credit curves.

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

In the Trading book, 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 overall market risk in NIBC Holding's Trading book is limited, as is also exhibited by the amount of Basel II/Pillar I regulatory capital required for this activity, which only comprises 2% of the total regulatory capital. This is comparable to 2012. The low level of market risk is further emphasised by the VaR, calculated with a 99% confidence interval, which amounted, on average, to only EUR 0.3 million in 2013. The VaR limit is currently set at EUR 2.25 million.

In the Mismatch book, NIBC Holding concentrates the interest rate risk of the bank based upon a long-term view. Traditionally, NIBC Holding only takes mismatch positions in the currencies in which the bank has lending activities. During 2012, NIBC Holding did not have an open mismatch position. In 2013, NIBC Holding opened a new mismatch position in GBP.

Apart from the Trading book and the Mismatch book, interest rate risk is also contained in a number of books collectively referred to as Banking Book. The Banking Book normally only contains residual interest rate risk and basis risk. However, the Banking Book also contains on-demand savings from retail clients. In the beginning of 2013, NIBC Holding changed the modelling of the on-demand savings. As a consequence of this model change a significant interest position became visible, which is not yet fully hedged.

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

NIBC Holding has the policy not to take any active currency positions. When currency positions exceed small facilitating limits, NIBC Holding enters into a hedging transaction. NIBC Holding's overall open currency position, which is determined at month end, is typically around EUR 25 million prior to hedging.

In 2013, interest rates remained at very low levels. This had little impact on the Trading book, whose result is in general more influenced by the volatility of the rates than their actual level. NIBC Holding closed its mismatch position in 2011 and decided to open a new GBP mismatch position, when GBP interest rates rose to more attractive levels. The predominant effect of the low interest rates is manifested in the Banking Book. Due to the competitive environment, the client rate for retail savings cannot be lowered at the same pace as the decline in interest rates. However, during 2013 the margin for on-demand retail savings started to move to more realistic spreads. In addition, NIBC Holding has to hold significant cash buffers, both for prudent liquidity management and as collateral for derivatives. The short-term interest rates'

decline to levels close to zero had a negative impact on NIBC Holding's interest margin.

Note 54 to the consolidated financial statements provides more information on market risk.

INVESTMENT RISK

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

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

The investment process is based on the following principles:

- Investment risk exposures are authorised independently from the business originators;
- Systematic risk analysis of the investment is undertaken, with a view to identifying, measuring, and evaluating all risks; and
- The principles of Know Your Customer, CSR and customer due diligence are embedded as an integral part of the overall investment process.

Management of investment exposures

Direct investment transactions with respect to equity exposures are approved by the IC. As far as indirect investment transactions are concerned, these are approved by the investment committees of the NIBC Holding Funds, subject to the investment guidelines stipulated in the fund agreements between the manager of the NIBC Holding Fund and the investors.

NIBC Holding's equity investments are generally characterised by low liquidity. Because the size of the Investment portfolio is limited, concentration risk is assessed per individual new asset. Market, sector and geographical exposure profiles are also taken into account.

All investment exposures are reviewed on a quarterly basis. The investment manager drafts a review

3 Breakdown of equity investments per industry sector

IN EUR MILLIONS	2013	2012
Wholesale/Retail/Leisure	140	97
Infrastructure	80	81
Financial Services	47	32
Services	30	38
Commercial Real Estate	15	18
Manufacturing	11	16
Shipping	-	-
Agriculture & Food	-	-
TMT	-	-
Other	17	29
TOTAL AT 31 DECEMBER	340	311

4 Breakdown of equity investments per region

IN EUR MILLIONS	2013	2012
The Netherlands	286	250
North America	25	22
Rest of Europe	19	28
United Kingdom	10	11
TOTAL AT 31 DECEMBER	340	311

document and prepares a valuation of the investment in accordance with the International Private Equity and Venture Capital Valuation Guidelines, to the extent that these are consistent with IAS 39. The International Private Equity and Venture Capital Valuation Guidelines set out recommendations, intended to represent current best practice on the valuation of private equity investments. All valuations are approved by the IC.

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

Composition of investment exposure

Tables 3 and 4 present the on-balance amounts and the breakdown of the Equity Investments portfolio in industry sectors and regions. NIBC Holding's off-balance commitments amounted to EUR 38 million at 31 December 2013 (31 December 2012: EUR 43 million). The total Equity Investments portfolio increased in 2013 mainly due to a large debt-for-equity transaction.

LIQUIDITY RISK

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

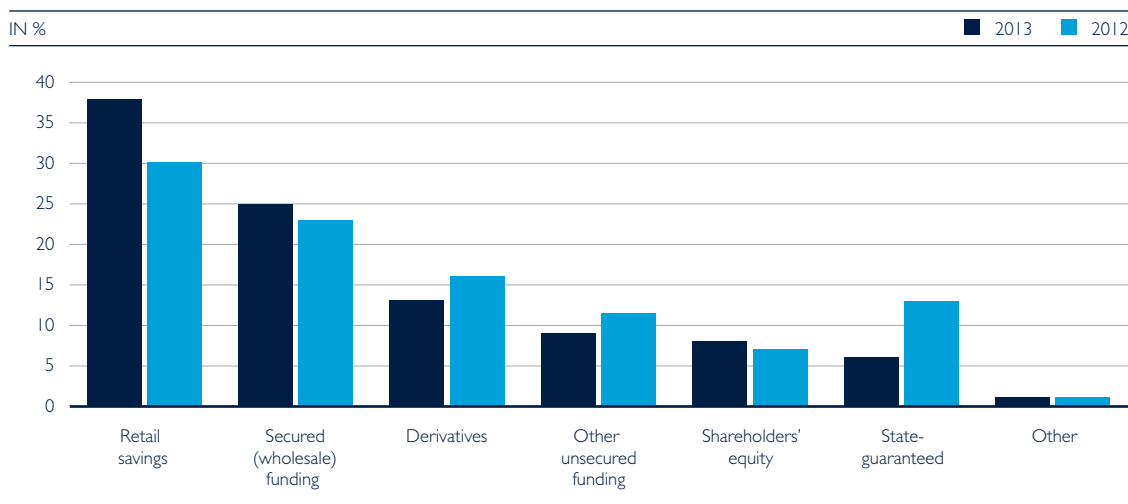
One of the cornerstones of NIBC Holding's liquidity risk management framework is to maintain a comfortable liquidity position. The

credit and liquidity crisis made liquidity risk management even more important. NIBC Holding was able to maintain a sound liquidity position in the difficult times of the credit crisis due to the prudent and conservative liquidity and funding policy in the past, as well as by diversifying funding sources. Following the funding diversification of the past years, the major funding initiatives undertaken in 2013 were the further expansion of the online retail savings programme NIBC Direct from EUR 7.7 billion to EUR 8.4 billion, as well as renewed issuance of covered bonds, RMBS, unsecured debt and GBP-denominated secured funding. In addition, NIBC Holding was able to maintain its liquidity buffers of highly liquid assets and collateralised funding capacity throughout 2013.

Based on projections prepared by the business units and reviewed by Asset & Liability 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 allow continuous monitoring of the liquidity position. The market-wide stress test, for example, assumes no additional funding, continuation of business and potential outflow of cash due to collateral agreements. The outcomes of the liquidity stress tests are at a comfortable positive level and remain positive for a prolonged period, under the assumption that normal measures are carried out.

Note 55 to the consolidated financial statements provides more information on liquidity risk.

5 Breakdown of total liabilities, 31 December 2013 (EUR 22,321 million) and 31 December 2012 (EUR 26,242 million)



Funding

NIBC Holding further diversified its funding base by the initiatives mentioned earlier. An overview of the Funding portfolio at 31 December 2013 and 31 December 2012 is shown in graph 5. The funding overview is based on total balance sheet amounts.

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. NIBC Holding has chosen also to include reputation and strategic business risk as operational risk.

In NIBC Holding's three lines of defence model, the ORM department is part of the second-line function. NIBC Holding's operational risk management framework outlines principles for the roles, responsibilities and accountabilities for front-to-back operational risk management. Staff is responsible for adherence to the framework and the operational risk policies, which include oversight of all operational risks specific to the business and reporting of operational risk events and losses.

NIBC Holding's operational risk management promotes a 'no surprises' operating environment and provides a transparent and consistent way of managing operational risk across all our business lines, banking activities and countries.

As part of this, every NIBC Holding business unit and international office has an operational risk management 'champion'. These employees assess their departments for potential operational risks, monitor the control mechanisms in place to mitigate these, coordinate ways of resolving loss-making events, and spread the word on operational risks within their departments. Since the scheme was launched in 2012, the 'ORM Champs' have evolved into a valuable network that shares its knowledge across the bank.

The central ORM function monitors and manages operational risk on group level, develops policies and processes and provides methodology and tools. The tools give an integrated view of the *risk and control self-assessment (RCSA)*, control identification, action planning, and event and loss registration. These tools support the constant process of evaluating and reducing operational risk, and planning mitigation measures. The department

also co-ordinates the development of forward-looking scenario analysis (hypothetical external or internal scenarios with which it is ensured that a plan exists in case these events occur). Examples of such scenarios include business continuity plans for buildings, key technology systems and key processes of the bank, stress in the Dutch banking sector, large-scale staff unavailability due to e.g. a pandemic, and other hypothetical events for which a forward-looking action plan is necessary.

ORM is the owner of the new product approval process. In the course of 2013, three new products were launched by NIBC Holding. One was a landmark transaction of Corporate Banking, namely the launch of a Managed Account with Belgian insurer P&V. The second one was the launch of NIBC Direct-branded mortgages by Consumer Banking. The third one was a product developed by Treasury, which is not offered to clients and is intended as a fall-back mechanism in case of stress on the financial markets. ORM actively assists the business in ensuring that the operational impact of the new products on the bank is accurately assessed, that the new products safeguard client interest and client suitability, and that NIBC Holding can offer its new products without disruptions or other operational failures.

As last year saw more failures in the banking sector both internationally as well as in the Netherlands (e.g. fraud cases, Libor manipulation), NIBC Holding further enhanced its forward-looking, proactive attitude and its structured approach to managing operational risk across all three lines of defence. NIBC Holding increased the frequency of conducting RCSAs and declaring itself In Control to twice a year. In a rapidly changing environment, this ensures a forward-looking approach to the development of risks and allows to assess and identify the areas that require attention in time.

CAPITAL ADEQUACY

Regulatory capital

The principal ratios for reviewing NIBC Holding's capital adequacy are the Basel II regulatory capital ratios: the core Tier-1 ratio, the Tier-1 ratio and the BIS ratio.

As in previous years, NIBC Holding was very well capitalised at 31 December 2013, characterised by the strong regulatory ratios. The core Tier-1 ratio stood at 16.8% (31 December 2012: 14.1%); the

6 NIBC Holding capital ratios, Basel II

IN %	31 December 2013	31 December 2012
CAPITAL RATIOS		
Core Tier-I ratio	16.8	14.1
Tier-I ratio	20.0	16.9
BIS ratio	20.9	17.9
RISK WEIGHTED ASSETS		
Credit risk	7,499	8,545
Market risk	190	324
Operational risk	572	771
TOTAL RWA	8,261	9,641

Small differences are possible in the table due to rounding.

Tier-1 ratio at 20.0% (31 December 2012: 16.9%); and the BIS ratio at 20.9% (31 December 2012: 17.9%), well above the capital requirements imposed by the DNB, which require a minimum Tier-1 ratio of 4% and a minimum BIS ratio of 8%. NIBC Holding is well prepared for Basel III charges on capital ratios.

The main driver for the higher levels of these ratios compared to 2012 was the further decrease in *Risk Weighted Assets (RWA)*. Of the total capital requirement, 91% relates to credit risk, 7% to operational risk and 2% to market risk. Table 6 shows the summary of capital ratios and RWA for NIBC Holding.

Economic capital

In addition to regulatory capital, NIBC Holding also calculates *Economic Capital (EC)*. This is the

amount of capital that NIBC Holding needs as a buffer against potential losses from business activities, based upon its own assessment of risks. It differs from Basel II regulatory capital as NIBC Holding assesses the specific risk characteristics of its business activities in a different manner from the general regulatory method. At NIBC Holding, EC is based on a one-year risk horizon with a 99.95% confidence level. This confidence level means that there is a probability of 0.05% that losses in a period of one year will be larger than the allocated EC.

During 2013, the EC remained relatively stable and ranged between EUR 1.0 billion and EUR 1.1 billion, with an average of EUR 1,055 million. Compared to 2012, the reduction in portfolios has led to a small decline in calculated EC. Note 56 to the consolidated financial statements provides more information on capital management.

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Consolidated income statement

for the year ended 31 December

IN EUR MILLIONS	NOTE	2013	2012
Interest and similar income		483	568
Interest expense and similar charges		341	449
NET INTEREST INCOME	2	142	119
Fee and commission income		18	18
Fee and commission expense		1	6
NET FEE AND COMMISSION INCOME	3	17	12
Dividend income	4	2	8
Net trading income	5	58	124
Gains less losses from financial assets	6	8	28
Share in result of associates	26	(1)	(1)
Other operating income	7	14	22
OPERATING INCOME		240	312
Personnel expenses and share-based payments	8	90	98
Other operating expenses	9	56	60
Depreciation and amortisation	10	9	10
OPERATING EXPENSES		155	168
Impairments of financial assets	11	62	25
TOTAL EXPENSES		217	193
PROFIT BEFORE TAX		23	119
Tax	12	5	17
PROFIT AFTER TAX		18	102
Result attributable to non-controlling interests		-	-
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDERS		18	102

Consolidated statement of comprehensive income

for the year ended 31 December

IN EUR MILLIONS	2013			2012		
	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
PROFIT FOR THE YEAR	23	5	18	119	17	102
OTHER COMPREHENSIVE INCOME						
<i>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</i>						
Remeasurements of defined-benefit plans	(3)	(1)	(2)	(3)	-	(3)
Revaluation of property, plant and equipment	-	-	-	1	-	1
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</i>						
Net result on hedging instruments	(30)	(8)	(22)	(30)	(7)	(23)
Revaluation of loans and receivables	-	-	-	4	1	3
Revaluation of equity investments	3	-	3	(10)	(1)	(9)
Revaluation of debt investments	2	1	1	24	6	18
TOTAL OTHER COMPREHENSIVE INCOME	(28)	(8)	(20)	(14)	(1)	(13)
TOTAL COMPREHENSIVE INCOME	(5)	(3)	(2)	105	16	89
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO						
Parent shareholder	(5)	(3)	(2)	105	16	89
Non-controlling interests	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	(5)	(3)	(2)	105	16	89

Consolidated balance sheet

at 31 December

IN EUR MILLIONS	NOTE	2013	2012
Assets			
FINANCIAL ASSETS AT AMORTISED COST			
Cash and balances with central banks	13	1,150	1,604
Due from other banks	14	1,799	2,148
Loans and receivables			
Loans	15	5,979	7,336
Debt investments	16	415	366
Residential mortgages own book	17	98	-
FINANCIAL ASSETS AT AVAILABLE-FOR-SALE			
Equity investments	18	47	49
Debt investments	19	1,300	985
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)			
Loans	20	480	515
Residential mortgages own book	21	3,586	3,675
Securitised residential mortgages	22	3,878	4,512
Debt investments	23	81	193
Equity investments (including investments in associates)	24	257	215
Derivative financial assets	25	2,800	3,929
OTHER			
Investments in associates (equity method)	26	8	11
Intangible assets	27	167	170
Property, plant and equipment	28	45	47
Current tax	29	2	2
Other assets	30	141	94
Deferred tax	31	66	66
TOTAL ASSETS		22,299	25,917

IN EUR MILLIONS	NOTE	2013	2012
Liabilities			
FINANCIAL LIABILITIES AT AMORTISED COST			
Due to other banks	32	1,017	1,034
Deposits from customers	33	8,639	8,020
Own debt securities in issue	34	3,108	4,314
Debt securities in issue related to securitised mortgages	35	3,525	4,470
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)			
Own debt securities in issue	36	35	34
Debt securities in issue structured	37	794	1,654
Derivative financial liabilities	25	2,957	4,046
OTHER FINANCIAL LIABILITIES			
Other liabilities	38	137	163
Current tax	29	8	9
Employee benefits	39	16	13
SUBORDINATED LIABILITIES			
Amortised cost	40	57	83
Fair value through profit or loss	41	241	264
TOTAL LIABILITIES		20,534	24,104
SHAREHOLDERS' EQUITY			
Share capital	42	1,408	1,408
Other reserves	42	572	593
Retained earnings		(193)	(272)
Net profit attributable to parent shareholder		18	102
Interim and final dividend paid		(40)	(19)
TOTAL PARENT SHAREHOLDERS' EQUITY		1,765	1,812
Non-controlling interests		-	1
TOTAL SHAREHOLDERS' EQUITY		1,765	1,813
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		22,299	25,917

Consolidated statement of changes in shareholders' equity

IN EUR MILLIONS	Attributable to parent shareholders						Total	Non-controlling interests	Total shareholders' equity
	Share capital	Other reserves ¹	Retained earnings	Remeasurements of defined benefit plans	Net profit	Distribution charged to net profit			
BALANCE AT 1 JANUARY 2012	1,408	612	(305)	-	86	(29)	1,772	1	1,773
Changes in accounting policies relating to IAS 19R Employee Benefits (Revised)	-	-	-	(4)	-	-	(4)	-	(4)
RESTATED BALANCE AT 1 JANUARY 2012	1,408	612	(305)	(4)	86	(29)	1,768	1	1,769
Transfer of net profit 2011 to retained earnings	-	-	57	-	(86)	29	-	-	-
Total comprehensive income for the year ended 31 December 2012	-	(10)	-	(3)	102	-	89	-	89
Proceeds from shares issued	-	(3)	(1)	-	-	-	(4)	-	(4)
Release liability NIBC choice	-	1	1	-	-	-	-	-	-
Dividend paid ²	-	-	(22)	-	-	(19)	(41)	-	(41)
BALANCE AT 31 DECEMBER 2012	1,408	600	(272)	(7)	102	(19)	1,812	1	1,813

IN EUR MILLIONS	Attributable to parent shareholders						Total	Non-controlling interests	Total shareholders' equity
	Share capital	Other reserves ¹	Retained earnings	Remeasurements of defined benefit plans	Net profit	Distribution charged to net profit			
BALANCE AT 1 JANUARY 2013	1,408	600	(272)	(7)	102	(19)	1,812	1	1,813
Transfer of net profit 2012 to retained earnings	-	-	83	-	(102)	19	-	-	-
Total comprehensive income for the year ended 31 December 2013	-	(18)	-	(2)	18	-	(2)	-	(2)
Proceeds from shares issued	-	(2)	(1)	-	-	-	(3)	-	(3)
Release liability NIBC choice	-	1	-	-	-	-	1	-	1
Dividend paid ²	-	-	(23)	-	-	(17)	(40)	-	(40)
Net investment hedge foreign currency	-	-	(3)	-	-	-	(3)	-	(3)
Other	-	-	-	-	-	-	-	(1)	(1)
BALANCE AT 31 DECEMBER 2013	1,408	581	(216)	(9)	18	(17)	1,765	-	1,765

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

2 Ordinary interim and final dividend paid in 2013 and 2012 to the shareholders.

Consolidated statement of cash flows

for the year ended 31 December

IN EUR MILLIONS	NOTE	2013	2012
OPERATING ACTIVITIES			
Net profit for the year		18	102
ADJUSTMENTS FOR NON-CASH ITEMS			
Depreciation, amortisation and impairment losses	10/11	71	35
Changes in employee benefits	39	3	(1)
Share in result of associates	26	1	1
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Derivative financial instruments	25	18	46
Operating assets		1,841	1,252
Operating liabilities (including deposits from customers)		(369)	464
Dividends received from associates	26	-	5
CASH FLOWS FROM OPERATING ACTIVITIES¹		1,583	1,904
INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment	28	-	26
Gains less losses from financial assets	6	(8)	(28)
Acquisition of property, plant and equipment	28	(3)	(1)
Disposal of subsidiaries, associates and joint ventures	18/24/26	29	76
Acquisition of associates and joint ventures	26/27	-	(1)
CASH FLOWS FROM INVESTING ACTIVITIES		18	72
FINANCING ACTIVITIES			
Net decrease in own debt securities in issue	34/36	(1,205)	(2,789)
Net decrease in subordinated liabilities	40/41	(49)	(34)
Net decrease in debt securities in issue structured	37	(860)	(79)
Proceeds from issued shares		-	(4)
Dividend paid		(40)	(41)
CASH FLOWS FROM FINANCING ACTIVITIES		(2,154)	(2,947)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(554)	(971)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		2,159	3,130
Net increase/(decrease) in cash and cash equivalents		(553)	(971)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		1,606	2,159
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Cash and balances with central banks	13	1,044	1,501
Due from other banks (maturity three months or less)	14	562	658
		1,606	2,159
SUPPLEMENTARY DISCLOSURE OF OPERATING CASH FLOW INFORMATION:			
Interest paid		439	541
Interest received		570	605

¹ The cash flows from operating activities included an amount of EUR 1 million of taxes (2012: EUR 1 million of taxes).

Accounting policies

AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of *NIBC Holding N.V. (NIBC Holding)* for the year ended 31 December 2013 were authorised for issue by the Managing Board of NIBC Holding on 11 March 2014. 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 section *Corporate Banking and Consumer Banking* 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 otherwise stated. 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 (IFRS)* as adopted by the *European Union (EU)* and with Title 9 of Book 2 of the Netherlands Civil Code.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, available for sale financial assets, financial assets and financial liabilities held at fair value through profit or loss, and all derivative contracts. 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.

Standards, amendments and interpretations effective in 2013

The following new or revised standards and interpretations and amendments to standards and interpretations became effective in 2013:

- Amendments to IAS 1 'Presentation of Financial Statements - Presentation of Items of *Other Comprehensive Income (OCI)*' (effective for annual periods beginning on or after 1 July 2012). The new amendment requires separation of items presented in OCI into two groups, based on whether or not they can be recycled into the profit or loss in the future. Items that will not be recycled in the future are presented separately from items that may be recycled in the future. The amendment affects presentation only and has no impact on NIBC's financial position or performance. Comparative information has been represented on the same basis;
- IFRS 13 'Fair Value Measurement' (effective as from 1 January 2013). IFRS 13 does not define when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by NIBC Holding to measure fair value and did not result in any measurement adjustments as at 1 January 2013. NIBC Holding has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosures are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, NIBC Holding has provided the relevant comparative disclosures under those standards;
- IFRS 7 'Disclosures, Offsetting Financial Assets and Financial Liabilities' (Amendment) (effective as from 1 January 2013). These amendments require an entity to disclose information about rights to set-off and related

arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set in accordance with IAS 32 'Financial Instruments: Presentation'. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments do not impact NIBC Holding's financial position or performance;

- IAS 19 'Employee Benefits' (Revised) (effective as from 1 January 2013). On 1 January 2013 NIBC Holding adopted IAS 19 Employee Benefits (Revised). As a result NIBC changed its accounting policies relating to defined benefit plans retrospectively in line with the transitional provisions of IAS 19 Employee Benefits (Revised) as from 1 January 2012. IAS 19 Employee Benefits (Revised) requires that actuarial gains and losses –including re-measurement effects- arising from defined benefit pension schemes are recognised in full. Previously NIBC Holding deferred these over the remaining average service lives of the employees (the 'corridor' approach). From 1 January 2013, in accordance with amendments to IAS 19, the balance sheet fully reflects the pension liability or asset, including any unrecognised actuarial losses or gains. IAS 19 Employee Benefits (Revised) also requires the introduction of the net interest approach which is based on the discount rate used to measure the defined benefit obligation multiplied with the net defined benefit asset/liability recognised on the balance sheet, both as determined at the start of the reporting period and adjusted for expected changes in the net defined benefit asset/liability due to contributions and benefit payments during the year. This measure of net interest cost replaces the interest cost on the defined benefit obligation and the expected return on plan assets. The standard also requires the immediate recognition of any past service cost in profit or loss. The adoption of IAS 19 Employee Benefits (Revised) did not have a significant impact on the performance and financial position of NIBC Holding. The new requirements have decreased shareholders' equity at 1 January 2013 by EUR 6.6 million net

of tax (1 January 2012 EUR 4.3 million net of tax) (the amount previously deferred under the corridor approach net of tax). The end 2012 effect is an increase of the defined benefit liability of EUR 8.8 million, an increase of the deferred tax asset of EUR 2.2 million and a reduction of shareholders' equity of EUR 6.6 million. The comparative figures for the year ended 31 December 2012 have been adjusted. For the impact of IAS 19 (Revised) on the financial and capital position of NIBC Holding see note 39 Employee Benefits; and

- Improvements to IFRS 2009 – 2011 Cycle: the amendments to IFRS issued in May 2012 resulted from the IASB's annual improvement project. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. The adoption of the amendments did not have a material impact on NIBC Holding's financial position or performance.

[Standards, amendments and interpretations to existing standards that are not yet effective and have been early adopted by NIBC Holding](#)

The following standards, amendments and interpretations to existing standards issued by the *International Accounting Standards Board (IASB)* and endorsed by the EU are mandatory for accounting periods beginning on or after 1 January 2014 or later periods, but NIBC Holding has early adopted them:

- IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' (Amendment) (effective as from 1 January 2014). This amendment to IAS 39 *Financial Instruments: Recognition and Measurement* provides an exception to the requirement to discontinue hedge accounting in situations where *over-the-counter (OTC)* derivatives designated in hedging relationships are directly or indirectly novated to a *Central Counterparty (CCP)* as a consequence of laws or regulations, or the introduction of laws or regulations. NIBC Holding decided to early adopt this amendment to IAS 39 as of the beginning of 2013. The adoption of this amendment does not have a material impact on NIBC Holding's financial position or performance; and
- IAS 36 'Impairment of assets', on the recoverable

amount disclosures for non-financial assets (Amendment) (effective as from 1 January 2014). This amendment removed certain disclosures of the recoverable amount of *Cash-Generating Units (CGUs)* which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for NIBC Holding until 1 January 2014, however NIBC Holding has decided to adopt the amendment early as from 1 January 2013.

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

The following standards, amendments and interpretations to existing standards issued by the IASB and endorsed by the EU are mandatory for accounting periods beginning on or after 1 January 2014 or later periods, but NIBC Holding has not adopted them early:

- IFRS 10 ‘Consolidated Financial Statements’ (effective as from 1 January 2014). IFRS 10 replaces the requirements of IAS 27 ‘Consolidated and Separate Financial Statements’ that address the accounting for consolidated financial statements and SIC 12 ‘Consolidation – *Special Purpose Entities (SPE)*’. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The adoption of IFRS 10 is not expected to have a significant impact on the consolidation circle of NIBC Holding;
- IFRS 11 ‘Joint Arrangements’ (effective as from 1 January 2014). IFRS 11 replaces IAS 31 ‘Interests in Joint Ventures’ and SIC 13 ‘Jointly Controlled Entities – Non Monetary Contributions by Venturers’. Because IFRS 11 uses the principle of control as in IFRS 10 to define control, the determination of whether joint control exists may change. The adoption of IFRS 11 is not expected to have a significant impact on the accounting treatment of investments currently held by NIBC Holding;
- IFRS 12 ‘Disclosure of Interests in Other Entities’ (effective as from 1 January 2014). IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 ‘Interests in Joint Ventures’ and IAS 28 ‘Investment in Associates’. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis. Now, even if NIBC Holding concludes that it does not control an entity, the information used to make that judgement will be transparent to users of the financial statements to make their own assessment of the financial impact had NIBC Holding reached a different conclusion regarding consolidation. NIBC Holding will need to disclose more information about the consolidated and unconsolidated structured entities with which it is involved or has sponsored. However, the standard will not have any impact on the financial position or performance of NIBC Holding;
- IAS 27 ‘Separate Financial Statements’ (Revised) (effective as from 1 January 2014). As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. NIBC Holding does not present separate financial statements;
- IAS 28 ‘Investments in Associates and Joint Ventures’ (Revised) (effective as from 1 January 2014). As a consequence of the new IFRS 11 ‘Joint Arrangements’, and IFRS 12 ‘Disclosure of Interests in Other Entities’, IAS 28 ‘Investment in Associates’, has been renamed IAS 28 ‘Investment in Associates and Joint Ventures’ and describes the application of the equity method to investments in joint ventures in addition to associates;
- Transition guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (effective as from 1 January 2014). The amendments change the transition guidance to provide further relief from full retrospective application. These amendments will not impact NIBC Holding’s financial position or performance;
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective as from 1 January 2014). These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for

subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to NIBC Holding, since none of the entities in the Group would qualify to be an investment entity under IFRS 10; and

- IAS 32 'Offsetting Financial Assets and Financial Liabilities' (Amendment) (effective as from 1 January 2014). These amendments clarify the meaning of 'currently has a legally enforceable right to set-off'. It will be necessary to assess the impact to NIBC Holding by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off should be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Offsetting on the grounds of simultaneous settlement is particularly relevant for the bank where it engages in large numbers of sale and repurchase transactions. Currently, transactions settled through clearing systems are, in most cases, deemed to achieve simultaneous settlement. While many settlement systems are expected to meet the new criteria, some may not. Any changes in offsetting are expected to impact leverage ratios, regulatory capital requirements etc. As the impact of the adoption depends on NIBC Holding's examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects.

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 2013 and 2012.

Subsidiaries

Subsidiaries are all entities (including SPEs) over which the group has the power, directly or indirectly, to govern the financial and operating

policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The 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. 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 acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

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

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

Transactions with non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

Joint ventures

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

The group's interests in jointly controlled entities

are accounted for by proportionate consolidation. NIBC Holding combines its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

With effect from 1 January 2007, to the extent that newly acquired joint ventures are held by the venture capital organisation (as that term is used in IAS 31) within NIBC Holding, the group designates upon initial recognition all newly acquired investments in such joint ventures as financial assets at fair value through profit or loss. These assets are initially recognised at fair value, and subsequent changes in fair value are recognised in the income statement in the period of the change in fair value.

Associates

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

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

With effect from 1 January 2007, all newly acquired investments in associates held by the venture capital organisation (as that term is used in IAS 28) within the NIBC Holding are designated upon initial recognition as financial assets at fair value through profit or loss. These assets are initially recognised at fair value, and subsequent changes in fair value are recognised in the income statement in the period of the change in fair value.

Under the equity method, the group's share of its

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

Unrealised gains on transactions between the group and its associates are eliminated to the extent of NIBC Holding's interest in the associates.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by NIBC Holding.

Dilution gains or 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 segment see note 1.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in EUR, the functional currency and presentation currency of NIBC 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 shareholders' equity. When a foreign operation is disposed of, or

partially disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

RECOGNITION OF FINANCIAL INSTRUMENTS

A financial instrument is recognised in the balance sheet when NIBC Holding becomes a party to the contractual provisions that comprise the financial instrument.

NIBC Holding applies trade date accounting to all financial instruments. All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, which is the date on which NIBC Holding commits to purchase or sell the asset.

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

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

- The rights to receive cash flows from the financial assets have expired; or
- When NIBC 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 cash flow 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 cash flow hedge accounting relationships.

The measurement and income recognition in the

income statement depend on the IFRS classification of the financial asset or liability. The classification of financial instruments, except for the financial assets reclassified in 2008, is determined upon initial recognition.

Financial assets – reclassification

In accordance with the amendment to IAS 39: ‘Reclassifications of Financial Assets’, NIBC 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 entity has the intention and ability to hold them for the foreseeable future.

Reclassifications are recorded at the fair value of the financial asset as of the reclassification date. The fair value at the date of reclassification becomes the new cost or amortised cost as applicable. Gains or losses due to changes in the fair value of the financial asset recognised in the income statement prior to reclassification date shall not be reversed. Effective interest rates for financial assets

reclassified to the loans and receivables category are determined at the reclassification date as the discount rate applicable to amortise the fair value back to expected future cash flows at that date. Subsequent increases in estimated future cash flows will result in a prospective adjustment to the effective interest rate applied.

For financial assets reclassified from available for sale to loans and receivables, previous changes in fair value that have been recognised in the 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 are released to the income statement and, if necessary, additional impairment losses are recorded in the income statement to the extent they exceed the remaining (available for sale) revaluation reserve in equity (other comprehensive income).

Reclassification of financial assets (as of 1 July 2008)

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

- Loans and receivables: loans and receivables, except for those that were designated at fair value through profit or loss, were reclassified out of the available for sale category to loans and receivables at amortised cost; and
- Debt investments:
 - EU Structured Credits originated after 1 July 2007 were reclassified out of the available for sale category to loans and receivables at amortised cost to the extent the assets meet the definition of loans and receivables;
 - EU Corporate Credits and EU Structured Credits originated before 1 July 2007 were reclassified out of the held for trading category to loans and receivables at amortised cost to the extent the assets meet the definition of loans and receivables; and
 - EU *Collateralised Debt Obligation (CDO)* equity was reclassified out of the held for trading category to the available for sale category. Any subsequent change in fair value from the fair value at the date of

reclassification will be recorded in the (available for sale) revaluation reserve unless it is determined to be impaired or until the instrument is derecognised.

The amendments to IFRS 7 regarding reclassifications require disclosure of the impact of the reclassification of each category of financial assets on the financial position and performance of NIBC 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 2013.

Changes to the classification of financial assets (in 2007)

In 2007, NIBC Holding made the following changes:

- Loans and receivables: loans and receivables originated before 1 July 2007 are accounted for at fair value through profit or loss (residential mortgages, commercial real estate loans and leveraged loan warehouses, secondary loan trading, and distressed asset trading) or available for sale (all other corporate lending). With the exception of residential mortgages, loans originated after 1 July 2007 are classified as loans and receivables at amortised cost. These loans 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;
- Debt investments (assets): with effect from 1 July 2007, newly originated assets in the EU structured credits books were classified as available for sale. Assets acquired before 1 July 2007 were classified as held for trading. The reason for this change in classification is to align with market practice;
- Equity investments in associates and joint ventures: with effect from 1 January 2007, all newly acquired investments in associates and joint ventures held by the venture capital organisation (as that term is used in IAS 28 and IAS 31) have been designated at fair value through profit or loss. Previously acquired investments in associates, where material, were accounted for using the equity method and investments in joint ventures were

proportionally consolidated. The reason for this change in classification is to align with market practice; and

- Equity investments: equity investments acquired before 1 January 2007 held in the investment portfolio of the venture capital organisation are classified as available for sale assets in the consolidated balance sheet. With effect from 1 January 2007, all newly acquired equity investments held by the venture capital organisation are designated upon initial recognition as financial assets at fair value through profit or loss. The reason for this change in classification is to align with market practice.

Changes to the classification of financial liabilities (in 2007)

In 2007, a change was made to the classification of certain financial liabilities (debt securities in issue) upon origination. During the period commencing 1 January 2007, plain vanilla fixed-rate long-term debt securities (liabilities) were issued together with matching interest rate swaps as part of a documented interest rate risk management strategy. An accounting mismatch would arise if the debt securities in issue were accounted for at amortised cost because the related derivatives are measured at fair value with movements in the fair value through the income statement. By designating the long-term debt as fair value through profit or loss, the movement in the fair value of the long-term debt will also be recorded in the income statement, and thereby off set the gains and/or losses on the derivative instrument that is also included in the income statement.

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category has two subcategories: financial instruments held for trading and financial instruments designated 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 gains less losses from financial assets. Interest is recorded in interest income using the effective interest rate method, while dividend income is recorded in dividend income when NIBC Holding's right to receive payment is established.

AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The main classes of financial instruments designated as available for sale assets at 31 December 2013 include:

- Equity investments;
- Certain debt investments that do not meet the definition of loans and receivables; and
- EU equity tranche notes.

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

Available for sale financial assets are initially

measured at fair value plus transaction costs and are subsequently measured at fair value. Changes in fair value are recognised directly in the revaluation reserve in other comprehensive income until the financial instrument is derecognised or impaired. When available for sale investments are sold, cumulative gains or losses previously recognised in other comprehensive income are recognised in the income statement as net trading income or as gains less losses from financial assets (including equity investments).

Interest calculated using the effective interest method and foreign currency gains and losses on monetary instruments classified as available for sale are recognised in the income statement as interest and similar income and net trading income, respectively. Dividends on available for sale financial instruments are recognised in the income statement as dividend income when NIBC Holding's right to receive payment is established.

FAIR VALUE ESTIMATION

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

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

DETERMINATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the price that would be received to sell or paid to transfer a particular asset or liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which NIBC 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. Otherwise, day one profit or loss is recognised over the life of the instrument, when the inputs become observable or upon derecognition of the instrument (see also recognition of day one profit or loss).

The fair value of on demand deposits from customers is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The level within the fair value hierarchy at which an instrument measured at fair value is categorised is determined on the basis of the lowest level input that is significant to the measurement of fair value

in its entirety. NIBC Holding has a documented policy with respect to its approach to determining the significance of unobservable inputs on its fair value measurements of instruments and that policy is applied consistently.

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

An analysis of the fair values of financial instruments and further details as to how they are measured see note 43.

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 2013 include corporate lending (excluding commercial real estate and leverage loan warehouses, secondary loan trading and distressed asset trading), residential mortgages at own book and investments in the EU Corporate Credits and EU Structured Credits portfolio that were reclassified in 2008.

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

FINANCIAL LIABILITIES

With the exception of those financial liabilities designated at fair value through profit or loss, these

are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method (including interest accruals) with the periodic amortisation recorded in the income statement.

The main classes of financial liabilities at amortised cost include amounts due to other banks, deposits from corporate and retail customers, own debt securities in issue under the European Medium Term Note programme, Covered Bonds and State Guaranteed Funding programme and debt securities in issue related to securitised mortgages. The main classes of financial liabilities designated at fair value through profit or loss include debt securities in issue structured that consist of notes issued with embedded derivatives and derivative financial liabilities held for trading and 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 Holding's perpetual bonds are not redeemable by the holders but bear an entitlement to distributions that is not at the discretion of NIBC Holding. Accordingly, they are presented as a financial liability.

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

Subordinated liabilities are recognised initially at fair value net of transaction costs incurred. Subordinated liabilities without embedded derivatives are subsequently measured at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method. Subordinated liabilities containing one or more embedded derivatives that significantly modify the cash flows are designated at fair value through profit or loss.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

The following describes the methodologies and assumptions used to determine fair values for disclosure purposes of those financial instruments

which are not recorded at fair value in the financial statements.

ASSETS FOR WHICH FAIR VALUE APPROXIMATES CARRYING AMOUNT

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

Fixed-rate financial instruments

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

The fair values of NIBC's financial instruments that are not carried at fair value in the balance sheet see note 43.

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.

OFFSETTING

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when, and only when, a legally enforceable right to set-off the recognised amounts exists and the group intends to settle on a net basis or realise the asset and settle the liability simultaneously.

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

COLLATERAL

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

The group obtains collateral in respect of counterparty liabilities when this is considered appropriate. The collateral normally takes the form of a pledge over the counterparty's assets and gives the group a claim on these assets for both existing and future liabilities.

The group also pays and receives collateral in the form of cash or securities in respect of other credit instruments, such as derivative contracts, in order to reduce credit risk. Collateral paid or received in the form of cash together with the underlying is recorded on the balance sheet at net realisable value (the net realisable value is management's best estimate (the determination method of the value differs per asset class)). Any interest payable or

receivable arising is recorded as interest expense or interest income respectively.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

NIBC 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.

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

HEDGE ACCOUNTING

Where derivatives are held for risk management purposes, and when transactions meet the criteria specified in IAS 39, NIBC 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 together with changes in the fair value of the hedged items attributable to the hedged risk.

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

Portfolio fair value hedge

NIBC 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 retail deposits.

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 denominated in a foreign currency.

Cross-currency interest rate swaps are used as hedging instruments. Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement together with changes in the fair value of the hedged items attributable to the hedged risks.

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

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

Cash flow hedge

Cash flow hedging is applied to hedge the variability arising on expected future cash flows due

to interest rate risk on available for sale corporate loans and/or corporate loans at amortised cost with floating interest rates. As interest rates fluctuate, the future cash flows on these instruments also fluctuate. NIBC 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.

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

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income net of tax; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in other comprehensive income net of tax are included in the income statement when the foreign operation is sold.

Hedge effectiveness testing

To qualify for hedge accounting, NIBC 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 used is three months for the different Corporate Loan portfolios and six months for the Residential Mortgages at Own Book. Losses expected from future events, no matter how likely, are not recognised.

Financial assets reported at amortised cost

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective

interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the group's risk rating process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement under impairments of financial assets.

Financial assets classified as available for sale

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

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

If objective evidence of impairment exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement under gains less losses from financial assets (including equity investments).

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

- Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement; and
- If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively

related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Non-financial assets

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

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (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 reviews renegotiated loans continuously 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 loans and 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 licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses 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 licenses over their estimated useful lives of ten years.

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

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

Increases in the carrying amount arising from revaluation of land and buildings are credited to other reserves in shareholders' 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 revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

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

OTHER ASSETS

Trade receivables related to consolidated non-financial companies

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group is not able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance

account, and the amount of the loss is recognised in the income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

PROVISIONS

Provisions for restructuring costs and legal claims are recognised when:

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

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

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

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

Contingent liabilities, if applicable, are not recognised in the financial statements but are disclosed, unless they are remote.

TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

EMPLOYEE BENEFITS

Pension benefits

NIBC and its subsidiaries have various post employment schemes in accordance with the local conditions and practices in the countries in which they operate. NIBC generally funds these

arrangements through payments to insurance companies or trustee administered funds, determined by periodic actuarial calculations. These various pension employment schemes consist of a defined contribution pension plan, a defined benefit pension plan or a combination of these plans.

A defined contribution plan is a pension plan under which NIBC Holding pays fixed contributions into a separate entity; the contributions are recognised as an expense in the income statement as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. NIBC Holding has no legal or constructive obligations to pay further defined contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.

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

Remeasurements of the net defined-benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. NIBC Holding determines the net interest expense (income) on the defined benefit liability (asset) for the period by applying the discount rate

used to measure defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses and share based payments in the income statement.

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

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 balance sheet 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 shareholders 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 shareholders' equity (other comprehensive income) in which case it is recognised in shareholders' 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 balance sheet 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 balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

Deferred tax related to the fair value remeasurement of available for sale investments and cash flow hedges, which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and is subsequently recognised in the income statement when the deferred gain or loss is recognised in the income statement.

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.

Dividend income

Dividends are recognised in the income statement when NIBC Holding's right to receive payment is established.

Net trading income

Net trading income comprises all gains and losses

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

Gains less losses from financial assets

Realised gains or losses from debt investments and equity investments as available for sale previously recognised in other comprehensive income, and gains or losses from associates and equity investments at fair value through profit or loss and impairment losses on equity investments are recognised in the income statement as gains less losses from financial assets.

Other operating income

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

Sales of services by consolidated non-financial companies

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

STATEMENT OF CASH FLOWS

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

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

FIDUCIARY ACTIVITIES

NIBC 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:

- Estimated impairment of goodwill;
- 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;
- Securitisations and Special Purpose Entities;
- Pension benefits; and
- Income taxes.

ESTIMATED IMPAIRMENT OF GOODWILL

Related to NIBC

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

The recoverable amount of CGUs related to NIBC is determined based on a value-in-use calculation that is the higher of value in use and fair value less costs to sell. This calculation uses after-tax cash flow projections based on financial forecasts approved by the Managing Board covering a four-year period (2014 - 2017). Cash flows beyond the four-year period are extrapolated using an estimated growth rate.

The key assumptions used in the value-in-use calculations are as follows:

IN %	2013	2012
Growth rate	2.0	3.0
After tax discount rate	10.96	10.70
Tax rate	25	25

Management determines budgeted results based upon past performance and its expectations of market developments. The discount rate used is after tax and reflects specific risks relating to the operations of the group of CGUs.

The rate used to discount the future cash flows of a group of CGUs can have a significant effect on its valuation. The discount rate calculated depends on inputs reflecting a number of financial and economic variables including the risk-free interest rate and a premium to reflect the inherent risk of the business being evaluated. These variables are established on the basis of management judgement.

For the operating segment NIBC no goodwill impairment was recognised by NIBC Holding in 2013.

If the estimated after-tax discount rate applied to the discounted cash flow for the CGUs had been 1% higher than management's estimates (11.96% instead of 10.96%) at 31 December 2013 the outcome of the goodwill impairment test would not have changed.

Management judgement is also required in estimating the future cash flows of a group of CGUs. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. While the acceptable range within which underlying assumptions can be applied is governed by the requirement to compare resulting forecasts with actual performance and verifiable economic

data in future years, the cash flow forecasts necessarily and appropriately reflect management's view of future business prospects.

When this exercise demonstrates that the expected cash flows of a group of CGUs have declined and/or that its discount rate has increased, the effect is to reduce the group of CGUs estimated recoverable amount. If this results in an estimated recoverable amount that is lower than the carrying amount of the group of CGUs, a charge for impairment of goodwill will be recognised, thereby reducing by a corresponding amount NIBC Holding's profit before tax for the year.

If the budgeted profit after tax of the group of CGUs used in the value-in-use calculation had been 5% lower than management's estimates at 31 December 2013, the outcome of the goodwill impairment test would not have changed.

Estimated impairment of goodwill arising on consolidated non-financial companies

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

The recoverable amount of CGUs related to consolidated non-financial companies is determined based on a value-in-use calculation that is the higher of value in use and fair value less costs to sell. This calculation uses pre-tax cash flow projections based on prudent forecasts covering a three-year period (2014 - 2016). Cash flows beyond the three-year period are extrapolated using an estimated perpetual growth rate.

The key assumptions used in the value-in-use calculation are as follows:

IN %	2013	2012
Perpetual growth rate	1.5	1.0
Pre-tax discount rate	11.0	9.7

Management determines budgeted results based upon past performance and its expectations of market developments. The discount rate (weighted average cost of capital) used is pre-tax and reflects specific risks relating to the operations of the group of CGUs.

NIBC Holding has not recognised a goodwill impairment charge for the consolidated non-

financial companies recognised at 31 December 2013.

When this exercise demonstrates that the expected cash flows of a group of CGUs have declined or that their discount rate has increased, the effect is to reduce the estimated recoverable amount. If this results in an estimated recoverable amount that is lower than the carrying amount of the group of CGUs, a charge for impairment of goodwill will be recognised, thereby reducing by a corresponding amount NIBC Holding's profit before tax for the year.

The rate used to discount the future cash flows of the group of CGUs can have a significant effect on the group of CGUs' valuation. The discount rate calculated depends on inputs reflecting a number of financial and economic variables including the risk-free interest rate and a premium to reflect the inherent risk of the business being evaluated. These variables are established on the basis of management judgement.

If the estimated pre-tax discount rate applied to discounted cash flows for the group of CGUs had been 1% higher than management's estimates (12.0% instead of 11.0%) at 31 December 2013, the outcome of the goodwill impairment test would lead to an impairment of EUR 6 million.

Management judgement is also required in estimating the future cash flows of the group of CGUs. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. While the acceptable range within which underlying assumptions can be applied is governed by the requirement to compare resulting forecasts with actual performance and verifiable economic data in future years, the cash flow forecasts necessarily and appropriately reflect management's view of future business prospects.

If the budgeted profit before tax of the group of CGUs used in the value-in-use calculation had been 5% lower than management's estimates at 31 December 2013, the outcome of the goodwill impairment test would lead to an impairment for an amount of EUR 3 million.



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 designated at fair value through profit or loss, see note 43.

Own liabilities designated at fair value through profit or loss

At 31 December 2013, the fair value of these liabilities was estimated to be EUR 1,071 million (31 December 2012: EUR 1,952 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;
- 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 2013 attributable to the movement in credit

spreads as displayed in notes 36, 37 and 41 reflects gross amounts, excluding pull-to-par and model refinement effects. Net of pull-to-par, model refinement effects and fair value movements of associated hedging derivatives, the portion of fair value changes on these liabilities designated at fair value through profit or loss during 2013 attributable to the movement in credit spreads amounts to EUR 65 million credit being an increase of the carrying value (2012: EUR 11 million debit being a reduction of the carrying value).

In 2012 NIBC Holding refined the valuation methodology of the portfolio Debt securities in issue structured designated at fair value to profit or loss. This refinement encompassed changes in the valuation model which facilitates the valuation of the bonds on an individual basis instead of a portfolio based valuation. This was considered as a change in accounting estimate resulting in an increase of the carrying amount of Debt securities in issue structured designated at fair value through profit or loss of EUR 12.2 million in 2012.

The credit spread used to revalue these liabilities was based to the extent possible on the observable issuance spread movements of new primary unsecured debt issuances by financial institutions. Bearing in mind the market inactivity, both for cash and synthetic NIBC funding and protection, these observations are combined with data for both cash and synthetic indices indicators such as iTraxx indices and credit curve developments. The resulting overall market view supports the reasonableness of the range in which the applied credit spread falls.

The valuation of all the above classes of financial liabilities designated at fair value through profit or loss is sensitive to the estimated credit spread used to discount future expected cash flows. A 10 basis point change in the weighted average credit spread used to discount future expected cash flows would increase or decrease the fair value of these own financial liabilities at 31 December 2013 by EUR 5.9 million (31 December 2012: EUR 6.1 million).

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 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 DVA 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. In practice, this means that CVAs and DVAs are only applied to OTC derivative contracts that generate credit risk on corporate (i.e. non-financial) counterparties.

In line with market practice, the CVA and DVA of a derivative contract is calculated at the counterparty level as the sum of the present value of the expected loss estimated over the lifetime of all outstanding OTC derivative contracts that generate credit risk from both NIBC perspective (CVA) and the counterparty perspective (DVA). This requires the application of *Probability of Default (PD)* and *Loss Given Default (LGD)* estimates to the *Expected Exposure (EE)* profile. The EE profile estimate takes into account the amortisation of the notional amounts and the passage of time to maturity. For CVA the PD and LGD estimates are based on internal *Counterparty Credit Rating (CCR)* and LGD ratings due to the absence of a credit market for most of NIBC's corporate counterparties. For the DVA, the PD and LGD estimates are also based on internal credit models due to the illiquidity of the CDS spreads available for NIBC.

The CVA and DVAs are sensitive to changes in credit quality of respectively counterparties and NIBC, as well as to changes in interest rates affecting current exposure. Based on the current composition of the portfolio, the CVA, in general, decreases when interest rates rise while DVA increases while interest rates rise.

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 2013, the fair value of this portfolio was estimated to be EUR 304 million

(2012: EUR 264 million). This portfolio is reported as equity investments (including investments in associates) at fair value through profit or loss (2013: EUR 257 million; 2012: EUR 215 million) and as equity investments at available for sale (2013: EUR 47 million; 2012: 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 43.

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 2013, for each of NIBC Holdings' 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 17.8 million (2012: EUR 13.5 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 2013, 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 0.4 million (2012: EUR 0.7 million).

IMPAIRMENT OF DEBT INVESTMENTS CLASSIFIED AS AVAILABLE FOR 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 2013, 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 (2012: EUR 0.2 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 4.5 million (2012: EUR 8.8 million) reduction in the profit before tax (gains less losses from financial assets) in 2013.

SECURITISATIONS AND SPECIAL PURPOSE ENTITIES

NIBC Holding establishes SPEs primarily for the purpose of allowing clients to hold investments in separate legal entities, to allow clients to invest jointly in alternative assets, for asset securitisation transactions, and for buying or selling credit protection. NIBC Holding does not consolidate SPEs that it does not control.

The determination of whether NIBC Holding exercises control over an SPE requires NIBC Holding to make judgements about its exposure to the risks and rewards derived from the SPE as well as its ability to make operational decisions for the SPE in question. In many instances, elements are present that, considered in isolation, indicate control or lack of control over an SPE, but when considered together make it difficult to reach a clear conclusion. In such cases, the SPE is consolidated.

When assessing whether NIBC Holding has to consolidate an SPE, it evaluates a range of factors, including whether:

- It will obtain the majority of the benefits of the activities of an SPE;
- It retains the majority of the residual ownership risks related to the assets in order to obtain the benefits from its activities;
- It has decision-making powers to obtain the majority of the benefits; and
- The activities of the SPE are being conducted on NIBC Holding's behalf according to NIBC Holding's specific business needs so that it obtains the benefits from the SPEs operations.

The evaluation mentioned above is necessarily subjective.

Were the group not to consolidate the assets, liabilities and the results of these consolidated SPEs, the net effect on the balance sheet would be a decrease in total assets of EUR 5.0 billion

(2012: EUR 5.5 billion) and the net effect on the income statement in both 2013 and 2012 would be insignificant.

De-recognition of assets and recognition of continuous involvement

NIBC Holding executed transactions under its *Commercial Mortgage-Backed Securities (CMBS)* programme. The purpose of this programme is to offer NIBC Holding's real estate clients access to the capital markets. NIBC Holding established SPEs for the commercial backed securities programme. All loans transferred to the SPEs are collateralised by commercial real estate properties. The SPEs obtain funding from the capital markets by issuing CMBS notes. The commercial real estate loans, included in the CMBS programme, were originated by NIBC Holding or by other banks prior to the securitisation.

The total amount of commercial loans originated by NIBC prior to the securitisation and that were subsequently transferred to these SPEs amounts to EUR 1,288 million. The notional amount at 31 December 2013 was EUR 896 million (2012: EUR 966 million).

The loans that continued to be recognised to the extent of NIBC Holding's continuing involvement amounted to EUR 210 million at 31 December 2013 (2012: EUR 679 million). The reason for recognising this continuing involvement is that, based on a risks and rewards analysis, NIBC Holding did not transfer substantially all risks and rewards associated with the securitised assets. The continuing involvement is reflected in the balance sheet as EUR 143 million as debt investments at amortised cost (2012: EUR 611 million as loans valued at amortised cost and an

amount of EUR 467 million in debt securities in issue related to securitised mortgages), EUR 65 million (2012: EUR 65 million) in loans at fair value through profit and loss with a corresponding amount in debt securities in issue related to securitised mortgages and EUR 2 million (2012: EUR 3 million) in debt investments at fair value through profit or loss which concerns the fair value of NIBC's investment in certain CMBS notes.

PENSION BENEFITS

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The actuarial assumptions used in determining the net cost (or income) of pensions include the discount rate, future salary increases, future inflation and future pension increases. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 39.

Sensitivity of key assumptions 2013

	Change in defined benefit obligation	Change in service cost
Impact of a 0.25% increase in the discount rate	(EUR 11.9 million)	(EUR 0.5 million)
Impact of a 0.25% decrease in the discount rate	EUR 12.6 million	EUR 0.5 million
Impact of a 0.25% increase in the rate of salary increase	EUR 2.8 million	EUR 0.3 million
Impact of a 0.25% decrease in the rate of salary increase	(EUR 2.8 million)	(EUR 0.3 million)

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

I Segment report

The segment information has been prepared in accordance with IFRS 8, “Operating segments”, which defines requirements for the disclosure of financial information on an entity’s operating segments. IFRS 8 requires operating segments to be identified based on internal management reports on components of the entity that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess segment performance.

The items displayed under ‘consolidation effects’ refer to the non-financial entities over which NIBC Holding has control. IFRS requires NIBC Holding to consolidate these entities. The internal management report differs from this, as the investments in these entities are non-strategic and the activities of these entities are non-financial. Therefore, in the income statement of NIBC Holding, only NIBC Holding’s share in the net result of these entities is included in the line-item ‘gains less losses from financial assets’. Subsequently, under ‘consolidation effects’ this is eliminated and replaced by the figures of these entities used in the consolidated financial statements.

The following table presents the results of the single operating segment, being NIBC Holding including a reconciliation to the consolidated results under IFRS for the years ended 31 December 2013 and 31 December 2012. The result of operating segment NIBC Holding contains the results of NIBC Bank and the other activities of NIBC Holding.

IN EUR MILLIONS ¹	Internal management report operating segment NIBC Holding		Consolidation effects		Total (consolidated financial statements)	
	2013	2012	2013	2012	2013	2012
Net interest income	142	120	-	(1)	142	119
Net fee and commission income	17	12	-	-	17	12
Dividend income	2	8	-	-	2	8
Net trading income	57	124	-	-	58	124
Gains less losses from financial assets	1	27	7	2	8	28
Share in result of associates	(1)	(1)	-	-	(1)	(1)
Other operating income	-	-	14	22	14	22
OPERATING INCOME	219	290	21	22	240	312
OPERATING EXPENSES	135	147	21	21	155	168
Impairments of financial assets	62	25	-	-	62	25
TOTAL EXPENSES	197	172	21	21	217	193
PROFIT BEFORE TAX	22	118	-	1	23	119
Tax	5	16	-	1	5	17
PROFIT AFTER TAX	18	102	-	(1)	18	102
Result attributable to non-controlling interests	-	-	-	-	-	-
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDERS	18	102	-	-	18	102
Average allocated economic capital	1,180	1,418	-	-	1,180	1,418
Average unallocated capital	344	83	-	-	344	83
Segment assets	22,205	25,813	94	104	22,299	25,917
Segment liabilities	20,466	24,035	68	69	20,534	24,104
Capital expenditure	4	1	-	-	4	1
Share in result of associates based on the equity method	(1)	(5)	-	-	(1)	(5)
Investments in associates based on the equity method	8	11	-	-	8	11

¹ Small differences are possible in the table due to rounding.

NIBC Holding generated 84% of its revenues in the Netherlands (2012: 81%) and 16% abroad (2012: 19%).

2 Net interest income

IN EUR MILLIONS	2013	2012
INTEREST AND SIMILAR INCOME		
Interest income from assets designated at fair value through profit or loss	198	266
Interest income from other assets	285	302
	483	568
INTEREST EXPENSE AND SIMILAR CHARGES		
Interest expense from liabilities designated at fair value through profit or loss	16	24
Interest expense from other liabilities	325	425
	341	449
	142	119

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

For the year ended 31 December 2013, interest expense related to deposits from customers amounted to EUR 247 million (2012: EUR 265 million).

For the year ended 31 December 2013, interest income included accrued interest on impaired financial assets of EUR 4 million (2012: EUR 2 million).

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

IN EUR MILLIONS	For the period ended 31 December			
	2013		2012	
	After reclassification	Before reclassification	After reclassification	Before reclassification
Interest income	39	37	81	72

3 Net fee and commission income

IN EUR MILLIONS	2013	2012
FEE AND COMMISSION INCOME		
Agency and underwriting fees	4	3
Investment management fees	6	6
Other	8	9
	18	18
FEE AND COMMISSION EXPENSE		
Other non-interest related	1	6
	1	6
	17	12

4 Dividend income

IN EUR MILLIONS	2013	2012
Equity investments (available-for-sale)	2	8
	2	8

5 Net trading income

IN EUR MILLIONS	2013	2012
Assets and liabilities designated at fair value through profit or loss (including related derivatives)	54	83
Assets and liabilities held for trading	24	60
Other net trading income	(20)	(19)
	58	124

Net trading income included a foreign exchange loss of EUR 2 million (2012: gain of EUR 2 million).

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

IN EUR MILLIONS	For the period ended 31 December			
	2013		2012	
	After reclassification	Before reclassification	After reclassification	Before reclassification
Net trading income	8	33	2	76

6 Gains less losses from financial assets

IN EUR MILLIONS	2013	2012
EQUITY INVESTMENTS		
GAINS LESS LOSSES FROM EQUITY INVESTMENTS (AVAILABLE-FOR-SALE)		
Net gain/(losses) on disposal	8	34
Impairment losses equity investments	(2)	-
GAINS LESS LOSSES FROM EQUITY INVESTMENTS (FAIR VALUE THROUGH PROFIT OR LOSS)		
Gains less losses from associates	2	(3)
Gains less losses from other equity investments	(2)	(3)
	6	28
DEBT INVESTMENTS		
Gains less losses from debt investments (available-for-sale)	2	-
	2	-
	8	28

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

7 Other operating income

IN EUR MILLIONS	2013	2012
OTHER OPERATING INCOME OF NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION CAN BE CATEGORISED AS FOLLOWS:		
NET REVENUE		
Net sales	245	250
Cost of sales	(231)	(227)
	14	23
Other	-	(1)
	14	22

8 Personnel expenses and share-based payments

IN EUR MILLIONS	2013	2012
Salaries	58	63
VARIABLE COMPENSATION		
Cash bonuses	4	7
Share-based and deferred bonuses including expenses previous years	2	2
Re-measurement of share-based long-term incentives granted in previous years	-	(2)
PENSION AND OTHER POST-RETIREMENT CHARGES:		
Defined-benefit plan	6	6
Defined-contribution plan	3	3
Other post-retirement charges/(releases)	(1)	-
Social security charges	7	8
Other staff expenses	2	2
Staff cost of non-financial companies included in the consolidation	9	9
	90	98

The decrease in salaries in 2013 is mainly explained by a decrease in the average number of *Full Time Equivalents (FTEs)*.

The number of FTEs (excluding the non-financial companies included in the consolidation) decreased from 627 at 31 December 2012 to 596 at 31 December 2013. The number of FTEs employed outside of the Netherlands decreased from 126 at 31 December 2012 to 104 at 31 December 2013.

At 31 December 2013, 106 FTEs (2012: 106 FTEs) were employed at the non-financial companies included in the consolidation, all of them are employed in the Netherlands.

The decrease in variable compensation is mainly explained by a further reduction of the variable compensation pool available for employees combined with a lower level of expenses related to share-based payment plans from previous years.

Information on the pension charges is included in note 39 Employee benefits.

Information on the remuneration of the members of the Managing Board and Supervisory Board can be found in note 52.

Remuneration of Statutory Board and Supervisory Board

Key management personnel compensation (Statutory Board¹)

IN EUR	2013	2012
THE BREAKDOWN OF THE TOTAL REMUNERATION OF THE STATUTORY BOARD IS AS FOLLOWS²:		
Cash compensation (base salary)	2,091,667	2,800,000
Cash compensation (severance payment)	-	500,000
Vesting of prior years long-term deferred share awards compensation	31,168	(124,998)
Vesting of 2009 one-off co-investment related deferred share awards compensation	42,585	(389,444)
Forfeiture of unvested share awards ³	(26,667)	(330,189)
Pension costs	292,704	474,049
Other remuneration elements	404,837	455,680
	2,836,294	3,385,098

1 Statutory Board is equal to Managing Board.

2 In addition to the above, personnel expenses in the income statement also include expenses relating to the vesting of the Statutory Board's sign-on and retention awards, which were rescinded after 31 December 2008. The additional amount for 2013 is nil (2012: EUR 0.4 million). In accordance with NIBC's accounting policies for share-based compensation, this amount has been credited to other reserves.

3 The forfeiture in 2013 relates fully to non-vested long-term deferred compensation granted to Mr. Kees van Dijkhuizen in previous years. Mr. Kees van Dijkhuizen stepped down as member of the Statutory Board on 30 April 2013 and his employment ended at the same date. The forfeiture in 2012 relates fully to non-vested long-term deferred compensation granted to Mr. Jeroen van Hessen in previous years. Mr. Jeroen van Hessen stepped down as member of the Statutory Board on 1 June 2012 and his employment ended at 31 December 2012.

In 2013 the government imposed a crisis levy of 16% on salaries of employees exceeding EUR 150,000 per annum. This one-off levy on employers is not part of the remuneration of the Statutory Board as presented in note 53 or in the previous table. The total crisis levy included in the personnel expenses amounts to EUR 1.1 million (2012: EUR 1.4 million) of which EUR 0.2 million (2012: EUR 0.4 million) relates to current and former members of the Statutory Board.

The total number of options on NIBC Holding *Common Depositary Receipts (CDRs)* held by the current and former members of the Statutory Board amounted to nil (vested) as at 31 December 2013 (31 December 2012: 267,056 (vested)). As at 31 December 2013, current and former members of the Statutory Board held 293,876 CDRs (31 December 2012: 282,990), nil *Restricted Depositary Receipts (RDRs)* (31 December 2012: nil), 196,206 *Conditional Common Depositary Receipts (CCDRs)* (31 December 2012: 146,272) and 36,186 *Conditional Restricted Depositary Receipts (CRDRs)* (31 December 2012: 70,395).

Key management personnel compensation (Supervisory Board)

IN EUR	2013	2012
TOTAL REMUNERATION OF THE SUPERVISORY BOARD IS AS FOLLOWS:		
Annual fixed fees, committee fees	570,792	653,500
	570,792	653,500

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 contains conditions relating to termination of employment or certain corporate events, such as restructurings, affecting the rights that would otherwise accrue to them.

Depositary receipts

The *Depositary Receipts (DRs)*, consisting of CDRs and RDRs, are issued by *Stichting Administratiekantoor NIBC Holding (the Foundation)* in accordance with its relevant conditions of administration (*administratievoorwaarden*).

The Foundation issues a DR for each ordinary share it holds in NIBC Holding. The Foundation exercises the voting rights in respect of each of these ordinary shares at its own discretion, while the holder of a DR is entitled to the dividends and other distributions declared payable in respect of the underlying ordinary share. Holders of DRs cannot exercise voting rights or request a power of attorney from the Foundation to vote in respect of our ordinary shares.

Under the conditions of administration, the holders of DRs have pre-emption rights similar to other shareholders of NIBC Holding, subject to the Foundation having been given pre-emptive rights. Consequently, when given these pre-emptive rights, the Foundation will exercise the pre-emption rights attached to the ordinary shares underlying the DRs if these holders so elect.

RDRs cannot be transferred, and are subject to specific vesting rules. Up to 1 January 2008, they were subject to five-year vesting with one fifth vesting on 1 January of each year. In 2008, the vesting schedule was changed to three-year vesting, with one third vesting each year on 1 January, to better align with vesting practices in other financial institutions. In 2012 the vesting date of newly granted instruments was changed to 1 April to be in line with the remuneration guidelines of DNB. Additionally, RDRs are subject to certain conditions including the forfeiture of the RDR in the case of termination of employment, or in the case of certain corporate events, such as restructurings.

On every vesting date, the applicable tranche of RDRs converts automatically into CDRs if the vesting conditions are met.

In 2013, no new RDRs were granted by NIBC Holding. Instead, the 2012 short-term deferred compensation was delivered in the form of a deferred cash bonus and *Restricted Phantom Share Units (RPSUs)*, both subject to three-year vesting, the first such vesting to occur on 1 April 2014.

In 2009, Statutory Board members made a combined personal investment of EUR 1.7 million (184,000 NIBC CDRs at a price of EUR 9.25). In relation to that co-investment the Statutory Board members were granted 184,000 matching shares (CRDRs) on a net after-tax basis representing a 1:1 match. Furthermore, the Statutory Board members are entitled to earn additional performance shares (CRDRs). The number of performance shares contained in this one-off variable compensation is in principle uncapped, but the Supervisory Board has the discretion to adjust the ultimate number in the case of unfair or unintended effects. For determining the number of performance shares, a specific formula will be applied by the Supervisory Board upon a change of control. Therefore the conditions attached to the performance shares are recognised as vesting conditions.

The matching shares were awarded in 2009 to the Statutory Board with an underlying fair value of EUR 9.25, which was determined by the Supervisory Board, based on an agreed price-to-book ratio observed in the market at grant date based on net asset value. The number of performance shares will be

calculated upon a change of control or any other liquidity event as a percentage of the number of matching shares that represents one year's net base salary at the time of grant, using a pre-agreed formula.

The terms and conditions applicable to these CRDRs are in line with those applicable to the 2008 RDRs, except for the calculation of the fair value at grant date, the vesting period and certain performance conditions. The CRDRs (matching shares) which were awarded to the Statutory Board members in 2009 in relation to their co-investment in NIBC are subject to four-year vesting with one quarter vesting each year, for the first time on 1 January 2010 and will become fully unconditional and vest immediately upon change of control of NIBC Holding. The conditional performance shares will vest immediately upon a change of control or any other liquidity event.

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 current DNB Principles. This offer was made to Mr. Herman Dijkhuizen when he joined the Statutory Board on 1 October 2013 and it was accepted by him in December 2013 at a price of EUR 8.33 per CDR being the fair value at that time. The CRDRs (matching shares) are subject to a four-year vesting with one quarter vesting each year, for the first time on 1 January 2015.

On 30 April 2013, Mr. Kees van Dijkhuizen stepped down from the Statutory Board and his employment ended at the same time. All non-vested instruments, options and CRDRs (related to the co-investment and long-term incentive programmes) were forfeited on 30 April 2013.

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.

In response to social developments and further regulatory changes, the Supervisory Board decided to further amend the Remuneration Policy for the Statutory Board in early 2012. As of 1 January 2012, if any LTI is conditionally granted to the Statutory Board, this will be in the form of 66.67% CRDRs and 33.33% cash. The LTI is conditional upon the achievement of performance conditions, is forward-looking and is subject to a three-year performance period and an additional three-year pro-rated deferral period. The Supervisory Board has agreed a set of six long-term performance conditions. Two are financial performance conditions and have a weight of 60% (average return on equity and average impairment level). Four are non-financial performance conditions and have a weight of 40% (employee engagement, client satisfaction for corporate as well as consumer clients and diversity). These are aligned with the overall corporate targets. The final LTI award value depends on the degree to which the agreed performance criteria have been met.

On every vesting date, the applicable tranche of CRDRs converts automatically into CCDRs if the vesting conditions are met.

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 RPSUs. RPSU awards are subject to a three-year vesting with one third vesting each year. All PSUs, whether vested or restricted are subject to a five-year retention period as measured from the date of grant. In 2012, as part of the review of the remuneration policies against the remuneration guidelines of DNB, it was decided to shorten the retention period from a five-year period to a one-year period and to move the vesting date from 1 January to 1 April.

The (R)PSU has similar characteristics as the CRDR used for the LTI, such as eligibility for dividend and a value which is tied to movements in the net asset value of NIBC Holding, however from 2012 newly granted RPSUs are not eligible for dividend. This short-term compensation can be converted into cash immediately after the retention period and therefore is recognised as cash-settled.

Stock Options

NIBC Choice also comprises an employee the Option Plan which allowed NIBC Holding to grant options to members of its Statutory Board and employees up to a maximum of 5% of its share capital as at 14 December 2005 on a fully diluted basis. The Option Plan was introduced with the intention of further enhancing the attractiveness of converting accumulated rights under the legacy plans into NIBC Choice by granting options to employees who converted their entitlements into DRs. In addition, options were granted to encourage investment of own funds by employees in CDRs and as part of the compensation of senior management and other employees. NIBC may decide to grant further options under the current Option Plan.

Each option gives the option holder the right to be issued one CDR. The options are only exercisable by the option holder. Of the options granted on a certain date, 50% vest after three years and the remainder vest after four years from the date of grant and the options granted in 2005 and 2006 have a seven-year exercise period with a possibility for a three-year extension in the case a liquidity event has not yet taken place before the end of the seven-year period, provided that such a period will end no later than 14 December 2015. In 2012, the Statutory Board, after consultation with the Supervisory Board, decided to apply this three-year extension. As a general rule, all unvested and vested out of the money options shall be forfeited for no consideration upon termination of employment of an option holder. However, vested options are exercisable during open periods, provided that the option holder is still employed by NIBC or, if no longer employed by NIBC, during the next open period following termination. An open period generally is the 21-day period following the date of approval of the annual, semi-annual or quarterly results, taking into account NIBC's internal regulations on private investment transactions.

The exercise price of an option is equal to the fair market value of a DR at the date of grant as defined and calculated in accordance with the conditions of administration of the Foundation. This fair market value is based on the changes in NIBC Holding's net asset value, calculated using a fixed formula, relative to the exercise price of EUR 18.25, which was determined when NIBC first introduced the Option Plan in December 2005. Any dividends payable are deducted from the exercise price of an option.

The Statutory Board may permit a cashless exercise, allowing the holder to convert his options into fewer CDRs than he would otherwise be entitled to, while not having to pay the exercise price. Upon the occurrence of certain corporate events, such as capital adjustments, payment of stock dividends, an issue of shares or recapitalisations, the Statutory Board, following consultation with the Supervisory Board, may adjust the number of options and/or the exercise price as is equitable to reflect the event.

In 2012 and 2013, no new options were granted to employees.

Stock option and share plans

Options

As at year-end 2013, 1,928,187 options (2012: 2,458,592) on CDRs of NIBC Holding were in issue, with a weighted average remaining vesting period of nil years (2012: nil years). Of this total position, 1,928,187 options were vested at 31 December 2013. A requirement for vesting at the vesting date is that the holder is still employed by NIBC Holding or one of its group companies. The weighted average exercise period of the options is 2.0 years (2012: 3.0 years). All options in issue as at 31 December 2013 and as at 31 December 2012 are equity-settled instruments.

	Options outstanding (in numbers)		Weighted average exercise price (in EUR)	
	2013	2012	2013	2012
CHANGES IN OPTION RIGHTS OUTSTANDING:				
BALANCE AT 1 JANUARY	2,458,592	3,038,879	13.17	13.06
Granted	-	-	-	-
Exercised	(208,750)	(311,300)	8.01	8.28
Forfeited	(321,655)	(268,987)	14.43	14.50
Expired	-	-	-	-
BALANCE AT 31 DECEMBER	1,928,187	2,458,592	13.17	13.17
OF WHICH VESTED AT 31 DECEMBER	1,928,187	2,421,092	13.17	13.16

The average fair value per option at grant date was EUR 5.61. In 2013, 208,750 options were exercised into CDRs. All option holders opted for the cashless exercise. As a consequence, the holder converted his options into fewer CDRs than he would otherwise be entitled to, while not having to pay the exercise price. At year-end the conversion of 28,400 exercised options into 5,085 CDRs was still pending.

Common Depositary Receipts

As at year end 2013, 2,581,404 (2012: 2,775,057) CDRs were issued to employees. Of the position as at year end 2013, 6,303 which is 0.2% of CDRs are considered cash-settled (2012: 9,191 and 0.3%); the remaining 99.8% is considered equity-settled. In the case an employee has the right to demand cash settlement against their fair value, the CDRs are considered cash-settled (as opposed to equity-settled).

In 2013, a fully discretionary offer was made to current and former employees to sell their CDR holdings to a certain threshold with a maximum of 10%. Main reason was to reduce administrative and handling expenses by reducing the number of (small) holders of CDRs. Statutory Board members were not eligible for this offer.

	Depositary Receipt awards (in numbers)		Fair value at balance sheet date (in EUR)	
	2013	2012	2013	2012
CHANGES IN COMMON DEPOSITARY RECEIPTS:				
BALANCE AT 1 JANUARY	2,775,057	2,993,187	-	-
Granted	-	-	-	-
Investments from own funds	18,008	17,242	-	-
Exercised (options)	44,429	48,203	-	-
Vesting of RDRs	-	49,090	-	-
CDRs repaid	(256,090)	(332,665)	-	-
BALANCE AT 31 DECEMBER	2,581,404	2,775,057	8.25	8.40
OF WHICH RELATES TO INVESTMENT FROM OWN FUNDS AT 31 DECEMBER	1,098,554	1,185,478	-	-

Restricted Depositary Receipts

As at year-end 2013, nil (2012: nil) RDRs had been issued to employees, with a weighted average remaining vesting period of nil years (2012: nil). A requirement for vesting at the vesting date is that the holder is still employed by NIBC or one of its group companies. Of the position as at year-end 2013, no RDRs were considered cash-settled (2012: nil), but all RDRs were considered equity-settled.

	Depository Receipt awards (in numbers)		Weighted average fair value at grant date (in EUR)	
	2013	2012	2013	2012
CHANGES IN RESTRICTED DEPOSITARY RECEIPTS:				
BALANCE AT 1 JANUARY	-	49,090	-	13.65
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Vested into CDRs	-	(49,090)	-	13.65
Expired	-	-	-	-
BALANCE AT 31 DECEMBER	-	-	-	-

Conditional Common Depository Receipts

As at year-end 2013 of the total 206,468 CCDRs a number of 196,206 (2012: 146,272) CCDRs had been issued to Statutory Board members. Of the position as at year-end 2013, no CCDRs were considered cash-settled (2012: nil), but all CCDRs were considered equity-settled.

At year-end 2013, 19,459 (2012: 24,648) CCDRs were in issue to Statutory Board members related to the LTI scheme for the performance year 2010 for which the three-year cliff vesting period ended 1 January 2013. The Supervisory Board reviewed the agreed long-term financial and non-financial performance conditions. The financial performance conditions (60%) were not met. The non-financial performance conditions (40%) were met in full. The Supervisory Board therefore awarded a vesting of 40% of the LTI 2010 CRDRs, which have fully vested into CCDRs at 1 January 2013. Consequently 60% of the LTI 2010 forfeited. The vested instruments have an additional retention period of two years. Furthermore the vested instruments need to be held until a liquidity event takes place to ensure alignment with the shareholders.

	Conditional Common Depository Receipt awards (in numbers)		Weighted average fair value at grant date (in EUR)	
	2013	2012	2013	2012
CHANGES IN CONDITIONAL COMMON DEPOSITARY RECEIPTS:				
BALANCE AT 1 JANUARY	146,272	81,083	9.25	9.25
Vesting of one-off matching shares awarded in 2009 and 2012 on investment from own funds	42,149	40,541	9.19	9.25
Vesting of one-off performance shares awarded in 2009/2012	-	-	-	-
Vesting of Long Term Incentive shares awarded in 2009/2010	18,047	24,648	9.25	9.25
Forfeited	-	-	-	-
BALANCE AT 31 DECEMBER	206,468	146,272	9.24	9.25

The fair market value per CCDR is calculated based on price-to-book ratios observed in the market at grant date based on net asset value, without taking into account expected dividends. The fair value at balance sheet date was EUR 8.25.

Conditional Restricted Depository Receipts

At year-end 2013, 45,977 CRDRs (2012: 92,519) were in issue to employees, including 30,939 CRDRs (2012: 55,080) which were in issue to Statutory Board members related to their personal co-investment in 2012 and 2013 in NIBC Holding CDRs, with a weighted average remaining vesting period of 1.9 years (2012: 0.5 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) and 1 January 2015 (2013 investment) provided that the holder is still employed by NIBC prior to the vesting date. These CRDRs will become fully unconditional and vest immediately upon change of control of NIBC Holding. The number of performance shares is dependent on certain performance targets, and will be calculated upon a change of control event as a percentage of the number of matching shares that represents one year's net base salary at the time of grant.

For reporting purposes, the number of performance shares for the combined Statutory Board is estimated at nil CRDRs, based on NIBC's long-term forecast and taking into account price-to-book ratios observed in the market. Depending on the assumptions applied, this number can vary over time. The conditional performance shares will vest immediately upon a change of control of NIBC Holding. Of the position as at year-end 2013, no CRDRs were considered cash-settled (2012: nil), but all CRDRs were considered equity-settled.

The three-year performance period of a total of 38,890 CRDRs under the LTI 2011 ended 1 January 2014. The Supervisory Board reviewed the agreed long-term financial and non-financial performance conditions. The financial performance conditions (60%) were not met. The non-financial performance conditions (40%) were almost met at stretch level. The Supervisory Board therefore awarded a vesting of 38% of the LTI 2011 CRDRs, which will fully vest at 1 April 2014 in line with the interim re-measurement done at year-end 2012. Consequently 62% of the LTI 2011 forfeited. The vested instruments have an additional retention period of two years. Furthermore the vested instruments need to be held until a liquidity event takes place to ensure alignment with the shareholders.

At year-end 2013, 5,247 (2012: 15,315) CRDRs were in issue to Statutory Board members related to the LTI scheme for the performance year 2011, with an estimated weighted average remaining vesting period of nil years (2012: 0.5 years).

	Conditional Restricted Depository Receipt awards (in numbers)		Weighted average fair value at grant date (in EUR)	
	2013	2012	2013	2012
CHANGES IN CONDITIONAL RESTRICTED DEPOSITARY RECEIPTS:				
BALANCE AT 1 JANUARY	92,519	282,929	9.21	9.31
One-off matching shares (CRDRs) awarded in 2013 on investment from own funds	18,008	17,242	8.33	8.70
One-off performance shares (CRDRs) re-estimated 2012/awarded in 2009/2012	-	(49,332)	-	9.25
Conditional Restricted Depository Receipts re-estimated 2012/awarded based on LTI scheme in 2011/2010	(778)	(55,765)	9.56	9.41
Forfeited	(3,577)	(37,365)	9.25	9.32
Vested into conditional CDRs	(60,196)	(65,189)	9.21	9.25
BALANCE AT 31 DECEMBER	45,977	92,519	8.83	9.21

The fair market value per CRDR is calculated based on price-to-book ratios observed in the market at grant date based on net asset value, without taking into account expected dividends. The fair value at balance sheet date was EUR 8.25.

Phantom Share Units

As at year end 2013, 206,698 (2012: 229,685) 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)	
	2013	2012	2013	2012
CHANGES IN PHANTOM SHARE UNITS:				
BALANCE AT 1 JANUARY	229,685	211,420	8.71	9.10
Granted	49,323	85,116	8.25	8.40
Vesting of RPSUs	71,874	31,287	9.03	9.56
Exercised	(144,184)	(98,138)	8.89	9.56
Forfeited	-	-	-	-
BALANCE AT 31 DECEMBER	206,698	229,685	8.59	8.71

The fair market value per PSU is calculated based on price-to-book ratios observed in the market at grant date based on net asset value, without taking into account expected dividends. The fair value at balance sheet date was EUR 8.25.

Restricted Phantom Share Units

As at year end 2013, 214,364 (2012: 272,022) 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)	
	2013	2012	2013	2012
CHANGES IN RESTRICTED PHANTOM SHARE UNITS:				
BALANCE AT 1 JANUARY	272,022	231,576	8.79	9.05
Granted	35,906	80,896	8.25	8.41
Vesting of RPSUs	(71,871)	(31,287)	9.03	9.56
Exercised	-	-	-	-
Forfeited	(21,693)	(9,163)	8.82	9.28
BALANCE AT 31 DECEMBER	214,364	272,022	8.62	8.79

The fair market value per RPSU is calculated based on price-to-book ratios observed in the market at grant date based on net asset value, without taking into account expected dividends. The fair value at reporting date was EUR 8.25.

With respect to all instruments relating to NIBC Choice (CDRs, RDRs, CCDRs, CRDRs, options PSUs, RPSUs and deferred cash), an amount of EUR 2 million was expensed through personnel expenses in 2013 (2012: EUR 2 million), of which EUR 2 million (2012: EUR 2 million) refers to cash-settled instruments (deferred cash and vested PSUs) and nil (2012: nil) to equity-settled instruments. With respect to the cash-settled instruments, the amount expensed during the vesting period through the income statement is based on the number of instruments originally granted outstanding at balance sheet date, their fair value at balance sheet date, the vesting period and estimates of the number of instruments that will be forfeited during the remaining vesting period.

The liability in the balance sheet with respect to cash-settled instruments is EUR 4 million (2012: EUR 5 million). With respect to the equity-settled instruments (CDRs, RDRs, CCDRs, CRDRs and options), the amount expensed during the vesting period through the income statement is based on the number of instruments granted outstanding at balance sheet date, their fair value at grant date, the vesting period and estimates of the number of instruments that will be forfeited during the remaining vesting period.

In the current account position with NIBC, an amount of EUR 30 million receivable is included (2012: EUR 32 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. In view of IFRS 2, NIBC Holding has a liability in the current account position with NIBC for the capital contribution of EUR 51 million (2012: EUR 50 million) in relation to the share-based payments programme granted by NIBC Holding.

9 Other operating expenses

IN EUR MILLIONS	2013	2012
Other operating expenses	46	50
Other operating expenses of non-financial companies included in the consolidation	8	8
Fees of the external auditor	2	2
	56	60

IN EUR THOUSANDS	2013	2012
FEES OF THE EXTERNAL AUDITOR CAN BE CATEGORISED AS FOLLOWS:		
Audit of financial statements	1,475	1,964
Other audit-related services	59	-
Other non-audit related services	436	23
Tax services	35	9
	2,005	1,996

The fees listed above relate to the procedures applied to NIBC Holding and its consolidated group entities by accounting firms and external 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.

10 Depreciation and amortisation

IN EUR MILLIONS	2013	2012
Property, plant and equipment	5	6
Intangible assets	4	4
	9	10
AMORTISATION OF INTANGIBLE ASSETS CAN BE CATEGORISED AS FOLLOWS:		
Trademarks and licenses	1	1
Customer relationships	2	2
Other intangibles	1	1
	4	4

The amortisation of intangible assets relates to the non-financial companies included in the consolidation.

11 Impairments of financial assets

IN EUR MILLIONS	2013	2012
IMPAIRMENTS		
Loans classified at amortised cost	68	45
Debt investments classified at amortised cost	3	8
Residential mortgages own book at amortised cost	-	-
Debt investments classified at available-for-sale	1	1
	72	54
REVERSALS OF IMPAIRMENTS		
Loans classified at amortised cost	(9)	(8)
Debt investments classified at amortised cost	(1)	(21)
Residential mortgages own book at amortised cost	-	-
Debt investments classified at available-for-sale	(1)	(2)
	(11)	(31)
Other	1	2
	62	25

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

Impairments of financial assets reclassified in 2008 following the IAS 39 amendments, both after reclassification and before reclassification (assuming the reclassification in 2008 had not been made) is displayed in the following table (negative amounts represent losses):

IN EUR MILLIONS	For the period ended 31 December			
	2013		2012	
	After reclassification	Before reclassification	After reclassification	Before reclassification
Impairments of financial assets	(16)	(14)	3	(11)

12 Tax

IN EUR MILLIONS	2013	2012
Current tax	4	31
Deferred tax	1	(14)
	5	17

Further information on deferred tax is presented in note 32. The actual tax charge on NIBC Holding's profit before tax differs from the theoretical amount that would arise using the basic tax rate, as follows:

IN EUR MILLIONS	2013	2012
TAX DIFFERENCES CAN BE ANALYSED AS FOLLOWS:		
PROFIT BEFORE TAX	23	119
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2012: 25.0%)	6	30
Impact of income not subject to tax	1	(14)
Impact of expenses not deductible for tax purposes	-	1
Effect of different tax rates in other countries	-	(1)
Result final tax assessment previous years	(2)	1
	5	17
EFFECTIVE TAX RATE	22.8%	14.3%

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

The current tax expense related to non-financial companies included in the consolidation is nil (2012: 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	2013	2012
Cash and balances with central banks	1,150	1,604
	1,150	1,604

CASH AND BALANCES WITH CENTRAL BANKS CAN BE CATEGORISED AS FOLLOWS:

Receivable on demand	744	1,501
Not receivable on demand	406	103
	1,150	1,604

THE LEGAL MATURITY ANALYSIS OF CASH AND BALANCES WITH CENTRAL BANKS NOT RECEIVABLE ON DEMAND IS AS FOLLOWS:

Three months or less	300	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	15	18
Longer than five years	-	-
Assets not freely available	91	85
	406	103

Cash and balances with central banks included EUR 798 million on the current account balance held with DNB (2012: EUR 1,557 million).

All amounts not receivable on demand are mandatory reserve deposits with central banks which are not available for use in NIBC Holding's day-to-day operations.

Balances held with central banks are interest bearing.

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

14 Due from other banks (amortised cost)

IN EUR MILLIONS	2013	2012
Current accounts	423	539
Deposits with other banks	1,376	1,609
	1,799	2,148
DUE FROM OTHER BANKS CAN BE CATEGORISED AS FOLLOWS:		
Receivable on demand	423	539
Cash collateral placements posted under CSA agreements	1,231	1,474
Not receivable on demand	145	135
	1,799	2,148
THE LEGAL MATURITY ANALYSIS OF DUE FROM OTHER BANKS NOT RECEIVABLE ON DEMAND IS AS FOLLOWS:		
Three months or less	139	119
Longer than three months but not longer than one year	-	5
Longer than one year but not longer than five years	2	7
Longer than five years	4	4
	145	135

There were no subordinated loans outstanding due from other banks in 2013 and 2012.

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

No impairments were recorded in 2013 and 2012 on the amounts due from other banks at amortised cost.

An amount of EUR 1,231 million (2012: EUR 1,474 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 45 Repurchase and resale agreements and transferred financial assets.

15 Loans (amortised cost)

IN EUR MILLIONS	2013	2012
Loans to corporate entities	5,979	7,336
	5,979	7,336
THE LEGAL MATURITY ANALYSIS OF LOANS IS AS FOLLOWS:		
Three months or less	195	259
Longer than three months but not longer than one year	492	396
Longer than one year but not longer than five years	3,257	4,375
Longer than five years	2,035	2,306
	5,979	7,336
THE MOVEMENT IN IMPAIRMENT LOSSES ON LOANS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	138	130
Additional allowances	68	45
Write-offs/disposals	(90)	(28)
Amounts released	(9)	(8)
Unwinding of discount adjustment	(4)	(7)
Other (including exchange differences)	6	6
BALANCE AT 31 DECEMBER	109	138



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 cumulative impairments at 31 December 2013, related to the available-for-sale loans reclassified to the loans at amortised cost category on 1 July 2008, amounted to EUR 28 million (2012: EUR 78 million).

The maximum credit risk exposure including undrawn credit facilities arising on loans at amortised cost amounted to EUR 6,889 million (2012: EUR 7,878 million).

The total amount of subordinated loans in this item amounted to EUR 124 million in 2013 (2012: EUR 253 million).

As per 31 December 2013, EUR 12 million (2012: EUR 34 million) was guaranteed by the Dutch State.

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

IN EUR MILLIONS	Fair value on date of reclassification	Carrying amount as per 31 December 2013	Fair value as per 31 December 2013
Loan portfolio reclassified from available-for-sale category	1,103	1,214	1,156

The effective interest rates on financial assets reclassified into loans at amortised cost as at the date of reclassification - 1 July 2008 - fell approximately into the following range:

IN %	Range
Loan portfolio reclassified from available-for-sale category	5 - 9

The following table contains estimates of undiscounted cash flows NIBC expected to recover from the assets reclassified as at 1 July 2008, which were still on the balance sheet as per 31 December 2013:

IN EUR MILLIONS	Less than one year	Between one and two years	Between two and five years	More than five years	Total
Loan portfolio reclassified from available-for-sale category	239	399	116	464	1,218

At the reclassification date (1 July 2008), NIBC Holding recognised a total fair value loss in equity of EUR 12 million on assets reclassified.

16 Debt investments (amortised cost)

IN EUR MILLIONS	2013	2012
Debt investments	415	366
	415	366
DEBT INVESTMENTS CAN BE CATEGORISED AS FOLLOWS:		
Listed	409	334
Unlisted	6	32
	415	366

All debt investments are non-government.

IN EUR MILLIONS	2013	2012
THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS IS AS FOLLOWS:		
Three months or less	-	1
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	208	66
Longer than five years	207	299
	415	366

THE MOVEMENT IN DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	366	556
Additions	149	42
Disposals (sale and/or redemption)	(99)	(266)
Impairments	(2)	13
Exchange differences and amortisation	1	21
BALANCE AT 31 DECEMBER	415	366

THE MOVEMENT IN IMPAIRMENT LOSSES ON DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	29	88
Additional allowances	3	8
Write-offs	(6)	(46)
Amounts released	(1)	(21)
BALANCE AT 31 DECEMBER	25	29

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

IN EUR MILLIONS	Fair value on date of reclassification	Carrying amount as per 31 December 2013	Fair value as per 31 December 2013
DEBT INVESTMENTS RECLASSIFIED FROM:			
Held for trading category	310	195	164
Available-for-sale category	54	52	51

The effective interest rates on financial assets reclassified into debt investments at amortised cost as at the date of reclassification - 1 July 2008 - fell approximately into the following ranges:

IN %	Range
DEBT INVESTMENTS RECLASSIFIED FROM:	
Held for trading category	5 - 20
Available-for-sale category	5 - 8

The following table contains estimates of undiscounted cash flows NIBC Holding expected to recover from the assets reclassified as at 1 July 2008, which are still on the balance sheet as per 31 December 2013:

IN EUR MILLIONS	Less than one year	Between one and two years	Between two and five years	More than five years	Total
DEBT INVESTMENTS RECLASSIFIED					
FROM:					
Held for trading category	17	19	139	306	481
Available-for-sale category	3	3	9	69	84

17 Residential mortgages own book (amortised cost)

IN EUR MILLIONS	2013	2012
Residential mortgages own book	98	-
	98	-
THE LEGAL MATURITY ANALYSIS OF THE RESIDENTIAL MORTGAGES OWN BOOK IS AS FOLLOWS:		
Three months or less	1	-
Longer than three months but not longer than one year	2	-
Longer than one year but not longer than five years	8	-
Longer than five years	87	-
	98	-

The maximum credit exposure including committed but undrawn facilities was EUR 454 million at 31 December 2013 (31 December 2012: nil).

No impairments were recorded in 2013 and 2012 on residential mortgages own book at amortised cost.

18 Equity investments (available-for-sale)

IN EUR MILLIONS	2013	2012
Equity investments	47	49
	47	49

All of these equity investments are unlisted.

IN EUR MILLIONS	2013	2012
THE MOVEMENT IN EQUITY INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	49	66
Additions	2	2
Disposals (sales and/or capital repayments)	(13)	(51)
Changes in fair value	12	32
Impairments	(2)	-
Exchange differences	(1)	-
BALANCE AT 31 DECEMBER	47	49

The cumulative impairment losses on equity investments amounted to EUR 68 million (2012: EUR 68 million).

19 Debt investments (available-for-sale)

IN EUR MILLIONS	2013	2012
Debt investments	1,300	985
	1,300	985

All debt investments are non-government.

IN EUR MILLIONS	2013	2012
DEBT INVESTMENTS CAN BE CATEGORISED AS FOLLOWS:		
Listed	1,159	908
Unlisted	141	77
	1,300	985

THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS IS AS FOLLOWS:

Three months or less	96	99
Longer than three months but not longer than one year	175	132
Longer than one year but not longer than five years	387	261
Longer than five years	642	493
	1,300	985

THE MOVEMENT IN DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:

BALANCE AT 1 JANUARY	985	887
Additions	1,064	626
Disposals (sale and/or redemption)	(743)	(545)
Changes in fair value	-	19
Impairments	-	1
Exchange differences	(6)	(3)
BALANCE AT 31 DECEMBER	1,300	985

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 EUR MILLIONS	2013	2012
THE MOVEMENT IN IMPAIRMENTS ON DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	17	18
Additional allowances	1	1
Amounts released	(1)	(2)
BALANCE AT 31 DECEMBER	17	17

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

IN EUR MILLIONS	Fair value on date of reclassification	Carrying amount as per 31 December 2013	Fair value as per 31 December 2013
Debt investments reclassified from held for trading category	23	3	3

The effective interest rates on financial assets reclassified into debt investments at available-for-sale as at the date of reclassification - 1 July 2008 - fell approximately into the following range:

IN %	Range
Debt investments reclassified from held for trading category	13 - 25

The following table contains estimates of undiscounted cash flows NIBC Holding expected to recover from the assets reclassified as at 1 July 2008, which were still on the balance sheet as per 31 December 2013:

IN EUR MILLIONS	Less than one year	Between one and two years	Between two and five years	More than five years	Total
Debt investments reclassified from held for trading category	6	5	22	19	52

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

IN EUR MILLIONS	2013	2012
Loans to corporate entities	480	515
	480	515

THE LEGAL MATURITY ANALYSIS OF LOANS IS AS FOLLOWS:

Three months or less	1	13
Longer than three months but not longer than one year	223	21
Longer than one year but not longer than five years	24	314
Longer than five years	232	167
	480	515

THE MOVEMENT IN LOANS MAY BE SUMMARISED AS FOLLOWS:

BALANCE AT 1 JANUARY	515	998
Additions	1	1
Disposals	(48)	(518)
Changes in fair value	17	30
Exchange differences	(5)	4
BALANCE AT 31 DECEMBER	480	515

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 are recognised in net trading income.

The portion of fair value changes in 2013 included in the balance sheet amount (designated at fair value through profit or loss) as at 31 December 2013 relating to the movement in credit spreads amounted to EUR 17 million debit (2012: EUR 30 million debit), being an increase in the balance sheet carrying amount.

The maximum credit risk exposure including undrawn credit facilities amounts to EUR 480 million (2012: EUR 515 million).

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

IN EUR MILLIONS	2013	2012
Residential mortgages own book	3,586	3,675
	3,586	3,675

THE LEGAL MATURITY ANALYSIS OF RESIDENTIAL MORTGAGES OWN BOOK IS AS FOLLOWS:

Three months or less	26	33
Longer than three months but not longer than one year	15	24
Longer than one year but not longer than five years	58	41
Longer than five years	3,487	3,577
	3,586	3,675

THE MOVEMENT IN RESIDENTIAL MORTGAGES OWN BOOK MAY BE SUMMARISED AS FOLLOWS:

BALANCE AT 1 JANUARY	3,675	3,185
Additions (including transfers from consolidated SPEs)	10	1,269
Disposals (sale and/or redemption, including replenishment of consolidated SPEs)	(84)	(864)
Changes in fair value	(15)	85
BALANCE AT 31 DECEMBER	3,586	3,675

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 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 3,588 million (2012: EUR 3,681 million).

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

IN EUR MILLIONS	2013	2012
Securitised residential mortgages	3,878	4,512
	3,878	4,512

THE LEGAL MATURITY ANALYSIS OF SECURITISED RESIDENTIAL MORTGAGES IS AS FOLLOWS:

Three months or less	1	1
Longer than three months but not longer than one year	3	3
Longer than one year but not longer than five years	28	17
Longer than five years	3,846	4,491
	3,878	4,512

THE MOVEMENT IN SECURITISED RESIDENTIAL MORTGAGES MAY BE SUMMARISED AS FOLLOWS:

BALANCE AT 1 JANUARY	4,512	5,560
Additions	529	527
Disposals (sale and/or redemption including transfers to own book)	(1,121)	(1,625)
Changes in fair value	(42)	50
BALANCE AT 31 DECEMBER	3,878	4,512

At 31 December 2013 the balance sheet carrying amounts for residential mortgages own book and securitised residential mortgages include a total revaluation adjustment of EUR 393 million debit (2012: EUR 450 million debit) related to both interest rates and credit spreads and EUR 176 million credit (2012: EUR 164 million credit) related to mortgage savings amounts. As NIBC Holding hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated by the results on financial derivatives.

The portion of fair value changes in 2013 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 83 million debit at 31 December 2013 (2012: EUR 36 million credit), being an increase in the carrying amount.

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes.

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 2013, securitised residential mortgages in the amount of EUR 3,878 million (2012: EUR 4,512 million) were pledged as collateral for NIBC Holding's own liabilities (see note 48 Assets transferred or pledged as collateral).

The maximum credit exposure was EUR 3,878 million (2012: EUR 4,512 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 2013 amounted to a liability of EUR 22 million (2012: EUR 25 million).

Securitised residential mortgages are recognised on NIBC Holding's balance sheet based on the risks and rewards NIBC Holding retains in the 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 349 million (2012: EUR 461 million) of notes issued by the SPEs, overcollateralisation provided to the SPEs amounted to nil (2012: EUR 21 million) and reserve accounts amounted to EUR 19 million (2012: EUR 18 million).

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

IN EUR MILLIONS	2013	2012
Held for trading	31	118
Designated at fair value through profit or loss	50	75
	81	193

All debt investments are non-government.

IN EUR MILLIONS		
DEBT INVESTMENTS HELD FOR TRADING CAN BE CATEGORISED AS FOLLOWS:		
Listed	31	56
Unlisted	-	62
	31	118

DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS CAN BE CATEGORISED AS FOLLOWS:		
Listed	50	75
Unlisted	-	-
	50	75

THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS IS AS FOLLOWS:		
Three months or less	22	-
Longer than three months but not longer than one year	20	23
Longer than one year but not longer than five years	1	45
Longer than five years	7	7
	50	75

THE MOVEMENT IN DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	75	106
Additions	-	-
Disposals (sale and/or redemption)	(25)	(33)
Changes in fair value	-	2
BALANCE AT 31 DECEMBER	50	75

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 2013 included in the balance sheet amount (designated at fair value through profit or loss) relating to the movement in credit spreads amounted to EUR 1 million debit (2012: EUR 3 million debit), 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.

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

IN EUR MILLIONS	2013	2012
Investments in associates	201	196
Other equity investments	56	19
	257	215

There are no significant restrictions on the ability of associates to transfer funds to the investor in the form of cash dividends or repayment of loans.

IN EUR MILLIONS	2013	2012
THE MOVEMENT IN INVESTMENTS IN ASSOCIATES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	196	238
Additions	18	20
Disposals	(14)	(67)
Changes in fair value	1	5
BALANCE AT 31 DECEMBER	201	196

The investments in associates are unlisted.

IN EUR MILLIONS	2013	2012
THE MOVEMENT IN OTHER EQUITY INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	19	21
Additions	45	1
Disposals	(6)	(1)
Changes in fair value	(2)	(2)
BALANCE AT 31 DECEMBER	56	19

The other equity investments are unlisted.

25 Derivative financial instruments

IN EUR MILLIONS	2013	2012
DERIVATIVE FINANCIAL ASSETS		
Derivative financial assets used for hedge accounting	141	275
Derivative financial assets - other	2,659	3,654
	2,800	3,929
DERIVATIVE FINANCIAL LIABILITIES		
Derivative financial assets used for hedge accounting	17	20
Derivative financial assets - other	2,940	4,026
	2,957	4,046

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 funding;
- FX and cross-currency swaps to fund the non-euro loans to customers or to transform non-euro funding into euro's;
- Client-driven derivative transactions and hedges resulting from this activity; and
- Limited proprietary trading, mainly money market.

Economically all these derivatives, with the exception of the limited proprietary trading, are used to hedge interest rate or FX risk. The limited proprietary trading is controlled by a small facilitating VAR limit of EUR 2.25 million. For further details refer to note 54 Market Risk.

Derivative financial instruments used for hedge accounting at 31 December 2013

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE						
HEDGES OF INTEREST RATE RISK						
OTC PRODUCTS:						
Interest rate swaps	596	1,880	2,770	5,246	133	15
Interest currency rate swaps	-	-	26	26	6	-
	596	1,880	2,796	5,272	139	15
DERIVATIVES ACCOUNTED FOR AS CASH						
FLOW HEDGES OF INTEREST RATE RISK						
OTC PRODUCTS:						
Interest rate swaps	-	-	828	828	2	2
	-	-	828	828	2	2
TOTAL DERIVATIVES USED FOR HEDGE ACCOUNTING	596	1,880	3,624	6,100	141	17

Derivative financial instruments used for hedge accounting at 31 December 2012

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE						
HEDGES OF INTEREST RATE RISK						
OTC PRODUCTS:						
Interest rate swaps	78	292	5,071	5,441	266	20
Interest currency rate swaps	-	-	10	10	9	-
	78	292	5,081	5,451	275	20
TOTAL DERIVATIVES USED FOR HEDGE ACCOUNTING	78	292	5,081	5,451	275	20

Derivative financial instruments - other at 31 December 2013

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
INTEREST RATE DERIVATIVES						
OTC PRODUCTS:						
Interest rate swaps ¹	2,792	8,542	61,886	73,220	2,476	2,858
Interest rate options (purchase)	-	-	156	156	3	-
Interest rate options (sale)	-	25	144	169	-	3
	2,792	8,567	62,186	73,545	2,479	2,861
CURRENCY DERIVATIVES						
OTC PRODUCTS:						
Currency/cross-currency swaps	193	496	1,994	2,683	126	20
	193	496	1,994	2,683	126	20
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
OTC PRODUCTS:						
Credit default swaps (guarantees given)	13	-	-	13	-	1
Credit default swaps (guarantees received)	107	-	-	107	-	1
Other swaps	-	44	650	694	53	57
Other OTC products	-	2	-	2	1	-
	120	46	650	816	54	59
TOTAL DERIVATIVES - OTHER	3,105	9,109	64,830	77,044	2,659	2,940

Derivative financial instruments - other at 31 December 2012

IN EUR MILLIONS	Notional amount with remaining life of			Total	Assets	Liabilities
	Less than three months	Between three months and one year	More than one year			
INTEREST RATE DERIVATIVES						
OTC PRODUCTS:						
Interest rate swaps ¹	3,994	7,207	67,391	78,592	3,512	3,943
Interest rate options (purchase)	45	22	482	549	4	-
Interest rate options (sale)	45	19	495	559	-	7
	4,084	7,248	68,368	79,700	3,516	3,950
CURRENCY DERIVATIVES						
OTC PRODUCTS:						
Interest currency rate swaps	17	15	870	902	44	4
Currency/cross-currency swaps	-	-	791	791	35	1
Other currency contracts	603	-	-	603	3	13
	620	15	1,661	2,296	82	18
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
OTC PRODUCTS:						
Credit default swaps (guarantees given)	-	-	50	50	-	1
Credit default swaps (guarantees received)	-	-	201	201	-	-
Other swaps	-	-	95	95	55	46
Other OTC products	17	-	4	21	1	11
	17	-	350	367	56	58
TOTAL DERIVATIVES - OTHER	4,721	7,263	70,379	82,363	3,654	4,026

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		2013	2012
Fair value pay - fixed swaps (hedging assets)	assets	1	-
Fair value pay - fixed swaps (hedging assets)	liabilities	(13)	(20)
		(12)	(20)
Fair value pay - floating swaps (hedging liabilities)	assets	138	275
Fair value pay - floating swaps (hedging liabilities)	liabilities	(2)	-
		136	275

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		2013	2012
Fair value receive - fixed swaps	assets	-	-
Fair value receive - fixed swaps	liabilities	-	-
		-	-
Fair value receive - floating swaps	assets	2	-
Fair value receive - floating swaps	liabilities	(2)	-
		-	-

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

IN EUR MILLIONS		2013	2012
Fair value pay swaps	assets	139	275
Fair value receive swaps	assets	2	-
		141	275
Fair value pay swaps	liabilities	(15)	(20)
Fair value receive swaps	liabilities	(2)	-
		(17)	(20)

The average remaining maturity (in which the related cash flows are expected to enter into the determination of profit or loss) is three years (2012: 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 2013 was EUR 15 million debit (2012: EUR 20 million debit). The losses on the hedging instruments were EUR 8 million (2012: gain of EUR 1 million). The gains on the hedged items attributable to the hedged risk were 8 million (2012: EUR 1 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 2013 was EUR 69 million debit (2012: EUR 108 million debit). The losses on the hedging instruments were EUR 39 million (2012: gain of EUR 44 million). The gains on the hedged items attributable to the hedged risk were EUR 41 million (2012: loss of EUR 40 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Micro fair value hedge of plain vanilla funding

According to NIBC 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 2013 was EUR 48 million debit (2012: EUR 144 million debit). The losses on the hedging instruments were EUR 42 million (2012: loss of EUR 10 million). The gains on the hedged items attributable to the hedged risk were EUR 41 million (2012: 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 2013 was EUR 5 million credit (2012: EUR 11 million credit). Gains on the hedging instruments were 4 million (2012: nil). The losses on the hedged items attributable to the hedged risk were EUR 2 million (2012: gain 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 2013 was EUR 3 million credit (2012: EUR 6 million credit). The gains on the hedging instruments were EUR 2 million (2012: gain of EUR 2 million). The losses on the hedged items attributable to the hedged risk were EUR 1 million (2012: loss of EUR 3 million).

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.

New hedging relations were started in 2013. Interest rate swaps with a net fair value of nil (2012: nil) were designated in a cash flow hedge relationship. The cash flow on the hedged item will be reported in income over the next nine years. In 2013 and 2012, the ineffectiveness recognised in the income statement that arose from cash flow hedges was nil.

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 years 2013 and 2012 was nil. The amount that was transferred from equity to the income statement in 2013 was a gain of EUR 28 million net of tax (2012: gain of EUR 29 million).

Net investment hedge

NIBC Holding hedges part of the currency translation risk arising on its net investments in foreign operations by using foreign currency debt as a hedging instrument. Debt amounting to USD 101 million (2012: USD 211 million) was designated as a hedging instrument, and gave rise to a currency loss for the year 2013 of EUR 6 million before tax (2012: gain of EUR 3 million), which was recognised in the translation reserve component of equity. No ineffectiveness was recognised in the income statement arising from hedges of net investments in foreign operations. In 2013 there was a partial unwinding of the net investment hedge as a consequence of the partial disposal of NIBC Services Ltd. (2012: nil).

26 Investments in associates (equity method)

IN EUR MILLIONS	2013	2012
Investments in associates	8	10
	8	10
THE MOVEMENT IN INVESTMENTS IN ASSOCIATES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	11	16
Purchases and additional payments	-	1
Disposals	(2)	(1)
Share in result of associates	(1)	(1)
Dividend received	-	(4)
BALANCE AT 31 DECEMBER	8	11

At the end of 2013 and 2012, all investments in associates were unlisted.

There are no significant restrictions on the ability of associates to transfer funds to the investor in the form of cash dividends and/or repayment of loans.

There is no unrecognised share of losses of an associate, either for the period or cumulatively.

See note 51 Principal subsidiaries, joint ventures and associates for further details on the investments in associates.

The cumulative impairment losses amounted to nil (2012: EUR 10 million).

27 Intangible assets

IN EUR MILLIONS	2013	2012
Intangible assets	167	170
	167	170

INTANGIBLE ASSETS MAY BE SUMMARISED AS FOLLOWS:

Cost	410	409
Accumulated amortisation	(243)	(239)
	167	170

THE MOVEMENT IN INTANGIBLE ASSETS (GOODWILL) RELATED TO NIBC BANK N.V. MAY BE SUMMARISED AS FOLLOWS:

BALANCE AT 1 JANUARY	121	121
Impairment of goodwill	-	-
BALANCE AT 31 DECEMBER	121	121

As the value in use was higher than the carrying amount including goodwill for operating segment NIBC Bank no goodwill impairment charge was recognised in 2013 and 2012.

Goodwill is tested annually for impairment or more frequently when there are indications that impairments may have occurred by comparing the recoverable amount on operating segment level to which goodwill has been allocated with its carrying value.

IN EUR MILLIONS	2013	2012
GOODWILL IS ALLOCATED TO OPERATING SEGMENT (GROUP OF CGUs) AS FOLLOWS:		
NIBC Bank	121	121
BALANCE AT 31 DECEMBER	121	121

IN EUR MILLIONS	Goodwill	Trademarks and licences	Customer relationships	Other intangibles	Total
THE MOVEMENT IN INTANGIBLE ASSETS RELATED TO CONSOLIDATED NON-FINANCIAL COMPANIES MAY BE SUMMARISED AS FOLLOWS:					
BALANCE AT 1 JANUARY 2012	32	8	10	2	52
Additions	-	-	-	2	2
Amortisation	-	(1)	(2)	(1)	(4)
BALANCE AT 31 DECEMBER 2012	32	7	8	3	50

IN EUR MILLIONS	Goodwill	Trademarks and licences	Customer relationships	Other intangibles	Total
THE MOVEMENT IN INTANGIBLE ASSETS RELATED TO CONSOLIDATED NON-FINANCIAL COMPANIES MAY BE SUMMARISED AS FOLLOWS:					
BALANCE AT 1 JANUARY 2013	32	7	8	3	50
Additions	-	-	-	1	1
Amortisation	-	(1)	(2)	(1)	(4)
BALANCE AT 31 DECEMBER 2013	32	6	6	3	47

Amortisation of EUR 4 million (2012: EUR 4 million) was included in the depreciation and amortisation line of the income statement.

After derecognition in 2011, NIBC Holding recognised goodwill to an amount of EUR 32 million (2012: EUR 32 million) and other intangible assets to an amount of EUR 15 million (2012: EUR 18 million) on the acquisition of business combinations.

The remaining amortisation period for the categories trademarks and licences is six years, for customer relationships and other intangibles three years.

Intangible assets pledged as security for liabilities were nil for both 2013 and 2012.

Goodwill acquired in business combinations is reviewed in the fourth quarter of the respective financial year for impairment, or more frequently when there are indications that impairments may have occurred, by comparing the recoverable amount of each CGU to which goodwill has been allocated with its carrying amount.

IN EUR MILLIONS	2013	2012
GOODWILL HAS BEEN ALLOCATED TO THE GROUP OF CASH GENERATING UNITS AS FOLLOWS:		
Non-financial companies included in the consolidation	32	32
	32	32

No impairments were recorded in 2013 and 2012 on intangible assets.

28 Property, plant and equipment

IN EUR MILLIONS	2013	2012
Land and buildings	40	43
Other fixed assets	5	4
	45	47

THE MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT MAY BE SUMMARISED AS FOLLOWS:

BALANCE AT 1 JANUARY	47	51
Additions	3	1
Revaluation	-	1
Depreciation	(5)	(6)
BALANCE AT 31 DECEMBER	45	47

IN EUR MILLIONS	2013	2012
THE ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT CAN BE CATEGORISED AS FOLLOWS:		
Land and buildings	47	45
Other fixed assets	16	15
	63	60

NIBC Holding's land and buildings in own use were last revalued as of 31 December 2011 based on an external appraisal.

Buildings in use by NIBC Holding are insured for EUR 70 million (2012: EUR 70 million). Other fixed assets are insured for EUR 37 million (2012: EUR 31 million).

At 31 December 2013 and 2012, there was no capital expenditure contracted for related to non-financial companies included in the consolidation. No amount is recognised in the carrying amount of property, plant and equipment in the course of construction at 31 December 2013 and 2012.

29 Current tax

IN EUR MILLIONS	2013	2012
Current tax assets	2	2
	2	2

IN EUR MILLIONS	2013	2012
Current tax liabilities	8	9
	8	9

It is expected that the current tax will be settled within 12 months.

30 Other assets

IN EUR MILLIONS	2013	2012
Accrued interest	-	1
Other accruals and receivables	93	41
Defined-benefit pension asset ¹	2	2
Other assets related to non-financial companies included in the consolidation	46	50
	141	94

¹ For further explanation, see note 39 Employee benefits.

Other accruals and receivables include EUR 51 million related to loan positions which were sold in December 2013. The amounts were received in January 2014.

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

Other assets related to non-financial companies included in the consolidation pledged as collateral for liabilities were EUR 44 million (2012: EUR 47 million).

IN EUR MILLIONS	2013	2012
OTHER ASSETS RELATED TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION CAN BE CATEGORISED AS FOLLOWS:		
Trade receivables (less provisions for doubtful debts)	46	50
	46	50

31 Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a nominal tax rate of 25.0% (2012: 25.0%).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

IN EUR MILLIONS	2013	2012
Deferred tax assets	66	66
	66	66

THE AMOUNTS OF DEFERRED INCOME TAX ASSETS, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, WERE AS FOLLOWS:

Debt investments (available-for-sale)	2	3
Tax losses carried forward	85	92
Employee benefit obligations	3	2
	90	97

THE AMOUNTS OF DEFERRED INCOME TAX LIABILITIES, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, WERE AS FOLLOWS:

Equity investments (available-for-sale)	2	2
Cash flow hedges	15	23
Property, plant and equipment	6	6
Net investment hedge foreign currency	1	-
	24	31
	66	66

IN EUR MILLIONS	2013	2012
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THE GROSS MOVEMENT ON THE DEFERRED INCOME TAX ACCOUNT MAY BE SUMMARISED AS FOLLOWS:

BALANCE AT 1 JANUARY	66	75
EMPLOYEE BENEFITS:		
Charged/(credited) to the remeasurements of defined-benefit plans	1	-
LOANS (REPORTED AS AVAILABLE-FOR-SALE):		
Fair value remeasurement charged/(credited) to revaluation reserve	-	(1)
DEBT INVESTMENTS (REPORTED AS AVAILABLE-FOR-SALE):		
Fair value remeasurement charged/(credited) to revaluation reserve	(1)	(5)
CASH FLOW HEDGES:		
Fair value remeasurement charged/(credited) to hedging reserve	-	(1)
NET INVESTMENT HEDGE:		
Fair value remeasurement charged/(credited) to currency revaluation reserve	8	8
Temporary differences on loans and receivables as a result of internal securitisations	-	3
Tax losses carried forward	(7)	(13)
BALANCE AT 31 DECEMBER	66	66

Temporary differences on loans and receivables arise as a result of internal securitisations related to SPEs, which are consolidated in the financial statements, but not included in the fiscal entity of NIBC Holding.

The deferred tax asset is recognised to the extent that taxable profit will be available against which the temporary difference can be utilised.

32 Due to other banks (amortised cost)

IN EUR MILLIONS	2013	2012
Due to other banks	1,017	1,034
	1,017	1,034
DUE TO OTHER BANKS CAN BE CATEGORISED AS FOLLOWS:		
Payable on demand	8	10
Not payable on demand	1,009	1,024
	1,017	1,034
THE LEGAL MATURITY ANALYSIS OF DUE TO OTHER BANKS NOT PAYABLE ON DEMAND IS AS FOLLOWS:		
Three months or less	272	347
Longer than three months but not longer than one year	110	3
Longer than one year but not longer than five years	394	508
Longer than five years	233	166
	1,009	1,024

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 45 Repurchase and resale agreements and transferred financial assets.

At 31 December 2013, an amount of EUR 269 million (2012: EUR 274 million) related to cash collateral received from third parties.

33 Deposits from customers (amortised cost)

IN EUR MILLIONS	2013	2012
Deposits from customers	8,639	8,020
	8,639	8,020
DEPOSITS FROM CUSTOMERS CAN BE CATEGORISED AS FOLLOWS:		
On demand	4,857	4,280
Term deposits	3,782	3,740
	8,639	8,020
THE LEGAL MATURITY ANALYSIS OF TERM DEPOSITS IS AS FOLLOWS:		
Three months or less	584	553
Longer than three months but not longer than one year	829	925
Longer than one year but not longer than five years	1,823	1,693
Longer than five years	546	569
	3,782	3,740

Interest is recognised in interest expense and similar charges on an effective interest basis.



34 Own debt securities in issue (amortised cost)

IN EUR MILLIONS	2013	2012
Bonds and notes issued	3,108	4,314
	3,108	4,314

THE LEGAL MATURITY ANALYSIS OF OWN DEBT SECURITIES IN ISSUE IS AS FOLLOWS:

Three months or less	1	-
Longer than three months but not longer than one year	1,730	220
Longer than one year but not longer than five years	766	4,024
Longer than five years	611	70
	3,108	4,314

The Dutch State has unconditionally and irrevocably guaranteed payment of all amounts of principal and interest due by NIBC up to EUR 1,303 million (2012: EUR 3,311 million) of the issued notes according and subject to (i) the Rules governing the 2008 Dutch State's Credit Scheme and (ii) the Guarantee Certificate issued under those Rules in respect of these notes. These Rules and that Guarantee Certificate are available at www.dsta.nl. In 2013, losses of EUR 26 million were realised on the repurchase of own debt securities in issue at amortised cost (2012: loss of EUR 12 million).

35 Debt securities in issue related to securitised mortgages (amortised cost)

IN EUR MILLIONS	2013	2012
Bonds and notes issued	3,525	4,470
	3,525	4,470

THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IN ISSUE RELATED TO SECURITISED MORTGAGES IS AS FOLLOWS:

Three months or less	5	6
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	16	16
Longer than five years	3,504	4,448
	3,525	4,470

36 Own debt securities in issue (designated at fair value through profit or loss)

IN EUR MILLIONS	2013	2012
Bonds and notes issued	35	34
	35	34
THE LEGAL MATURITY ANALYSIS OF OWN DEBT SECURITIES IN ISSUE IS AS FOLLOWS:		
Three months or less	-	-
Longer than three months but not longer than one year	6	-
Longer than one year but not longer than five years	-	6
Longer than five years	29	28
	35	34

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 portion of fair value changes during 2013 and 2012 attributable to the movement in credit spreads amounted to nil.

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 2013 (2012: EUR 35 million).

37 Debt securities in issue structured (designated at fair value through profit or loss)

IN EUR MILLIONS	2013	2012
Bonds and notes issued	794	1,654
	794	1,654
THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IN ISSUE STRUCTURED IS AS FOLLOWS:		
Three months or less	4	-
Longer than three months but not longer than one year	45	690
Longer than one year but not longer than five years	217	307
Longer than five years	528	657
	794	1,654

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 portion of fair value changes during 2013 attributable to the movement in credit spreads amounted to EUR 10 million credit, being an increase of the carrying amount (2012: EUR 12 million debit, being a reduction of the carrying amount). In 2013, gains of EUR 1 million (2012: gain of EUR 4 million) were realised on the repurchase of liabilities with respect to this balance sheet item.

The contractual amount of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amount to EUR 873 million at 31 December 2013 (2012: EUR 1,671 million).

38 Other liabilities

IN EUR MILLIONS	2013	2012
Accrued interest	2	3
Other accruals	22	32
Payables	74	90
Other liabilities related to payables of the non-financial companies	39	38
	137	163

39 Employee benefits

IN EUR MILLIONS	2013	2012
Pension benefit obligations	12	9
Other post-retirement obligations	-	-
Other employee benefits	3	3
Other employee benefits related to non-financial companies	1	1
	16	13

Pension benefit obligations

NIBC Holding operates a number of pension plans covering substantially all employees. The schemes are generally funded through payments to insurance companies, on the basis of contractually agreed tariff rates, or separate trustee-administered funds, determined by periodic actuarial calculations. NIBC Holding has both defined-benefit and defined-contribution plans.

A defined-benefit plan is a plan where the rules specify the benefits to be paid to the members at retirement. These benefits will depend on the number of years of service, the final salary (up to a maximum) upon retirement and the accrual rate of the scheme. Most of the pension plans are defined-benefit plans based on a maximised final pay salary and are funded.

A defined-contribution plan is a pension plan under which NIBC 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.

The liability recognised in the balance sheet in respect of defined-benefit pension plans is the present value of the defined-benefit obligation at the balance sheet date less the fair value of plan assets. The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The latest actuarial valuation was carried out at 31 December 2013. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The assets of the funded plans are held independently of NIBC Holding's assets in separate trustee administered funds.

Actuarial gains and losses arise from the difference between the actual and expected return on plan assets for a period, from experience adjustments on liabilities or from changes in the actuarial assumptions used to determine the defined-benefit obligation. Actuarial gains or losses are recognised in other comprehensive income and will not be reclassified subsequently to the income statement. They are recognised in retained earnings.

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.

IN EUR MILLIONS	2013	2012
PENSION BENEFIT OBLIGATIONS CAN BE CATEGORISED AS FOLLOWS:		
Present value of funded obligations	247	242
Fair value of plan assets	235	232
DEFICIT FOR FUNDED PLANS	12	10
Subordinated loan to trustee-administered fund ¹	(3)	(3)
	9	7

¹ NIBC has advanced a subordinated loan (interest charge: 0%) for an amount of EUR 3 million (2012: EUR 3 million) to the trustee-administered fund (NIBC's Pension Fund). There will be no repayment of this loan until the fund has reached a solvency ratio of 150%.

Based on the current funding level of the pension fund, the contribution level is limited to the current pension accrual only. A minimum funding obligation is therefore not recognised. According to the administration agreement between NIBC and the pension fund, surpluses in the plan will become available to NIBC Holding during gradual settlement of the liabilities. As a consequence, the financial surplus in the plan needs not to be reduced because of a limit on net assets. The pension plan is currently not in a deficit position. If the funding ratio were to fall below the minimum required level (a funding ratio of around 105%, measured according to local legislation), the pension plan would officially have a funding deficit. In that case a short-term recovery plan would have to be drawn up to eliminate the deficit within three years. If the funding ratio is above the minimum level but below the required solvency level, there would be a solvency deficit, in which case a long-term plan would have to be drawn up for recovery within 15 years. In the event of a deficit position NIBC Holding has a payment obligation to NIBC Holding's pension fund, payable in the year after identification. At 31 December 2013, the coverage ratio of the pension fund as determined by DNB was 113.3%.

To comply with the legislative fiscal changes NIBC Holding decided to amend the defined-benefit plan as per 1 January 2014. As a consequence of the increase of the formal retirement age from 65 years to 67 years the accrual rate as from 1 January 2014 will change from 1.75 into 1.63. This change has a direct effect on the Defined-benefit obligation at year-end 2013, which is accounted for as a past service gain in the income statement in 2013. The measurement date for this change is 31 December 2013.

For the regulatory framework in which the defined plan operates and the ALM-strategy, included in the 'Actuariële en bedrijfstechnische nota', reference is made to the website of NIBC Holding's Pension fund (www.pensioenfonds-NIBC Holding.nl).

The weighted average duration of the defined-benefit obligation is approximately 22 years.

At 31 December 2013 and 31 December 2012, the defined-benefit pension asset was reported under Other assets (see note 30 Other assets).

NIBC Holding expects to pay an employer contribution of EUR 5.5 million to the defined-benefit pension plan for 2014.

IN EUR MILLIONS	2013	2012
THE MOVEMENT IN THE PRESENT VALUE OF FUNDED PENSION BENEFIT OBLIGATIONS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	242	212
Current service cost	6	6
Past service cost	(2)	-
Interest expense	9	10
Plan participants' contributions	1	-
Remeasurements	(3)	20
Benefits paid	(6)	(6)
BALANCE AT 31 DECEMBER	247	242
THE MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	232	203
Interest income	9	9
Return on plan assets (excluding interest income)	(6)	17
Employer contributions	6	9
Plan participants' contributions	1	1
Administrative expenses	(1)	(1)
Benefits paid	(6)	(6)
BALANCE AT 31 DECEMBER	235	232
PLAN ASSETS ARE COMPRISED AS FOLLOWS²:		
Equities	72	58
Bonds	162	163
Cash	4	14
Subordinated loan to trustee-administered fund ¹	(3)	(3)
	235	232

1 NIBC Holding has advanced a subordinated loan (interest charge: 0%) for an amount of EUR 3 million (2012: EUR 3 million) to the trustee-administered fund (NIBC's Pension Fund). There will be no repayment of this loan until the fund has reached a solvency ratio of 150%.

2 All plan assets are grouped into level 1 and 2 of the fair value hierarchy. For further details around the fair value hierarchy see note 43.

IN EUR MILLIONS	2013	2012
THE AMOUNTS RECOGNISED IN PERSONNEL EXPENSES IN THE INCOME STATEMENT WERE AS FOLLOWS:		
Current service cost	6	6
Past service cost	(2)	-
Net interest cost	-	-
Administrative expenses	1	-
	5	6
THE AMOUNTS OF REMEASUREMENTS (RECOGNISED IN OTHER COMPREHENSIVE INCOME)		
Effect of changes in demographic assumptions	-	2
Effect of changes in financial assumptions	5	17
Effect of experience adjustments	(8)	-
Return on plan assets (excluding interest income)	6	(16)
	3	3

In 2013, the actual return on plan assets was EUR 3 million gain (2012: EUR 26 million gain).

IN EUR MILLIONS	2013	2012
THE TOTAL DEFINED-BENEFIT COST RECOGNISED IN THE INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME		
Income statement charge/(credit)	5	6
Other comprehensive income (loss)	3	3
	8	9

THE MOVEMENT IN THE LIABILITY RECOGNISED IN THE BALANCE SHEET MAY BE SUMMARISED AS FOLLOWS:

BALANCE AT 1 JANUARY	10	10
Total expense - as above	5	6
Total remeasurements - as above	3	3
Employer contributions	(6)	(9)
BALANCE AT 31 DECEMBER	12	10

IN %	2013	2012
THE SIGNIFICANT ACTUARIAL ASSUMPTIONS USED WERE AS FOLLOWS:		
Discount rate	3.50	3.75
Future salary increases, excluding career developments	2.00	2.25
Future pension increases	1.00	1.00
Price inflation	2.00	2.00

For the mortality assumptions, NIBC Holding used the generation tables “AG Prognosetafel 2012-2062” from the Actuarial Association, with a correction for salary category ‘High’.

The amounts for the current annual period and previous four annual periods for the pension benefit obligations are disclosed in the following table:

IN EUR MILLIONS	2013	2012	2011	2010	2009
LIABILITY RECOGNISED IN BALANCE SHEET AT END OF YEAR					
Present value of obligation	247	242	212	197	176
Fair value of plan assets	235	232	203	183	166
DEFICIT/(SURPLUS)	12	10	9	14	10
Unrecognised actuarial (loss)/gain	-	(9)	(5)	(10)	(5)
Subordinated loan to trustee-administered fund	(3)	(3)	(3)	(3)	(3)
Present value of unfunded obligation	-	-	-	-	-
Unrecognised past service cost	-	-	-	-	-
Unrecognised transition amount	-	-	-	-	-
Adjustment for limit on net asset	-	-	-	-	-
	9	(2)	1	1	2

The figures presented for the years 2012 and 2013 are IAS 19R compliant. The figures for the years 2009 - 2011 are based upon IAS 19 Employee Benefits as applicable until the end of 2011.

IAS 19 Employee Benefits (Revised)

IAS 19 Employee Benefits (Revised) requires that actuarial gains and losses arising from defined-benefit pension schemes are recognised in full. Previously NIBC Holding deferred these over the remaining average service lives of the employees (the ‘corridor’ approach). Retrospectively as of 1 January 2012, in accordance with amendments to IAS 19, the balance sheet will fully reflect the pension liability or asset, including any previously unrecognised actuarial losses or gains. As of 1 January 2012 NIBC Holding no longer recognises the amortisation of unrecognised actuarial gains or losses. The amendment to IAS 19 has an insignificant impact on the financial position of NIBC Holding.

IN EUR MILLIONS	2013	2012
THE MOVEMENT IN THE OTHER EMPLOYEE BENEFITS RECOGNISED IN THE BALANCE SHEET MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	3	3
Releases	-	-
BALANCE AT 31 DECEMBER	3	3

Other employee benefit obligations of EUR 3 million at 31 December 2013 are related to payments to be made in respect of other leave obligations (2012: EUR 3 million). These obligations are short-term in nature and therefore valued at nominal value.

In 2013, EUR 1 million was related to employee benefit obligations of the non-financial companies included in the consolidation (2012: EUR 1 million).

40 Subordinated liabilities - amortised cost

IN EUR MILLIONS	2013	2012
Subordinated loans qualifying as Tier-1 capital	44	46
Other subordinated loans	13	37
	57	83
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS AS FOLLOWS:		
One year or less	-	25
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	56	58
	57	83

All of the above loans are subordinated to the other liabilities of NIBC Holding. EUR 44 million (2012: EUR 46 million) qualifying as Tier-1 capital is subordinated to other subordinated loans. These securities are perpetual securities and may be redeemed by NIBC Holding at its option after ten years with the prior approval of DNB. Interest expense of EUR 4 million was recognised on subordinated liabilities during the year 2013 (2012: EUR 5 million). In 2013 and 2012, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

41 Subordinated liabilities - designated at fair value through profit or loss

IN EUR MILLIONS	2013	2012
Subordinated loans qualifying as Tier-1 capital	133	144
Other subordinated loans	108	120
	241	264
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS AS FOLLOWS:		
One year or less	21	-
Longer than one year but not longer than five years	15	40
Longer than five year but not longer than ten years	-	-
Longer than ten years	205	224
	241	264

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 375 million at 31 December 2013 (2012: EUR 388 million).

The portion of fair value changes during 2013 attributable to the movement in credit spreads amounted to nil (2012: EUR 29 million debit). All of the above loans are subordinated to the other liabilities of NIBC Holding. EUR 133 million (2012: EUR 144 million) qualifying as Tier-1 capital is subordinated to other subordinated loans. These securities are perpetual securities and may be redeemed by NIBC Holding at its option after ten years with the prior approval of the DNB. Interest expense of EUR 17 million was recognised on subordinated liabilities during the year 2013 (2012: EUR 20 million). In 2013, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item (2012: loss of EUR 4 million).

NIBC Holding has not had any defaults of principal, interest or redemption amounts during either 2013 or 2012 on its liabilities.

42 Shareholders' equity

The ultimate controlling company is New NIB limited, a company incorporated in Ireland.

Share capital

IN EUR MILLIONS	2013	2012
Paid-up capital	1,408	1,408
	1,408	1,408
	2013	2012
THE NUMBER OF AUTHORISED SHARES IS SPECIFIED AS FOLLOWS:		
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	147,513,369	147,513,369
Shares issued	-	-
BALANCE AT 31 DECEMBER	147,513,369	147,513,369

Out of the total number of shares issued by NIBC Holding, 2,693,601 (2012: 2,940,701) shares are held by Stichting Administratiekantoor NIBC Holding in view of the share-based incentive scheme.

Other reserves

IN EUR MILLIONS	2013	2012
OTHER RESERVES ARE COMPRISED OF:		
Share premium	530	532
Hedging reserve	44	66
Revaluation reserve - equity investments (available-for-sale)	1	(2)
Revaluation reserve - debt investments (available-for-sale)	(7)	(9)
Revaluation reserve - property, plant and equipment	14	14
Remeasurements of defined-benefit plans	(9)	(7)
Treasury shares	(48)	(52)
Other	47	51
	572	593

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserves	Remeasurements of defined-benefit plans	Treasury shares	Other	Total
BALANCE AT 1 JANUARY 2012	535	89	(9)	-	(58)	55	612
Changes in accounting policies relating to IAS 19R Employee Benefits (Revised)	-	-	-	(4)	-	-	(4)
RESTATED BALANCE AT 1 JANUARY 2012	535	89	(9)	(4)	(58)	55	608
Net result on hedging instruments	-	(23)	-	-	-	-	(23)
Revaluation/remeasurement (net of tax)	-	-	12	(3)	-	-	9
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	-	(23)	12	(3)	-	-	(14)
Proceeds from shares issued	(3)	-	-	-	-	-	(3)
Release liability NIBC Choice	-	-	-	-	6	(4)	2
BALANCE AT 31 DECEMBER 2012	532	66	3	(7)	(52)	51	593

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserves	Remeasurements of defined-benefit plans	Treasury shares	Other	Total
BALANCE AT 1 JANUARY 2013	532	66	3	(7)	(52)	51	593
Net result on hedging instruments	-	(22)	-	-	-	-	(22)
Revaluation/remeasurement (net of tax)	-	-	5	(2)	-	-	3
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	-	(22)	5	(2)	-	-	(19)
Proceeds from shares issued	(2)	-	-	-	-	-	(2)
Release liability NIBC Choice	-	-	-	-	4	(4)	-
BALANCE AT 31 DECEMBER 2013	530	44	8	(9)	(48)	47	572

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) as well as the net investment hedge effect on foreign entities (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)

NIBC Holding recognised in the revaluation reserve in equity a total fair value loss of EUR 1 million on financial assets reclassified out of the available-for-sale category into the loans and receivables category related to debt investments reclassified as per 1 July 2008.

Revaluation reserve financial assets reclassified into available-for-sale category

In 2013 and 2012, 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, a net of tax gain of EUR 18 million (2012: net of tax loss of EUR 38 million) would have been recognised in the income statement and an incremental net of tax gain of EUR 24 million (2012: net of tax gain of EUR 5 million) would have been recognised in the revaluation reserve in equity in 2013 due changes fair value.

For all reclassifications, the reason for applying the amendment to IAS 39 and IFRS 7 is alignment to best market practice. For more details, see notes 2, 5, 11, 15, 16 and 19.

Revaluation reserve - property, plant and equipment

This reserve comprises changes in fair value of land and buildings (net of tax).

Treasury shares

Where NIBC Holding purchases NIBC's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Other

In the other reserves, the release is recognised to shareholders' equity from liabilities relating to NIBC Choice instruments formerly qualified as cash settled instruments. Furthermore, the vesting expenses of NIBC Choice equity settled instruments are recognised in this reserve.

Retained earnings

Retained earnings reflect accumulated earnings less dividends accrued and paid to shareholders and transfers from other reserves.

Remeasurements of defined-benefit plans

Remeasurements of defined-benefit plans recognised immediately in other comprehensive income comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest).

43 Fair value of financial instruments

IFRS 7 requires specific disclosures for financial instruments that are measured at fair value in the balance sheet. The disclosure of each class of financial assets and liabilities within a three-level hierarchy, referring to the respective basis of fair value measurement is as follows:

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

For an explanation of the fair value measurement hierarchy, reference is made to the accounting policies section on fair value estimation.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 within the fair value hierarchy based on the degree to which the fair value is observable:

Fair value of financial instruments at 31 December 2013

IN EUR MILLIONS	Level 1	Level 2	Level 3	2013
FINANCIAL ASSETS AVAILABLE-FOR-SALE				
Equity investments (unlisted)	-	-	47	47
Debt investments	-	1,297	3	1,300
	-	1,297	50	1,347
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Loans	-	480	-	480
Residential mortgages own book	-	3,586	-	3,586
Securitised residential mortgages	-	3,878	-	3,878
Debt investments	-	81	-	81
Equity investments (including investments in associates)	-	-	257	257
Derivative financial assets	-	2,800	-	2,800
	-	10,825	257	11,082
	-	12,122	307	12,429
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Own debt securities in issue	-	35	-	35
Debt securities in issue structured	-	794	-	794
Derivative financial liabilities	-	2,957	-	2,957
Subordinated liabilities	-	241	-	241
	-	4,027	-	4,027

Fair value of financial instruments at 31 December 2012

IN EUR MILLIONS	Level 1	Level 2	Level 3	2012
FINANCIAL ASSETS AVAILABLE-FOR-SALE				
Equity investments (unlisted)	-	-	49	49
Debt investments	-	981	4	985
	-	981	53	1,034
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Loans	-	515	-	515
Residential mortgages own book	-	3,675	-	3,675
Securitised residential mortgages	-	4,512	-	4,512
Debt investments	-	186	7	193
Equity investments (including investments in associates)	-	-	215	215
Derivative financial assets	-	3,929	-	3,929
	-	12,817	222	13,039
	-	13,798	275	14,073
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Own debt securities in issue	-	34	-	34
Debt securities in issue structured	-	1,654	-	1,654
Derivative financial liabilities	-	4,046	-	4,046
Subordinated liabilities	-	264	-	264
	-	5,998	-	5,998

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments that are recorded at fair value using either quoted prices or valuation techniques. These incorporate NIBC Holding's interpretation of valuation assumptions (qualitative) that a market participant would consider when valuing the instruments.

Financial assets available-for-sale

Equity investments (unlisted) - level 3

The fair value of investments in equity funds is determined based on the net asset value reported by the managers of these funds. These net asset values are analysed for reasonableness, so as to ascertain that the reported net asset value has been appropriately derived using proper fair value principles as part of a robust process. To approximate the fair value at the reporting date, the net asset value is adjusted, where appropriate, for factors such as, subsequent capital contributions and fund distributions, movements in exchange rate and subsequent changes in the fair value of the underlying investee companies, where these are known to NIBC 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 2

For the determination of fair value at 31 December 2013, NIBC Holding used market-observable prices (including broker quotes), interest rates and credit spreads derived from market-verifiable data. NIBC Holding has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Debt investments - level 3

For the level 3 debt investments, NIBC 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

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.

Residential mortgages (own book and securitised) - level 2

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.

Debt investments - level 2

For the determination of fair value at 31 December 2013, 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.

Equity investments (including investments in associates) - level 3

For the valuation method, reference is made to the section on equity investments (unlisted) at available-for-sale.



Derivatives financial assets and liabilities (held for trading and used for hedging) - level 2

Derivative products valued using a valuation technique with market-observable inputs are mainly interest rate swaps, currency swaps, credit default swaps and foreign exchange contracts. The most frequently applied valuation techniques include swap models using present value calculations. The models incorporate various inputs including foreign exchange rates, credit spread levels and interest rate curves. Credit derivative valuation models also require input as to the estimated probability of default and recovery value.

There were no transfers between the levels during 2013 and 2012.

Financial liabilities at fair value through profit or loss (including trading)

Own liabilities designated at fair value through profit or loss - level 2

This portfolio was designated at fair value through profit or loss and is reported on the face of the balance sheet under the following headings:

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

Debt securities in issue structured consist of notes issued with embedded derivatives that are tailored to specific investors' needs. The return on these notes is dependent upon the level of certain underlying equity, interest rate, currency, credit, commodity or inflation-linked indices. The embedded derivative within each note issued is fully hedged on a back-to-back basis, such that effectively synthetic floating rate funding is created. Because of this economic hedge, the income statement is not sensitive to fluctuations in the price of these indices.

In the case of debt securities in issue structured and subordinated liabilities, the fair value of the notes issued and the back-to-back hedging swaps is determined using valuation models developed by a third party employing Monte Carlo simulation, lattice valuations or closed formulas, depending on the type of embedded derivative. These models use market-observable inputs (e.g. interest rates, equity prices) for valuation of these structures.

For each class of own financial liabilities at fair value through profit or loss, the expected cash flows are discounted to present value using interbank zero-coupon rates. The resulting fair value is adjusted for movements in the credit spread applicable to NIBC Holding issued funding.

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 2012	Total gains/ (losses) recorded in the income statement	Total gains/ (losses) recorded in equity	Purchases	Sales	Settlements	At 31 December 2012
AVAILABLE-FOR-SALE FINANCIAL ASSETS							
Equity investments	66	33	(9)	2	(43)	-	49
Debt investments	8	1	-	-	(3)	(2)	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)							
Debt investments	41	10	-	-	(44)	-	7
Equity investments (including investments in associates)	259	2	-	21	(67)	-	215
	374	46	(9)	23	(157)	(2)	275

IN EUR MILLIONS	At 1 January 2013	Total gains/ (losses) recorded in the income statement	Total gains/ (losses) recorded in equity	Purchases	Sales	Settlements	At 31 December 2013
AVAILABLE-FOR-SALE FINANCIAL ASSETS							
Equity investments	49	8	1	1	(12)	-	47
Debt investments	4	-	-	-	(1)	-	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)							
Debt investments	7	-	-	-	(7)	-	-
Equity investments (including investments in associates)	215	(1)	-	62	(19)	-	257
	275	7	1	63	(39)	-	307

Total gains or losses on level 3 financial instruments for the year in the previous table are presented in the income statement and other comprehensive income as follows:

IN EUR MILLIONS	For the period ended 31 December 2013	
	Gains less losses from financial assets recognised in the income statement	Revaluation of equity investments included in the other comprehensive income
AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Equity investments (unlisted)	8	1
Debt investments	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)		
Equity investments (including investments in associates)	(1)	-
	7	1

The unrealised gains or (losses) included in the profit or loss of equity investments (unlisted) categorised on level 3 amounted to EUR 9 million.

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

IN EUR MILLIONS	For the period ended 31 December			
	2013		2012	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Equity investments (unlisted)	47	2	49	2
Debt investments	3	-	4	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Debt investments	-	-	7	-
Equity investments (including investments in associates)	257	13	215	11

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%; 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 2013, 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.

In 2013, there were no reclassifications of financial assets.

Fair value information about 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.

IN EUR MILLIONS	For the period ended 31 December 2013				
	Level 1	Level 2	Level 3	Carrying value	Fair value
FINANCIAL ASSETS AT AMORTISED COST¹					
Loans	-	6,459	-	6,459	6,401
Debt investments	-	415	-	415	310
Residential mortgages own book	-	98	-	98	102
FINANCIAL LIABILITIES AT AMORTISED COST					
Own debt securities in issue	-	3,108	-	3,108	3,068
Debt securities in issue related to securitised mortgages	-	3,525	-	3,525	3,543
Subordinated liabilities	-	57	-	57	36

¹ The fair value reflects movements due to both interest rate changes and credit spread changes. NIBC hedges its interest rate risk from these assets.

Financial instruments for which carrying value approximates fair value

Certain financial instruments that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These financial instruments include cash and balances with central banks, due from other banks, due to other banks, deposits from customers and other financial liabilities. These financial instruments are not included in the previous table.

Non-financial assets valued at fair value

NIBC Holding's land and buildings are valued at fair value. The carrying amount of NIBC Holding's land and buildings (level 3) as of 31 December 2013 was EUR 40 million. The land and buildings were last revalued as of 31 December 2011 based on an external appraisal. No amounts were recognised in the statement of comprehensive income or the income statement in respect of NIBC Holding's land and buildings in 2013.

44 Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

At 31 December 2013						
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	Related amounts not set off in the balance sheet		Net amount
				Financial instruments collateral	Cash collateral received	
ASSETS						
Derivative financial assets ¹	2,800	-	2,800	-	1,199	1,601
Reverse repurchase agreements	415	400	15	15	-	-
Other financial instruments	-	-	-	-	-	-
	3,215	(400)	2,815	15	1,199	1,601

At 31 December 2013						
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	Related amounts not set off in the balance sheet		Net amount
				Financial instruments collateral	Cash collateral received	
LIABILITIES						
Derivative financial liabilities ¹	2,957	-	2,957	-	267	2,690
Repurchase agreements	784	(400)	384	480	-	(96)
Other financial instruments	-	-	-	-	-	-
	3,741	(400)	3,341	480	267	2,594

¹ See note 53 Credit risk.

Related amounts which cannot be set off in the balance sheet are amounts which are part of ISDA netting agreements. The related amounts are reported on the asset side and the liability side of the balance sheet as the ISDA agreements do not meet all requirements for offsetting in IAS 32.

At 31 December 2012						
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	Related amounts not set off in the balance sheet		Net amount
				Financial instruments collateral	Cash collateral received	
ASSETS						
Derivative financial assets	3,929	-	3,929	-	1,664	2,265
Reverse repurchase agreements	421	(400)	21	21	-	-
Other financial instruments	-	-	-	-	-	-
	4,350	(400)	3,950	21	1,664	2,265

At 31 December 2012						
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	Related amounts not set off in the balance sheet		Net amount
				Financial instruments collateral	Cash collateral received	
LIABILITIES						
Derivative financial liabilities	4,046	-	4,046	-	466	3,580
Repurchase agreements	784	(400)	384	411	-	(27)
Other financial instruments	-	-	-	-	-	-
	4,830	(400)	4,430	411	466	3,553

45 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 bank receives cash, or other financial assets in exchange. The counterparty is allowed to sell or repledge those securities lent or sold under repurchase agreements in the absence of default by the bank, but has an obligation to return the securities at the maturity of the contract. These transactions are conducted under terms based on the applicable ISDA Collateral Guidelines. If the securities increase or decrease in value, the bank may in certain circumstances, require, or be required, to pay additional cash collateral. NIBC 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 bank, which instead records a separate asset for the cash collateral given.

NIBC Holding transacted several repurchase transactions with third parties, in which notes amounting to a notional of EUR 384 million (with a fair value at 31 December 2013 of EUR 480 million) were transferred from NIBC Holding to third parties at 31 December 2013 in exchange for EUR 384 million in deposit at 31 December 2013 for periods ranging from six months up to four years.

NIBC Holding transacted several reverse repurchase transactions with third parties, in which notes amounting to a notional of EUR 15 million (with a fair value at 31 December 2013 of EUR 15 million) were transferred to NIBC Holding from third parties at 31 December 2013 in exchange for EUR 15 million in deposit at 31 December 2013 for a period of one year.

NIBC Holding conducts these transactions under terms agreed in Global Master Repurchase Agreements.

Assets not 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 as a consequence of providing clean up calls (call option to purchase the loans if the principal outstanding of all notes in the securitisation vehicles is less than 10% of the principal amount) not substantially all risks and rewards were transferred, 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 period ended 31 December 2013	
	Carrying amount asset	Carrying amount related liability
Loans at fair value through profit or loss	65	-
Debt securities in issue related to securitised mortgages (amortised costs)	-	65

IN EUR MILLIONS	For the period ended 31 December 2013
	Carrying amount of assets before transfer
Loans at fair value through profit or loss	65

For further explanation reference is made to the Critical accounting estimates and judgements section Securitisations and Special Purpose Entities.

46 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, 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	2013	2012
CONTRACT AMOUNT		
Committed facilities with respect to corporate loan financing (including investment management loans)	910	1,153
Committed facilities with respect to residential mortgages financing	359	6
Capital commitments with respect to equity investments	38	43
Guarantees granted	99	95
Irrevocable letters of credit	6	34
	1,412	1,331

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 53 Credit risk.

Legal proceedings

There were a number of legal proceedings outstanding against NIBC Holding at 31 December 2013. No provision has been made, as legal advice indicates that it is unlikely that any significant loss will arise.

47 Business combinations

No new business combinations were acquired in the year ended 31 December 2013 and 2012.

At 31 December 2013, NIBC Holding has the potential obligation to sell a minority stake (less than 10%) in Olympia Nederland Holding B.V. to a third party. No material gain or loss is expected on this disposal.

48 Assets transferred or pledged as collateral

IN EUR MILLIONS	2013	2012
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	2,018	1,575
Debt securities in issue related to securitised loans and mortgages	3,525	4,470
Derivative financial liabilities	1,231	1,474
	6,774	7,519
DETAILS OF THE CARRYING AMOUNTS OF ASSETS PLEDGED AS COLLATERAL ARE AS FOLLOWS:		
ASSETS PLEDGED		
Debt investments/Residential mortgages own book	2,791	1,995
Securitised loans and mortgages	3,877	5,123
Cash collateral (due from other banks)	1,231	1,474
	7,899	8,592

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.

With respect to assets utilised as collateral, the total portfolio eligible for use to collateralise funding amounted to EUR 5.0 billion (2012: EUR 4.5 billion), including assets already utilised as collateral.

49 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 such placements, as it does not guarantee these investments.

IN EUR MILLIONS	2013	2012
Assets held and managed by NIBC on behalf of customers	3,388	3,060
	3,388	3,060

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, as well as infrastructure debt and high yield bonds. In 2013, LFM issued the fourth CLO under the 'North Westerly' programme;
- NIBC's European Infrastructure Fund was established for institutional clients, and in addition acts directly for pension fund investors, assisting them with the acquisition and on-going management of infrastructure investments. Core sectors, reflecting the expertise and experience of the NIBC team, include PPP projects, waste management projects, energy storage and distribution assets, and renewable energy projects in the wind, solar and waste to energy sectors;
- NIBC's sustainability policy framework, including applicable sector policies, is also applicable to the investments made under these programmes;

- 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 U.S.; and
- No new acquisitions are made under this programme.

For more information check our website.

50 Related party transactions

Transactions involving NIBC Holding's shareholders

Significant related party transactions executed in 2013 and 2012 are the following:

In June 2009, NIBC Holding made a commitment of USD 10 million to 'Flowers Fund III' an investment fund managed by an affiliate of J.C. Flowers & Co. At 31 December 2013, the remaining undrawn commitment in this facility was USD 5 million. Fees paid to NIBC Holding related to these asset management activities were nil for both 2013 and 2012.

Transactions related to associates

As at 31 December 2013, NIBC Holding had EUR 55 million of loans advanced to its associates (2012: EUR 56 million). In addition to net interest income on these loans, NIBC Holding did not earn fees from these associates in 2013 and 2012.

In June 2007, NIBC Holding launched the NIBC European Infrastructure Fund I, (which was NIBC Holding's first third-party equity fund) with a final close in August 2008. Total commitments to the fund amount to EUR 347 million, of which EUR 247 million is committed by four third-party investors and EUR 100 million by NIBC Holding. The fund invests in infrastructure projects mainly in Western Europe. NIBC Holding realised a gain from its investment in the fund in 2013 of EUR 6 million (2012: gain of EUR 1 million) and earned fees of EUR 3 million (2012: EUR 3 million). In NIBC Holding's financial statements, this fund is classified as an associate at fair value through profit or loss.

In September 2008, NIBC Holding launched the NIBC European CMBS Opportunity Fund. Of the total committed fund size of EUR 64 million, EUR 49 million is committed by third-party investors and EUR 15 million by NIBC Holding. The fund invests in structured commercial real estate in Western Europe. In December 2013 the fund was terminated after the last investments were sold. NIBC Holding's did not receive income from this fund in 2013 and 2012. In NIBC Holding's financial statements, this fund is classified as an associate at fair value through profit or loss.

In 2013 and 2012, NIBC Holding did not earn advisory fees for services to J.C. Flowers & Co.

Transactions related to key employees

All transactions with key employees are reported in the tables in note 52 Remuneration of Statutory Board members and Supervisory Board members.

Loan from NIBC Holding to the Pension Fund

At the balance sheet date, NIBC Holding had advanced a subordinated loan (interest charge: 0%) for an amount of EUR 3 million (2012: EUR 3 million) to the trustee-administered fund (NIBC's Pension Fund). There will be no repayment of this loan until the fund has reached a solvency ratio of 150%.

51 Principal subsidiaries, joint ventures and associates

	IN %	Country
SUBSIDIARIES OF NIBC HOLDING N.V.		
NIBC Bank N.V.	100	The Netherlands
NIBC Venture Capital N.V.	100	The Netherlands
NIBC Credit Management Inc.	100	U.S.A.
NIBC Investment Management N.V.	100	The Netherlands
NIBC Investments N.V.	100	The Netherlands
SUBSIDIARIES OF NIBC BANK N.V.		
NIBC Services Ltd.	100	Singapore
Parnib Holding N.V.	100	The Netherlands
Counting House B.V.	100	The Netherlands
B.V. NIBC Mortgage-Backed Assets	100	The Netherlands
NIBC Principal Investments B.V.	100	The Netherlands
NIBC Financing B.V.	100	The Netherlands
Olympia Nederland Holding B.V.	100	The Netherlands

	IN %	Country	IN EUR MILLIONS			
			Assets	Liabilities	Operating income	Net result
ASSOCIATES (DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS)	0 - 50	The Netherlands	918	244	139	30

In view of the control exercised by the government over the policy of NIBC Holding's wholly-owned associate De Nederlandse Participatie Maatschappij voor de Nederlandse Antillen N.V., this company has not been treated as a subsidiary.

The list of participating interests and companies for which statements of liability have been issued has been filed at the Chamber of Commerce in The Hague.

52 Remuneration of the Statutory Board members and Supervisory Board members

Remuneration of the Statutory Board members

The Supervisory Board reviewed NIBC's remuneration policy in 2013 and amended it. The review took into account all relevant 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)*.

In response to social developments and further regulatory changes, the Supervisory Board decided to further amend the remuneration policy for the Statutory Board early 2012. This resulted in an even more sustainable and long-term remuneration policy. The amendment includes eliminating short-term variable compensation altogether and strengthening the existing long-term compensation element. In view of current legislation, the Supervisory Board is not able to grant any variable compensation for as long as NIBC has not repaid all outstanding state guaranteed funding.

Regular annual remuneration

In 2013, the average number of members of the Statutory Board appointed under the articles of association was 3.6 (2012: 5.0). 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. On 30 April 2013 Mr. van Dijkhuizen stepped down as Statutory Board member and his employment ended per the same date. On 1 October 2013 Mr. Dijkhuizen joined the Statutory Board.

Base salary and short-term incentive compensation (cash bonus)

As of 1 January 2013, the base salary for the Chairman remained at EUR 800,000 gross per annum, whilst the base salary for members remained at EUR 500,000 gross per annum. As of 1 January 2012, all short-term variable compensation has been eliminated.

Table I

IN EUR	2013	2012
THE BREAKDOWN OF THE AMOUNTS OF COMPENSATION AWARDS IN CASH PER MEMBER AND FORMER MEMBER OF THE STATUTORY BOARD IS AS FOLLOWS:		
MR. JEROEN DROST, CHIEF EXECUTIVE OFFICER, CHAIRMAN		
Base salary	800,000	800,000
Short-term incentive compensation (cash bonus)	-	-
TOTAL CASH COMPENSATION	800,000	800,000
MR. ROB TEN HEGGELER, CHIEF CLIENT OFFICER		
Base salary	500,000	500,000
Short-term incentive compensation (cash bonus)	-	-
TOTAL CASH COMPENSATION	500,000	500,000
MR. HERMAN DIJKHUIZEN, CHIEF FINANCIAL OFFICER¹		
Base salary	125,000	-
Short-term incentive compensation (cash bonus)	-	-
TOTAL CASH COMPENSATION	125,000	-
MS. PETRA VAN HOEKEN, CHIEF RISK OFFICER		
Base salary	500,000	500,000
Short-term incentive compensation (cash bonus)	-	-
TOTAL CASH COMPENSATION	500,000	500,000
MR. KEES VAN DIJKHUIZEN, FORMER CHIEF FINANCIAL OFFICER²		
Base salary	166,667	500,000
Short-term incentive compensation (cash bonus)	-	-
TOTAL CASH COMPENSATION	166,667	500,000
MR. JEROEN VAN HESSEN, FORMER MEMBER³		
Base salary	-	500,000
Severance payment	-	500,000
Short-term incentive compensation (cash bonus)	-	-
TOTAL CASH COMPENSATION	-	1,000,000

1 Mr. Herman Dijkhuizen joined NIBC and was appointed as a member of the Statutory Board on 1 October 2013.

2 Mr. Kees van Dijkhuizen stepped down as a member of the Statutory Board on 30 April 2013 and employment ended at the same date.

3 Mr. Jeroen van Hessen stepped down as a member of the Statutory Board on 1 June 2012 and employment ended at 31 December 2012. Base salary 2012 relates to the period up to the end of his employment.

Short-term incentive compensation (deferred cash bonus)

As of 1 January 2012, all short-term variable compensation has been eliminated.

Short-term incentive compensation (Phantom Share Units)

As of 1 January 2012, all short-term variable compensation has been eliminated.

Other remuneration elements

The other remuneration elements of the Statutory Board members consist of car and other expense allowances, mortgage subsidy, dividend compensation on conditionally granted share rewards and other emoluments.

Table 2

IN EUR	2013	2012
THE BREAKDOWN OF THE AMOUNTS OF OTHER REMUNERATION ELEMENTS PER MEMBER AND FORMER MEMBER OF THE STATUTORY BOARD IS AS FOLLOWS:		
Mr. Jeroen Drost	142,161	151,234
Mr. Rob ten Heggeler	102,242	94,644
Mr. Herman Dijkhuizen	16,889	-
Ms. Petra van Hoeken	82,845	42,128
Mr. Kees van Dijkhuizen, former Chief Financial Officer	41,706	75,941
Mr. Jeroen van Hessen, former Member	18,994	91,733

Long-term incentive compensation (Conditional Restricted Depositary Receipts)

As of 1 January 2012 the maximum long-term incentive is 70% of base salary for the CEO, 60% for members of the Managing Board responsible for commercial activities and 40% for the CFO and CRO.

If any LTI is conditionally granted, this will be in the form of 66.67% CRDRs and 33.33% cash. The LTI is conditional upon the achievement of performance conditions, is forward-looking and is subject to a three-year performance period and an additional three-year pro-rated deferral period. The Supervisory Board has agreed a set of six long-term performance conditions. Two are financial performance conditions and have a weight of 60% (average return on equity and average impairment level). Four are non-financial performance conditions and have a weight of 40% (employee engagement, client satisfaction for corporate as well as consumer clients and diversity). These are aligned with the overall corporate targets. The final LTI grant depends on the degree to which the agreed performance criteria have been met. In view of current legislation, the Supervisory Board is not able to grant any variable compensation until NIBC has repaid all outstanding Dutch state guaranteed funding.

The three-year performance period of a total of 13,808 CRDRs under the LTI 2011 ended 1 January 2014. The Supervisory Board reviewed the agreed long-term financial and non-financial performance conditions. The financial performance conditions (60%) were not met. The non-financial performance conditions (40%) were almost met on stretch level. The Supervisory Board therefore awarded a vesting of 38% of the LTI 2011 CRDRs, which will fully vest at 1 April 2014, in line with the interim re-measurement done at year-end 2012. Consequently 62% of the LTI 2011 forfeited. The vested instruments have an additional retention period of two years. Furthermore the vested instruments need to be held until a liquidity event takes place to ensure alignment with the shareholders.

Table 3

IN EUR	2013	2012
THE LONG-TERM INCENTIVE AWARDS/RE-ESTIMATED AWARDS PER MEMBER AND FORMER MEMBER OF THE STATUTORY BOARD ARE AS FOLLOWS¹:		
MR. JEROEN DROST		
Number of conditional restricted depositary receipts	(176)	(10,721)
Fair value of long-term incentive at date of grant (in EUR)	(1,683)	(100,804)
MR. ROB TEN HEGGELER		
Number of conditional restricted depositary receipts	(100)	(6,126)
Fair value of long-term incentive at date of grant (in EUR)	(956)	(57,600)
MR. HERMAN DIJKHUIZEN		
Number of conditional restricted depositary receipts	-	-
Fair value of long-term incentive at date of grant (in EUR)	-	-
MS. PETRA VAN HOEKEN		
Number of conditional restricted depositary receipts	-	-
Fair value of long-term incentive at date of grant (in EUR)	-	-
MR. KEES VAN DIJKHUIZEN, FORMER CHIEF FINANCIAL OFFICER		
Number of conditional restricted depositary receipts	(2,008)	(6,126)
Fair value of long-term incentive at date of grant (in EUR)	(19,196)	(57,600)
MR. JEROEN VAN HESSEN, FORMER MEMBER		
Number of conditional restricted depositary receipts	-	(10,210)
Fair value of long-term incentive at date of grant (in EUR)	-	(95,999)

¹ The above figures are presented on an after tax basis at the date of grant. Both 2012 and 2013 figures relate to forfeiture of non-vested LTI grants and to a re-estimate of LTI grants awarded in previous years.

Table 4
Pension costs

IN EUR	2013	2012
THE AMOUNTS OF PENSION COSTS PER MEMBER AND FORMER MEMBER OF THE STATUTORY BOARD ARE AS FOLLOWS:		
Mr. Jeroen Drost	104,312	119,675
Mr. Rob ten Heggeler	68,000	77,375
Mr. Herman Dijkhuizen	16,978	-
Ms. Petra van Hoeken	67,912	77,282
Mr. Kees van Dijkhuizen, former Chief Financial Officer	35,502	106,237
Mr. Jeroen van Hessen, former Member	-	93,480

As at 31 December 2013 and 31 December 2012, no loans, advance payments or guarantees had been provided to Statutory Board members.

Remuneration of the Supervisory Board members

The remuneration of the Supervisory Board members relates to their position within NIBC Holding and NIBC Bank.

Table 5

IN EUR	2013	2012
MEMBERS		
Mr. W.M. van den Goorbergh ¹	96,500	96,500
Mr. D.R. Morgan	71,500	71,500
Mr. A.A.G. Bergen ¹	66,500	66,500
Mr. M.J. Christner	55,000	55,000
Mr. C.H. van Dalen ^{1/2}	22,917	55,000
Mr. N.W. Hoek ³	66,875	50,000
Mr. A. de Jong ¹	51,500	51,500
Sir M.C. McCarthy ⁴	-	34,333
Ms. S.A. Rocker	50,000	50,000
Mr. D.K.M. Rümker ⁵	-	66,500
Mr. A.H.A. Veenhof ¹	50,000	50,000
Mr. J.C. Flowers ⁶	40,000	6,667

¹ In line with Dutch tax regulations, 21% VAT is payable on the total remuneration payable to the relevant Supervisory Board member.

² Mr. C.H. van Dalen stepped down as a member of the Supervisory Board as of 14 May 2013.

³ Mr. N.W. Hoek has been a member of the Audit & Compliance Committee (ACC) since 13 November 2012. Remuneration 2013 includes the ACC fee for part of 2012.

⁴ Sir M.C. McCarthy stepped down as a member of the Supervisory Board as of 1 September 2012.

⁵ Mr. D.K.M. Rümker stepped down as a member of the Supervisory Board as of 31 December 2012.

⁶ Mr. J.C. Flowers was appointed as a member of the Supervisory Board in the Extraordinary Meeting of Shareholders on 29 October 2012.

The remuneration of the Supervisory Board members consist of annual fixed fees and committee fees. As at 31 December 2013 and 31 December 2012, no loans, advance payments or guarantees have been provided to Supervisory Board members.

Depository receipts

Common Depository Receipts

The following tables show the holdings by members of the Statutory Board:

NUMBER OF COMMON DEPOSITARY RECEIPTS (GRANTED)	2013	2012
Mr. Kees van Dijkhuizen, former Chief Financial Officer	11,756	13,063
Mr. Jeroen van Hessen, former Member	56,137	53,973

NUMBER OF COMMON DEPOSITARY RECEIPTS (INVESTMENT FROM OWN FUNDS)	2013	2012
Mr. Jeroen Drost	75,676	75,676
Mr. Rob ten Heggeler	43,244	43,244
Mr. Herman Dijkhuizen	18,008	-
Ms. Petra van Hoeken	17,242	17,242
Mr. Kees van Dijkhuizen, former Chief Financial Officer	38,190	42,433
Mr. Jeroen van Hessen, former Member	33,623	37,359

On 30 April 2013, Mr. Kees van Dijkhuizen stepped down from the Statutory Board. After this date Mr. van Dijkhuizen and Mr van Hessen were given the same opportunity as other employees to participate in the offer to sell up to 10% of their CDR holdings.

Conditional Common Depository Receipts

The following tables show the holdings by members of the Statutory Board:

NUMBER OF CONDITIONAL COMMON DEPOSITARY RECEIPTS (VESTED ONE-OFF MATCHING SHARES)	2013	2012
Mr. Jeroen Drost	75,676	56,757
Mr. Rob ten Heggeler	43,244	32,433
Mr. Herman Dijkhuizen	-	-
Ms. Petra van Hoeken	4,311	-
Mr. Kees van Dijkhuizen, former Chief Financial Officer	32,433	24,325
Mr. Jeroen van Hessen, former Member	8,109	8,109

NUMBER OF CONDITIONAL COMMON DEPOSITARY RECEIPTS (LTI)	2013	2012
Mr. Jeroen Drost	12,714	9,081
Mr. Rob ten Heggeler	7,265	5,189
Mr. Herman Dijkhuizen	-	-
Ms. Petra van Hoeken	-	-
Mr. Kees van Dijkhuizen, former Chief Financial Officer	7,265	5,189
Mr. Jeroen van Hessen, former Member	5,189	5,189

The three-year cliff vesting period of a total of 19,459 CRDRs under the LTI 2010 ended 1 January 2013. The Supervisory Board reviewed the agreed long-term financial and non-financial performance conditions. The financial performance conditions (60%) were not met. The non-financial performance conditions (40%) were met in full. The Supervisory Board therefore awarded a vesting of 40% of the LTI 2010 CRDRs, which have fully vested into CCDRs at 1 January 2013. Consequently 60% of the LTI 2010 forfeited. The vested instruments have an additional retention period of two years. Furthermore the vested instruments need to be held until a liquidity event takes place to ensure alignment with the shareholders.

Conditional Restricted Depositary Receipts

ESTIMATED NUMBER OF CONDITIONAL RESTRICTED DEPOSITARY RECEIPTS (LTI)	2013	2012
Mr. Jeroen Drost	3,339	7,147
Mr. Rob ten Heggeler	1,908	4,084
Mr. Herman Dijkhuizen	-	-
Ms. Petra van Hoeken	-	-
Mr. Kees van Dijkhuizen, former Chief Financial Officer	-	4,084
Mr. Jeroen van Hessen, former Member	-	-

The three-year performance period of a total of 13,808 CRDRs under the LTI 2011 ended 1 January 2014. The Supervisory Board reviewed the agreed long-term financial and non-financial performance conditions. The financial performance conditions (60%) were not met. The non-financial performance conditions (40%) were almost met on stretch level. The Supervisory Board therefore awarded a vesting of 38% of the LTI 2011 CRDRs, which will fully vest at 1 April 2014, in line with the interim re-measurement done at year-end 2012. Consequently 62% of the LTI 2011 forfeited. The vested instruments have an additional retention period of two years. Furthermore the vested instruments need to be held until a liquidity event takes place to ensure alignment with the shareholders.

Conditional Restricted Depositary Receipts

One-off co-investment

As a result of personal investments by the Statutory Board members in 2009 and 2012 matching shares were granted to the Statutory Board members in 2009 and in 2012, in the form of CRDRs with an after-tax value equal to the value of the personal investment made. In addition to the matching shares, the Statutory Board members can earn performance shares (CRDRs), subject to a service condition (continuous employment) and the realisation of predetermined performance conditions. For the number of CRDRs reference is made to the following tables.

NIBC has the discretion to offer new members of the Statutory Board the opportunity to participate in this co-investment programme under the same conditions, except for the ability to earn performance shares, as this feature is presumed no longer to be in line with current DNB Principles. This offer was made to Mr. Herman Dijkhuizen when he joined the Statutory Board on 1 October 2013 and it was accepted by him in December 2013 at a price of EUR 8.33 per CDR being the fair value at that time. The CRDRs (matching shares) are subject to a four-year vesting with one quarter vesting each year, for the first time on 1 January 2015.

The following table shows the holdings by members of the Statutory Board:

NUMBER OF CONDITIONAL RESTRICTED DEPOSITARY RECEIPTS (ONE-OFF MATCHING SHARES)	2013	2012
Mr. Jeroen Drost	-	18,919
Mr. Rob ten Heggeler	-	10,811
Mr. Herman Dijkhuizen	18,008	-
Ms. Petra van Hoeken	12,931	17,242
Mr. Kees van Dijkhuizen, former Chief Financial Officer	-	8,108
Mr. Jeroen van Hessen, former Member	-	-

The matching shares are subject to four-year vesting with one quarter vesting each year, the first such vesting having occurred on 1 January 2010, but they will immediately vest upon a change of control of NIBC Holding, in which case they (i) will become fully unconditional and (ii) be legally transferred.

The following table shows the holdings by members of the Statutory Board:

ESTIMATED NUMBER OF CONDITIONAL RESTRICTED DEPOSITARY RECEIPTS (PERFORMANCE SHARES)	2013	2012
Mr. Jeroen Drost	-	-
Mr. Rob ten Heggeler	-	-
Ms. Petra van Hoeken	-	-
Mr. Kees van Dijkhuizen, former Chief Financial Officer	-	-
Mr. Jeroen van Hessen, former Member	-	-

The performance shares will only vest upon a change of control of NIBC Holding and the attainment of an annual compounded hurdle rate. The number of performance shares that vest is based on a predetermined formula. The number of performance shares contained in this variable compensation is in principle uncapped, but the Supervisory Board has the discretion to adjust the ultimate number in the case of unfair or unintended effects.

For reporting purposes, the number of performance shares for the combined Statutory Board is estimated at nil CRDRs, based on NIBC Holding's long-term forecast and taking into account price-to-book ratios observed in the market. Depending on the assumptions applied, this number can vary over time. The conditional performance shares will vest immediately upon a change of control of NIBC Holding.

Options

Information on the options outstanding and the movements during the financial year of options held by current and former members of the Statutory Board as at 31 December 2013:

NUMBER OF VESTED OPTIONS	Outstanding as at 31 December 2012	Exercised in 2013	Forfeited in 2013	Outstanding as at 31 December 2013	Average Exercise price	Average fair value option at grant date	Expiry date
Mr. Kees van Dijkhuizen, former Chief Financial Officer	60,000	-	(60,000)	-	14.37	6.00	2015
Mr. Jeroen van Hessen, former Member	207,056	(50,000)	(157,056)	-	12.90	5.43	2015

At the expiry date of the options (14 December 2012), the maturity of the vested options could be extended once by three years. In 2012 the Statutory Board, after consultation with the Supervisory Board, decided to apply this three-year extension.

In line with internal policies, Mr van Hessen's vested in the money options were exercised on a cashless basis and subsequently converted into CDRs in the first open period after his employment ended on 31 December 2012.

53 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. The following portfolios that contain credit risk have been identified:

- Corporate/Investment Loans;
- Residential Mortgages;
- Debt Investments;
- Cash Management; and
- Derivatives.

The Debt Investments portfolio is further subdivided into debt from financial institutions and corporate entities and securitisations.

53-1 Credit risk exposure breakdown per portfolio

IN EUR MILLIONS	31 December 2013	31 December 2012
CORPORATE/ INVESTMENT LOANS	7,681	8,923
Corporate loans	7,555	8,750
Investment loans	126	173
RESIDENTIAL MORTGAGES	7,564	8,187
DEBT INVESTMENTS	1,549	1,422
Debt from financial institutions and corporate entities	711	601
Securitisations	838	821
CASH MANAGEMENT	1,798	2,209
Cash	1,798	2,188
Repo	-	21
DERIVATIVES¹	2,800	3,927
TOTAL	21,392	24,668

1 Positive replacement values.

Table 53-1 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 53-1 are not directly comparable to the figures on the balance sheet. Corporate and investment loans include off-balance sheet exposures. 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. The exposure of a securitised loan (EUR 143 million) is included in the Corporate Loan portfolio.

CORPORATE LOANS

Corporate loan distribution

The industry sectors shown in tables 53-2 and 53-3 are based on NACE classification and as such, do not strictly follow the internal NIBC Holding sector organisation that is presented in the risk management chapter, although a large overlap exists.

NACE is the *Statistical Classification of Economic Activities in the European Community* (in French: *Nomenclature Statistique des Activités Économiques dans la Communauté Européenne*), an EU industry standard classification system specifying eleven industry sectors. The overview mapping NACE codes with NIBC Holding reporting sectors on NIBC Holding's website contains a detailed breakdown of the NACE codes allocated to NIBC Holdings's exposures.

Tables 53-2 and 53-3 display a breakdown of the Corporate Loan portfolio among regions and industry sectors, at year-end 2013 and 2012. In line with our strategy, the Corporate Loan portfolio reduced by EUR 1,195 million in 2013 to EUR 7,555 million mainly because of the exposure reduction in the infrastructure, commercial real estate and shipping industry sectors. Compared to 2012, the relative weights of NIBC Holding's core growth markets the Netherlands and Germany remained stable, while the relative share of the United Kingdom increased slightly. The corporate loan portfolio outside Europe decreased to 14% of the total exposure at 31 December 2013 (31 December 2012:17%).

53-2 Corporate loan exposure per industry sector and region, 31 December 2013

IN %	Commercial			Oil & Gas	Financial Services	Manu- facturing	Services	Wholesale/ Retail/ Leisure			Agriculture & Food	TMT ¹	Other	TOTAL	TOTAL (IN EUR MILLIONS)
	Infra- structure	Real Estate	Shipping					Wholesale/ Retail/ Leisure							
The Netherlands	4	9	2	1	3	4	3	2	1	1	-	-	30	2,288	
Germany	4	10	1	-	3	2	1	1	1	1	-	-	24	1,698	
United Kingdom	16	-	-	1	1	-	-	-	-	-	-	-	18	1,449	
Rest of Europe	2	-	5	4	-	1	1	1	-	-	-	-	14	1,106	
Asia / Pacific	-	-	4	2	-	-	-	-	-	-	-	-	6	401	
North America	-	-	3	1	-	-	-	-	-	-	-	-	4	336	
Other	-	-	2	2	-	-	-	-	-	-	-	-	4	277	
TOTAL	26	19	17	11	7	7	5	4	2	2	-	-	100	7,555	
TOTAL (IN EUR MILLIONS)	1,979	1,445	1,161	864	551	527	398	347	168	109	6	-	100	7,555	

¹ Telecommunication, Media and Technology.

53-3 Corporate loan exposure per industry sector and region, 31 December 2012

IN %	Commercial			Oil & Gas	Financial Services	Manu- facturing	Services	Wholesale/ Retail/ Leisure			Agriculture & Food	TMT ¹	Other	TOTAL	TOTAL (IN EUR MILLIONS)
	Infra- structure	Real Estate	Shipping					Wholesale/ Retail/ Leisure							
The Netherlands	4	10	2	1	3	2	3	3	1	1	-	-	30	2,564	
Germany	4	11	1	-	2	2	1	2	-	-	-	-	23	2,050	
United Kingdom	15	-	-	2	-	-	-	-	-	1	-	-	18	1,576	
Rest of Europe	2	-	4	3	1	1	1	-	-	-	-	-	12	1,087	
Asia/Pacific	-	-	6	2	-	-	-	-	-	-	-	-	8	715	
North America	-	-	3	2	-	-	-	-	-	-	-	-	5	404	
Other	-	-	2	2	-	-	-	-	-	-	-	-	4	354	
TOTAL	25	21	18	12	6	5	5	5	1	2	-	-	100	8,750	
TOTAL (IN EUR MILLIONS)	2,190	1,941	1,521	1,015	483	446	446	467	85	150	6	-	100	8,750	

¹ Telecommunication, Media and Technology.

Basel II and credit approval process

NIBC Holding employs an internally-developed methodology under the Basel II *Advanced Internal Ratings Based (AIRB)* approach for quantifying the credit quality of the Corporate Loan portfolio. The Basel II AIRB approach for NIBC Holding's exposure classes was adopted by NIBC Holding and approved by NIBC Holding's regulatory authority, the DNB, in 2008.

In line with Basel II regulations, the methodology consists of three elements:

- CCR, reflecting the PD of the borrower. The default definition is in line with the Basel II definition ;
- 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 Basel II/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 Basel II 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 Basel II on model governance.

All approvals of individual credit proposals are granted after the *Credit Risk Management* department (**CRM**) or the *Financial Markets Credit Risk* department (**FMCR**) have made a credit risk assessment and have 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 by CRM, for corporate counterparties, or FMCR, for non-corporate counterparties. All counterparties and, subsequently, all facilities, are reviewed at least once a year.

I According to the Basel II 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.

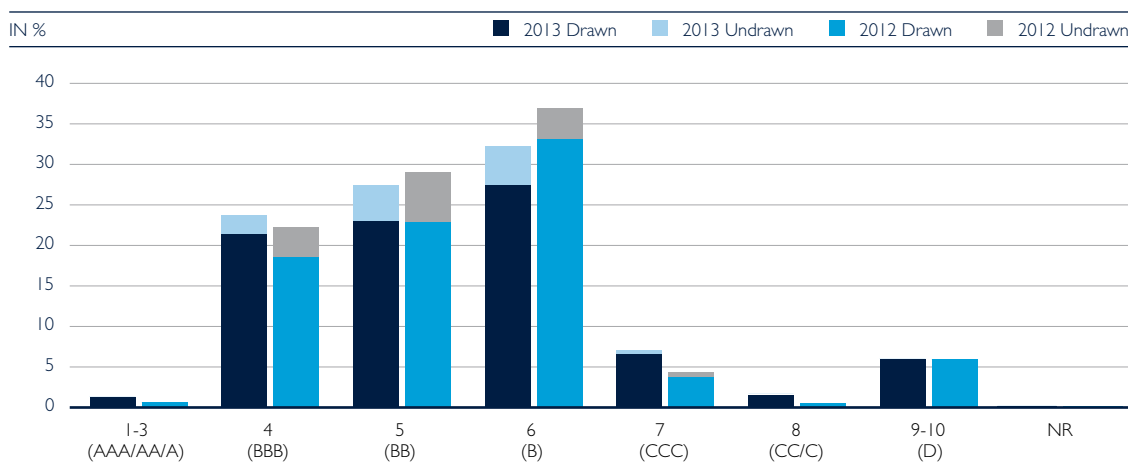
Credit ratings

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 was 6 with an average PD of 2.9% at 31 December 2013 (31 December 2012: 2.4%). 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 53-4 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 2013; 0.2% at 31 December 2012). NR is assigned to entities, for which NIBC Holding's corporate rating tools were not suitable at the time of rating.

53-4 Drawn and undrawn corporate loan exposure per CCR rating



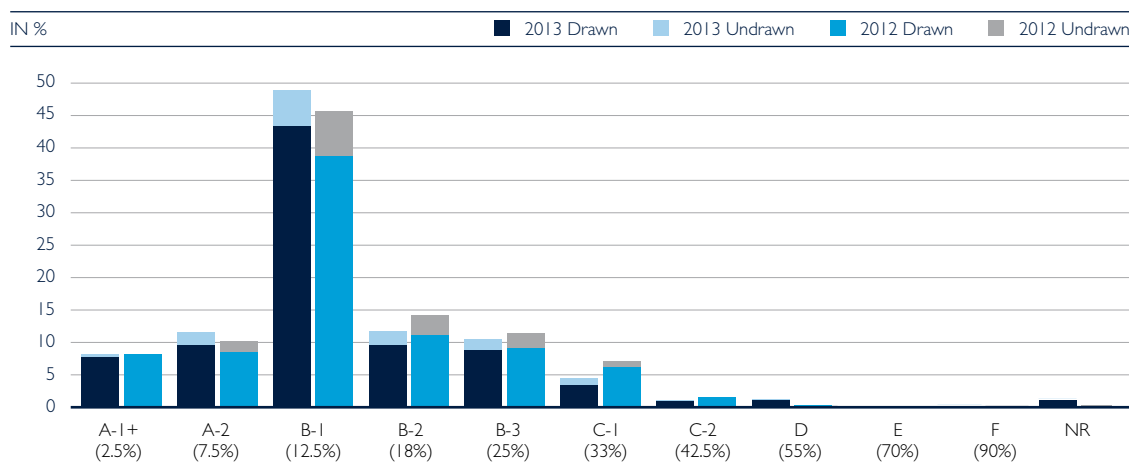
Collateral and LGD

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-2 with an average LGD of 15.3% at 31 December 2013 (31 December 2012: 16.0%). The weighted average is calculated for non-defaulted loans. 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 53-5 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 (1.2% of corporate loans at 31 December 2013; 0.3% at 31 December 2012).

Note that the corporate loan exposure of graph 54-5 refers to non-defaulted exposure as the LGD is a measure of anticipated loss for facilities of a non-defaulted counterparty. Once a counterparty enters default, the impairment amount becomes a more meaningful measure of the loss. Tables 53-9 and 53-10 provide more information on impairment amounts.

53-5 Drawn and undrawn non-defaulted corporate loan exposure per LGD rating



The most significant types of collateral securing the loan and derivative portfolios are tangible assets, such as real estate, vessels, rigs and equipment. Exposures in the shipping and oil & gas sectors are primarily secured by 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) receivables and third-party credit protection (e.g. guarantees).

Arrears

The total arrears in the Corporate Loan portfolio decreased substantially in 2013 to 0.7% of total exposure at 31 December 2013 (31 December 2012: 1.9%). An overview of the amounts in arrear per arrear bucket is provided in tables 53-6 and 53-7. 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 2013 and 31 December 2012. The column labelled 'Impairment Amount' includes on-balance sheet impairment amounts only (31 December 2013: EUR 102 million; 31 December 2012: EUR 128 million). The inclusion of *Incurring but not Reported* (IBNR) impairment amounts on the line with no payment in arrear brings the total impairment amount for 31 December 2013 to EUR 107 million (31 December 2012: EUR 134 million). Tables 53-9 and 53-10 provide more information on impairment amounts.

53-6 Corporate loan amounts in arrear, 31 December 2013

IN EUR MILLIONS	Exposure		Outstanding		Amount in arrear		Impairment Amount
	TOTAL	% of Exposure	TOTAL	% of On-Balance	TOTAL	% of On-Balance	
AGE OF PAYMENT IN ARREAR							
1 - 5 days	50	0.7%	42	0.6%	2	0.0%	-
6 - 30 days	-	-	-	-	-	-	-
31 - 60 days	-	-	-	-	-	-	-
61 - 90 days	-	-	-	-	-	-	-
SUBTOTAL LESS THAN 90 DAYS	50	0.7%	42	0.6%	2	0.0%	-
Over 90 days	52	0.7%	52	0.8%	51	0.8%	29
No payment in arrear	7,453	98.6%	6,525	98.6%	-	0.0%	78
TOTAL	7,555	100.0%	6,619	100.0%	53	0.8%	107

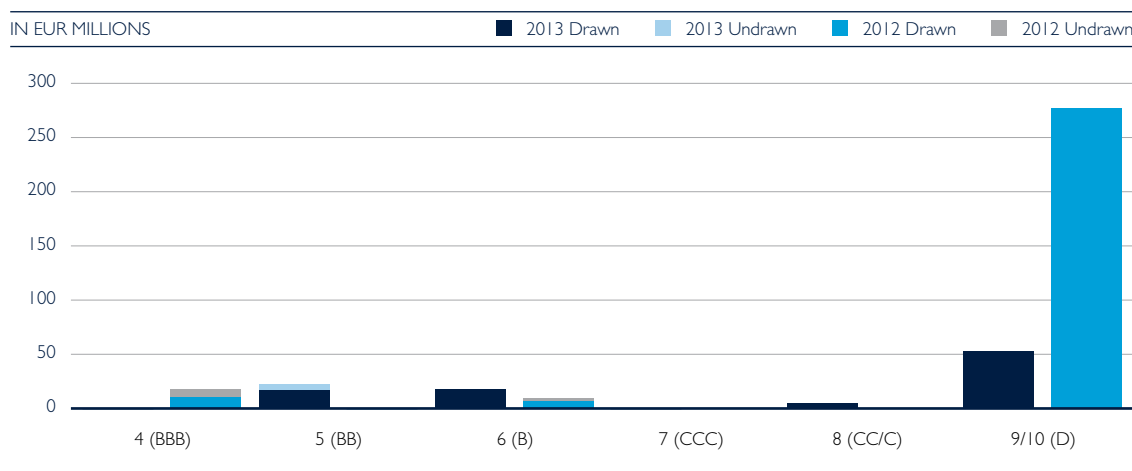
53-7 Corporate loan amounts in arrear, 31 December 2012

IN EUR MILLIONS	Exposure		Outstanding		Amount in arrear		Impairment Amount
	TOTAL	% of Exposure	TOTAL	% of On-Balance	TOTAL	% of On-Balance	
AGE OF PAYMENT IN ARREAR							
1 - 5 days	61	0.7%	52	0.7%	8	0.1%	4
6 - 30 days	-	-	-	-	-	-	-
31 - 60 days	-	-	-	-	-	-	-
61 - 90 days	26	0.3%	24	0.3%	1	0.0%	4
SUBTOTAL LESS THAN 90 DAYS	87	1.0%	76	1.0%	9	0.1%	8
Over 90 days	220	2.5%	220	2.9%	159	2.1%	56
No payment in arrear	8,443	96.5%	7,214	96.1%	-	0.0%	70
TOTAL	8,750	100.0%	7,510	100.0%	168	2.2%	134

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 53-6 and 53-7. The application of this threshold does not influence the total arrears, which amounted to EUR 53 million at 31 December 2013 (31 December 2012: EUR 168 million). At 31 December 2013, the total arrears considered insignificant were EUR 226 (31 December 2012: EUR 17,849).

Graph 53-8 displays the rating distribution of the exposure amounts (expressed as the sum of drawn and undrawn amounts) of all loans with an amount in arrear. The total exposure amount at 31 December 2013 was EUR 102 million (31 December 2012: EUR 307 million) and the total drawn amount at 31 December 2013 was EUR 94 million (31 December 2012: EUR 296 million). This reduction was driven mainly by restructurings in the commercial real estate and shipping industry sectors.

53-8 Distribution of drawn and undrawn amounts with an arrear per rating category



Forbearance Corporate Loans

As a response to the public statement of the *European Securities and Markets Authority (ESMA)* related to forbearance practices issued on 20 December 2012, NIBC Holding is currently in the process of developing a forbearance policy for the Corporate Loan portfolio. The forbearance policy will be defined, formalised and implemented in the standard working routines and processes around credit review and impairment in 2014.

In practice, NIBC Holding is already providing forbearance solutions under certain conditions to corporate borrowers experiencing financial difficulties and which consequently are unable to meet the original terms and conditions of the contract. All loan and other facilities are subject to NIBC Holding's impairment policy and are assessed when relevant impairment triggers have been met. 'Significant financial difficulty of the borrower' is one of the impairment triggers within NIBC Holding. Forbearance is objective evidence of impairment and therefore an impairment test is already considered for each forbore loan facility. Details of NIBC Holding's impairment policy can be found in the Accounting policies section.

Impairment amounts

The Corporate Loan portfolio is reviewed by credit officers and CRM, 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 reviewed as well. 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 2013, the total write-offs increased (EUR 90 million) compared to 2012 (EUR 28 million), mainly in the wholesale, retail & leisure, commercial real estate, services and TMT industry sectors. The stock of impairments decreased and amounted to EUR 107 million at year-end 2013 (year-end 2012: EUR 134 million). In 2013, a new impairment was taken on a borrower in the wholesale, retail & leisure industry sector which had to be written-off in the same year.

Tables 53-9 and 53-10 display an overview of the impairments at 31 December 2013 and 31 December 2012, subdivided in regions and industry sectors, respectively. The column labelled 'Exposure' includes both drawn and undrawn amounts.

53-9 Impairment per region

IN EUR MILLIONS	31 December 2013				31 December 2012			
	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
The Netherlands	2,288	46	25	63	2,564	237	60	4
Germany	1,698	273	40	-	2,050	13	7	9
United Kingdom	1,449	-	-	27	1,576	68	27	-
Rest of Europe	1,106	34	24	-	1,087	34	22	-
Asia/Pacific	401	54	13	-	715	55	12	-
North America	336	-	-	-	404	15	-	15
Other	277	-	-	-	354	-	-	-
IBNR Corporate Loans			5				6	
TOTAL	7,555	407	107	90	8,750	422	134	28

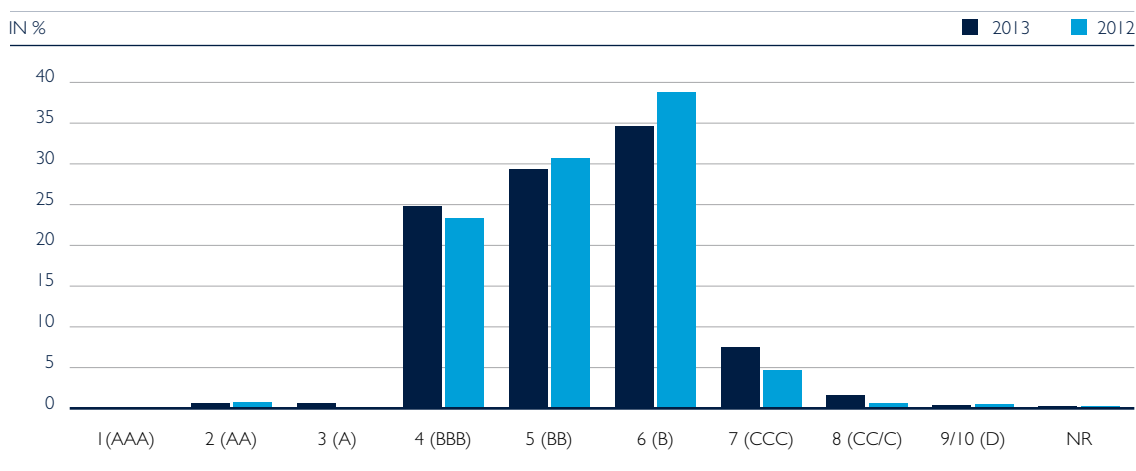
53-10 Impairment per industry sector

IN EUR MILLIONS	31 December 2013				31 December 2012			
	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
Infrastructure	1,979	7	4	-	2,190	7	3	-
Commercial Real Estate	1,445	292	48	27	1,941	196	44	-
Shipping	1,161	70	31	-	1,521	86	30	15
Oil & Gas	864	-	-	-	1,015	-	-	-
Financial Services	551	1	-	4	483	33	5	-
Manufacturing	527	-	-	-	446	7	4	-
Services	398	25	13	16	446	57	26	12
Wholesale/Retail/Leisure	347	12	6	31	467	9	7	-
Agriculture & Food	168	-	-	-	85	-	-	-
TMT	109	-	-	12	150	27	9	1
Other	6	-	-	-	6	-	-	-
IBNR Corporate Loans			5				6	
TOTAL	7,555	407	107	90	8,750	422	134	28

Corporate loans without impairments or arrears

At 31 December 2013, the size of the corporate loan exposure carrying neither impairments nor arrears equalled EUR 6,996 million or 93% of the total Corporate Loan portfolio (31 December 2012: EUR 8,223 million or 94%). Graph 53-11 displays the distribution of exposure amounts without impairments or arrears, at 31 December 2013 and 31 December 2012. Of this exposure 89% 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 2013: 0.3% of all loans without impairments or amounts in arrear; 31 December 2012: 0.2%).

53-11 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 2013. NIBC Holding has no sovereign debt exposure.

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 set up and managed by NIBC Holding (NIBC Holding Funds)* that are controlled by NIBC Holding and thus consolidated into the financial statements of NIBC Holding. 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 the investment loans at 31 December 2013 was EUR 126 million (31 December 2012: EUR 173 million), of which 98% was drawn (31 December 2012: 95%). 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 2013, the weighted average counterparty credit rating of non-defaulted investment loans remained stable at an internal rating 6 (31 December 2012: 6) in NIBC's internal rating scale (equivalent to B in external rating agencies' scales).

Tables 53-12 and 53-13 display a breakdown of investment loans per region and industry sector at 31 December 2013 and 31 December 2012.

53-12 Breakdown of investment loans per region

IN EUR MILLIONS	31 December 2013		31 December 2012	
	Exposure	%	Exposure	%
The Netherlands	83	66%	119	69%
Rest of Europe	35	28%	40	23%
United Kingdom	8	6%	14	8%
TOTAL	126	100%	173	100%

53-13 Breakdown of investment loans per industry sector

IN EUR MILLIONS	31 December 2013		31 December 2012	
	Exposure	%	Exposure	%
Financial Services	115	91%	113	66%
Agriculture & Food	8	6%	14	8%
TMT	2	2%	4	2%
Services	1	1%	2	1%
Wholesale/Retail/Leisure	-	-	38	22%
Manufacturing	-	-	2	1%
Commercial Real Estate	-	-	-	-
Other	-	-	-	-
TOTAL	126	100%	173	100%

Arrears

The amounts in arrear as a percentage of exposure increased for the investment loans from 1.1% at year-end 2012 to 1.6% at year-end 2013.

53-14 Investment loan amounts in arrear, 31 December 2013

IN EUR MILLIONS	Exposure		Outstanding		Amount in arrear		Impairment Amount
	TOTAL	% of Exposure	TOTAL	% of On-Balance	TOTAL	% of On-Balance	
AGE OF PAYMENT IN ARREAR							
Over 90 days	2	1.7%	2	1.7%	2	1.7%	2
No payment in arrear	124	98.3%	121	98.3%	-	0.0%	-
TOTAL	126	100.0%	123	100.0%	2	1.7%	2

53-15 Investment loan amounts in arrear, 31 December 2012

IN EUR MILLIONS	Exposure		Outstanding		Amount in arrear		Impairment Amount
	TOTAL	% of Exposure	TOTAL	% of On-Balance	TOTAL	% of On-Balance	
AGE OF PAYMENT IN ARREAR							
Over 90 days	2	1.1%	2	1.1%	2	1.0%	2
No payment in arrear	171	98.9%	163	98.9%	-	0.0%	1
TOTAL	173	100.0%	165	100.0%	2	1.0%	3

Impairment amounts

At 31 December 2013, impairments on investment loans amounted to EUR 2 million (31 December 2012: EUR 3 million). Table 53-16 shows the breakdown of impairments and write-offs in industry sectors at 31 December 2013 and 31 December 2012. The column labelled 'Exposure' includes both drawn and undrawn amounts, and the column labelled 'Impairment Amount' refers to drawn amounts of impaired facilities. In 2013, no write-offs occurred on investment loans. 87% of impairments on the investment loans were in the Netherlands and 13% in the United Kingdom.

53-16 Impairment per industry sector

IN EUR MILLIONS	31 December 2013				31 December 2012			
	Exposure	Impaired Exposure	Impairment Amount	Write-offs	Exposure	Impaired Exposure	Impairment Amount	Write-offs
Financial Services	115	1	-	-	113	-	-	-
Agriculture & Food	8	8	-	-	14	14	1	-
TMT	2	2	2	-	4	-	-	-
Services	1	-	-	-	2	2	2	-
Wholesale/Retail/Leisure	-	-	-	-	38	-	-	-
Manufacturing	-	-	-	-	2	-	-	-
Commercial Real Estate	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL	126	11	2	-	173	16	3	-

At 31 December 2013, the investment loans that carried neither impairments nor past-due amounts equalled EUR 116 million or 92% of total (31 December 2012: EUR 157 million or 91% of total).

RESIDENTIAL MORTGAGES

The composition of the Residential Mortgage portfolio at year-end 2013 and at year-end 2012 is displayed in table 53-17.

53-17 Breakdown of Residential Mortgage portfolio

IN EUR MILLIONS	31 December 2013	31 December 2012
Dutch Own Book portfolio ¹	3,453	3,324
Dutch Securitised portfolio	3,878	4,512
German Own Book portfolio	233	351
TOTAL	7,564	8,187

¹ Including portfolio classified at amortised costs.

Dutch Residential Mortgage portfolio

The Dutch Residential Mortgage portfolio contains NIBC Direct loans originated in 2013, as well as loans that were originated by business partners (insurance companies, mortgage chains and service providers), based on prescribed underwriting criteria. Servicing and administration of the mortgage portfolio is outsourced to third-party servicers, but special servicing is performed in-house.

At 31 December 2013, 28% of the Residential Mortgage portfolio (31 December 2012: 27%) 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 large part of the Dutch Residential Mortgage portfolio has been securitised. 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 2013 was EUR 348 million (31 December 2012: EUR 461 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;
- 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;
- Properties are occupied by the owner;
- Other criteria, such as type of property, maximum *Loan-To-Market Value (LTMV)* and maximum *Loan-to-Income (LTI)*; 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.

In 2013, the Dutch government introduced the following mortgage reforms:

- Tax deductibility is restricted to fully amortising mortgages for new mortgage contracts;
- Existing mortgage contracts still benefit from tax deductibility, however deductibility will be reduced from 52% to 38% by 0.5% per annum for all mortgages; and
- Possibility to take out a 'duo-mortgage'; half of the down-payment on the first loan can be financed by a second loan (interest is not tax deductible) with a maximum of 35 years.

Management of loans in arrear 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 arrear. All amounts in arrear 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 centered on intensive contact with its mortgage clients and tailor-made solutions. When amounts in arrear occur, the borrower receives a letter after the first day of arrears. Within two weeks, the client is contacted by phone. Depending on the outcome of these contacts, a customer-specific approach is formulated on a case-by-case basis. Customer visits are made if arrears reach two months. In case of defaults, the Special Servicing team has to submit the file to the Arrears Management Committee for approval of the strategy to be followed. The Arrears Management Committee includes members from Risk Management, Operations, Portfolio Management and the Special Servicing team. NIBC Holding bids for own foreclosed properties at auctions to ensure the proceeds are at arm's length and if need be acquires these properties.

NIBC Holding is also introducing 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 53-18 shows the arrears overview of the total Dutch Residential Mortgage portfolio at 31 December 2013 and 31 December 2012. Overall, the amount of loans in arrears remains relatively stable, except for loans in arrear at year-end 2013 in the 'over 90 days bucket', which have shown an increase compared to year-end 2012.

53-18 Arrears overview, Dutch Residential Mortgage portfolio

IN %	31 December 2013	31 December 2012
No payment in arrear	95.9	95.8
0-30 days	1.9	2.2
31-60 days	0.6	0.8
61-90 days	0.3	0.3
Over 90 days	1.3	0.9
TOTAL	100	100
TOTAL (IN EUR MILLION)	7,331	7,836

Forbearance Dutch Residential Mortgages

As a response to the public statement of the *European Securities and Markets Authority (ESMA)* related to forbearance practices issued on 20 December 2012, 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, formalised and implemented in the standard working routines and processes. Further developments are expected in 2014.

Risk measurement Dutch Residential Mortgages

In 2008, NIBC Holding's rating methodology for residential mortgages received approval from the DNB to use the AIRB approach for calculating solvency requirements and reporting to the DNB. The calculation of PD, LGD and EAD is performed by an internally-developed Basel II AIRB model. This AIRB model is periodically assessed by the DNB to ensure that their requirements are met.

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, for which the LGD estimate will be lower in comparison to a mortgage loan without the NHG guarantee. The LGD estimate is also based on a continuous scale.

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

Table 53-19 shows the PD distribution of the Dutch Residential Mortgage portfolio at 31 December 2013 and 31 December 2012. A PD of 100% means that a borrower is more than 90 days in arrear. Mortgages without amounts in arrear all carry PDs below 2%.

53-19 PD allocation of Dutch residential mortgages

IN %	Own book Dutch mortgages		Securitised Dutch mortgages	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
PROBABILITY OF DEFAULT				
<= 1%	94.0	93.4	95.2	95.7
1%> <=2%	1.4	1.8	0.8	0.5
2%> <=5%	0.6	0.9	0.4	0.6
5%> <=99%	2.5	2.9	2.4	2.4
100%	1.5	1.0	1.2	0.8
TOTAL	100	100	100	100
TOTAL (IN EUR MILLION)	3,453	3,324	3,878	4,512

Risk mitigation and collateral management

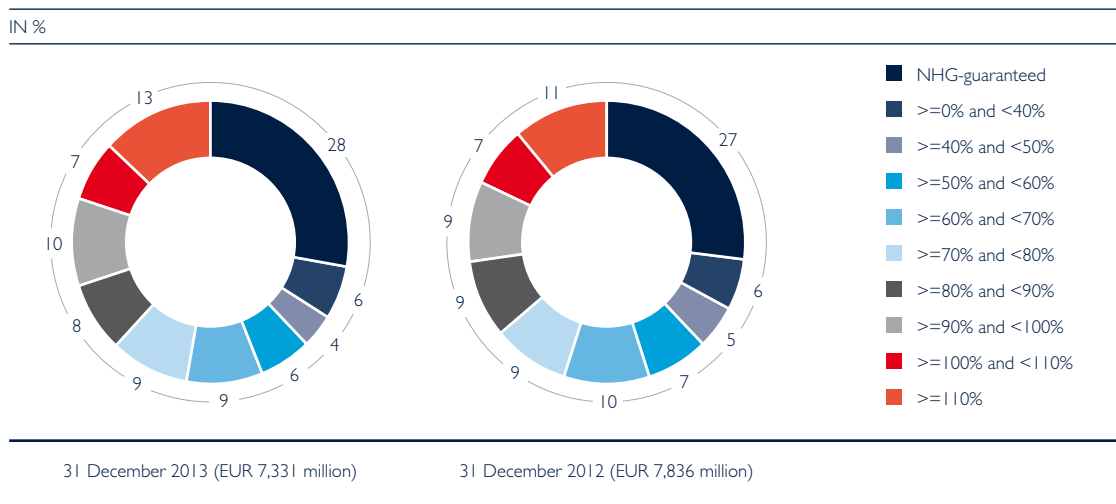
Credit losses are mitigated in a number of ways:

- The underlying property is pledged as collateral;
- 39% of the Dutch Own Book portfolio and 18% of the Securitized portfolio are covered by the NHG programme; and
- For the part of the Dutch portfolio that has been securitized, 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 and investment deposits may also serve as additional collateral.

An indicator for potential losses, taking into account indexation of house prices and seasoning, is achieved by calculating the *Loan-to-Indexed-Market-Value (LTIMV)*. The indexation is made by using the 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 53-20 and 53-21 show a breakdown of the LTIMV for the total Dutch Residential Mortgage portfolio at 31 December 2013 and 31 December 2012. The average seasoning of the total portfolio is 9.4 years. LTIMV for all categories remained relatively stable between the two years. 20% 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.

53-20/21 LTIMV of Dutch Residential Mortgage portfolio



German Residential Mortgage portfolio

The German Residential Mortgage portfolio amounted to EUR 233 million at 31 December 2013 (31 December 2012: EUR 351 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 originations have 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 arrear. 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 to get insight into the reason for being in arrear. They claim the outstanding amount in letters sent every two weeks. 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 53-22 displays an overview of the payments in arrear at 31 December 2013 and 31 December 2012 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 2013, only 56 loans (3% of the total exposure) had been transferred to special servicing and cancelled, from a total portfolio of approximately 2,600 mortgages.

53-22 Arrears overview, German Residential Mortgage portfolio

IN %	31 December 2013	31 December 2012
No payment in arrear	91.6	93.1
0-30 days	2.6	1.5
31-60 days	1.3	0.8
61-90 days	0.5	0.2
Over 90 days	1.0	0.9
Special Servicing Cancelled Loans	3.0	3.5
TOTAL	100	100
TOTAL (IN EUR MILLION)	233	351

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.

This portfolio does not contain any sovereign risk exposures.

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*, **BPVs**) and Value at Risk (**VaR**) numbers are used.



Note 54 on Market Risk contain more information on these variables.

In the remainder of this section, the exposure has been divided into the following two sub-portfolios:

- Debt from financial institutions and corporate entities; 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 increased in the course of 2013 by 18% to EUR 711 million at 31 December 2013 (31 December 2012: EUR 601 million). The credit profile of this portfolio improved in 2013 through increased investments in AAA covered bonds. Of the total exposure, 41% (31 December 2012: 40%) were covered bonds. The remaining 59% (31 December 2012: 60%) was senior unsecured debt.

The amount of EUR 711 million at 31 December 2013 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.

53-23 Debt of financial institutions and corporate entities, 31 December 2013

IN EUR MILLIONS	AAA	AA	A	BBB	BB	<= B	NR	Total
Financial institutions	207	93	322	51	-	-	6	679
Corporate entities	-	-	-	21	-	-	11	32
TOTAL	207	93	322	72	-	-	17	711

53-24 Debt of financial institutions and corporate entities, 31 December 2012

IN EUR MILLIONS	AAA	AA	A	BBB	BB	<= B	NR	Total
Financial institutions	150	38	355	35	-	-	6	584
Corporate entities	-	-	-	17	-	-	-	17
TOTAL	150	38	355	52	-	-	7	601

At both 31 December 2013 and 31 December 2012, the portfolio of debt from financial institutions and corporate entities had no impairments and contained no arrears.

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 53-25 and 53-26 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 53 on credit risk in the corporate loans or residential mortgages sections. NIBC Holding's total exposure as an originator to consolidated securitisations was EUR 400 million at 31 December 2013 (31 December 2012: EUR 604 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) increased to EUR 838 million at 31 December 2013 (31 December 2012: EUR 821 million), mainly due to increased

investments in the Liquidity Investments portfolio. Investments in the Liquidity Investments portfolio and divestments in the Western European Securitisations improved the credit quality of this 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 FMCR and Finance. The total amount of the portfolio of investments in Western Europe decreased to EUR 330 million at 31 December 2013 (31 December 2012: EUR 403 million).

The Liquidity Investments portfolio was set up to invest part of NIBC Holding's excess liquidity in the securitisation market. Investments are limited to AAA rated RMBS transactions backed by Dutch collateral or European ABS and are eligible to be pledged as collateral with the *European Central Bank* (ECB). Apart from the strict mandate, each investment is pre-approved by FMCR. Exposure in this portfolio increased to EUR 508 million at 31 December 2013 (31 December 2012: EUR 342 million).

53-25 Exposure to securitised products, 31 December 2013

BOOKVALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Total
EU - ABS	-	1	-	-	-	2	3
EU - CDO	3	20	42	13	11	32	121
EU - CMBS	10	17	14	6	11	22	80
EU - RMBS	11	19	53	29	1	13	126
TOTAL WESTERN EUROPEAN SECURITISATIONS	24	57	109	48	23	69	330
NL - RMBS AAA Liquidity portfolio	374	-	-	-	-	-	374
EU - ABS AAA Liquidity portfolio	134	-	-	-	-	-	134
TOTAL SECURITISATION EXPOSURE	532	57	109	48	23	69	838

53-26 Exposure to securitised products, 31 December 2012

BOOKVALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Total
EU - ABS	-	1	-	-	-	3	4
EU - CDO	10	33	41	19	12	23	138
EU - CMBS	14	26	19	24	14	17	114
EU - RMBS	13	20	54	37	10	13	147
TOTAL WESTERN EUROPEAN SECURITISATIONS	37	80	114	80	36	56	403
NL - RMBS AAA Liquidity portfolio	342	-	-	-	-	-	342
US - New Amsterdam Fund / Veca	3	9	8	26	23	7	76
TOTAL SECURITISATION EXPOSURE	382	89	122	106	59	63	821

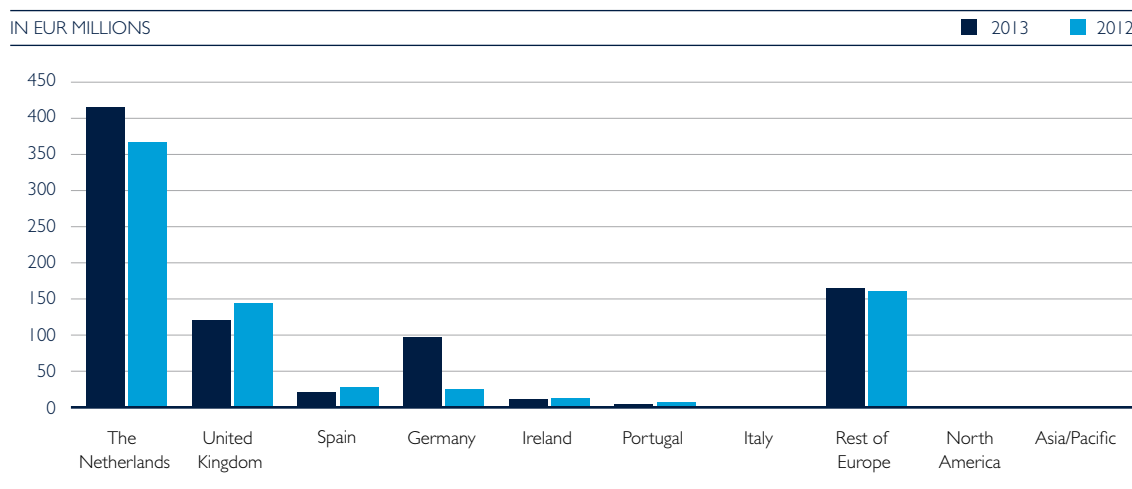
Geographic distribution of securitisations

Graph 53-27 presents the distribution of the Securitisations portfolio by geographic region at 31 December 2013 and 31 December 2012. 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 (50%) and the United Kingdom (14%).

The graph further shows that NIBC Holding's exposure in Ireland, Italy, Spain and Portugal is limited and had decreased to EUR 39 million at 31 December 2013 (31 December 2012: EUR 45 million).

Approximately 68% of this exposure is investment grade exposure. NIBC Holding had no exposure in Greece at 31 December 2013 or 2012. Our legacy securitisation portfolio located in North America has been divested in 2013.

53-27 Distribution of securitisations per region, 31 December 2013 (EUR 838 million) and 31 December 2012 (EUR 821 million)



Impairments on securitisations

The majority of the Securitisation 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 42 million at 31 December 2013 (31 December 2012: EUR 47 million).

Securitisations without impairments

Table 53-28 presents the rating breakdown of securitisation exposure that did not carry an impairment amount at 31 December 2013 (EUR 827 million). The total amount of securitisations without impairments at 31 December 2012 was EUR 803 million.

53-28 Distribution of securitisation exposure without impairments per rating category, 31 December 2013

BOOKVALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Total
Western European & Liquidity Investments	532	57	109	48	23	58	827
US Securitisations	-	-	-	-	-	-	-
SECURITISATION EXPOSURE WITHOUT IMPAIRMENTS	532	57	109	48	23	58	827

53-29 Distribution of securitisation exposure without impairments per rating category, 31 December 2012

BOOKVALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Total
Western European & Liquidity Investments	379	80	115	79	36	38	727
US Securitisations	3	9	8	26	23	7	76
SECURITISATION EXPOSURE WITHOUT IMPAIRMENTS	382	89	123	105	59	45	803

CASH MANAGEMENT

NIBC Holding is exposed to credit risk as a result of cash management activities. In 2013, 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 2013, NIBC Holding's total cash amounted EUR 1,798 million (31 December 2012: EUR 2,188 million). The decrease in cash was mainly a result of the redemptions and buy-backs of government-guaranteed funding. EUR 1,150 million of the cash was held at DNB, EUR 526 million at financial institutions and the remaining EUR 122 million at corporate entities (securitisation-related liquidity facilities).

53-30 Cash, 31 December 2013

IN EUR MILLIONS	AAA	AA	A	≥ BBB	Total
Cash and balances with central banks	1,150	-	-	-	1,150
Financial institutions	-	-	399	127	526
Corporate entities	4	-	39	79	122
TOTAL	1,154	-	438	206	1,798

53-31 Cash, 31 December 2012

IN EUR MILLIONS	AAA	AA	A	≥ BBB	Total
Cash and balances with central banks	1,604	-	-	-	1,604
Financial institutions	2	52	486	3	543
Corporate entities	31	-	10	-	41
TOTAL	1,637	52	496	3	2,188

At year-end 2013, EUR 1,129 million cash collateral has been excluded from the cash management exposure (year-end 2012: EUR 1,474 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 2013 and 31 December 2012, 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 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 2013, NIBC Holding started to centrally clear derivatives. EUR 433 million of NIBC's derivative portfolio excluding netting, collateral and PFE has been centrally cleared. For corporate counterparties, both the loan and derivative are treated as a single package whereby the derivative often benefits from the security/collateral supporting the loan exposure.

Exposures

Tables 53-32 and 53-33 display NIBC Holding's exposures from credit risk in derivatives allocated across the rating class of the underlying counterparty. Exposure is the sum of the positive marked-to-market value of derivative contracts, excluding the effect of netting and collateral exchange.

Due to amortisations and limit origination, the total derivative exposure excluding netting and collateral decreased in 2013 to EUR 2,800 million at 31 December 2013 (31 December 2012: EUR 3,927 million).

53-32 Derivative exposure excluding netting and collateral, 31 December 2013

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	-	48	2,145	2	-	-	-	-	-	-	2,195
Corporate entities	30	1	4	226	57	176	82	19	10	-	605
TOTAL	30	49	2,149	228	57	176	82	19	10	-	2,800

53-33 Derivative exposure excluding netting and collateral, 31 December 2012

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	-	69	2,692	214	-	-	-	-	-	-	2,974
Corporate entities	40	-	-	329	272	253	15	-	40	4	953
TOTAL	40	69	2,692	543	272	253	15	-	40	4	3,927

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 53-34 at 31 December 2013 and in table 53-35 at December 2012.

53-34 Derivative exposure including netting and collateral, 31 December 2013

IN EUR MILLIONS	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	-	-	242	-	-	-	-	-	-	242
Corporate entities	30	-	4	223	56	173	82	19	10	597
TOTAL	30	-	246	223	56	173	82	19	10	839

53-35 Derivative exposure including netting and collateral, 31 December 2012

IN EUR MILLIONS	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	1	74	-	-	-	-	-	-	-	75
Corporate entities	-	-	323	272	252	15	-	40	4	905
TOTAL	1	74	323	272	252	15	-	40	4	981

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 strong 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, they are considered insignificant and are therefore excluded. The application of the threshold does not influence the total arrears for 2013 and 2012. For both years, the total arrears that are considered insignificant are below EUR 100 thousand.

Table 53-36 displays an overview of the arrears for corporate derivatives at 31 December 2013 and 31 December 2012 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 53-36, at 31 December 2013, a marked-to-market exposure of EUR 31 million carried an arrear of EUR 5 million (31 December 2012: exposure of EUR 22 million with an arrear of EUR 9 million).

53-36 Arrears overview, corporate derivative exposure

IN EUR MILLIONS	2013		2012	
	Exposure (MtM) ¹	Amount in arrear	Exposure (MtM) ¹	Amount in arrear
AGE OF PAYMENT IN ARREAR				
1 - 5 days	23	2	11	1
6 - 30 days	-	-	-	-
31 - 60 days	-	-	-	-
61 - 90 days	-	-	-	-
SUBTOTAL LESS THAN 90 DAYS	23	2	11	1
Over 90 days	8	3	11	8
No payment in arrear	574	-	931	-
TOTAL	605	5	953	9

1 MtM: Marked-to-Market value.



54 Market risk

NIBC Holding defines market risk as the current and prospective threat to its earnings and capital as a result of movements in market prices. Market risk, therefore, includes price risk, interest rate risk and foreign exchange risk, both within and outside the Trading book. For fixed-income products, market risk also includes credit spread risk, which is the risk due to movements of underlying credit curves. The predominant market risk drivers for NIBC Holding are interest rate risk and credit spread risk.

Risk appetite

For interest rate risk purposes the activities of NIBC Holding can be divided in 3 books:

- The Trading book contains interest rate positions, which are either customer driven or, to a limited extent, proprietary trading. These positions are taken with the purpose to obtain short-term profits.
- The Mismatch book contains the long-term strategic interest rate position of the bank. Positions are limited to currencies in which NIBC Holding has lending activities, i.e. EUR, GBP and USD.
- All other portfolios, jointly referred to as the Banking book, do not contain material interest rate risk, as it is the policy of the bank to concentrate the interest rate risk in either the Trading book or Mismatch book.

Risk monitoring and measurement

Interest *Basis Point Value* (BPV), credit BPV, interest *Value at Risk* (VaR), credit VaR and total VaR measures are calculated on a daily basis and reviewed by the Market Risk department:

- Interest and credit BPV measure the sensitivity of the market value to a change of one basis point in each time bucket of the interest rate curve and credit spread curve, respectively. The BPV as displayed in the tables below represents the sensitivity of the market value to a one-basis-point, parallel upward shift of the underlying curve. A negative amount represents a loss, a positive amount represents a gain;
- The interest VaR, credit spread VaR and total VaR measure the threshold value, which daily marked-to-market losses with a confidence level of 99% will not exceed, based on four years of historical data for weekly changes in interest rates, credit spreads and both simultaneously. For the Trading book, additional VaR scenarios based upon daily historical market data are used, both for limit-setting as well as for the calculation of the capital requirement. VaR as displayed in the tables below is always represented as a positive number, indicating a potential loss; and
- As future market price developments may differ from those that are contained by the four-year history, the risk analysis is complemented by a wide set of scenarios, including scenarios intended as stress testing and vulnerability identification, both based on historical events and on possible future events.

Limits are set on all the indicators (BPV and VaR, interest, credit and total). The limits and utilisation are reported to the ALCO once every two weeks. Any significant breach of market risk limits is reported to the CRO immediately. The income statement for the Trading book is also monitored daily.

Exposures

Interest rate risk in the Trading book

The Trading book only consists of books which from a regulatory perspective fall under the market risk treatment. These books only contain interest rate derivatives (swaps, futures and interest rate options). The overall market risk in this book is limited, as is evidenced by the actual level of the VaR. For the whole book a VaR limit of EUR 2.25 million applies. The VaR limit was not exceeded at any time during 2013.

54-1 Key risk statistics of the Trading book

IN EUR THOUSANDS	2013		2012	
	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max ¹	(92)	693	(111)	1,337
Average	(30)	330	(36)	691
Min ²	1	124	-	231
YEAR-END	14	173	(7)	243

1 Max: value farthest from zero.

2 Min: value closest to zero.

The book is primarily used for facilitating derivative transactions with corporate clients. Furthermore activities also comprise position taking in short-term interest rates, money market and bond futures. Basis risk, cross currency spread risk and interest rate spread risk between positions in swaps and bond futures are also taken into account in the VaR.

Interest rate risk in the Mismatch book

NIBC Holding concentrates the strategic interest rate risk position of NIBC Holding in the Mismatch book. This book exclusively contains swap positions with which a view on future interest rate developments is taken. During 2012, NIBC Holding did not have an open mismatch position. In 2013, NIBC Holding opened a new mismatch position in GBP.

54-2 Key risk statistics of the USD and GBP Mismatch book

IN EUR THOUSANDS	2013		2012	
	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max ¹	(116)	1,676	(25)	435
Average	(43)	663	(17)	321
Min ²	(7)	114	(11)	196
YEAR-END	(109)	1,510	(11)	210

1 Max: value farthest from zero.

2 Min: value closest to zero.

54-3 Key risk statistics of the EUR Mismatch book

IN EUR THOUSANDS	2013		2012	
	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max ¹	(10)	96	(35)	168
Average	(8)	77	(12)	126
Min ²	(6)	60	(10)	96
YEAR-END	(6)	60	(10)	96

1 Max: value farthest from zero.

2 Min: value closest to zero.

Interest rate risk in the Banking book

Apart from the Trading book and the Mismatch book, interest rate risk is also present in the following books (henceforth collectively referred to as 'Banking book'):

- Corporate Treasury Book;
- Debt Investments book; and
- Residential Mortgage book.



The Corporate Treasury Book contains the funding activities of NIBC Holding and the Corporate and Investment loan books. The Debt Investments book consists of a legacy structured credits book and retained notes in own securitisations, both with negligible interest rate risk. The interest rate risk on the Residential Mortgage book is also limited, as the interest rate risk is hedged to within small facilitating limits. In the beginning of 2013 NIBC Holding changed the modelling of the on-demand savings. As a consequence of this, the visible interest rate risk in the Corporate Treasury book and hence in the Banking book increased significantly. NIBC Holding decided not to hedge all this interest rate risk at once, but applies a policy to gradually hedge this interest rate risk. Therefore the increase in interest rate risk in the Banking book is temporary and will disappear in the coming years.

Tables 54-4 and 54-5 illustrate in EUR the interest rate sensitivity for EUR, USD and GBP in the Trading, Mismatch and Banking books at year-end 2013 and 2012. For other currencies, the interest rate risk is minimal.

54-4 Interest rate statistics, 31 December 2013

IN EUR THOUSANDS	BPV			Total
	Trading	Mismatch	Banking	
EUR	21	(3)	171	189
USD	(2)	(10)	9	(3)
GBP	(5)	(102)	(19)	(126)
Other	-	-	1	1
TOTAL	14	(115)	162	61

54-5 Interest rate statistics, 31 December 2012

IN EUR THOUSANDS	BPV			Total
	Trading	Mismatch	Banking	
EUR	(10)	(3)	90	77
USD	12	(18)	42	36
GBP	(9)	-	19	10
Other	-	-	4	4
TOTAL	(7)	(21)	155	127

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 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 visible currency position at month end is the position prior to hedging. The total open foreign currency position, by nominal amount, at month end is typically around EUR 25 million, in accordance with historical figures over the last few years.

55 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 the 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 and assets relevant for liquidity risk by the remaining contractual maturities at 31 December. The amounts disclosed in the tables for the non-derivative financial liabilities are contractual undiscounted cash flows. Financial liabilities at fair value through profit or loss are therefore restated to nominal amounts. The estimated interest cash flows related to the liabilities are reported on a separate line item. The financial assets relevant for managing liquidity risk are based on the fair value (discounted cash flows) for those assets which are classified at fair value through profit or loss or available-for-sale.

The differences between the table and the stress scenario are caused mainly by the following items that are included in the stress scenario analysis but not in the maturity calendar of the consolidated balance sheet:

- New asset production;
- Collateralised funding capacity of internal securitisations and individual bonds; and
- Conservative assumptions with respect to possible cash outflows (e.g. CSA collateral, callable funding).



55-1 Liquidity maturity calendar, 31 December 2013

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	-	8	272	110	394	233	1,017
Deposits from customers	-	4,857	584	829	1,823	546	8,639
Own debt securities in issue	-	-	1	1,730	766	611	3,108
Debt securities in issue related to securitised mortgages	-	-	5	-	16	3,504	3,525
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)							
Own debt securities in issue	-	-	-	5	-	29	34
Debt securities in issue structured	-	-	4	43	246	572	865
OTHER FINANCIAL LIABILITIES							
Other liabilities	-	-	-	137	-	-	137
Current tax	-	-	-	8	-	-	8
Deferred tax	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	16	16
SUBORDINATED LIABILITIES							
Amortised cost	-	-	-	-	1	56	57
Fair value through profit or loss	-	-	20	-	18	329	367
TOTAL LIABILITIES (excluding derivatives)	-	4,865	886	2,862	3,264	5,896	17,773
Estimated contractual interest cash flows	-	-	32	319	878	2,769	3,998
TOTAL LIABILITIES (excluding derivatives, including estimated contractual interest rate cash flows)	-	4,865	918	3,181	4,142	8,665	21,771
TOTAL ASSETS RELEVANT FOR MANAGING LIQUIDITY RISK AT FAIR VALUE (excluding derivatives and interest cash flows)							
	1,619	1,573	481	1,071	3,975	10,547	19,266

55-2 Liquidity maturity calendar, 31 December 2012

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	-	10	347	3	508	166	1,034
Deposits from customers	-	4,280	553	925	1,693	569	8,020
Own debt securities in issue	-	-	-	220	4,024	70	4,314
Debt securities in issue related to securitised mortgages	-	-	6	-	16	4,448	4,470
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)							
Own debt securities in issue	-	-	-	-	6	27	33
Debt securities in issue structured	-	-	-	75	310	1,273	1,658
OTHER FINANCIAL LIABILITIES							
Other liabilities	-	-	-	163	-	-	163
Current tax	-	-	-	9	-	-	9
Employee benefits	-	-	-	-	-	13	13
SUBORDINATED LIABILITIES							
Amortised cost	-	-	-	25	-	58	83
Fair value through profit or loss	-	-	-	-	42	338	380
TOTAL LIABILITIES (excluding derivatives)	-	4,290	906	1,420	6,599	6,962	20,177
Estimated contractual interest cash flows	-	-	48	185	547	1,263	2,043
TOTAL LIABILITIES (excluding derivatives, including estimated contractual interest rate cash flows)	-	4,290	954	1,605	7,146	8,225	22,220
TOTAL ASSETS RELEVANT FOR MANAGING LIQUIDITY RISK AT FAIR VALUE (excluding derivatives and interest cash flows)							
	1,915	2,143	525	697	5,128	11,344	21,752

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 as at 31 December 2013 and 2012.

The amounts disclosed in the tables are the contractual undiscounted cash flows.

55-3 Liquidity maturity calendar of derivatives, 31 December 2013

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					
<i>Interest rate derivatives (net settled)</i>					
Inflow	275	587	2,148	1,516	4,526
Outflow	(325)	(618)	(2,224)	(1,181)	(4,348)
<i>Credit derivatives</i>					
Inflow	1	1	-	-	2
Outflow	(1)	(1)	(4)	-	(6)
DERIVATIVES USED FOR HEDGING					
<i>Interest rate derivatives (net settled)</i>					
Inflow	22	69	200	18	309
Outflow	(13)	(58)	(198)	(20)	(289)
TOTAL INFLOW	298	657	2,348	1,534	4,837
TOTAL OUTFLOW	(339)	(677)	(2,426)	(1,201)	(4,643)

55-4 Liquidity maturity calendar of derivatives, 31 December 2012

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					
<i>Interest rate derivatives (net settled)</i>					
Inflow	496	743	2,791	1,763	5,793
Outflow	(370)	(754)	(2,888)	(1,281)	(5,293)
<i>Credit derivatives</i>					
Inflow	1	1	3	4	9
Outflow	(1)	(3)	(12)	(2)	(18)
DERIVATIVES USED FOR HEDGING					
<i>Interest rate derivatives (net settled)</i>					
Inflow	23	86	277	28	414
Outflow	(15)	(77)	(260)	(38)	(390)
TOTAL INFLOW	520	830	3,071	1,795	6,216
TOTAL OUTFLOW	(386)	(834)	(3,160)	(1,321)	(5,701)

Liquidity maturity calendar off-balance sheet

The following table shows the contractual maturity of NIBC Holding'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.

55-5 Liquidity maturity calendar off-balance sheet, 31 December 2013

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	910	-	-	-	910
Committed facilities with respect to residential mortgages financing	359	-	-	-	359
Capital commitments	38	-	-	-	38
Guarantees granted	99	-	-	-	99
Irrevocable letters of credit	6	-	-	-	6
	1,412	-	-	-	1,412

55-6 Liquidity maturity calendar off-balance sheet, 31 December 2012

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	1,153	-	-	-	1,153
Committed facilities with respect to residential mortgages financing	6	-	-	-	6
Capital commitments	43	-	-	-	43
Guarantees granted	95	-	-	-	95
Irrevocable letters of credit	34	-	-	-	34
	1,331	-	-	-	1,331

56 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 on 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 Basel II regulatory capital as in certain cases, NIBC Holding assesses the specific risk characteristics of its business activities in a different way from the regulatory method. Total regulatory capital however, in combination with a minimum benchmark Tier-1 ratio, does form a limit to the maximum amount of EC that can be allocated to the business.

Combining 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 shareholders' equity as efficiently as possible, based on expectations of both risks and return. Usage of EC is assessed once every two weeks in the ALCO. The ALCO resets the maximum allocation level of EC to and within each business, taking into account business expectations, NIBC 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 approach. If the business model of an activity is trading, distribution or investing for a limited period, a market risk approach based upon VaR and scaled to a one-year horizon is used to calculate the EC usage. A business model based on 'buy-to-hold' or investing to maturity leads to a credit risk approach being applied, based upon estimations of PD and LGD. Add-ons for operational risk and country risk are also calculated. Furthermore, NIBC Holding allocates EC for business risk, reputation risk and model risk on a group-wide level.

The EC approach differs from the regulatory approach in which only the trading books are assigned a market risk approach. In the regulatory framework, activities that are not trading but have a business model based on distribution or investment for a limited period are often assigned a credit risk approach, following Basel II regulations or regulatory industry practice, whereas in the 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 regulatory 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 regulatory approach is either a credit risk approach (residential mortgages and securitisations) or is not part of the Basel II 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 Basel II regulatory capital formula and an add-on for concentration risk;
- For the Debt Investments and Trading portfolios, Residential Mortgage portfolio and the interest rate mismatch position, NIBC uses a market risk approach to determine 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 Basel II regulatory capital formula and an add-on for concentration risk. NIBC uses fixed percentages for the equity investments.

Basel II regulatory capital

The objective of Basel II is to improve the capital adequacy of the banking industry by making it more responsive to risk. Basel II is structured on three pillars:

- Pillar 1 describes the capital adequacy requirements for three risk types; credit risk, market risk and operational risk;
- Pillar 2 describes the additional *supervisory review and evaluation process (SREP)*, where regulators analyse the *internal capital adequacy assessment process (ICAAP)* of the individual banks. Since the end of 2011, DNB 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 Basel II and subject to approval from the regulator, banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from 'standardised' to 'advanced'.

For credit risk, NIBC Holding adopted the AIRB approach as further specified in Basel II for its corporate and retail exposure classes and is in the process of including institutions. 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.

The basis for Pillar 2 is NIBC Holding's ICAAP, which is NIBC Holding's self-assessment of risks not captured by Pillar 1.

Pillar 3 is related to market discipline and complements the operation of Pillars 1 and 2, aiming to make banks more transparent. NIBC Holding publishes its Pillar 3 disclosures on its website.

The following table displays the composition of regulatory capital as at 31 December 2013 and 31 December 2012. NIBC Holding complies with DNB's Basel II capital requirements, which formally require a minimum Tier-1 ratio of 4.5% and a BIS ratio of 8%.

IN EUR MILLIONS	2013	2012
TIER-1		
Called-up share capital	1,408	1,408
Share premium	530	532
Deduction of own shares (treasury shares)	(1)	(1)
Eligible reserves	(218)	(209)
Deduction of goodwill	(121)	(121)
Regulatory adjustments	(214)	(251)
CORE TIER-1 CAPITAL¹	1,384	1,358
Innovative hybrid Tier-1 capital	44	46
Non-innovative hybrid Tier-1 capital	222	230
TOTAL TIER-1 CAPITAL	1,650	1,634
TIER-2		
Reserves arising from revaluation of property and unrealised gains on available-for-sale equities	15	12
Qualifying subordinated liabilities		
Undated loan capital	34	36
Dated loan capital	93	103
Regulatory adjustments	(65)	(56)
TOTAL TIER-2 CAPITAL	77	95
TOTAL BIS-CAPITAL	1,727	1,729

¹ Adjusted to European Banking Authority (EBA) definition. This definition of capital comprises the highest quality capital instruments.

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Company income statement

for the year ended 31 December

IN EUR MILLIONS	2013	2012
Results of participating interests after tax	21	112
Other results after tax	(3)	(10)
NET PROFIT FOR THE YEAR	18	102

Company balance sheet

before profit appropriation, at 31 December

IN EUR MILLIONS	NOTE	2013	2012
Assets			
Due from other banks	1	-	217
Loans and advances	2	-	20
Investments in controlled entities	3	1,814	1,938
Intangible assets	4	121	121
Deferred tax	5	60	64
TOTAL ASSETS		1,995	2,360

IN EUR MILLIONS	NOTE	2013	2012
Liabilities			
Deposits from banks	6	230	547
TOTAL LIABILITIES		230	547
SHAREHOLDERS' EQUITY			
	7		
Share capital		148	148
Other reserves		2,150	2,172
Retained earnings		(511)	(590)
Net result allocated to parent shareholders		18	102
Dividend paid		(40)	(19)
TOTAL SHAREHOLDERS' EQUITY		1,765	1,813
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,995	2,360

Company Accounting policies

BASIS OF PREPARATION

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

The company financial statements have been prepared in accordance with the legal requirements for financial statements contained in Title 9, Book 2 of the Netherlands Civil Code. NIBC Holding applies the provisions in Section 362, paragraph 8, Title 9, 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. Under Section 402 of Title 9, Book 2 of the Netherlands Civil Code, it is sufficient for the company's income statement to present only the income of group companies and other income and expenses after income tax.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as set forth below, the accounting policies applied in the company financial statements are the same as those for the consolidated financial statements.

Investments in subsidiaries

Subsidiaries, as defined in the subsidiaries section in the basis of consolidation in the notes to the consolidated financial statements, are measured at net asset value. Net asset value is determined by measuring the assets, provisions, liabilities and income based on the accounting policies used in the consolidated financial statements. The company's share of its subsidiaries' profits or losses is recognised in the income statement. Its movement in reserves is recognised in reserves.

If losses of group companies that are attributable to the company exceed the carrying amount of the interest in the group company (including separately presented goodwill, if any, and including other unsecured receivables), further losses are not recognised unless the company has incurred obligations or made payments on behalf of the group company to satisfy obligations of the group company. In such a situation, NIBC Holding recognises a provision up to the extent of its obligation.

Notes

to the company financial statements

1 Due from other banks

IN EUR MILLIONS	2013	2012
NIBC Bank N.V.	-	217
Other banks	-	-
	-	217

All receivables are from group companies.

2 Loans and advances

IN EUR MILLIONS	2013	2012
Loans and advances	-	20
	-	20

Loans and advances consist of receivables from group companies amounting to nil (2012: EUR 20 million).

3 Investments in controlled entities

IN EUR MILLIONS	2013	2012
THE MOVEMENT IN INVESTMENTS IN CONTROLLED ENTITIES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	1,938	1,884
Capital contribution in controlled entities	(84)	-
Movement in revaluation and hedging reserve	(22)	(17)
Results of controlled entities	21	112
Dividend received	(36)	(41)
Net investment hedge foreign entities	(3)	-
BALANCE AT 31 DECEMBER	1,814	1,938

The direct subsidiaries are NIBC Bank N.V., NIBC Investment Management N.V., NIBC Investments N.V. and Stichting Administratiekantoor NIBC Holding.

4 Intangible assets

IN EUR MILLIONS	2013	2012
Intangible assets	121	121
	121	121
THE MOVEMENT IN INTANGIBLE ASSETS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	121	121
Additions	-	-
BALANCE AT 31 DECEMBER	121	121

The intangible assets fully relate to capitalised goodwill.

Goodwill is tested annually for impairment or more frequently when there are indications that impairments may have occurred. There were no impairments in 2013 and 2012.

5 Deferred tax

IN EUR MILLIONS	2013	2012
Tax losses carried forward	60	64
	60	64

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% (2012: 25.0%).

6 Deposits from banks

IN EUR MILLIONS	2013	2012
NIBC Bank N.V.	230	547
	230	547
THE LEGAL MATURITY ANALYSIS OF DEPOSITS FROM BANKS IS AS FOLLOWS:		
Three months or less	230	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	-	547
	230	547

7 Shareholders' equity

Share capital

The authorised capital amounts to EUR 500 million and is divided into 500,000,000 shares, each of EUR 1 nominal value.

IN EUR MILLIONS	2013	2012
Paid-up capital	148	148
	148	148

Other reserves

IN EUR MILLIONS	2013	2012
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OTHER RESERVES ARE COMPRISED OF:

Share premium	2,284	2,286
Hedging reserve - cash flow hedges	(13)	8
Revaluation reserve - loans (available-for-sale)	(53)	(53)
Revaluation reserve - equity investments (available-for-sale)	(58)	(60)
Revaluation reserve - debt securities (available-for-sale)	(7)	(8)
Revaluation reserve - property, plant and equipment	6	6
Remeasurement of defined-benefit plans	(9)	(7)
	2,150	2,172

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserve	Total
BALANCE AT 1 JANUARY 2012	2,289	31	(128)	2,192
Net result on hedging instruments	-	(23)	-	(23)
Revaluation (net of tax)	-	-	6	6
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	-	(23)	6	(17)
Proceeds from shares issued	(3)	-	-	(3)
BALANCE AT 31 DECEMBER 2012	2,286	8	(122)	2,172

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserve	Total
BALANCE AT 1 JANUARY 2013	2,286	8	(122)	2,172
Net result on hedging instruments	-	(21)	-	(21)
Revaluation (net of tax)	-	-	1	1
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	-	(21)	1	(20)
Proceeds from shares issued	(2)	-	-	(2)
BALANCE AT 31 DECEMBER 2013	2,284	(13)	(121)	2,150

Details of the shareholders' equity can be found in note 42 of the consolidated financial statements.

Out of the total number of shares issued by NIBC Holding, 2,693,601 (2012: 2,940,701) shares are held by Stichting Administratiekantoor NIBC Holding in view of the share-based incentive scheme.

The difference of EUR 1 million (2012: EUR 1 million) between the consolidated and company parent shareholders' equity as presented in the consolidated and company financial statements concerns the balance of treasury shares and depositary receipts issued to employees under the equity settled NIBC Choice plan held by Stichting Administratiekantoor NIBC Holding.

At 31 December 2013, retained earnings and net profit attributable to the parent shareholders included unrealised fair value changes on residential mortgages (own book and securitised), on certain non-listed

trading assets, on derivatives related to residential mortgages (own book and securitised) and to these non-listed trading assets, on associates designated at fair value through profit or loss and on liabilities designated at fair value through profit or loss. With respect to unrealised fair value gains arising on these instruments, a legal reserve had been established of EUR 202 million (2012: EUR 242 million), that was included in other reserves. At the balance sheet date, for associates accounted for based on net equity method, no further legal reserve had been established for both 2013 and 2012. At the balance sheet date the legal reserve for currency translation differences were nil for both 2013 and 2012.

Including the revaluation reserves displayed in note 42 of the consolidated financial statements, total legal reserves at 31 December 2013 amounted to EUR 208 million (2012: EUR 256 million).

8 Remuneration of the Statutory Board members and Supervisory Board members

For the remuneration of the Statutory Board and Supervisory Board see notes 8 and 52 of the consolidated financial statements.

As at 31 December 2013 and 31 December 2012, no loans, advance payments or guarantees had been provided to Statutory Board and Supervisory Board members.

9 Related parties

Details of related party transactions can be found in note 50 of the consolidated financial statements.

For services provided to NIBC Bank N.V. income earned in the years 2013 and 2012 amounted to nil.

10 Employee information

During the year 2013, the average number of employees calculated on a full time equivalent basis was nil (2012: nil).

11 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 Bank N.V.

For an amount of EUR 1,303 million (2012: EUR 3,311 million) of the issued notes, the Dutch State has unconditionally and irrevocably guaranteed the due payments of all amounts of principal and interest due by NIBC Holding according and subject to (I) the Rules governing the 2008 Credit Guaranteed Scheme of the Dutch State and (II) the Guarantee Certificate issued under those rules. Whenever NIBC Holding fails to satisfy (in whole or in part) any obligation to pay on its due date any amount owing by it to the Dutch State under the Rules in respect of the relevant Eligible Debt Instrument, NIBC Holding shall, as a joint and several debtor, satisfy that obligation by paying that amount to the Dutch State.

12 Financial risk management

Please refer to notes 53 to 56 of the consolidated financial statements for NIBC Holding's risk management policies.

13 Profit appropriation

The Hague, 11 March 2014

Managing Board

Jeroen Drost, *Chief Executive Officer, Chairman*

Herman Dijkhuizen, *Chief Financial Officer*

Rob ten Heggeler, *Chief Client Officer*

Petra van Hoeken, *Chief Risk Officer*

Supervisory Board

Mr. W.M. van den Goorbergh, *Chairman*

Mr. D.R. Morgan, *Vice-Chairman*

Mr. A.A.G. Bergen

Mr. M.J. Christner

Mr. J.C. Flowers

Mr. N.W. Hoek

Mr. A. de Jong

Ms. S.A. Rucker

Mr. A.H.A. Veenhof

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Independent auditor's report

To: the general meeting of NIBC Holding N.V.

Report on the financial statements

We have audited the accompanying financial statements 2013 of NIBC Holding N.V., The Hague as set out on pages 50 to 201. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Managing Board's responsibility

The Managing Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Managing Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Managing Board, as well as evaluating the overall presentation of the financial statements.

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PwC is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At www.pwc.nl more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of NIBC Holding N.V. as at 31 December 2013, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of NIBC Holding N.V. as at 31 December 2013, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Managing Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the Report of the Managing Board, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 11 March 2014
PricewaterhouseCoopers Accountants N.V.

Original signed by R.E.H.M. van Adrichem RA



Profit appropriation

List of Principal Participating Interests of NIBC Holding N.V.

NIBC Bank N.V., The Hague	100%
NIBC Principal Investments B.V., The Hague	100%
NIBC Venture Capital N.V., The Hague	100%

Profit appropriation

IN EUR MILLIONS	2013
Result available for shareholder's distribution	18
	18

IN EUR MILLIONS	2013
Interim dividend paid 2013	16
Proposed final dividend 2013	-
Transferred to retained earnings	2
	18

Subsequent events

NIBC is in the process of acquiring the entire share capital of Gallinat-Bank AG, a small bank located in Hamburg, Germany from the ALBIS Group. Gallinat-Bank AG provides mainly financing facilities to leasing companies within the ALBIS Group. The potential acquisition of Gallinat-Bank AG directly increases NIBC's presence in one of its domestic markets. The purchase price allocation process for this potential acquisition of which the impact on the financial position and performance of NIBC will not be material will be finalised after receipt of approvals by the appropriate regulatory authorities.

Contact information

Our website, www.nibc.com, offers a wide range of information about NIBC Holding, financial information, corporate information, corporate calendar, press releases and sustainability information. The information on the website is available in English, Dutch and German. Financial information (annual reports, full-year and half-year results releases and trading updates) is available in English.

To receive press releases and other NIBC Holding news, please subscribe to our e-mail service by sending an e-mail to info@nibc.com.

Questions and Remarks

We invite all stakeholders to ask their questions and share their remarks.

- General questions and remarks can be addressed to Corporate Communications, telephone +31 (0)70 342 56 25 / e-mail info@nibc.com;
- Questions and remarks related to bond investments can be addressed to Debt Investor Relations, telephone +31 (0)70 342 98 36 / e-mail info@nibc.com;
- Questions and remarks related to CSR can be addressed to the CSR department, e-mail csr@nibc.com;
- You can find NIBC Holding's complaints procedures here. For NIBC Direct in the Netherlands you can find our complaints procedures here, for NIBC Direct Germany here and for NIBC Direct Belgium you can find our complaints procedure here (Dutch) or here (French).

Principal Subsidiaries and Offices

THE NETHERLANDS

NIBC Bank N.V. / NIBC Holding N.V.

Carnegieplein 4
2517 KJ The Hague, the Netherlands
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Fax + 44 (0)207 588 64 83

¹ Singapore office closed on 26 November 2013.

Key figures

	2013	2012	2011
CONSOLIDATED BALANCE SHEET			
Shareholders' equity (EUR millions)	1,765	1,813	1,773
Group capital base (EUR millions)	2,063	2,160	2,154
Loans to customers	6,459	7,851	8,490
Residential mortgages	7,562	8,187	8,745
Balance sheet total	22,299	25,917	28,257
CONSOLIDATED INCOME STATEMENT			
Operating income (EUR millions)	219	290	312
Operating expenses (EUR millions)	135	147	173
Net profit attributable to parent shareholder (EUR millions)	18	102	86
SOLVENCY INFORMATION			
Risk-weighted assets (EUR billions)	8.3	9.6	11.4
Core Tier-I ratio	16.8%	14.1%	12.8%
Tier-I ratio	20.0%	16.9%	15.2%
BIS ratio	20.9%	17.9%	16.3%
Debt/equity ratio	11.6	13.3	14.9
EARNINGS RATIOS			
Return on equity	1.0%	5.8%	5.0%
Cost-to-income ratio	62%	51%	55%
Dividend payout ratio	91%	41%	59%
OTHER INFORMATION			
Assets under management for third parties (EUR billions)	3.4	3.1	4.3
Number of FTEs end of year	596	627	664

Abbreviations

ACC	Audit and Compliance Committee	EE	Expected Exposure
AFM	Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets)	EL	expected loss
AGM	Annual General Meeting	EP	Equator Principles
AIRB	Advanced Internal Ratings Based	ESMA	European Securities and Markets Authority
ALCO	Asset & Liability Committee	EU	European Union
ALM	Asset & Liability Management	FMCR	Financial Markets Credit Risk
BKR	Bureau Krediet Registratie (Dutch National Credit Register)	FMCR	Financial Markets Credit Risk
BPV	basis point values	FMCR/RP&R	Financial Markets Credit Risk and Risk Policy & Reporting
C&C	Compliance & CSR	Foundation	Stichting Administratiekantoor NIBC Holding
CAO	Collective Labour Agreement	FTEs	full-time equivalents
CCDRs	Conditional Common Depository Receipts	GGBs	government-guaranteed bonds
CCR	counterparty credit rating	GRI	Global Reporting Initiative
CDO	Collateralised Debt Obligation	IASB	International Accounting Standards Board
CDRs	Common Depository Receipts	IBNR	Incurred but not Reported
CDS	credit default swap	IC	Investment Committee
CEBS Guidelines	Committee of European Banking Supervisors Guidelines on Remuneration Policies and Practices	ICAAP	internal capital adequacy assessment process
CEO	Chief Executive Officer	IFRS	International Financial Reporting Standards
CFO	Chief Financial Officer	ILAAP	Internal liquidity adequacy assessment process
CGUs	Cash-Generating Units	IMF	International Monetary Fund
CLO	collateralised loan obligation	ISDA	International Swaps and Derivatives Association
CMBS	Commercial Mortgage-Backed Securities	LGD	loss given default
Council	Employees' Council	LTI	Loan-to-Income
CRDRs	Conditional Restricted Depository Receipts	LTI	Long-Term Incentive plan
CRM	Credit Risk Management	LTIMV	Loan-to-Indexed-Market-Value
CRO	Chief Risk Officer	LTMV	Loan-to-Market Value
CSA	Credit Support Annexes	MRM	Market Risk Management
CSR	Corporate Social Responsibility	MtM	Marked-to-Market value
CVAs and DVAs	Credit Valuation Adjustments & Debit Valuation Adjustments	NACE	Statistical Classification of Economic Activities in the European Community
DNB	De Nederlandsche Bank (Dutch Central Bank)	NHG	Nationale Hypotheek Garantie
DNB Principles	DNB Principles on Sound Remuneration Policies	NHG Guarantee	Dutch government guarantee
DRs	Depository Receipts	NIBC	NIBC Bank N.V.
EAD	exposure at default	NIBC Funds	funds set up and managed by NIBC
EBA	European Banking Authority	NIBC Holding	NIBC Holding N.V.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation	NPS	Net Promoter Score
EC	Economic Capital	OCI	Other Comprehensive Income
ECB	European Central Bank	ORM	Operational Risk Management
ECC	Engagement and Compliance Committee	OTC	Over The Counter
		PD	Probability of Default
		PFE	Potential Future Exposure
		PPP	public-private partnership
		PSUs	Phantom Share Units
		PwC	Pricewaterhouse Coopers Accountants N.V.
		RA/MV	Risk Analytics & Model Validation
		RAC	Risk-Adjusted Capital



RAROC	risk-adjusted return on capital
RC	regulatory capital
RCSA	risk and control self-assessments
RDA	Restructuring & Distressed Assets Management
RDRs	Restricted Depositary Receipts
Repos	Securities sold subject to repurchase agreements
Reverse repos	Securities purchased under agreements to resell
RMBS	Residential Mortgage-Backed Securities
RMC	Risk Management Committee
RNC	Remuneration and Nominating Committee
RPC	Risk Policy Committee
RPSUs	Restricted Phantom Share Units
RPTC	Related Party Transactions Committee
RWA	Risk Weighted Assets
SPE	Special Purpose Entities
SREP	supervisory review and evaluation process
TC	Transaction Committee
VaR	Value at Risk
WEW	Stichting Waarborgfonds Eigen Woningen (Social Housing Guarantee Fund)

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DISCLAIMER

Presentation of information

This annual report (**Annual Report**) of NIBC Holding N.V. (**NIBC**) has been prepared in accordance with *International Financial Reporting Standards as adopted by the European Union (IFRS-EU)* and with Title 9 of Book 2 of the Netherlands Civil Code.

Cautionary statement regarding forward-looking statements

Certain statements in this Annual Report are not historical facts and are 'forward-looking' statements that relate to, among other things, NIBC's business, result of operation, financial condition, plans, objectives, goals, strategies, future events, future revenues and/or performance, capital expenditures, financing needs, plans or intentions, as well as assumptions thereof. These statements are based on NIBC's current view with respect to future events and financial performance. Words such as 'believe', 'anticipate', 'estimate', 'expect', 'intend', 'predict', 'project', 'could', 'may', 'will', 'plan', 'forecast', 'target' and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve uncertainties and are subject to certain risks, including, but not limited to (i) general economic conditions, in particular in NIBC's core and niche markets, (ii) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness (iii) performance of financial markets, including developing markets, (iv) interest rate levels, (v) credit spread levels, (vi) currency exchange rates, (vii) general competitive factors, (viii) general changes in the valuation of assets (ix) changes in law and regulations, including taxes (x) changes in policies of governments and/or regulatory authorities, (xi) the results of our strategy and investment policies and objectives, and (xii) the risks and uncertainties as addressed in this Annual Report, the occurrence of which could cause NIBC's actual results and/or performance to differ from those predicted in such forward-looking statements and from past results.

The forward-looking statements speak only as of the date hereof. NIBC does not undertake any obligation to update or revise forward-looking statements contained in this Annual Report, whether as a result of new information, future events or otherwise. Neither do NIBC nor any of its directors, officers or employees make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.



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