

MOVING AHEAD

A photograph of a wooden floor with a grid pattern. Two large, blurred figures are walking across the floor. One figure is wearing a blue shirt and the other is wearing a red shirt. The figures are out of focus, creating a sense of motion. The background is a bright, overexposed area.

CONDENSED YEAR REPORT 2017
NIBC



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The financial information contained in this Condensed Year Report has been prepared according to the same accounting policies as our Financial Statements 2016, which were prepared in accordance with IFRS EU and drawn up and authorised for publication by the Managing Board on 7 March 2017.

The information contained in this Condensed Year Report for 2017 is unaudited. The full audited annual accounts are scheduled for 26 February 2018.

To provide a better understanding of the management view on the financials, the income statement presented in the '[Financial performance](#)' section of this Report differs from the one presented in the Condensed Consolidated Financial Report section. The differences relate to the treatment of 'special items' in 2016. These differences only affect the presentation of the income statement and not the bottom-line net profit figures. A reconciliation of the two presentations is provided in the segment report in the Condensed Consolidated Financial Report section and a further explanation of the special items is included in the Financial Performance section of this Report.

This Report is presented in euros (EUR), rounded to the nearest million (unless otherwise stated). Certain figures may not tally due to rounding and certain percentages have been calculated using rounded figures.

The use of the term NIBC implies NIBC Bank and all figures relate to those of NIBC Bank, unless stated otherwise.

For more information, please refer to:

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AT A GLANCE

WHO WE ARE

OUR HERITAGE

NIBC was founded in 1945 to finance the visionary entrepreneurs who helped rebuild the Netherlands after World War II. Overtime, we evolved into an enterprising bank offering financing, advisory, and co-investing solutions to our clients. After we came out of the 2008 financial crisis, we have reinvented ourselves: being flexible and agile, with a THINKYES mentality and matching our clients' can-do attitude. We have seen many milestones since, with the launch of NIBC Direct and Beequip, the acquisitions of Gallinat Bank in Germany and SNS Securities, now NIBC Deutschland AG and NIBC Markets

respectively and more recently our steps into the fintech space by acquiring minority stakes in Ebury and Finleap. Backed by our supportive and long term shareholder we have continued to build on our entrepreneurial DNA and have become the bank that we are today; best suited to help entrepreneurs at their decisive moments. Now and in the future.

OUR PURPOSE

**Making a difference
at decisive moments**

OUR VALUES



Professional

Our in-depth sector knowledge, expert financial solutions and tailored risk and portfolio management are the foundation of our success.



Entrepreneurial

We are a sound, enterprising bank focused on decisive moments in our clients' business and in life. Our clients require a bank that can respond to their needs in an agile way.



Inventive

We provide bespoke solutions and encourage our people to think creatively to meet clients' financial needs. Structuring is part of our DNA.

OUR BUSINESS MODEL

NIBC serves around 700 mid-market businesses, 1000 investor relations and more than 400,000 retail clients from offices in The Hague, Amsterdam, Frankfurt, London and Brussels.

CORPORATE CLIENT OFFERING

We offer advice and debt, mezzanine and equity financing solutions to entrepreneurs across select sectors and sub-sectors in which we have strong expertise and market positions among mid-sized businesses.

RETAIL CLIENT OFFERING

We offer mortgages, brokerage products and online savings that are accessible, easy to understand and fairly priced. The mortgage offering includes value added products like Buy-to-Let and products tailored for self-employed entrepreneurs and small businesses.

OUR DIFFERENTIATED APPROACH

- Client orientated franchise, present at clients' decisive moments
- Focus on products in client-led (sub) sectors
- Complete insight and overview through corporate portfolio size and limited number of clients
- Efficient, entrepreneurial and agile culture, driven by THINKYES approach
- No current accounts, no branch network and no flow business

OUR STRATEGY

We continue to drive profitable growth through our differentiated market approach. We focus on building client relationships in profitable niches and (sub)sectors in North Western Europe – where we can leverage our local expertise, while maintaining a lean organisation with disciplined cost control and no branch network.

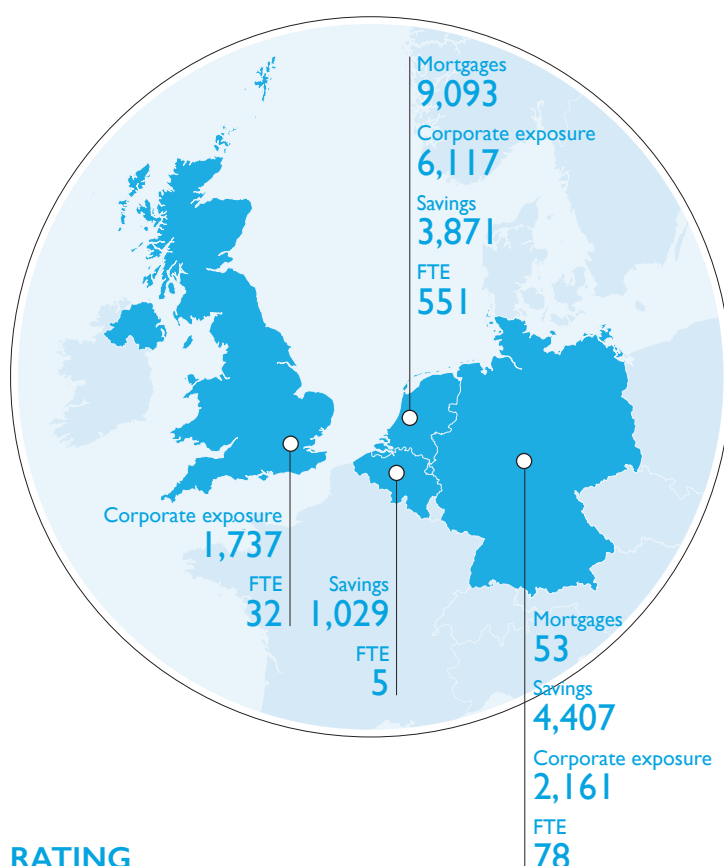
This means:

- We strive for continuous evolution of our client franchise, expertise and propositions
- We aim to grow our asset portfolio in core markets
- We aim to diversify our income streams
- We build on the existing agile and effective organisation
- We continue to invest in our people, culture and innovation
- We strive to further optimise our capital structure and diversify our funding base

OUR MARKETS

Focus on North Western Europe

in EUR millions



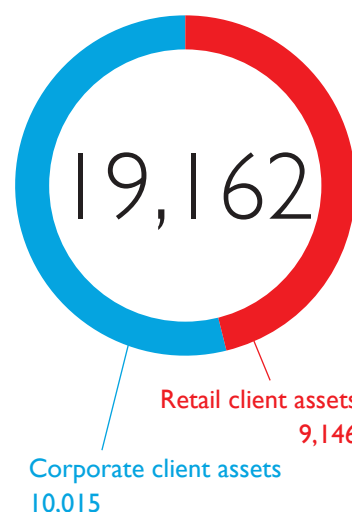
Profit after tax 2017

in EUR millions

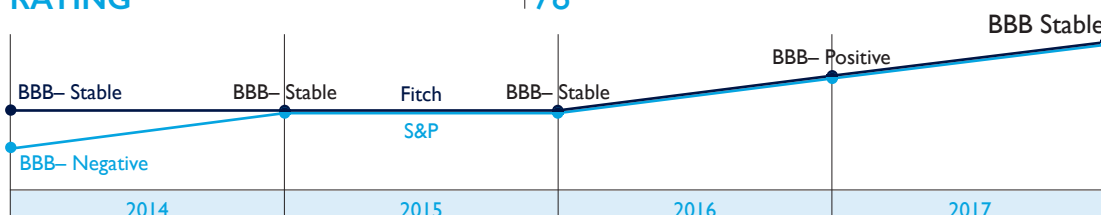
210

Commercial assets

in EUR millions



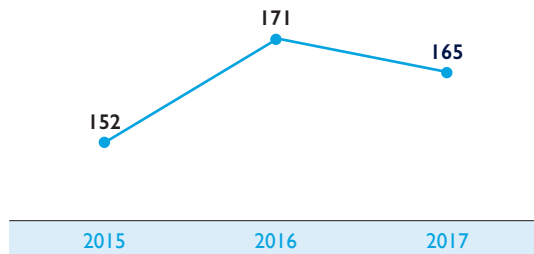
RATING



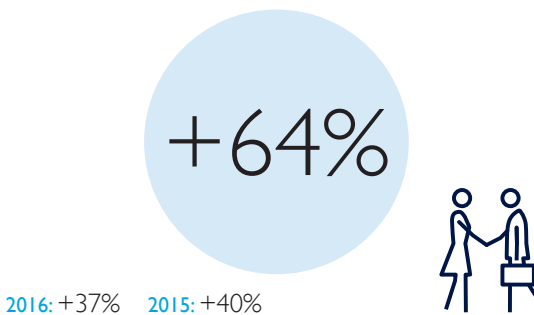
NON FINANCIAL HIGHLIGHTS

Transparency Benchmark 2017

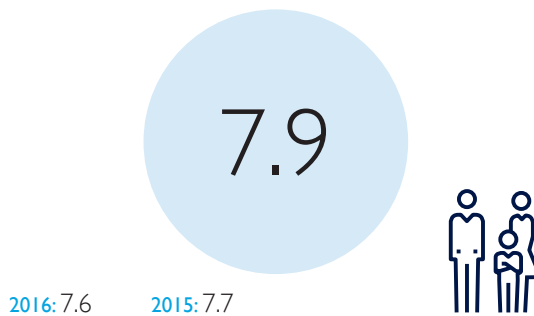
total out of 200 points



Corporate lending NPS score 2017

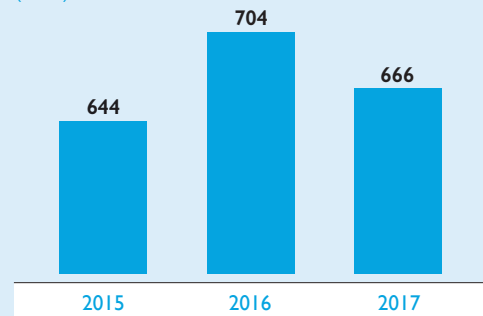


NIBC Direct Customer Survey score 2017

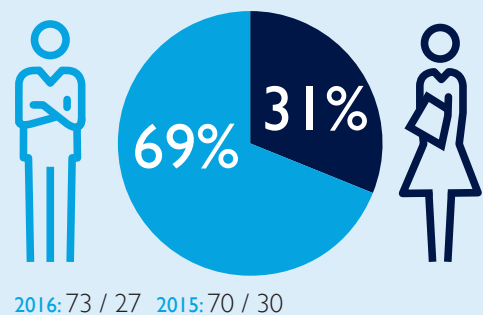


Number of employees

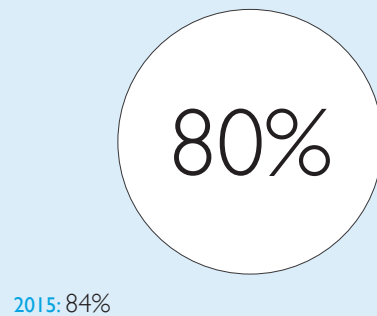
(FTEs)



Male female ratio 2017



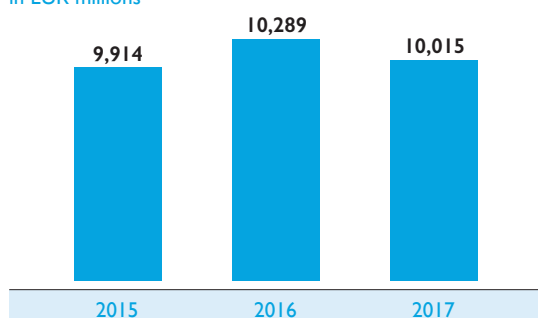
Employee engagement 2016



FINANCIAL HIGHLIGHTS

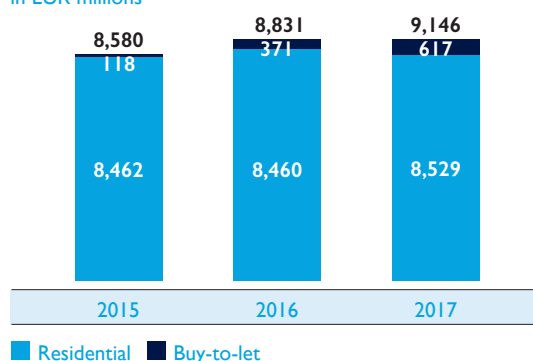
Corporate client Assets

in EUR millions



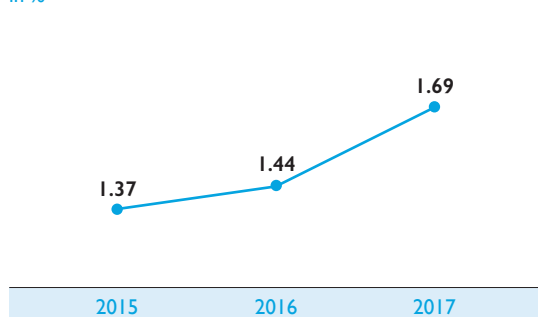
Retail client assets

in EUR millions



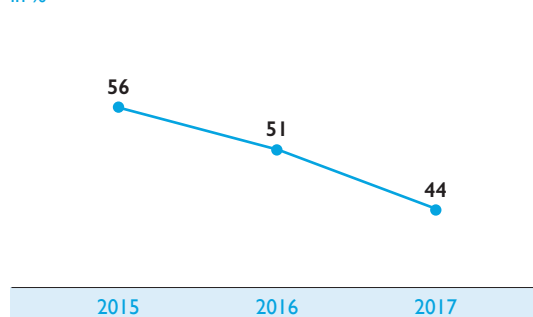
Net interest margin

in %



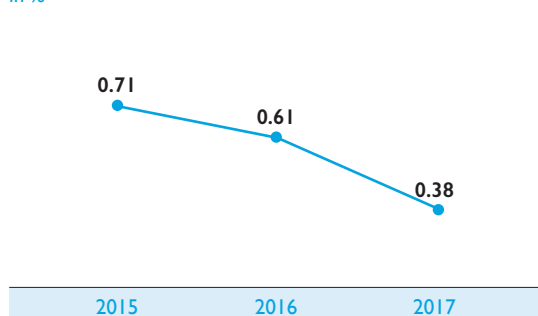
Cost / income ratio

in %



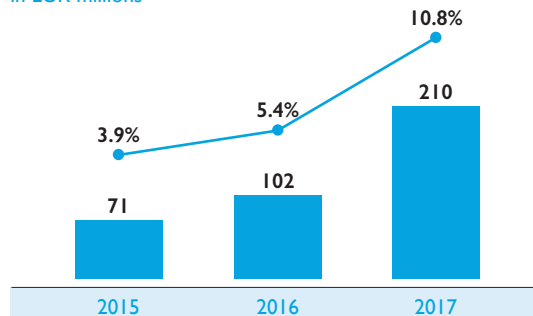
Cost of Risk

in %



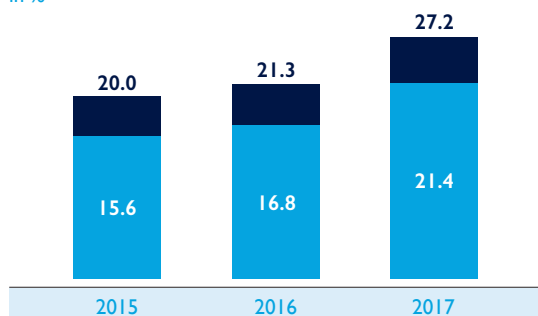
Profit after tax and Return on equity

in EUR millions



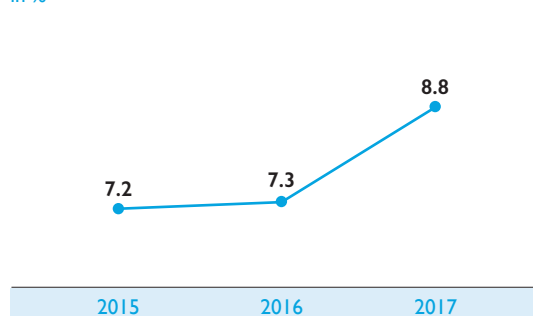
Solvency ratios

in %



Leverage ratio

in %



KEY FIGURES NIBC BANK

in EUR millions	2017	2016	2015
Earnings			
Operating income	512	381	316
Operating expenses	223	194	177
Net profit attributable to shareholder of the company	210	102	71
Net profit before special items	213	104	71
Net interest margin¹	1.69%	1.44%	1.37%
Dividend payout ratio	45%	25%	0%
Cost/income ratio	44%	51%	56%
Return on equity²	10.8%	5.4%	3.9%
Earnings per share basic (NIBC Holding)	1.46	0.71	0.48
Earnings per share diluted (NIBC Holding)	1.46	0.71	0.48
Corporate & retail client offering			
Corporate client assets (drawn & undrawn)			
Commercial Real Estate (CRE)	1,391	1,375	1,293
Food, Agri, Retail & Health (FAR&H)	1,216	1,149	896
Industries & Manufacturing (I&M) ³	1,730	1,514	1,266
Infrastructure & Renewables (I&R)	1,626	1,618	1,990
Offshore Energy (OE)	934	1,233	1,282
Shipping & Intermodal (S&I)	1,297	1,512	1,537
Telecom, Media, Technology & Services (TMT&S)	1,198	1,257	968
Total corporate loans (drawn & undrawn)	9,393	9,658	9,232
Lease receivables (closed book)	60	123	221
Investment loans	220	246	161
Equity investments	343	262	300
Total corporate client assets (drawn & undrawn)	10,015	10,289	9,914
Corporate client assets (drawn & undrawn) per region			
Netherlands	4,415	3,849	3,304
Germany	2,161	2,378	2,229
United Kingdom	1,737	1,678	1,700
Other	1,702	2,384	2,681
Total corporate client assets (drawn & undrawn)	10,015	10,289	9,914
Retail client assets			
Owner occupied Mortgage loans - Netherlands	8,476	8,376	8,345
Buy-to-Let Mortgage loans	617	371	118
Owner occupied Mortgage loans - Germany (closed book)	53	84	117
Total retail client assets	9,146	8,831	8,580
Retail client savings			
Netherlands	3,871	3,950	4,129
Germany	4,407	4,542	4,687
Belgium	1,029	1,229	1,200
Total retail client savings	9,307	9,721	10,016
Asset quality			
Risk-weighted assets	8,546	10,109	10,162
Cost of risk ⁴	0.38%	0.60%	0.71%
Impairment ratio ⁵	0.20%	0.34%	0.39%

in EUR millions	2017	2016	2015
NPL ratio ⁶	2.5%	3.8%	3.7%
Impaired exposure	321	629	507
Impairment coverage ratio ⁷	46%	33%	34%
Top-20 exposure / Common Equity Tier I	62%	79%	86%
Exposure corporate arrears > 90 days	2.0%	2.0%	0.7%
Exposure residential mortgage loans arrears > 90 days	0.5%	0.6%	0.7%
Loan to value Dutch residential mortgage loans ⁸	75%	78%	80%
Loan to value BTL mortgage loans ⁸	57%	59%	61%
Solvency information⁹			
Equity attributable to shareholder of the company	2,062	1,969	1,886
AT I and Subordinated liabilities	482	398	400
Group capital base	2,544	2,367	2,286
Balance sheet total	22,209	23,580	23,229
Common Equity Tier I ratio	21.4%	16.8%	15.6%
Tier I ratio	23.7%	16.8%	15.6%
BIS ratio	27.2%	21.3%	20.0%
Leverage ratio	8.8%	7.3%	7.2%
Funding & liquidity¹⁰			
LCR	196%	124%	201%
NSFR	117%	112%	113%
Loan-to-deposit ratio	150%	148%	143%
Asset encumbrance ratio ¹¹	26%	29%	29%
Retail savings / total funding	44%	46%	48%
Secured funding / total funding	19%	23%	24%
ESF / total funding	6%	6%	6%
S&P rating & outlook	BBB / Stable	BBB- / Positive	BBB- / Stable
Fitch rating & outlook	BBB / Stable	BBB- / Positive	BBB- / Stable
Other information			
Assets under management for third parties	2,185	1,538	1,703
Non-financial key figures¹²			
Client & product responsibility			
NPS score Corporate Lending clients ¹³	+64%	+37%	+40%
% of new corporate loans screened against sustainability policy framework	100%	100%	100%
Number of new clients with increased sustainability risk assessment	23	28	14
Fines or sanctions for non-compliance with laws and regulations ¹⁴	1	0	1
Employees			
Total number of FTEs end of financial period	666	704	644
Male / female ratio	69% / 31%	73% / 27%	70% / 30%
Male / female ratio top management	87% / 13%	91% / 9%	90% / 10%
Employee turnover (employees started)	14.5%	24.3%	15.2%
Employee turnover (employees left)	19.8%	14.9%	15.2%

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

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

3 Industries and Manufacturing exposure includes facilities for Beequip (2017: 300m and 2016: 150m)

4 Impairments & credit losses mortgages in net trading income / average total RWA.

- 5 Impairments / average carrying value of Loans & Mortgages.
- 6 Total non-performing exposure (corporate and consumer loans) / total exposure (corporate and consumer loans). Non-performing exposure determined at customer level.
- 7 Impairment amounts recognised on corporate and retail exposures / impaired corporate and retail exposures. Impairment amounts include amounts recognised as IBNR.
- 8 Loan-to-Indexed-Market-Value (LTIMV) excluding NHG guaranteed mortgages.
- 9 The solvency information is based on the CRR / CRD IV regulation, calculated for NIBC Bank consolidated on a fully loaded base and including the full year net profit and taking into account proposed dividend payment.
- 10 All funding & liquidity ratios with exception of loan-to-deposit are calculated at a NIBC Holding level, loan-to-deposit ratio is calculated at a NIBC Bank level.
- 11 Encumbered assets & total collateral received re-used / total assets & total collateral re-used.
- 12 For further information on the scoping of the Non-Financial Key Figures, please refer to the Definitions for the non-financial key figures in our annual report
- 13 The definition of NPS has changed to corporate lending clients compared to portfolio clients in previous years. The score is not comparable to prior years as a result of this change.
- 14 The fine reported in 2017 is for about 11k and was issued by Bafin at the end of November is related to 2013 and Gallinat. In 2015, non-punitive fee (EUR 50k) agreed with German tax authorities as part of settlement of regular tax audit.

LETTER FROM THE CEO

Dear reader,

2017 was an extremely strong year for NIBC. Our culture based on our three core values, Professional, Entrepreneurial and Inventive, is thriving and propelled by the 'Think YES' attitude we are moving full steam ahead with our client-focused strategy. We have the agility to continuously re-invent ourselves and proactively manage the relationship with a growing number of mid-market businesses and retail clients that we serve.

Business are driving growth

On the back of healthy economic growth, we continue to harvest the benefits from the rebalancing of our businesses over the past years. Driven also by our new business lines such as Buy-to-Let, *Originate-to-Manage* (**OTM**), BEEQUIP (leasing) and Receivables Finance, which we all started as greenfields in recent years, we have shown growth in various parts of our core markets in 2017 and delivered another year of improved financial performance. In addition, the bank's current state and the way we are viewed by the market was reflected in the credit upgrades to 'BBB' that both S&P and Fitch announced in the fourth quarter of 2017.

Full year 2017

Net profit of NIBC Holding more than doubled from EUR 104 million in 2016 to EUR 213 million in 2017, backed by the further expansion of our client franchise and including a EUR 53 million positive effect from the sale of the German *commercial real estate* (**CRE**) legacy portfolio of Vijlma. Overall *Return on Equity* (**ROE**) reached 11.9% although we feel the ROE excluding this positive legacy effect of 8.9% provides a better reflection of the real performance.

Net Interest Income continued to improve, strongly supported by further lowered funding costs. Income from Fees and Equity Investments was exceptionally high reflecting the strong economic environment and quality of the portfolio. At the same time, the low interest rate environment and abundant liquidity continue to put pressure on volumes as well as margins. As we have a strategy of 'margin over volume' we remain prudent and disciplined in our origination to selectively 'pick and choose', as is also visible in our Corporate franchise. Despite a continued solid origination of over EUR 3 billion, total outstanding volume decreased in 2017 as origination was more than offset by a combination of (p)repayments, the sale of the German CRE legacy portfolio and FX effects resulting from the strong Euro.

The mortgage market also experiences fierce price competition from non-banks and traditional players defending market share. Margins are under pressure in all terms and consumer preference is moving to the longer fixed interest rates. Nevertheless, origination was very strong and almost doubled to EUR 1.9 billion, thanks to the addition of our new OTM proposition. The (on-balance) mortgage loan portfolio grew by more than 3% in 2017 to EUR 9.1 billion at year end, including a EUR 220 million portfolio acquisition.

Costs for the bank were up considerable due to extra investments in IT, regulatory projects like MIFID II and IFRS 9, the reorganisation of NIBC Markets, and the review of the strategic options that is ongoing. Nevertheless, the cost / income ratio for the bank improved from 51% in 2016 to 44% in 2017 (excluding positive effect of legacy CRE sale 47%).

Regulatory

On the regulatory front, more clarity was obtained on Basel IV; though we cannot be sure yet of the exact translation of the new Basel Accord into local legislation, we will manage the effects and remain solidly capitalised above our desired levels.

Although IFRS 9 will only affect us as from 2018, we are pleased to see that the effect resulting from an amended expected loss calculation can be absorbed within the bandwidth mentioned in our H1 2017 report; more importantly we have now, as from 1 January 2018, classified all our mortgage loans at amortised cost, which treatment is in line with market practice for mortgage loans. The transition to IFRS 9 results in an overall negative impact of approximately 4%-points on our CET 1 ratio of 19.3%.

Revised medium-term objectives

In 2014, we embarked on a journey to revitalise the bank and improve the profitability and resilience of the bank by focusing firmly on our clients and on the future. Looking back at the past few years, we are pleased to report that we achieved all of our 2015-2017 targets. We therefore announced new medium-term objectives, which are a reflection of our improved performance and our solid foundation for continued growth going forward.

For the coming period, we target a sustainable Return on Equity of 10-12% and a cost/income ratio structurally below 45%, as we maintain an agile organisation with disciplined cost control. In addition, we aim for a CET 1 capital ratio above 14%, a dividend pay-out of at least 50% of net profit and a long-term BBB+ credit rating.

Moving ahead

To sustain and further improve the performance of the bank going forward, we focus on the following strategic priorities.

- **Continuous evolution of our client franchise, expertise and propositions** as we anticipate on trends and adapt our offering to the future. Not only by introducing new products but also by partnering to leverage platforms, facilitating and investing in FinTech businesses and doing acquisitions to either strengthen our footprint or broaden our product offering. Furthermore, we actively seek further **diversification of income** with non-interest income such as fees from value adding services as well as income from equity investments.
- **Focus on growth of our asset portfolio in core markets** through a differentiated market approach. We focus on building long-standing client relationships in chosen and profitable niches and sub-sectors in North-western Europe. Contrary to many banks, we do not offer routine services such as current accounts or payment services and without the distractions and costs of operating a large branch network, we are able to serve our clients in a focused and dynamic way. We are not volume driven and as such have no market share target leaving room to be flexible and to anticipate changing market conditions and be among the first movers in our sub-sectors and profitable niches.
- **Building on our existing agile and effective organisation** to drive customer satisfaction. Helped by the 'Think YES' mentality of our people, we are relentlessly looking for opportunities to better serve our clients. As a validation of the efforts on this front, our Net Promoter Score for corporate clients increased to 64% in 2017. This score firmly underpins the growth of the corporate client business as almost two-third of our new clients come through referrals of existing clients. Meanwhile, the retail client satisfaction rose to 7.9, up from the already high level of 7.6 in the preceding year. **Ongoing investment in people, culture and innovation** will ensure we remain well positioned to attract and retain the right talent, and develop our employees. Furthermore our Innovation Lab is fostering a culture of openness to change and is making sure we stay at the forefront of new developments.

- **Further optimising the capital structure and diversifying the funding base** to ensure that we will be around to support our clients not only today, but also tomorrow. The proactive balancing of our funding profile over the past few years has increased the overall resilience of the bank, as validated by the credit upgrades to BBB. To us, these new credit ratings more accurately reflect the bank's current state and the way we are viewed by the market. In September, strong investor demand for our *Additional Tier 1 (AT 1)* bond showed the market's confidence in the strategy and performance of the bank.

At the H1 2017 results in August 2017, we announced that, backed by our current shareholder, we commenced a review of our strategic alternatives, which may include an *Initial Public Offering (IPO)*. This process is ongoing and preparations are progressing well. A final decision will be made at a later date and be dependent upon market circumstances.

In closing, I want to express my sincere gratitude to our employees for their tireless dedication and enthusiasm. They are the reason why we are trusted by an increasing number of clients to support them at the moments that matter most in business and life. I'm fully confident that we can continue to make a difference at our clients' most decisive moments and build profitable growth well into the future.

I also want to take this opportunity to thank our clients, who are the driving force behind everything we do. I look forward to working with all of you in 2018 and beyond, and I appreciate your continued support.

The Hague, 8 February 2018

Paulus de Wilt
Chief Executive Officer
Chairman of the Managing Board

FINANCIAL PERFORMANCE

NIBC BANK

in EUR millions	2017 incl. Vijlma	Vijlma	2017 excl. Vijlma	2017 vs 2016	2016
Net interest income	366	17	349	14%	306
Net fee and commission income	54	0	54	69%	32
Investment Income	67	0	67	116%	31
Net trading income	24	25	(1)	-108%	12
Other operating income	0	0	-	-	-
Operating income	512	42	470	23%	381
Personnel expenses	109	0	109	14%	96
Other operating expenses	95	0	95	23%	77
Depreciation and amortisation	5	0	5	-29%	7
Regulatory charges	14	0	14	-7%	15
Operating Expenses	223	0	223	15%	194
Net operating income	289	42	247	32%	187
Impairments of financial assets	34	-20	55	-4%	57
Tax	42	16	26	4%	25
Profit after tax	213	47	166	60%	104
Profit attributable to non-controlling interest	(3)	0	(3)	-	-
Special items (after tax)	-	0	-	-100%	(2)
Net profit attributable to shareholder of NIBC Bank	210	47	163	60%	102

The income statement in the previous table differs from that presented in the consolidated financial statements 2016 due to the treatment of 'Special items', explained further in this section. This only affects the presentation of the income statement and not the bottom-line net profit figures. See [note 1 to the \(condensed\) consolidated financial statements](#) for more information and a full reconciliation between the two presentations of the income statement.

As of 30 June 2016, the acquired NIBC Markets is fully accounted for in the NIBC figures. The impact of NIBC Markets on the net profit in 2017 amounts to a net loss of EUR 7 million (2016: net loss of EUR 2 million), mainly as a result of the discontinuation of the non-core part of the business and related reorganisation expenses of nearly EUR 5 million.

The column 'Vijlma' in the table above displays a net result totaling EUR 47 million impacting net interest income, net trading income, impairments of financial assets and tax. Vijlma relates to a specific German commercial real estate legacy exposure of which the underlying assets (investment property) were sold in 2017 and for which the final settlement will take place in 2018. In the remainder of this paragraph we will mainly assess the performance in 2017 against that of 2016, excluding the results from the Vijlma transaction in 2017.

Small differences are possible in this table due to rounding.

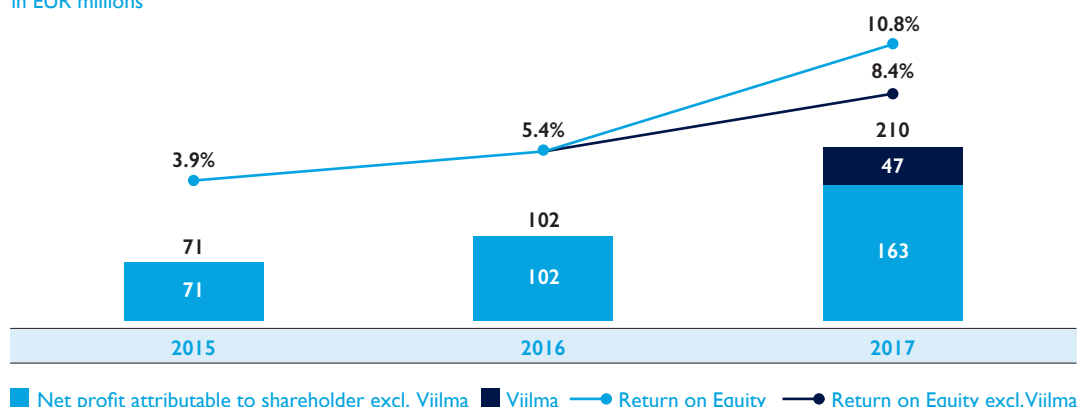
Key figures

in EUR millions	2017 incl. Vijlma	2017 excl. Vijlma	2016
Return on equity	10.8%	8.4%	5.4%
Net interest margin	1.69%	1.61%	1.44%
Cost / income ratio	44%	47%	51%
Risk weighted assets	8,546		10,109
Cost of risk	0.38%	0.60%	0.60%
Loan to deposit ratio	150%		148%
Asset encumbrance ratio	26%		29%
Fully loaded solvency ratios			
CET1 ratio	21.4%		16.8%
BIS ratio	27.2%		21.3%
Liquidity ratios			
LCR	196%		124%
NSFR	117%		112%
Number of FTEs	666		704
Rating			
Standard & Poor's	BBB / Stable		BBB- / Positive
Fitch	BBB / Stable		BBB- / Positive

Profitability continued to improve in 2017, with both net profit and return on equity displaying substantial growth. Excluding Vijlma, net profit attributable to the shareholder of the company increased to EUR 163 million (+61%) and return on equity increased to 8.4% (+56%). Including Vijlma, net profit attributable to the shareholder of the company more than doubled to EUR 210 million (+106%) and return on equity increased to 10.8% (+98%).

Profit after tax and Return on equity

in EUR millions



The driving force behind the improved performance lies in the Corporate and Retail client activities, which continued to develop the client franchise, supported by the continued decrease of the funding spreads. This positive development is also reflected in increased net interest income, net fee and commission income and the development of the equity investment portfolio on the back of the positive sentiment in the equity markets.

Origination of corporate loans in 2017 excluding the funding line to BEEQUIP amounted to EUR 3.1 billion, the same level as in 2016. Corporate client assets decreased slightly by nearly 3% in

2017, with origination being more than offset by (p)repayments, which include a decrease of the commercial real estate legacy portfolio by nearly EUR 0.3 billion and foreign currency effects of nearly - EUR 0.4 billion, mainly due to the weakening of the USD and to a lesser extent the GBP. Excluding these currency effects and the decrease of the commercial real estate legacy portfolio the corporate client assets would have increased in 2017 by more than 3%.

Mortgage loan origination volumes reached EUR 1.9 billion in 2017 (2016: EUR 1.1 billion) of which EUR 0.3 billion Buy-to-Let and EUR 0.7 billion related to an Originate to Manage mandate for institutional investors. After pre- and repayments, the total mortgage loan portfolio for own book increased by more than 3% in 2017 from EUR 8.8 billion at year end 2016 to EUR 9.1 billion at year end 2017, including the acquisition of a mortgage loan portfolio of EUR 0.2 billion in Q3 2017 (+2%).

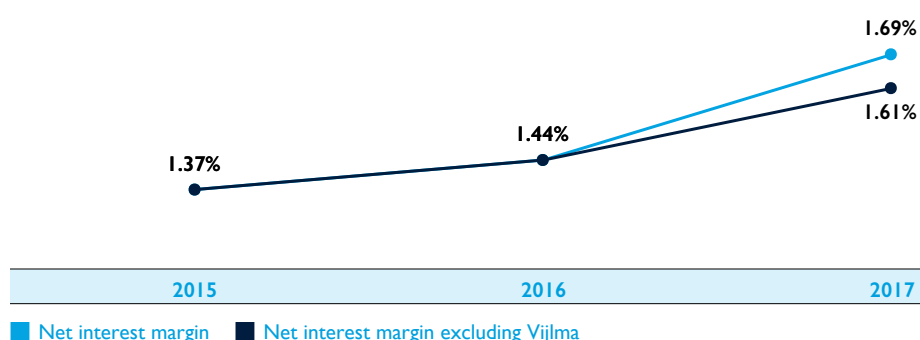
We continued to decrease our average funding rate in 2017, driving a further improvement of the net interest margin, while maintaining solid short and long term liquidity ratios, well above the minimum appetite. Furthermore, the solvency ratio (CET 1) is strong at year-end 2017 with 21.4%, able to absorb the effects of IFRS 9 and potential effects of Basel IV, well above SREP.

The following section describes the financial developments and analyses the performance of NIBC in 2017.

Operating income

Operating income further increased in 2017 from EUR 381 million to EUR 512 million, an increase of 34%. Of this increase EUR 42 million relates to Vijlma and EUR 4 million to NIBC Markets, which generated EUR 13 million of revenues in 2017 and EUR 9 million in H2 2016. Excluding these two items operating income displayed an increase of 23% from EUR 372 million in 2016 to EUR 456 million in 2017. The increase of operating income was driven by the strong underlying performance of the corporate and retail franchises, with operating income from corporate activities increasing by 29% and from retail activities by 14%, as well as by the continued improvement of NIBC's funding curves.

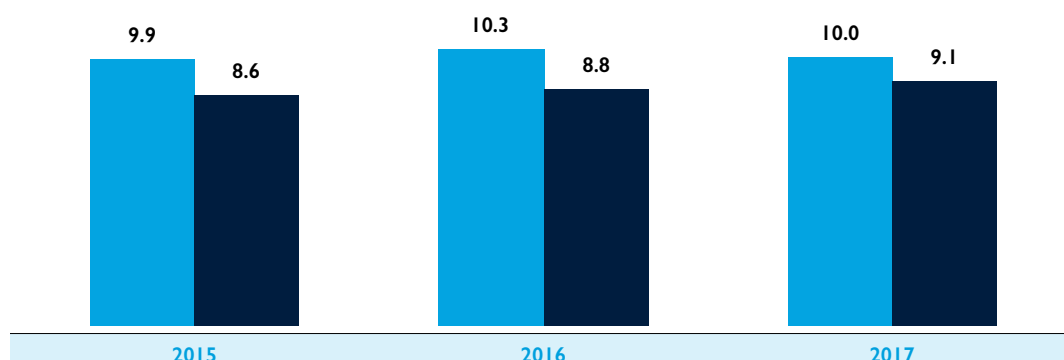
Net interest margin



Excluding Vijlma, net interest income continued to increase in 2017 to EUR 349 million from EUR 306 million in 2016, an increase of 14%. This increase supported the improvement of the net interest margin from 1.44% for 2016 to 1.61% for 2017. The growth of net interest income was driven by the improvement of the funding profile and related reduction of funding expenses, also supported by the increase of the client business in both the Corporate and Retail client offering:

Corporate and retail client assets

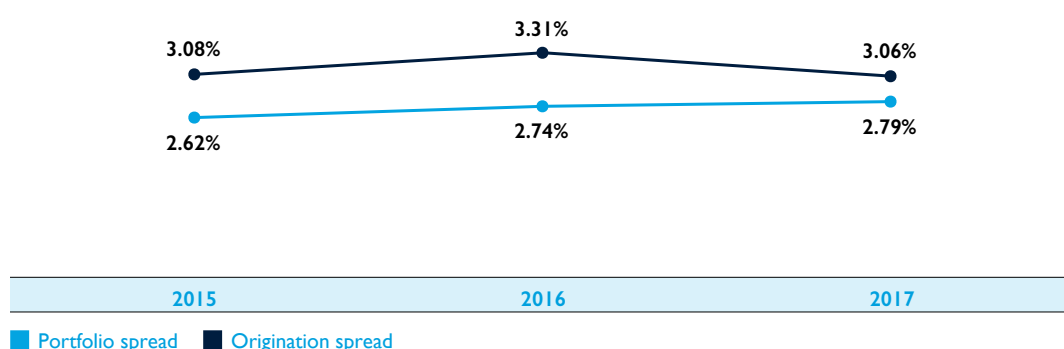
in EUR millions



■ Corporate Banking Assets ■ Retail Client Assets

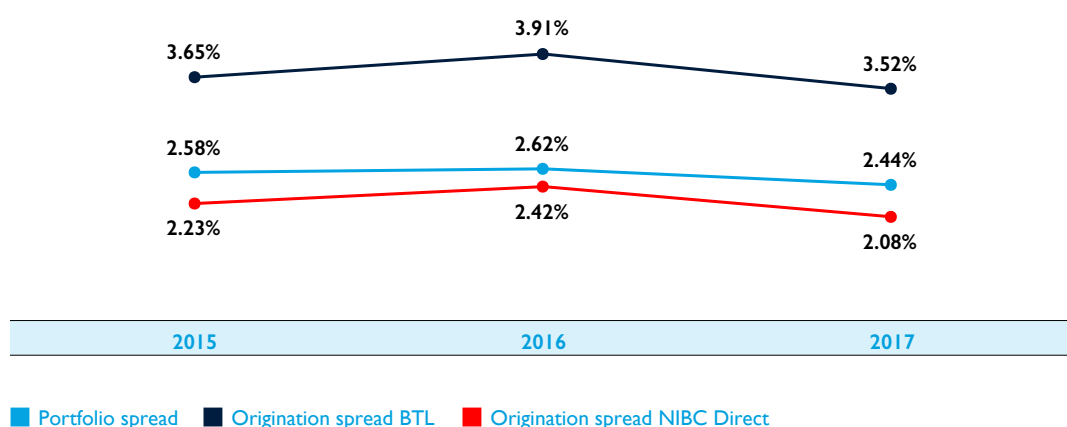
- Although the drawn corporate loan portfolio decreased in 2017, the average level of this portfolio in 2017 was roughly equal to the average level in 2016. Net interest income from the corporate loan portfolio increased in 2017 among others from the higher average portfolio spread in 2017 compared to 2016;
- The mortgage loan portfolio increased in 2017 by more than 3% to EUR 9.1 billion. The average mortgage loan portfolio in 2017 was nearly 7% above the average level in 2016. This includes the Buy-to-Let portfolio, that increased to EUR 617 million in 2017, coming from EUR 371 million at year-end 2016;
- The funding profile of the bank combined with, on average, significantly lower funding costs, contributed to the increase of net interest income in 2017. The average funding spread above base decreased by 14 basis points in 2017, following a decrease of 21 basis points in 2016;
- The strong EUR to the USD and GBP had a negative impact on net interest income of approximately EUR 8 million in 2017.

Corporate loan portfolio spreads above base

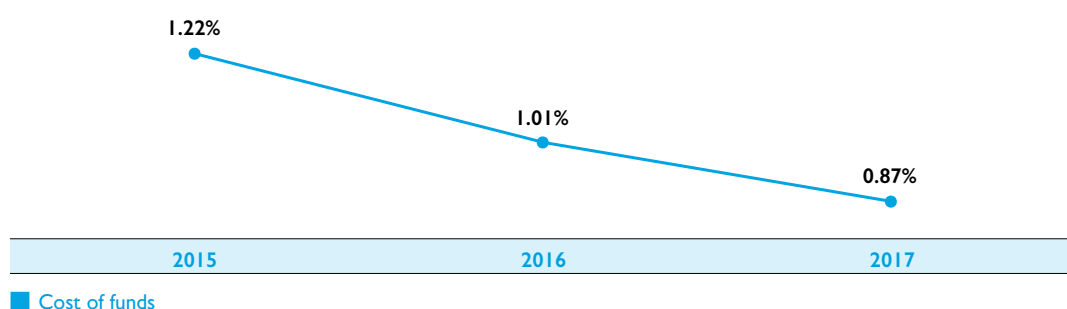


■ Portfolio spread ■ Origination spread

Retail assets spreads above base



Funding spread above base



Net fee and commission income

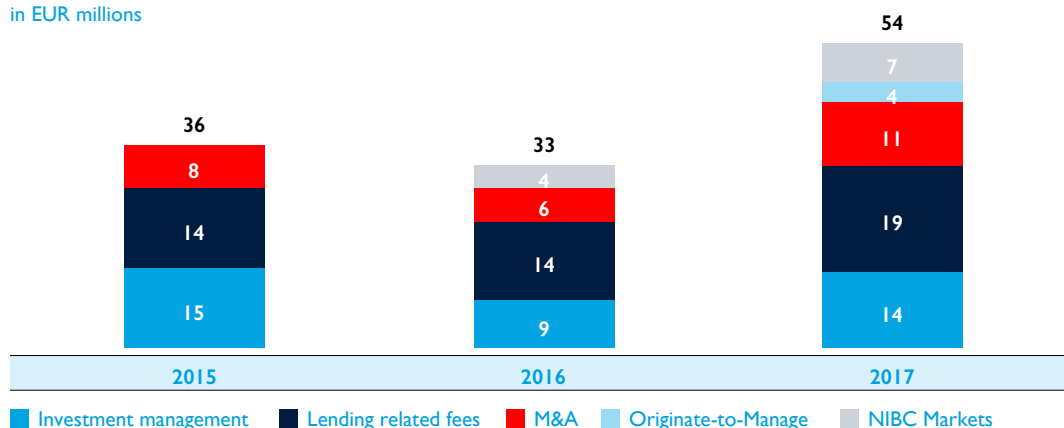
In 2017 net fee and commission income increased by 69% to EUR 54 million from EUR 32 million in 2016. The increase of EUR 22 million includes EUR 3 million from NIBC Markets. Excluding the fees from NIBC Markets of EUR 7 million in 2017 and EUR 4 million in 2016 net fee and commission income increased by 68%, reflecting our continuous investments in client relationships.

All fee categories improved:

- The increase of investment management fees by 75% to EUR 14 million in 2017 from EUR 8 million in 2016 predominately resulted from higher performance fees from strong results on our equity investment stakes, partially on the back of the improved sentiment in the equity markets;
- M&A and advisory fees nearly doubled to EUR 11 million in 2017 from EUR 6 million in 2016, partially driven by the successful execution of one large client transaction;
- Lending related fees increased by 36% to EUR 19 million in 2017 from EUR 14 million in 2016, displaying the continued growth of the corporate client franchise;
- The mortgage loan 'originate to manage' activities - started in 2016 - contributed nearly EUR 4 million to fee income in 2017 (2016: nil).

Net fee and commission income

in EUR millions



Investment income

Investment income is sensitive to the sentiment in the equity markets and can therefore be more volatile year on year. In 2017 the equity investment portfolio performed well on the back of the economic upturn of the economics of North Western Europe, leading to an increase of investment income from EUR 31 million in 2016 to EUR 67 million in 2017. The improvement in investment income was mainly driven by a higher valuation of three minority stakes in our portfolio. The total equity investment portfolio increased in 2017 by 31% to EUR 330 million, which is mainly the result of new investments of EUR 35 million, sales of EUR 15 million and revaluation of EUR 51 million.

Net trading income

Net trading income increased to EUR 24 million in 2017 compared to EUR 12 million in 2016.

Excluding gains in 2017 of EUR 25 million from Vijlma net trading income decreased by EUR 13 million to a loss of EUR 1 million in 2017:

- In 2017 the revaluation of residential mortgage loans amounted to +EUR 14 million in net trading income compared to +EUR 9 million in 2016. This revaluation includes credit losses of EUR 2 million, an improvement from the EUR 4 million in 2016. Please be aware that as of 1 January 2018 this revaluation will no longer be in our income statement as - following the implementation of IFRS 9 - these mortgage loans will be reclassified from Fair Value through Profit or Loss to Amortised Costs. As of 1 January 2018 credit losses will be booked in the 'Impairments of financial assets' line-item of the income statement;
- NIBC Markets contributed EUR 7 million to net trading income in 2017 compared to EUR 5 million in 2016;
- The 2016 revenues included EUR 9 million of revaluation gains on corporate loans at Fair Value through Profit or Loss, mainly from the repayment on a loan that was previously valued at below par;
- Hedges of the mortgage loan pipeline and hedging ineffectiveness led in 2017 to EUR 7 million higher losses than in 2016. Furthermore net trading income includes a EUR 4 million loss from a prepayment penalty related to the early redemption of a funding transaction.

Operating expenses

Operating expenses in 2017 of EUR 223 million increased by EUR 29 million (+15%), from EUR 194 million in 2016. The increase mainly relates to 4 items:

1. Operating expenses of NIBC Markets amounted to EUR 22 million in 2017 (2016: EUR 11 million), of which EUR 5 million reorganisation expenses. These reorganisation expenses reflect the discontinuation of the non-core (asset management related) part of the business of NIBC Markets (as announced in January 2017) enabling us to focus on the integration of the

Equity Capital Markets / Debt Capital Markets part of the business into our corporate client offering. This integration was concluded in 2017. The operating expenses of NIBC Markets for 2016 relate to H2 2016;

2. Operating expenses include a provision in payroll expenses with respect to the review of our strategic alternatives and related process and preparations, further elaborated on in the CEO-letter of this document;
3. External servicing expenses in the retail client offering increased in 2017 by EUR 5 million, of which EUR 2 million expenses for the transition of a part of the mortgage loan portfolio to another service provider (which will lead to more efficiency and lower servicing expenses in the future) and EUR 3 million for the substantially higher origination level of mortgage loans, including the originate to manage offering;
4. IT related expenses increased by EUR 12 million in 2017 compared to 2016. This increase mainly relates to the strengthening of the current infrastructure, improvements of business platforms, including phasing out of some legacy systems, regulatory projects such as MIFID II and IFRS 9 and an IT transition programme started in H2 2016.

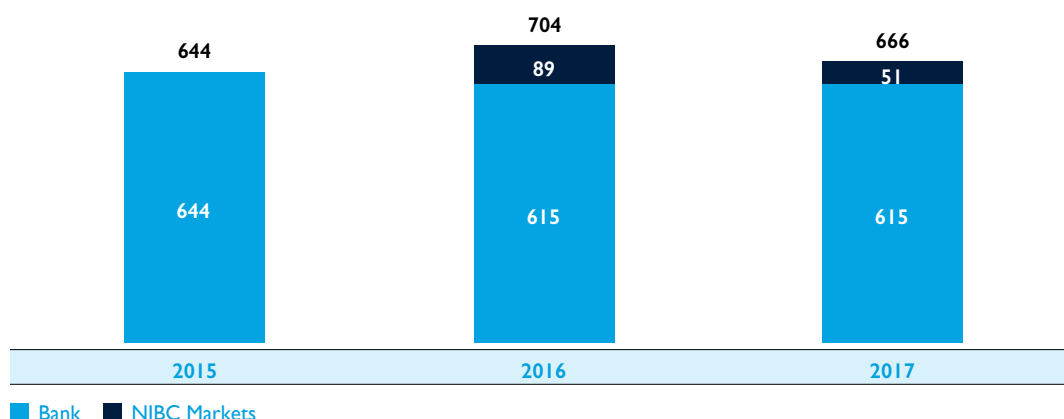
With the exception of the 4 items explained above, operating expenses remained relatively stable in 2017 compared to 2016.

Payroll expenses

Excluding the payroll expenses of NIBC Markets of EUR 16 million in 2017 (which includes the reorganisation expenses of EUR 5 million) and EUR 7 million in 2016 and the payroll expenses of EUR 4 million related to strategic alternatives mentioned under item 2 above, payroll expenses remained relatively stable in 2017 at a level of EUR 88 million.

Total FTEs decreased in 2017 from 704 at the end of 2016 to 666 at the end of 2017, driven by the integration of NIBC Markets and the IT transition programme.

FTE Development



Other operating expenses

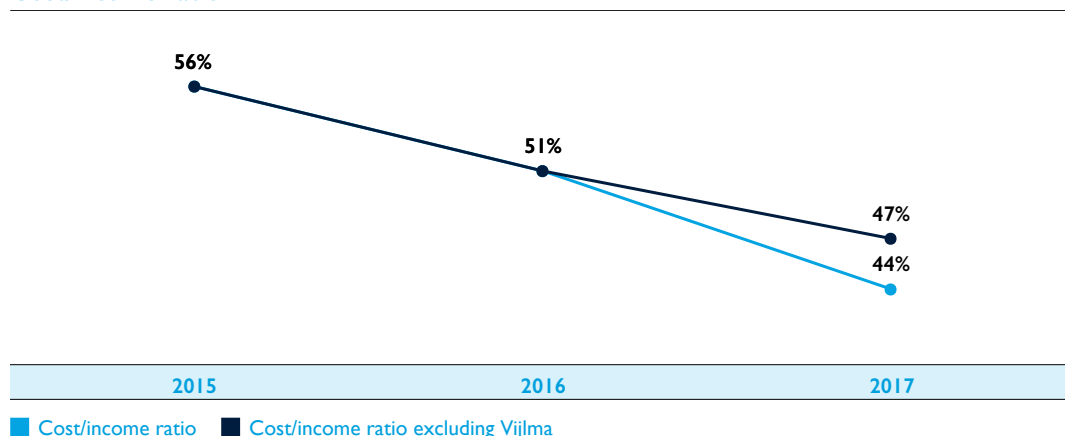
With the exception of the other operating expenses in 2017 of NIBC Markets of EUR 6 million in 2017 and EUR 4 million in 2016, the increase in external servicing expenses in our retail client offering and the EUR 12 million increase in 2017 in IT expenses mentioned under 1, 3 and 4 above, other operating expenses remained stable in 2017 at a level of EUR 73 million.

Depreciation decreased from EUR 7 million in 2016 to EUR 5 million in 2017, reflecting certain renovation and software investments from the past now being fully depreciated.

Regulatory expenses decreased in 2017 by 7% to EUR 14 million in 2017, driven by a lower resolution levy and a lower DGS-charge due to the lower level of our savings volume.

Our cost / income ratio improved from 51% for the full year 2016 to 44% in 2017 and 47% excluding Vijlma. This fully loaded (including regulatory expenses) cost / income ratio is at the lower end of what is currently displayed in the European banking industry, allowing us to continuously invest in the NIBC organisation, both in innovation and product development as well as in the Think YES culture of NIBC.

Cost/income ratio

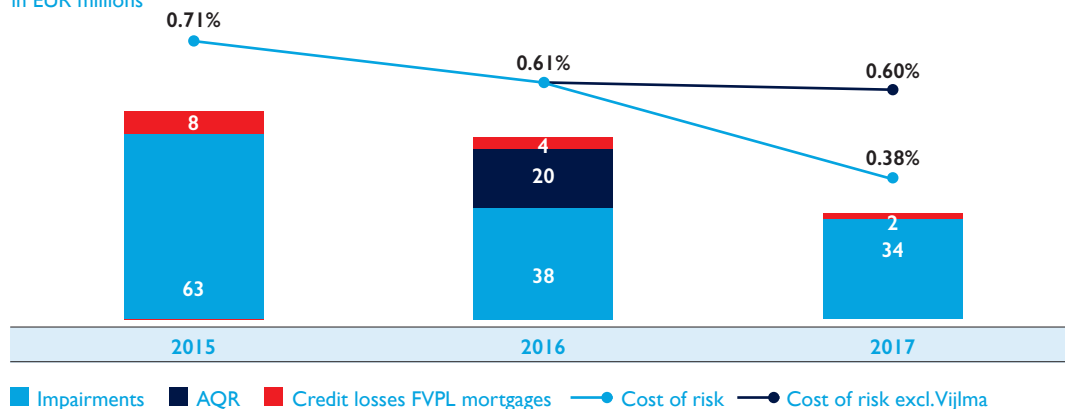


Impairments on financial assets

Impairments decreased by 40% to EUR 34 million in 2017 from EUR 57 million in 2016. Excluding impairment releases related to Vijlma impairments decreased by 5% in 2017.

Impairments and credit losses

in EUR millions



Tax

Including Vijlma, tax in 2017 amounts to EUR 42 million, implying an effective tax rate of 16% of the profit before tax. The effective tax rate lies below the Dutch corporate tax rate of 25%. This mainly relates to the impact of income not subject to tax, predominately from equity investments and investments in associates. Income from these investments is tax exempt under Dutch tax law if NIBC has a stake of more than 5%.

Special items 2016

A net loss of EUR 2 million displayed as a separate line-item in the income statement of 2016 mainly relates to the following special items:

- A one-off gain (badwill) of EUR 22 million followed from the acquisition of NIBC Markets (former SNS Securities) per 30 June 2016. This discount on the acquisition price partly reflects the future investments needed for development of this franchise;
- We incurred EUR 18 million after tax credit loss on resolving pre-crisis retail exposure; and
- After tax operating expenses of EUR 6 million relate to the outsourcing of our technical IT-environment during 2016 and 2017 and to the alignment of NIBC Markets to our business model and further development of this franchise. The outsourcing of the technical IT-environment concerns outsourcing the network and infrastructure services, technical application management, client support (service desk) and digital workplace.

Profit attributable to non-controlling interest

In September 2017 NIBC issued an AT I instrument amounting to EUR 200 million with a 6% coupon and a 7 years non-call. Under IFRS, the AT I instrument is classified as equity. The interest paid on this AT I instrument is accounted for under this heading, but classified as interest for tax purposes.

Net profit

NIBC's net profit attributable to the shareholder of the company more than doubled from EUR 102 million in 2016 to EUR 210 million in 2017. Excluding Vijlma, profitability also displayed a substantial improvement, with net profit attributable to the shareholder of the company at a level of EUR 163 million (+60%) and return on equity at 8.4% (+56%).

This substantial improvement, among others driven by both the growth of the operating income and the improvement of the credit quality of the portfolios, reflects the continued strong foundations of our client franchise. This development is displayed in 2017 by an increase of net interest income, net fee income and investment income, as well as the decrease of impairments. The improvement was achieved whilst managing operating expenses that in 2017 - with the exception of some specific expense categories discussed earlier - remained stable.

The cost/income ratio improved from 51% in 2016 to 47% (excluding Vijlma) and 44% in 2017.

Balance sheet

Assets

in EUR millions	2017	2016	2015
Cash and banks	2,566	2,346	2,491
Loans	7,871	8,380	7,790
Lease receivables	60	123	212
Residential mortgage loans	9,332	9,020	8,767
Debt investments	913	1,375	1,377
Equity investments	330	252	277
Derivatives	1,021	1,817	2,151
All other assets	117	267	165
Total assets	22,209	23,580	23,229

Liabilities and equity

in EUR millions	2017	2016	2015
Retail funding	9,307	9,721	10,016
Funding from securitised mortgage loans	267	1,337	2,062
Covered bonds	2,008	2,028	1,513
ESF	1,350	1,230	1,127
All other senior funding	5,751	4,650	3,735
Tier I and subordinated funding	283	398	400
Derivatives	863	2,006	2,350
All other liabilities	119	241	139
Total liabilities	19,947	21,611	21,343
Equity attributable to shareholder of the company	2,059	1,969	1,886
Capital securities	203	0	0
Equity attributable to non-controlling interests	-	-	-
Total liabilities and shareholder's equity	22,209	23,580	23,229

Assets

The drawn corporate loan book (including lease receivables) decreased by nearly 7% in 2017, with new origination of EUR 3.1 billion being offset by (p)repayments, a partial repayment of a commercial real estate legacy portfolio of EUR 260 million and USD and GBP exchange rate effects of - EUR 340 million. Excluding these last two items, the drawn corporate loan book would have remained stable in 2017.

The risk profile of the corporate loan book improved in line with our objectives, driven by both new origination and further repayments and sales of several larger exposures. The average expected loss on the performing loan portfolio improved from 35 bps at year-end 2016 to 31 bps. The defaulted exposure decreased in 2017 from 6.6% to 4.3% of the total loan exposure and the impaired exposure from 6.3% to 3.3%.

The mortgage loan portfolio (netted with the related savings from endowment policies) grew in 2017 by more than 3% to EUR 9.1 billion from EUR 8.8 billion, supported by origination for own book of EUR 1.2 billion and a portfolio acquisition of EUR 0.2 billion. NIBC's mortgage loan portfolio consists of three parts: buy to let mortgage loans originated since 2015, owner occupied mortgage loans originated since 2013 and owner occupied mortgage loans originated before the crisis.

- Since the crisis, we have made significant choices regarding our business model and mortgage loans originated since 2013 - both owner occupied and buy to let - are held to maturity and accounted for at amortised cost;
- The mortgage loans originated before the crisis are valued at *fair value through profit or loss* (FVtPL). This valuation method was chosen when IFRS was first adopted, reflecting the 'originate to distribute' business model NIBC had at that time. As since the crisis we have made other choices regarding our business model for mortgage loans, these loans, although still accounted for at FVtPL, are in practice now also held to maturity. At the end of 2017, a EUR 97 million (31 December 2016: EUR 98 million) positive revaluation before tax on the outstanding mortgage loans and related hedges was accounted for in our balance sheet due to credit spread movements. This revaluation amount can be broken down into a before tax revaluation gain on the mortgage loans of EUR 321 million and a before tax revaluation loss on the related hedging swaps of EUR 224 million.

Derivative balances have decreased significantly in 2017. Part of the decrease is driven by market developments. As the positions mainly relate to hedges of interest rate risks, the interest rate movements of 2017 have affected the balances. In addition to these regular developments, two separate actions have led to an additional reduction of the derivative balances. During 2017, NIBC has reviewed its hedging positions and has closed out many offsetting positions and replaced off-market derivatives with new derivatives at current market rates. NIBC has also been able to apply netting to more derivative positions. As settlement processes and systems have been adjusted following the implementation of central clearing, more positions are eligible for netting. This has led to an additional reduction of the reported derivative balances.

Impact of IFRS 9 with respect to assets

For NIBC the main impact of IFRS 9 per 1 January 2018 is the reclassification of the mortgage loan portfolio at FVtPL to amortised cost, in line with the hold to maturity business model and with general market practice. This reclassification will result in a one-off loss of the revaluation amount on the mortgage loans amounting to EUR 321 million before tax. The net of tax amount will be charged directly through shareholders' equity. The magnitude of this loss at 1 January 2018 has a negative impact on NIBC's CET 1 ratio of 3.6%-points. As this reduction of equity at transition date includes the one-sided effect of interest rates with the associated hedges remaining unadjusted, the impact is materially larger than only the underlying credit revaluation of the related mortgage loans. This one-sided effect will result in a future positive pull-to-par effect through operating income for an estimated amount equal to the before tax revaluation loss on the related hedging swaps over the remaining life of the reclassified portfolio. Based on the interest rate maturity and characteristics of the underlying seasoned mortgage loans and hedges, we estimate that approximately 85% of this positive effect on operating income will be realised in the period 2018 to 2024. We expect that the majority of this amount will be realised through net interest income.

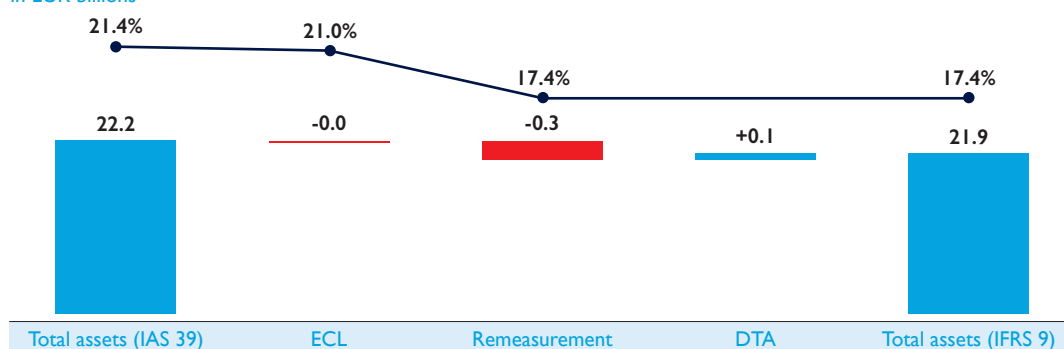
In addition to the reclassification of the FVtPL mortgage loan portfolio, the change from an incurred loss impairment model to an expected credit loss (ECL) impairment model will impact the required level of loan provisions. We have developed new models to comply with the new requirements of ECL under IFRS 9. In H1 2018 further testing will be performed. Based on the current calculations, we estimate a downward transition impact of 0.4%-points on 1 January 2018 on the Bank's CET 1 ratio.

Overall, there will be a reduction of capital following the transition to IFRS 9, but as at 1 January 2018 we expect both NIBC Bank and NIBC Holding to display a solid CET 1 ratio of 17.4% and 15.3% respectively, above both our current SREP level requirements and our medium-term objectives.

The following graph illustrates the transition impact of IFRS 9 on total assets of NIBC and the CET 1 ratio of NIBC Holding.

IFRS 9 transition impact per 1 January 2018

in EUR billions



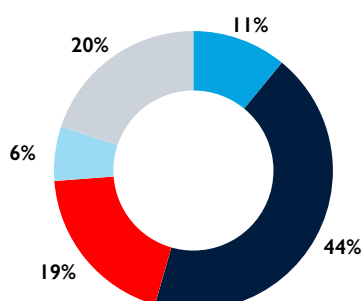
● Impact on CET I ratio

Funding and liquidity

Diversification of funding has been a key part of our strategy since early 2008, when we started to build the retail savings franchise. We continued to diversify our funding sources in 2017. Overall, the funding mix mid 2017 shows a healthy balance between wholesale and retail:

- Retail savings decreased by 4% to EUR 9.3 billion, displaying a managed outflow of EUR 0.4 billion. The share of retail savings in term deposits decreased to 42% (end of year 2016: 44%), in line with our internal appetite.
- With respect to wholesale funding we issued a total of nearly EUR 1.7 billion in 2017:
 - A EUR 500 million senior unsecured bond was issued in January 2017 at a maturity of 5 years, paying interest of 1.50% above the 3 months swap rate;
 - In March 2017 we participated in TLTRO-issuance totaling nearly EUR 450 million at a maturity of 4 years;
 - In September 2017, a EUR 200 million perpetual AT1 transaction was issued with a coupon of 6.00%. Please note that from an IFRS perspective this transaction is treated as capital and the coupon as dividend;
 - We raised EUR 535 million in privately placed senior funding in various currencies and maturities during 2017, at an average maturity of 2 years.
- Institutional deposits attracted in Germany under the *Einlagensicherungsfonds (ESF)* increased by 10% in 2017 to nearly EUR 1.4 billion (FY 2016: EUR 1.2 billion), following an increase of 9% in 2016. Our current limit under the ESF amounts to EUR 1.7 billion.

Funding composition



2017

- Shareholder's equity
- Retail funding
- Secured (wholesale) funding
- ESF deposits
- Unsecured (wholesale) funding

The healthy funding and liquidity position at year end 2017 is evidenced by the following ratios:

- A Liquidity Coverage Ratio of 196% (versus 124% at year-end 2016) and Net Stable Funding Ratio of 117% (112% at year-end 2016);
- An asset encumbrance ratio of 26% (2016: 29%), which meets our objective to maintain this ratio below 30%; and
- A loan-to-deposit ratio of 150% (2016: 148%), which is in line with our objective to maintain this ratio at a level between 140% -160%.

Impact of IFRS 9 with respect to liabilities

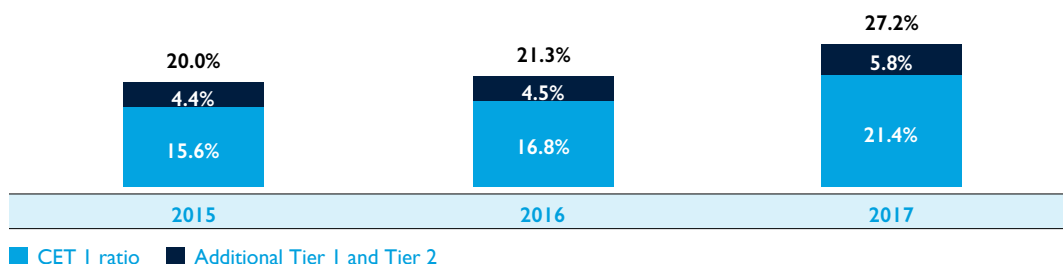
Part of the unsecured funding portfolio is classified at FVtPL. As of 1 January 2016, following the early application of 'IFRS 9 - own credit requirements', the fair value changes from liabilities designated at Fair Value through Profit or Loss are accounted for as comprehensive income directly to shareholder's equity. At year-end 2017 a debit of EUR 86 million (31 December 2016: EUR 171 million debit) on the financial liabilities at fair value through profit or loss is accounted for in the balance sheet due to own credit spread movements. As NIBC has already applied IFRS 9 for these liabilities, no further impact is expected at the full transition to IFRS 9 on 1 January 2018.

Solvency

NIBC Bank's solvency ratios were maintained at a solid level in 2017, with the fully loaded CET 1 ratio increasing in 2017 from 16.8% in 2016 to 21.4% and the fully loaded BIS ratio from 21.3% in 2016 to 27.2% in 2017.

As of 2015, we took into consideration in the calculation of the regulatory solvency ratios the full RWAs of a commercial real estate transaction in which we had only a partial stake. This exposure was fully sold in H1 2017 lowering the RWAs by EUR 1.0 billion and with a positive impact on the CET 1 ratio of 1.7%-points.

Total capital ratio



The already comfortable leverage ratio of NIBC improved in 2017 to 8.8% (2016: 7.3%).

'Basel IV'

An agreement was reached on the Basel III reforms 'Basel IV' in December 2017. While certain elements still require more clarity, based on a current assessment and interpretation of the Basel IV regulation we expect the impact to be in a range of 20-30% of *risk-weighted assets (RWA)* by 2027, which implies an impact of 2.5-3.5%-points on the post IFRS 9 CET 1 ratio. This does not take into account possible management actions, nor potential changes to Pillar 2 requirements. Note this also

assumes the current portfolio to be the same in 2027, as well as RWA based on the current economic environment.

An uncertainty for banks is that the new framework will have to be incorporated into legislation within the European Union based on the European Commission proposal. This entire process is expected to take several years. Please be aware that during this process of endorsement by the EU and subsequent transfer to local law, certain adjustments to the regulation may be implemented

We will meet the final requirements and as before we will continue executing our strategy for our clients and delivering growth at good returns.

NIBC HOLDING

in EUR millions	2017 incl. Vijlma	Vijlma	2017 excl. Vijlma	2017 vs 2016	2016
Net interest income	342	(12)	354	21%	292
Net fee and commission income	54	-	54	69%	32
Investment Income	67	-	67	116%	31
Net trading income	98	99	(1)	-103%	34
Other operating income	(2)	(1)	(1)		9
Operating income	559	86	473	19%	398
Personnel expenses	111	-	111	14%	97
Other operating expenses	102	4	98	26%	78
Depreciation and amortisation	6	-	6	-14%	7
Regulatory charges	14	-	14	-7%	15
Operating Expenses	233	4	229	16%	197
Net operating income	326	82	244	21%	201
Impairments of financial assets	56	1	55	-20%	69
Tax	54	28	26	0%	26
Profit after tax	216	53	163	54%	106
Special items (after tax)	-	-	-	-100%	(2)
Net profit NIBC Holding	216	53	163	57%	104
Profit attributable to non-controlling interest	(3)	-	(3)		-
Net profit NIBC Holding attributable to shareholders of the company	213	53	160	54%	104

KEY FIGURES NIBC BANK

Return on equity	10.8%	8.4%	5.4%
Cost of risk	0.38%	0.60%	0.60%
Net interest margin	1.69%	1.61%	1.44%
Cost/income ratio	44%	47%	51%
CET I ratio	21.4%		16.8%
BIS ratio	27.2%		21.3%
Risk weighted assets	8,546		10,109

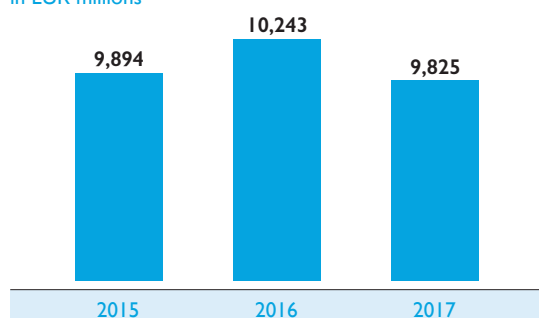
KEY FIGURES NIBC HOLDING

Return on equity	11.9%	8.9%	6.0%
Cost of risk	0.62%	0.61%	0.73%
Net interest margin	1.60%	1.64%	1.47%
Cost/income ratio	42%	48%	51%
CET I ratio	19.3%		15.1%
BIS ratio	22.2%		18.0%
Risk weighted assets	8,584		9,930
Loan to deposit ratio	148%		145%
LCR	196%		124%
NSFR	117%		112%
Number of FTE's	689		716

FINANCIAL HIGHLIGHTS

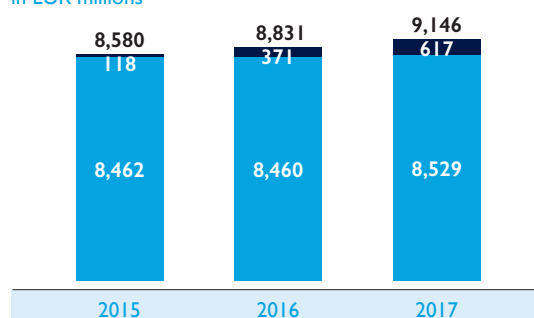
Corporate client assets

in EUR millions



Retail client assets

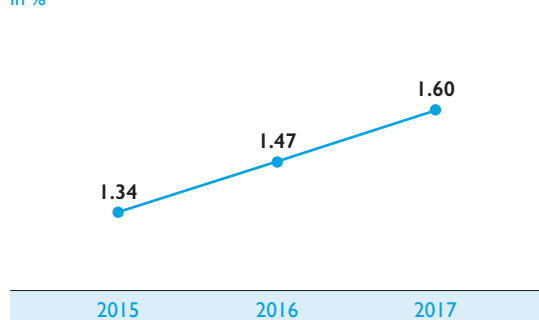
in EUR millions



■ Residential ■ Buy-to-let

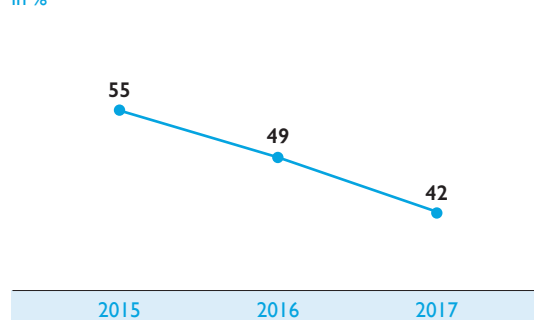
Net interest margin

in %



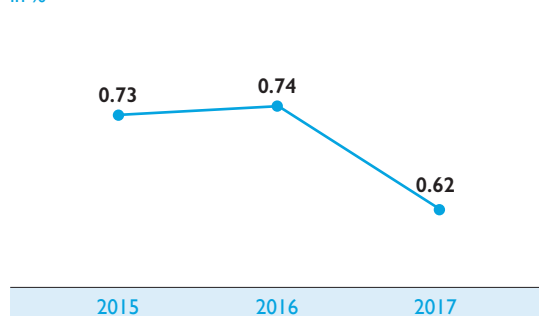
Cost/income ratio

in %



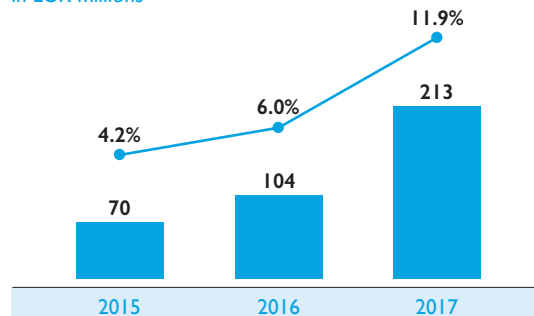
Cost of Risk

in %



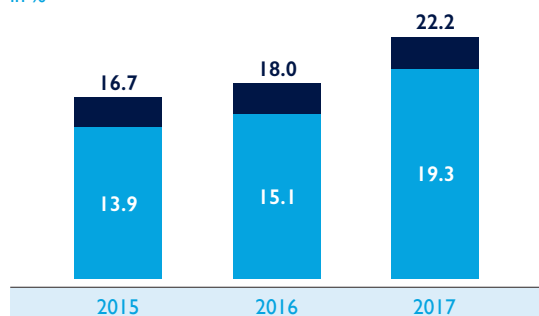
Profit after tax and Return on equity

in EUR millions



Solvency ratios

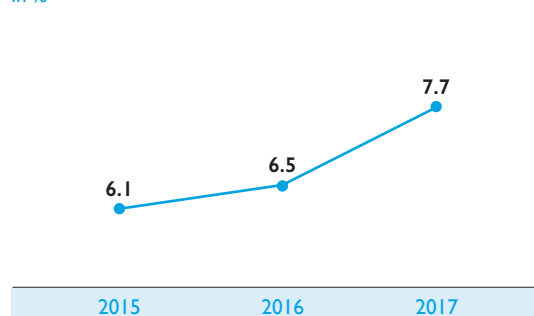
in %



■ BIS ratio ■ CET I

Leverage ratio

in %



Net profit and return on equity

Profitability of NIBC Holding strongly improved in 2017, with both net profit attributable to parent shareholders and return on equity displaying substantial growth to respectively EUR 213 million and 11.9%, coming from EUR 104 million and 6.0% in 2016. Excluding Vijlma net profit attributable to parent shareholders amounted to EUR 160 million (+58% compared to 2016) and return on equity to 8.9% (+48%)

Net profit in 2017 of NIBC Holding is EUR 3 million above that of NIBC Bank:

- EUR 6 million relates to Vijlma, concerning an after-tax revaluation gain on investment property acquired from a restructuring and sold in 2017, with a portion still to be settled in 2018. As the underlying assets (investment property) are accounted for in NIBC Holding at Fair Value through Profit or Loss and in NIBC Bank the financing of these assets is accounted for at amortised cost, there is a timing difference between NIBC Bank and NIBC Holding with respect to the recognition of the profit on this transaction;
- This item is partially compensated by EUR 2 million of after tax expenses with respect to the review of our strategic alternatives and related process and preparations, further elaborated on in the CEO-letter of this document;
- The net result of BEEQUIP – our leasing financing venture launched in 2016 – was close to nil in 2017.

Solvency

NIBC Holding's solvency ratios were maintained at a solid level in 2017. The fully-loaded CET 1 ratio increased from 15.1% in 2016 to 19.3% in 2017 and the fully-loaded BIS ratio from 18.0% in 2016 to 22.2% in 2017.

These levels are comfortably above the required SREP-levels set by our regulator DNB for NIBC Holding in July 2017. Excluding the applicable combined buffer requirement (of 1.25% for 2017) and the Pillar II guidance (which is not disclosed and not relevant for the Maximum Distributable Amount), the required SREP-level for NIBC Holding's minimum own funds amounts to 12.0%. This requirement consists of an 8% Pillar 1 requirement and a 4% Pillar 2 requirement. The total CET 1 minimum requirement is 8.5% consisting of the minimum Pillar 1 requirement (4.5%) and the Pillar 2 requirement (4.0%).

In addition, NIBC Holding should comply with phasing in the combined buffer requirements, consisting of a Capital Conservation Buffer (1.25%) and a Countercyclical Buffer (0.0%) in 2017. This translates into an aggregate 9.75% CET 1 requirement for 2017. In the years 2018 and 2019 the CET 1 requirement will increase, as the Capital Conservation Buffer is further phased-in (by 0.625%-point per annum). This results in an expected aggregate CET 1 requirement of 11.0% in 2019 based on current SREP. NIBC Holding's near-term objective for its minimum CET 1 ratio is 14.0%.

Taking into account the removal of an add-on in SREP capital the moment that we no longer have residential mortgage loans at Fair Value through Profit or Loss and a further phase-in of the Capital Conservation Buffer, our SREP levels at 1 January 2018 compared to the actual solvency ratios at that date are displayed below.

SREP requirement per 1 January 2018	CET I	Tier I	Total Capital
Pillar I	4.50%	6.00%	8.00%
Pillar 2 ¹	3.25%	3.25%	3.25%
Subtotal	7.75%	9.25%	11.25%
Capital Conservation Buffer (CCB)	1.88%	1.88%	1.88%
SREP requirement	9.63%	11.13%	13.13%
<i>Pillar 2 guidance</i>	<i>not disclosed</i>		
Actual 31 December 2017			
NIBC Holding transition	19.4%	20.8%	22.2%
NIBC Holding fully loaded	19.3%	20.4%	22.2%
NIBC Bank transition	21.5%	24.5%	27.2%
NIBC Bank fully loaded	21.4%	23.7%	27.2%

¹ based on RWAs at 1 January 2018

The already comfortable leverage ratio of NIBC Holding improved to 7.7% in 2017 (2016: 6.5%).

Dividend pay-out

The Managing Board proposes an interim dividend pay-out of EUR 66 million in addition to the interim dividend of EUR 31 million already paid out based on the H1 2017 performance. This second interim dividend amounts to EUR 0.45 per share (after the EUR 0.21 per share at H1 2017), leading to a total dividend per share of EUR 0.66 for the full-year 2017. The full-year 2016 dividend amounted to EUR 0.17 per share.

The total pay-out ratio in 2017 amounts to 45% of the net profit attributable to shareholders of the company for NIBC Holding and 46% for NIBC Bank. The calculation of the maximum distributable amount, as set out in article 2.2.1 of the Regulation 'specific provisions CRDIV and CRR' of De Nederlandsche Bank N.V. of 9 December 2013, containing requirements to the maximum distributable amount and the calculation thereof, provides enough head room to pay out this dividend.

Medium-term objectives

The targets for the period 2015 to 2017 were articulated in our Annual Report 2014. These were based on the outcome of the annual Strategy Day of the Supervisory Board and Managing Board, which was held in June 2014. In H1 2017 we assessed NIBC's performance against these and other relevant targets, and found that overall, we were ahead of plan. At the Strategy Day held in June 2017, new objectives for the near term were proposed and discussed. These objectives were presented in our H1 2017 Interim Report. Further discussions in the past months on the back of the improved performance in the second half of 2017 have led to further adjustments of our objectives.

These adjusted medium-term objectives are displayed below and have been set on the basis of certain assumptions in respect of the future impact on NIBC's capital position from the implementation of Basel IV and other regulatory developments, considering in particular the anticipated capital requirements which may arise, and taking into account NIBC's current dividend policy.

	Actual 2017	Targets 2015-2017	Near-term objectives	Medium-term objectives
ROE (Bank / Holding)	10.8% / 11.9%	> 8-10%	>10%	>10-12%
Cost / income Bank	44%	47-54%	<50%	<45%
CET I (Bank / Holding)	21.4% / 19.3%	>12%	>14%	>14%
Leverage ratio (Bank / Holding)	8.8% / 7.7%	>5%	>4.5%	
Rating Bank	BBB	BBB	BBB+	BBB+
Dividend pay out ratio				> 50%

CORPORATE CLIENTS

2017 was a successful year for NIBC corporate client offering. It successfully closed a large number of high-profile client deals as sector and product teams worked increasingly closely together. Good results have been achieved in almost all sectors and subsectors, and customer satisfaction has never been higher.

NIBC corporate client offering is further transforming into a full-service, mid-market bank that has the capability to advise its clients on capital market transactions, among other things, and to invest in and lend to clients from its own balance sheet. In other words, NIBC is equipped to add value on the entire liability side of the client's balance sheet.

Seven sectors

Our focus is on mid-market corporates across seven sectors - divided into subsectors - in which we have deep-seated knowledge and strong positions that enable us to provide clear solutions for our clients at decisive moments. NIBC corporate client offering operates from three countries: The Netherlands, Germany and the UK. The seven sectors are:

- Commercial Real Estate;
- Food, Agri, Retail & Health;
- Industries & Manufacturing;
- Infrastructure & Renewables;
- Offshore Energy;
- Shipping & Intermodal; and
- Telecom, Media, Technology & Services.

Product offering

NIBC corporate client offering serves clients in all matters relating to the liability side of the client's balance sheet (from loans and equity participations to capital market access) and provides them with bespoke advice. Our product portfolio comprises Balance sheet products and Advisory/Capital Market products, which are subdivided into the following seven main categories:

Balance sheet products

Leveraged Finance

We finance acquisitions of midcap companies by private equity funds. We focus primarily on companies with an enterprise value of EUR 50-500 million. Leveraged Finance operates from The Hague, London and Frankfurt. In the mid-market we are one of the three largest players in the Benelux, and among the largest five players in the German midmarket.

The total loan portfolio at year-end 2017 was EUR 1.6 billion (2016: EUR 1.7 billion).

Receivables Finance

We develop tailor-made financing solutions based on contracted cash flows. Receivables Finance operates to a large extent in the Telecom, Media, Technology & Services sector and increasingly in the Industries & Manufacturing sector.

The total loan portfolio at year-end 2017 was EUR 0.8 billion (2016: EUR 0.7 billion).

Mezzanine and Equity Solutions

We offer flexible risk-bearing solutions to support successful companies at their most decisive moments, e.g. at management buy-outs and acquisitions. We provide flexible capital solutions including minority equity participations (20-50%, participation, capital at EUR 5-25 million) and mezzanine loans.

The total mezzanine and equity portfolio at year-end 2017 was EUR 0.6 billion (2016: EUR 0.5 billion).

Corporate Lending

Since 1945, NIBC has supported clients requiring medium to long-term financing through its corporate lending solutions. These range from loans for general corporate use and working capital solutions, to corporate acquisitions and changing shareholder structures.

The total loan portfolio at year-end 2017 was EUR 1.9 billion (2016: EUR 1.7 billion).

Asset and Cash Flow Financing

We provide financing products based on cash flow combined with collateral value, which can combine both project and corporate elements.

The total loan portfolio at year-end 2017 was EUR 5.1 billion (2016: EUR 5.6 billion).

Advisory and Capital Market Products

Capital Markets

NIBC's Capital Markets has been helping clients access capital markets since June 2016, offering a wide range of tailor-made solutions for capital market financing.

Corporate Finance

Our multidisciplinary advisory team across Debt Advisory, *Equity Capital Market (ECM)* and *Mergers and Acquisitions (M&A)* advises on and executes a wide range of buy-side and sell-side M&A transactions for public and private mid-market corporates and financial sponsors.

Approach and strategy in the market

NIBC is a mid-sized bank that focuses on a number of niche markets, i.e. the sectors and sub-sectors listed above. As a result, we are well versed in these niche markets and are very familiar with our clients, with whom we build long-lasting relationships.

Unlike the larger banks, we focus mainly on the middle segment of these markets, providing tailored solutions that are often unavailable elsewhere, and we aim to think and act like entrepreneurs. An example that sets us apart is our capability to combine senior debt with mezzanine funding and equity.

We have the sector expertise and wide product range to develop truly tailor-made solutions swiftly and at decisive moments for our clients. We have clearly chosen not to offer routine daily banking services such as current accounts or payments. We lack the scale to benefit from such services, preferring instead to serve our clients with products we excel at.

As in the past, we still focus on mid-sized and usually family-owned companies in the Netherlands, Germany and the UK. Our growing product range also serves other relevant client groups such as private equity investors, institutional investors, financial sponsors and large corporate clients.

The ease with which NIBC's diversity of product and sector teams find each other and collaborate closely to develop bespoke solutions for a client within a short time span is inherent in the bank's values (professional, entrepreneurial and inventive) and size.

Over the past years, we have been focusing more and more on short-term financing solutions rather than large long-term loans. However, our close ties with institutional investors enable us to offer excellent long-term solutions for clients with high-volume capital needs. In 2017 we made further progress in developing our 'Originate-to-Manage' strategy. We are working with a growing number of institutional investors, our role being to originate and manage mid-market leveraged loans. These partnerships allow investors to benefit from our unique mid-market franchise and enhance our offering to corporate clients with larger senior and mezzanine tickets.

Trends and challenges in the world around us

NIBC corporate client offering operates in seven sectors. The choices we make within these sectors and the propositions we offer tie in with trends we notice or expect in the world around us. Some major trends we responded to in recent years:

- **Digitalisation.** In 2017 the Infrastructure & Renewables and Telecom, Media, Technology & Services teams responded powerfully to this trend. For example: Infrastructure & Renewables was traditionally strong in providing long-term financing for prisons, schools, toll roads, etc. Over the past two years, they shifted their focus to financing digital infrastructure (e.g. data centres and optical fibres);
- **E-commerce.** The retail world is transforming from bricks to clicks. This often calls for different methods of financing, including financing based on cash flows and contract portfolios rather than collateral;
- **Healthcare & life sciences.** This progressive sector is on a transformative technological journey and simultaneously building a patient centric culture. Both trends are driving the need for cash to invest in innovation, R&D and new therapeutic or diagnostic products, creating opportunities in advisory and capital markets finance solutions;
- **The energy transformation.** The transition from fossil fuels to green and electric gained momentum in 2017. In response, our Offshore Energy sector (previously known as the Oil & Gas Services sector) has redirected its strategy to actively enable our clients in their transition towards clean energy. Of course, the energy transition also has an impact on our Shipping & Intermodal sector, which is going through a transformation as well. Together with two other Dutch banks, NIBC has been among the first banks in Europe to set more strict standards for ship financing by drawing up the *Responsible Ship Recycling Standards (RSRS)*. Although NIBC is not directly involved in the financing of ship recycling, we recognize that ship recycling is part of the shipping industry supply chain in which we are active. Our initiative has proven to be effective, as throughout the year 2017 several other prominent European ship finance banks joined the RSRS initiative.

Identifying and addressing trends is in NIBC's DNA and is what drives all of our product and sector teams. As a result, transformation is an ongoing process within NIBC corporate client offering, seeking new opportunities to support clients.

Challenges

In 2017 competition in NIBC's corporate markets intensified due to the widespread availability of liquidity, which was partly the result of the continued low interest rate environment and the

European Central Bank's large-scale asset purchases. This put some of our margins under pressure, particularly for Corporate Lending. We responded by focusing more on our merchant banking product suite and less on traditional medium to long-term loans. Our strong performance in 2017 reflects the success of this gradual transformation. The imminent Brexit also posed a challenge for banks in 2017 and beyond. NIBC has analysed the consequences of Brexit for the bank. The different scenarios have revealed that this is manageable for the Bank.

Developments and performance

In 2017, the corporate client offering experienced solid growth driven by higher demand across most activities of the franchise: debt, investing and advice.

We have been able to grow our client franchise in 2017, providing solutions to both new and existing clients, meeting increasing demand for financing and investments, resulting in newly originated loans totalling EUR 3.1 billion (excluding financing of BEEQUIP), equal to the level in 2016. Our total corporate client assets decreased by 3% in 2017, with our origination being more than offset by (p)repayments, which include a decrease of the commercial real estate legacy portfolio by nearly EUR 0.3 billion and foreign currency effects of more than EUR -0.3 billion, mainly due to the weakening of the USD and to a lesser extent the GBP. Excluding these currency effects and the decrease of the commercial real estate legacy portfolio our corporate client assets would have increased in 2017 by more than 3%.

Our corporate client exposure of EUR 10.0 billion at 31 December 2017 consists of:

- EUR 9.4 billion corporate loans;
- EUR 0.1 billion lease receivables;
- EUR 0.2 billion investment loans; and
- EUR 0.3 billion equity investments.

The corporate loan book developed in line with our ambitions, and improved its risk profile. The average expected loss on the performing loan portfolio improved from 35 bps to 31 bps at year-end 2017. Our defaulted exposure decreased in 2017 to 4.3% from 6.6% of the total loan exposure and our impaired exposure to 3.3% from 6.3%. The improvement of both defaulted and impaired exposures is amongst others the result of a partial sale of a legacy Commercial Real Estate portfolio.

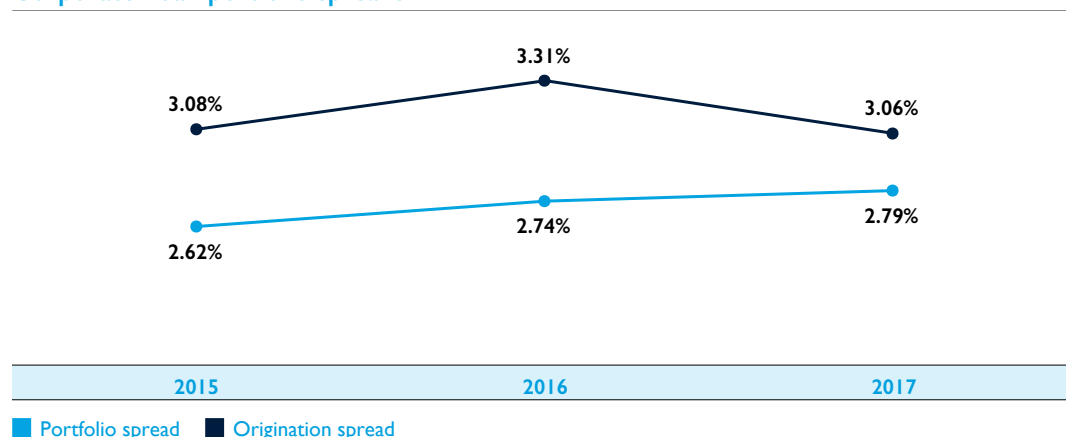
Income statement corporate client offering

in EUR millions	2017 incl. Vijlma	Vijlma	2017 excl. Vijlma	2016
Net interest income	204	17	187	162
Net fee and commission income	50		50	32
Investment Income	66		66	33
Net trading income	37	25	12	16
Other operating income	-	-	-	-
Operating income	357	42	315	244
Personnel expenses	74		74	71
Other operating expenses	43		43	42
Depreciation and amortisation	4		4	5
Regulatory charges	-	-	-	-
Operating expenses	121	0	121	118
Net operating income	235	42	193	126
Impairments of financial assets	34	(20)	54	57
Tax	35	16	19	12
Profit after tax	166	46	120	58
Special items (after tax)	-	-	-	(18)
Net profit corporate client offering	166	46	120	39

With respect to the financial performance, operating income improved in 2017 by EUR 113 million (+46%) to EUR 357 million. Of this increase, EUR 42 million relates to a commercial real estate exposure of which the underlying assets (investment property) were sold in 2017, and EUR 4 million to NIBC Markets, which generated EUR 13 million of revenues in 2017 and EUR 9 million in H2 2016. Excluding these two items, operating income displayed an increase of 29% from EUR 235 million in 2016 to EUR 302 million in 2017. This increase of operating income was driven by the strong underlying performance of the corporate franchise.

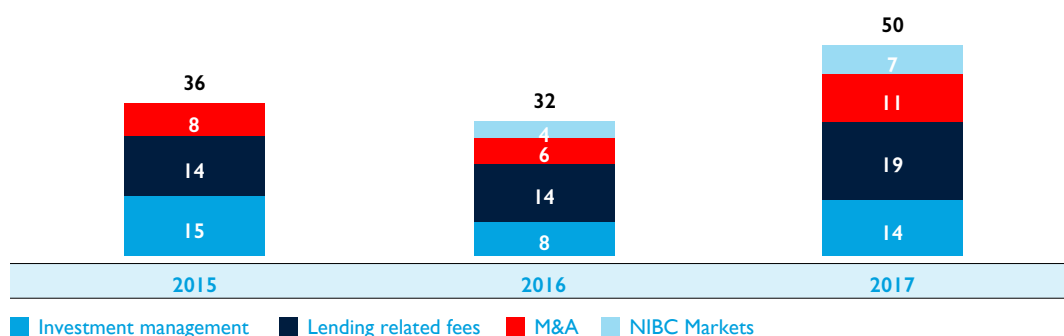
Net interest income increased by 26% of which an increase of 10% relates to the commercial real estate exposure mentioned earlier. The remaining increase was mainly driven by a higher average portfolio spread in 2017 and lower funding costs. Although - as displayed above - our corporate loan portfolio decreased in 2017, the average size of the drawn loan portfolio in 2017 was roughly equal to that for 2016, implying that the decrease of the portfolio did not have a negative impact on net interest income in 2017.

Corporate Loan portfolio spreads



Net fee and commission income

in EUR millions



In 2017 net fee and commission income increased by 56% to EUR 50 million from EUR 32 million in 2016. The increase of EUR 18 million includes EUR 3 million from NIBC Markets. Excluding fees from NIBC Markets of EUR 7 million in 2017 and EUR 4 million in 2016, net fee and commission income increased by 54%. All fee categories improved:

- The increase of investment management fees by 75% to EUR 14 million in 2017 from EUR 8 million in 2016 was mainly driven by higher performance fees, partially on the back of the improved sentiment in the equity markets;
- M&A and advisory fees nearly doubled to EUR 11 million in 2017 from EUR 6 million in 2016; and
- Lending related fees increased by 36% to EUR 19 million in 2017 from EUR 14 million in 2016, displaying the continued growth of the corporate client franchise.

Investment income is sensitive to the sentiment in the equity markets and can therefore be volatile year on year. In 2017 the underlying equity investment portfolio performed well on the back of the economic upturn of the North-Western economies, leading to an increase of investment income from EUR 33 million in 2016 to EUR 66 million in H1 2017. The improvement in investment income was mainly driven by higher valuation of the portfolio. The total equity investment portfolio increased in 2017 by 31% to EUR 343 million, which is mainly the result of new investments of EUR 35 million, sales of EUR 15 million and revaluation of EUR 51 million.

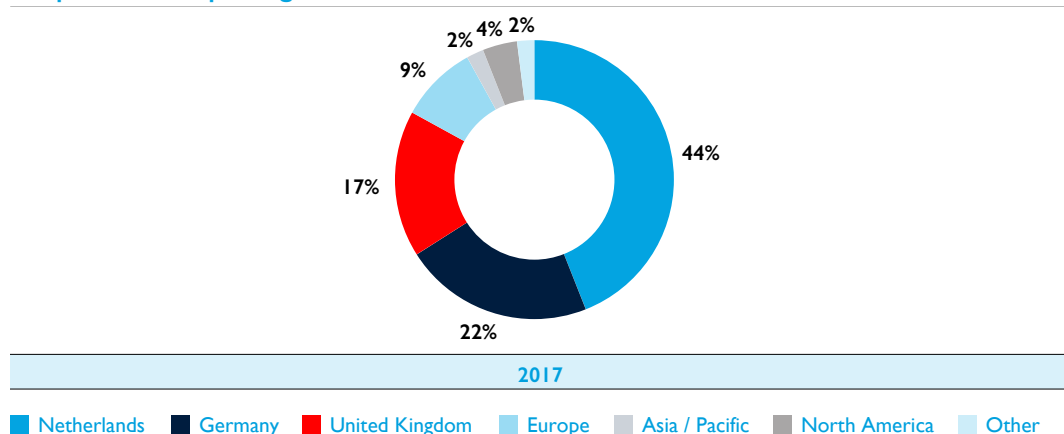
Net trading income increased to EUR 37 million in 2017 compared to EUR 16 million in 2016. Excluding gains in 2017 of EUR 25 million related to the commercial real estate exposure mentioned earlier, net trading income decreased by EUR 4 million to EUR 12 million in 2017. This decrease mainly relates to revaluation gains in 2016 on corporate loans at Fair Value through Profit or Loss, predominately from the repayment on a loan that was previously valued at below par, partially compensated by increased net trading income from NIBC Markets by EUR 2 million to EUR 7 million in 2017 from EUR 5 million in 2016.

Operating expenses increased by 3% to EUR 121 million, of which EUR 6 million relates to NIBC Markets. Excluding NIBC Markets, operating expenses decreased by 3% to 104 million.

Impairments decreased by 40% to EUR 34 million in 2017 from EUR 57 million in 2016. The decrease mainly relates to the release of EUR 20 million of impairments on a commercial real estate exposure mentioned earlier. Excluding this release impairments decreased by 5% in 2017. The impairment coverage ratio for our impaired corporate loan book amounts to 46%.

Corporate client offering's profit after tax increased to EUR 166 million in 2017. Excluding EUR 47 million of net profit related to the commercial real estate exposure mentioned earlier, profit after tax more than doubled to EUR 119 million compared to EUR 58 million in 2016.

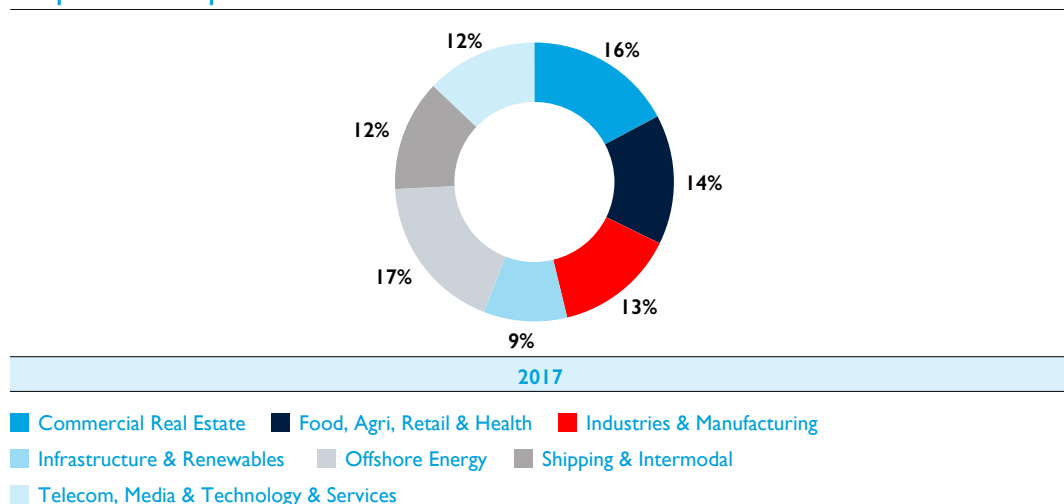
Corporate loans per region



Our operations in Germany continued to perform well as we continued to increase our market share and generate new clients. This success was the result of our focused sector and sub-sector approach combined with our product expertise. The origination level in Germany amounted to EUR 0.6 billion by the end of the year, slightly below the EUR 0.7 billion in 2016. The closed leasing portfolio was reduced (via repayments) according to plan.

In the Netherlands, origination levels were at EUR 2.4 billion, 9% above the level of EUR 2.2 billion in 2016.

Corporate loans per sector



On a sector level, the main developments in 2017 were the following:

- Our portfolios in Offshore Energy and Shipping & Intermodal decreased by respectively 24% and 14% to a combined level of EUR 2.2 billion. In H1 2017, portfolios suffered from seasonality effects and a negative USD forex effect. Business improved in the second half-year, due to stabilized oil prices and a rise in contracting activity. Overcapacity in parts of the shipping sector remains a challenge;

- The portfolios continued to increase in our three corporate sectors: a) Industries & Manufacturing; b) Food, Agri, Retail & Health and c) Telecom, Media, Technology & Services, which displayed a combined portfolio increase of 6% to EUR 4.1 billion. We are continuing to diversify our portfolio and further sharpening our focus on promising sub-sectors such as telecom, data centres, FinTech and business software;
- The Commercial Real Estate portfolio remained stable in 2017 at EUR 1.4 billion. As the transformation of the portfolio has progressed well, the sector now focuses on smaller deals for a larger number of clients; and
- The Infrastructure & Renewables portfolio remained stable in 2017 EUR 1.6 billion. Growth is being achieved in two sub-sectors: Digital Infrastructure and Renewable Energy. This growth is being compensated by prepayments and our efforts to decrease the traditional infrastructure portfolio that has longer maturities and generates lower returns.

We are not only proud of the strong results we achieved in almost all of our sector and product categories, but also of the very high customer satisfaction level in 2017, several new activities including participations in FinTech companies, and our agreement with the European Investment Bank.

Agreement with European Investment Bank

In 2017, NIBC entered into a guarantee agreement with the *European Investment Bank* (**EIB**) that will enable NIBC to provide up to EUR 500 million of loans to innovative mid-sized enterprises in the Dutch and German markets. The Guarantee improves access to finance for companies with up to 3,000 employees and enables NIBC to offer larger amounts of senior debt financing. The operation is supported by 'InnovFin – EU Finance for Innovators' and has the financial backing of the European Union under Horizon 2020 Financial Instruments.

FinTech partnerships

The financial services landscape is evolving. NIBC would like to be a part of the disruption caused by FinTech companies by taking strategic minority equity stakes in leading European FinTech companies, enabling partnerships in various fields in order to capitalise on emerging FinTech solutions.

Ebury

At the end of May, NIBC acquired a strategic stake in the fast growing fintech company Ebury. Ebury is one of the fastest-growing FinTech companies globally, employing over 500 staff, with offices in ten European countries, focusing on corporate cross-border (FX) payments and growth lending. The partnership between NIBC and Ebury will open up opportunities in cross-border trade for small and mid-sized companies based in Europe. Ebury provides an innovative and unique platform for payments, risk management, foreign exchange and trade financing.

FinLeap

In the summer of 2017, NIBC took a minority stake in FinLeap, a 'company builder' specialising in FinTechs. In the past three years, FinLeap has established itself as one of Europe's leading FinTech platforms, whose ecosystem brings together the most prominent players of the financial services industry as well as investors and clients. Having launched multiple FinTech ventures so far, FinLeap is already active in ten European countries. Its expertise in developing business models will support NIBC in tailoring its client offering to today's dynamic financial business environment.

Business developments

NIBC Markets

In 2016 we broadened our offering through NIBC Markets to include debt and equity capital markets. Following the acquisition of SNS Securities, we have now fully integrated the Markets activities into our organisation, an illustration of our capacity to integrate acquisitions in a thorough and swift manner. We discontinued several activities, including Independent Asset Manager Services, Specialised Asset Management and Third Party Execution, ensuring a smooth transition to new service providers for 2,800 clients and allowing us to focus on the debt and equity capital markets product offering.

NIBC Markets provides an offering in the Dutch mid-cap market at a time when capital markets are becoming increasingly important to our clients. NIBC Markets extends the life cycle of our client relationships and has the potential to strengthen our franchise in the years to come.

In August, NIBC Markets relocated from Amsterdam city centre to the Amsterdam Zuid-As business district.

BEEQUIP

Launched in July 2016, the new leasing venture BEEQUIP saw significant volumes in the first one and a half years of its existence. The leasing of new and used equipment proves to be a good fit with our Industries & Manufacturing client base, broadening the scope of its activities to smaller-ticket financing and offering our clients the possibility to lease their assets. BEEQUIP is a subsidiary of NIBC Holding N.V.

In December, BEEQUIP was voted the 2017 New Hero at the end-of-year event of Dutch employers' organisation VNO-NCW for the Rotterdam region. The New Hero prize is awarded once a year to the most innovative entrepreneur of Rotterdam. At year end the lease portfolio of BEEQUIP amounted to EUR 210 million compared to EUR 117 million in 2016.

Client deals

In 2017, corporate client offering secured mandates for a large number of high-profile deals across its markets, demonstrating its ability to provide tailor-made solutions swiftly, and at decisive moments for its clients. These included the following examples:

Advicenne

In December NIBC, as Joint Global Coordinator, successfully completed the *Initial Public Offering (IPO)* of pharmaceutical company Advicenne on Euronext Paris. Advicenne raised EUR 28 million, which will enable the commercial launch of its lead drug candidate, ADV7103 in Europe for the treatment of *distal Renal Tubular Acidosis (dRTA)*, a pediatric kidney disease, as well as the phase III clinical development in the United States.

NIBC acted as joint global coordinator, joint lead manager and joint bookrunner in this landmark transaction. With this transaction, our new Life Sciences team achieved an important milestone and paved the way for many more capital market transactions to come. The success of this equity capital markets transaction reflects NIBC's approach of serving its clients with inventive tailor-made advisory and financing solutions and contributes to our growth ambitions.

RED Company: new head office for ASICS

RED Company (**REDC**) is a Rotterdam based real estate developer. In 2017, together with Pleijsier Construction company and Borghese (development company of family Pleijsier), REDC was awarded the contract by ASICS to develop and construct its new European head office in Hoofddorp. ASICS is the world famous sport and footwear corporation. The new office building has a state-of-the-art design, is 100% sustainable and flexible in its use. NIBC provided a EUR 40 million construction financing. NIBC was further involved in structuring the transaction and in raising the equity. Key in this successful transaction was the swift execution and documentation.

Vopak Terminal Eemshaven

Vopak Terminal Eemshaven is a strategic oil storage terminal based in Eemshaven, developed in a 50/50 joint venture between Royal Vopak and NIBC European Infrastructure Fund I C.V. ("NEIF"). Since commissioning in 2011, Vopak Terminal Eemshaven developed into a high quality asset with strong contractual protections and exceptional operational performance. NIBC was mandated to assist Royal Vopak and NEIF, as exclusive financial advisor, with the sale to large infrastructure manager Whitehelm Capital. This flagship port transaction, a cooperation between M&A and I&M, demonstrates NIBC's cross department advisory skills in addition to NIBC's investment strategy, being the preferred partner for growth capital in support of mid-market corporates at decisive moments.

NPS of +64%

The *Net Promoter Score* (**NPS**) in 2017 of +64% (+37% for 2016) demonstrates the customer satisfaction, of both new and existing clients, with NIBC's 'Think Yes' client approach. According to received survey responses, customers value us most, compared to peers, for our knowledge, speed, agility and account management. During 2017, our 'Think Yes' client approach also compelled us to simplify our documentation and product development.

Our NPS is based on responses given by 165 clients to our survey in the Netherlands, Germany and the United Kingdom.

RETAIL CLIENTS

2017 was a successful year for our retail client offering. We nearly doubled the mortgage loan origination volume, which increased to nearly EUR 2 billion in 2017. We are gaining market share in underserved segments with on-balance sheet products such as Buy-to-Let, while also originating more mainstream mortgage loans for institutional investors.

Meanwhile in savings, our newly introduced quarterly savings product was well received by the market, helping us to reduce our reliance on fixed-term savings and lower our funding costs. After the product launch in April 2017, clients shifted an additional EUR 150 million in deposits to our line-up of on-demand accounts.

Product offering

Our retail client offering business serves nearly 400,000 clients in the Netherlands, Germany and Belgium through a wide range of quality mortgage, savings and brokerage products.

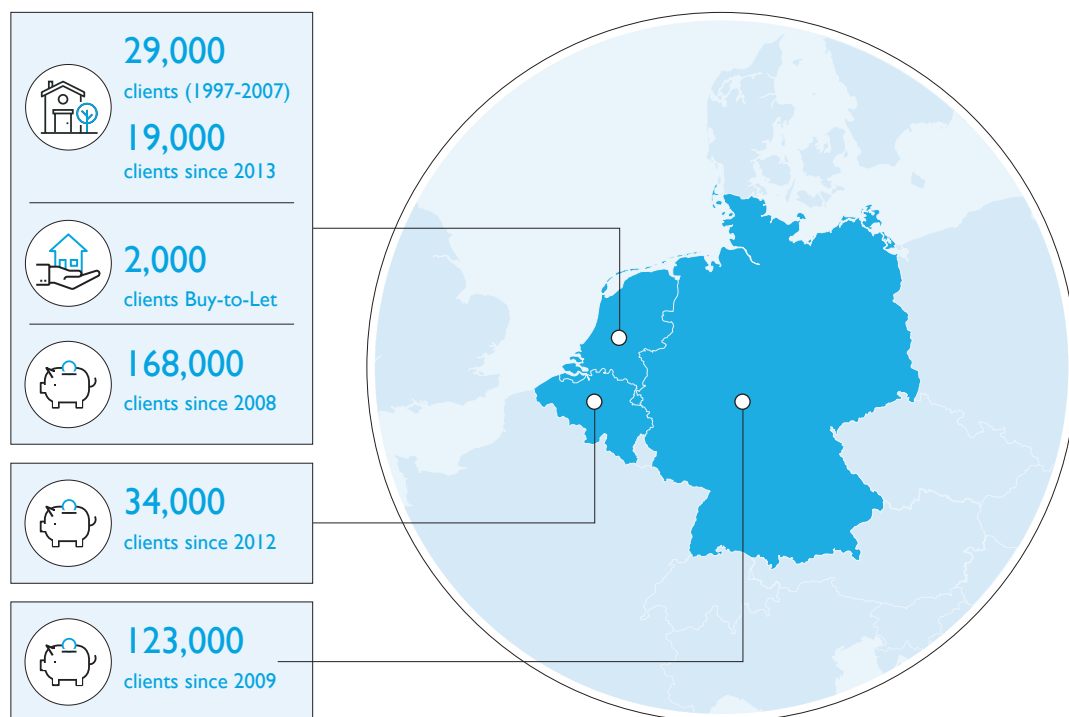
Mortgage loans

NIBC Direct mortgage loans are provided through partnerships with mortgage brokers across the Netherlands. We offer mortgage loans from our own balance sheet and we partner with institutional investors using our Originate-to-Manage mandates. This dual-track strategy enables us to offer a full product range – from short to long maturities – and also target clients in underserved segments with tailored products such as Buy-to-Let and mortgage loans for the self-employed.

Retail savings

Under the NIBC Direct brand, we offer fairly-priced savings products to clients in the Netherlands, Germany and Belgium, ranging from fully flexible, on-demand deposits, to term deposits of up to 10 years. These award-winning products are known for their straightforward client-centric features and unambiguous terms and conditions.

In Germany, NIBC Direct provides products that enable clients to invest in equities as an alternative to savings. Launched in 2011, NIBC Direct brokerage is a retail focused execution only specialist for asset allocation for consumers. NIBC Direct brokerage focusses on traditional online-traders with higher ticket sizes offered via German stock markets.



Trends in the world around us

In 2017, our strategic decisions were largely driven by the following trends in the world around us:

- **Competition from new market entrants** in the Dutch mortgage market is putting additional pressure on spreads for mainstream mortgage loans. We continue to target clients in underserved segments with tailored products such as Buy-to-Let and mortgage loans for the self-employed.
- **The persistently low interest rates** have led to increased demand for mortgage loans with longer fixed interest terms (10-20 and even 30 years). Through our OTM mandates, we can tap into the growth of this crowded and price-competitive segment with no credit risk for NIBC.
- Driven by the low interest rates, **savings clients are favouring on-demand accounts** over fixed-term deposits. To guarantee a stable funding base, we are launching new features that make these on-demand savings stickier.
- The combination of strong economic growth and record-low interest rates have accelerated the **recovery of the Dutch housing market**. Transaction prices continue to rise and volumes have fully recovered from lows after the 2007-2008 financial crisis. We are active in this growing market through OTM and franchises such as Buy-to-Let, which taps into the increasing number of investors in rented residential real estate.

Approach and strategy in the market

Operating under the NIBC Direct brand, we help clients realise their financial goals by offering products that are accessible, easy to understand and fairly priced. Below, we dig deeper into the strategy and market approach of our mortgage and retail savings businesses.

Mortgage loans

We offer mortgage loans from our own balance sheet and we partner with institutional investors using our OTM mandates. This dual-track strategy enables us to offer a full product range – from

short to long maturities – and also target clients in underserved segments with tailored products such as Buy-to-Let, mortgage loans for the self-employed and the negative equity mortgage.

The negative equity mortgage enables clients - in case sales proceeds of their house are below the previous mortgage loan - to finance this negative balance. The negative equity mortgage provides financing above a LTV of 100% (up to a maximum of 115%), however, the debt-to-income ratio criteria remain the same compared to a 'standard' mortgage loan.

With on-balance sheet mortgage loan products, we prioritise margin over volume by focusing on higher-yielding segments where we can make a difference for our clients. A good example is the mortgage loan for self-employed clients with a track record of less than three years, which we launched in 2016.

At the same time, the OTM business supports our strategy in many ways. We enhance income diversification by adding the fee-generating OTM business line, we create the flexibility to switch back and forth between on-balance sheet origination and OTM depending on market circumstances and we become a more relevant partner to brokers by supplying a full product range from niche solutions to long interest fixed terms.

In addition, we differentiate ourselves in the market through pricing and product features. For instance, we were the first to introduce automatic reduction of the mortgage rate during interest fixed term due to redemption.

Retail savings

The broad range of savings products in the Netherlands, Germany and Belgium provides funding stability and flexibility to respond if market conditions change. Over the past few years, we have been focusing more on instant-access deposits by reducing the more expensive fixed-term savings, which has helped to diversify our funding sources and to lower costs.

Developments and performance

2017 was a successful year for the retail client offering business. Since we returned to the mortgage market in 2013, our business has undergone a profound transformation. We have grown our existing mortgage and savings businesses and launched successful new franchises, leaving us with a diversified portfolio that perfectly supports our differentiated approach to the market well into the future.

Improving the customer experience

The offering in both mortgage loans and savings is underpinned by a comprehensive digital strategy, which allows us to operate more efficiently while providing a client focussed experience to the customers. In 2017 we improved the functionality of the mortgage portal.

These and other efforts clearly translated into higher customer satisfaction, as evidenced by a NIBC Direct Customer Survey score of 7.9 in 2017, compared with 7.6 in 2016.

Financial performance

Operating income from retail clients increased 14% to EUR 130 million, as the growth of the mortgage loan portfolio and lower funding costs led to increased net interest income.

Net fee and commission income of nearly EUR 4 million is related to income from the OTM mandate launched in 2016.

Operating expenses increased by EUR 6 million (+11%) to EUR 63 million, which nearly fully relates to the increase by EUR 5 million of external servicing expenses, of which EUR 2 million were expenses for the transition of a part of the Mortgage Loan portfolio to another service provider (which will lead to more efficiency and lower servicing expenses in the future) and EUR 3 million for the substantially higher origination level of mortgage loans, including the originate to manage offering;

Retail clients net profit increased by 19% to EUR 50 million.

Income statement retail clients

in EUR millions	2017	2016
Net interest income	127	117
Net fee and commission income	4	-
Investment Income	-	-
Net trading income	(2)	(4)
Other operating income	-	0
Operating income	130	114
Personnel expenses	18	16
Other operating expenses	35	29
Depreciation and amortisation	1	2
Regulatory charges	9	10
Operating expenses	63	57
Net operating income	67	57
Impairments of financial assets	-	1
Tax	16	14
Profit after tax	50	42
Special items (after tax)	-	-
Net profit retail client offering	50	42

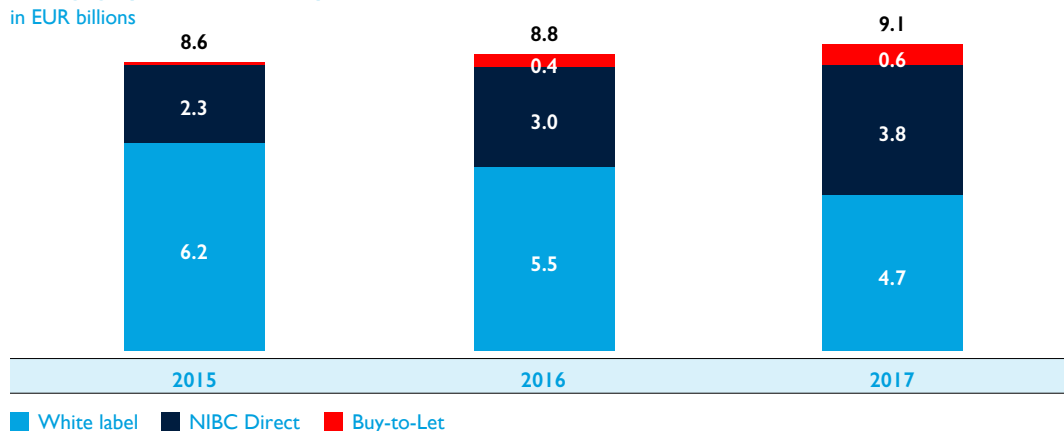
Mortgage loans

Mortgage loan origination volumes reached EUR 1.9 billion in 2017 (2016: EUR 1.1 billion) of which EUR 0.3 billion was Buy-to-Let and EUR 0.7 billion related to an OTM mandate for an institutional investor. After pre- and repayments, the total mortgage loan portfolio for own book increased by more than 3% in 2017 from EUR 8.8 billion at year-end 2016 to EUR 9.1 billion at year-end 2017, of which 2% from the purchase of a portfolio owner-occupied mortgage loans of EUR 0.2 billion.

In line with the improving Dutch housing market and economic recovery, the mortgage loan portfolio has shown a further improvement in credit quality. In 2017, we managed to reduce the loss rates to pre-crisis levels. Both the defaulted and the non-performing exposure in the Mortgage Loan portfolio decreased by 17% in 2017 to a level of 0.46%

Mortgage portfolio development

in EUR billions



The record growth in the mortgage loan origination volume shows that the dual-track strategy continues to pay off. Since securing our first mandate in 2016, we have attracted nearly EUR 2 billion in OTM commitments with related assets under management increasing to EUR 0.7 billion, which provides a great runway for growth in this asset class.

OTM allows us to diversify the income base by adding fee revenue and helps to become a more relevant partner to mortgage brokers because we offer a wide product range – from 1 year to 30 year maturities. As a result, our partner network expanded at the end of 2017, providing ample opportunity to keep growing our share of the Dutch mortgage market in the years to come.

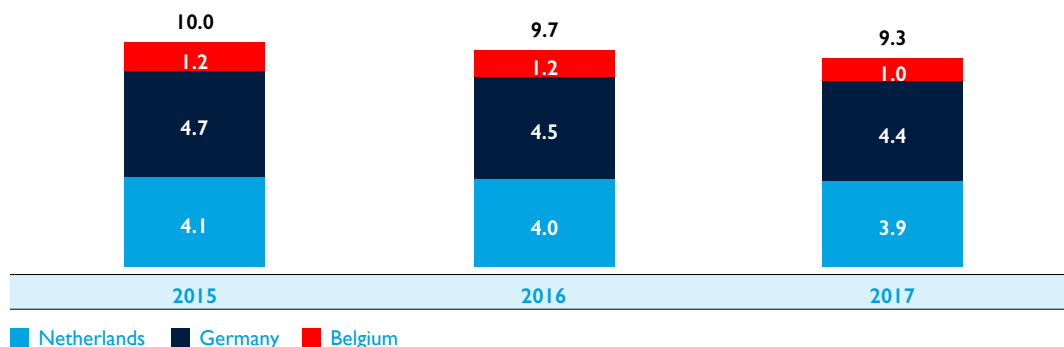
Meanwhile, we continued to focus on profitable sub-sectors that are underserved, such as Buy-to-Let. Growth in Buy-to-Let continued at attractive margins, pushing the portfolio up to EUR 617 million from EUR 371 million at the end of 2016. Due to the increasing numbers of investors investing in rented residential real estate, Buy-to-Let has become an important part of our overall mortgage loan offering. We clearly focus on those clients that aim for tenants that do not rent for a short stay and our standard conditions include that the premises are not to be used for short stay rental (through for example Air B&B).

Savings

Total client savings decreased by 4% to EUR 9.3 billion at the end of 2017, coming from EUR 9.7 billion at year-end 2016. Our continued efforts to increase the share of on-demand deposits with flexible rates versus more expensive fixed-term savings resulted in a controlled net outflow of EUR 0.4 billion in the year. On 31 December, on-demand deposits accounted for 58% of total client savings, up from 56% in 2016 and 45% in 2015.

Retail savings development

in EUR billions



The newly introduced quarterly savings product was well received by clients. The product, which was launched in April 2017 and provide compensation for those who have not withdrawn their on-demand savings during the quarter, attracted EUR 150 million in additional client deposits in the year. The product provides clients with the opportunity to earn higher interest without giving up any flexibility, which is exactly what they want in this low-interest environment.

Brokerage

Launched in 2011 in Germany, NIBC Direct brokerage is a retail focused execution only specialist for asset allocation for consumers. NIBC Direct brokerage focuses on traditional online traders with higher ticket sizes offered via German stock markets. This activity continued to show a positive development. Assets under management increased 18% in 2017 to EUR 180 million. The number of accounts increased by 4% to around 6,500.

TREASURY AND GROUP FUNCTIONS

Treasury and Group Functions includes the bank's Treasury function, *Asset and Liability Management (ALM)*, Risk Management and the bank's Corporate Centre which includes HR & Corporate Communications, Internal Audit, Legal, Compliance, Sustainability, Operations & Facilities, Technology, and Finance, Tax & Strategy.

In Treasury, focus was on the various funding transactions that were successfully executed during the year, including a benchmark EUR 500 million senior unsecured transaction and issuance of EUR 200 million AT1 subordinated securities to further optimise NIBC's capital structure. In addition, Treasury spent considerable time and effort on regulatory developments that impact the bank's funding programmes as well as other Treasury activities. MiFID 2 in particular required significant resources to meet the 3 January 2018 compliance deadline.

NIBC has an ambitious project calendar. Apart from supporting the bank's regular processes, the Group Functions coordinate and contribute to the realisation of these projects. Examples of the projects undertaken are the following:

- With respect to the IT environment the focus in 2017 was on strengthening the current infrastructure, improvements of business platforms, including phasing out of some legacy systems, executing regulatory projects such as MIFID II and IFRS 9 and on an IT transition programme started in H2 2016. In 2016 we entered into an outsourcing contract with a third party. The outsourcing comprised of a new framework for IT delivery, including a substantial part of the IT infrastructure, IT service desk and management of the IT infrastructure. In Q4 2017 it was decided to terminate this contract and to retransition the IT organisation. Any outsourcing to this third party will be rolled back early 2018, after which new opportunities to achieve the intended goals will be evaluated. We believe that our existing stand alone IT platform is sustainable for current operations;
- An important milestone was reached in May 2017 with the go-live of NIBC's new Treasury back office system. With this achievement, many internal processes were improved or simplified, as the new system enables more straight-through processing and better integration with front office functionality;
- As of 3 January 2018 NIBC is MiFID 2-compliant. The requirements of this regulation have a significant impact on transaction processes of Treasury and NIBC Markets;
- The initial application of IFRS 9 on 1 January 2018 required development of models, review and analysis of the bank's positions and adjustment of administrative processes. A multidisciplinary team has worked on the different elements to ensure operational readiness and will continue to work on further refinement and improvement of all related processes;
- To improve and modernise NIBC's payment processes, Operations and IT are executing a payment roadmap. This roadmap aims to replace legacy infrastructure with up-to-date solutions. In 2017 the IT footprint was reduced via outsourcing. A new, future proof payments hub is in preparation and will be implemented in 2018;
- In 2017, NIBC has reviewed its interest rate hedging strategy. A team involving Treasury, ALM, Operations, Finance and IT has been designing a more efficient hedging strategy, which is also more in line with common market practice. The bank has started to adjust its book structure and hedging positions. Target state is to manage all interest rate risks centrally, from where the net position will be hedged externally;
- To underpin the importance of data management and data quality, NIBC has formalised data management by including the associated responsibilities in its delegation model. With this governance in place, the organisation will use central targets and frameworks to define and execute the next steps in data management;

- A project team is preparing NIBC for the new AnaCredit reporting requirements. The first tests have been concluded successfully, and preparations are on going to ensure operational readiness. As of September 2018, financial institutions will have to report new analytical datasets.

Financial performance

The net result after tax of the segment Treasury and Group Functions, as reported in [note 1 of the Condensed Consolidated Financial Report](#), equals a net loss of EUR 4 million. The loss is mainly driven by the reorganisation costs of NIBC Markets and the additional costs related to the transition of NIBC's IT organisation.

RISK MANAGEMENT

NIBC believes that risk management is at the core of its business culture. NIBC believes that its approach to risk management results in fast decision-making through an experienced, client-focused origination team with detailed knowledge of its client portfolio, which allows NIBC to manage its risk exposure through carefully structured facilities and client-focused restructuring. NIBC's origination philosophy is focused on the client relationship, understanding the client's cash flow and the availability of collateral. In its corporate client offering, NIBC applies an integrated approach to managing credit risk by focusing on risk-adjusted returns: NIBC assesses whether a new opportunity falls within its risk appetite, evaluates commercial and compliance issues prior to engagement with any particular client, considers credit risk and financial market risk as part of the decision process and conducts risk assessments prior to making the final lending decision. The ultimate lending decision is dependent on NIBC's comfort with the particular client. In its retail client offering, NIBC applies a conservative approach to new products, such as Buy-to-Let, and uses programme lending for regular mortgage loans. NIBC also has a highly experienced *Restructuring and Distressed Assets (RDA)* department, which is typically engaged at an early stage of client financial distress to limit NIBC's potential losses. In addition, NIBC utilises sophisticated modelling tools, such as an internally developed methodology under the *Advanced Internal Ratings Based (AIRB)* approach, to model credit risk.

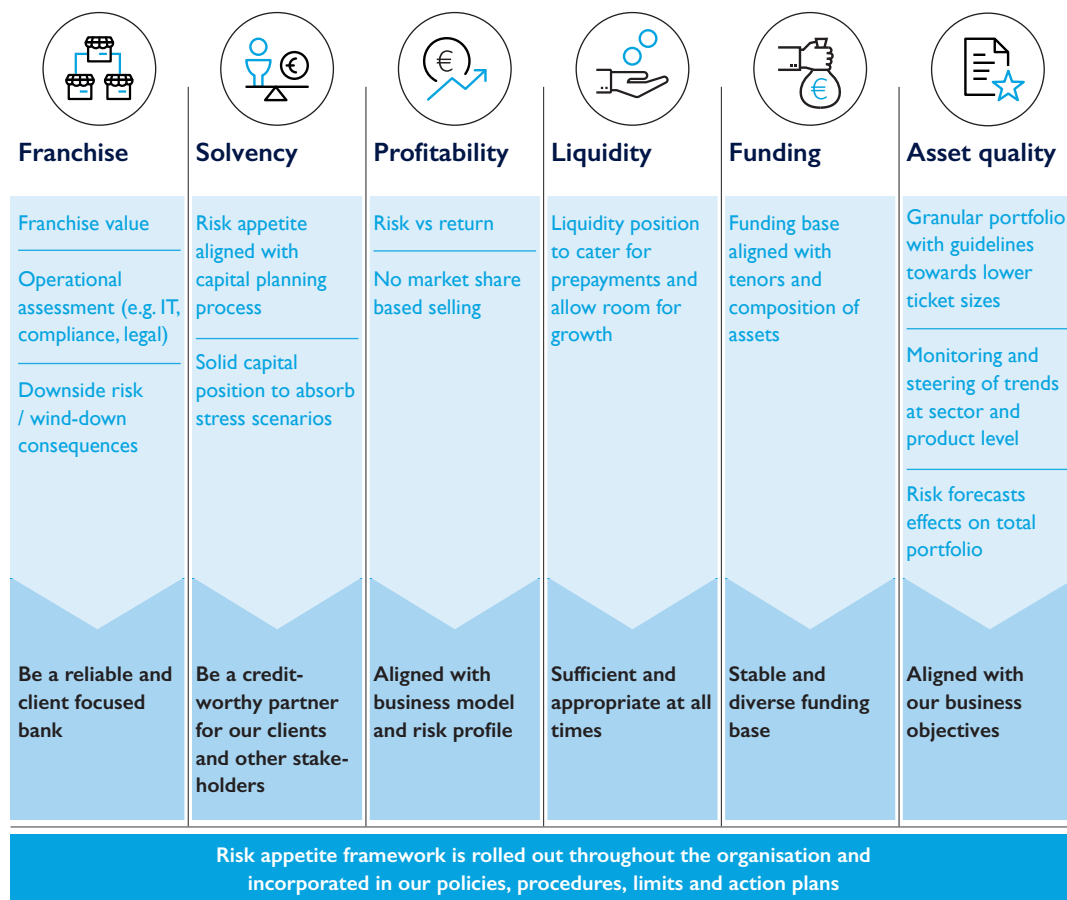
The primary risk management objective for NIBC is to ensure it takes only well-judged risks, while ensuring solid capital and liquidity positions. NIBC is primarily exposed to credit and investment risk in the course of its lending and investment operations, and seeks to manage its interest rate, market, currency, operational and liquidity risks. NIBC's risk appetite has been formalised in NIBC's risk appetite framework, which consists of a structured approach for managing the risks inherent in NIBC's business, taking into account NIBC's risk-bearing capacity and is subject to approval by the Supervisory Board. NIBC's risk management is fully integrated into its planning and control cycle and its day-to-day business activities at the operational level.

NIBC's risk appetite framework is comprised of six core values, or pillars:

- **Franchise:** it seeks to be a reliable and client-focused bank;
- **Solvency:** it seeks to be a creditworthy partner for its clients and other stakeholders;
- **Profitability:** its profitability is dependent on its business model and on maintaining its risk profile;
- **Liquidity:** it seeks to maintain sufficient and appropriate liquidity at all times;
- **Funding:** it seeks to maintain a stable and diverse funding base; and
- **Asset quality:** it seeks to align its asset quality with its business objectives.

NIBC measures its performance across these pillars by means of the quantitative and qualitative elements of its risk appetite framework. This framework helps NIBC to implement and execute its strategy for sustainable growth.

NIBC's risk appetite framework has been established across its organisation and incorporated in its policies, procedures, limits and action plans. NIBC has adopted certain key risk and performance indicators and other early warning signals that are used by NIBC's business units to monitor and control developments in key risk areas.



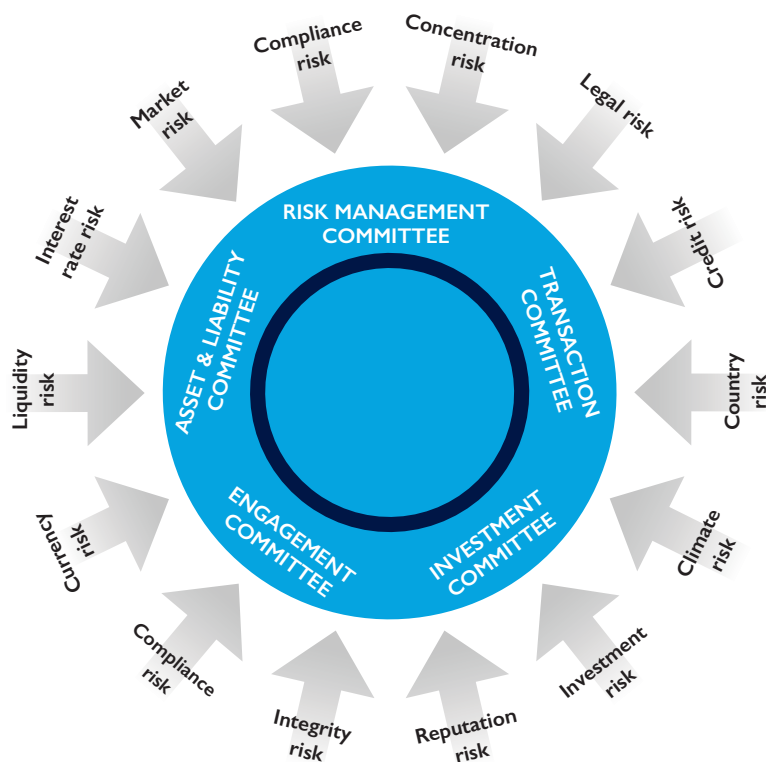
FRAMEWORK

NIBC relies on a 'three lines of defence' risk management governance model, which provides a structure to assign risk management activities and responsibilities at various levels throughout its organisation. Day-to-day responsibility for risk management is assigned to the front office and/or operational departments and constitutes the first line of defence. The risk control functions (consisting of Risk Management, Legal, Compliance & Regulatory Affairs and other functions) form the second line of defence and are responsible for initiating risk policy and supervision of risk control within NIBC. NIBC internal audit forms the third line and is responsible for, among other things, performing independent audits on the risk appetite framework.



To support effective decision-making, the Managing Board has delegated decision-making authority regarding key risk management focus areas to the following committees, each of which includes at least two Executive Committee members:

- The *Engagement Committee* (the **Engagement Committee**) is responsible for decision-making with regard to client engagement and conflicts of interest.
- The *Transaction Committee* (the **Transaction Committee**) is responsible for decision-making on senior debt transactions, lending and underwriting strategies, and impairments and write-offs.
- The *Investment Committee* (the **Investment Committee**) is responsible for decision-making on equity, mezzanine and subordinated debt transactions and impairments and revaluations, with a separate Strategic Investment Committee responsible for strategic investments.
- The *Risk Management Committee* (the **Risk Management Committee**) monitors NIBC's overall risk appetite and risk profile. It approves NIBC's risk management policies and methodologies, sets portfolio, sub-portfolio and concentration limits, sets programme lending limits for its retail client offering segment, oversees model validation and monitors model risk, monitors operational, IT, legal, compliance, regulatory and sustainability risks, approves new product approval requests and is responsible for monitoring compliance with NIBC's corporate social responsibility policy.
- The *Asset and Liability Committee* (the **Asset and Liability Committee**) sets and monitors economic capital and market risk limits, oversees liquidity management and manages NIBC's interest rate and currency risk exposures in its banking book.



The Supervisory Board supervises, monitors and advises the Managing Board on the risks inherent in NIBC's business activities, including the structure and operation of the internal risk management and control systems and compliance with legislation, regulations and NIBC's code of conduct. The Supervisory Board has set up two committees for this purpose: the *Risk Policy and Compliance Committee* (the **Risk Policy & Compliance Committee**) and the *Audit Committee* (**Audit Committee**). The Risk Policy & Compliance Committee advises the Supervisory Board on its responsibilities relating to NIBC's risk appetite, risk profile, risk management policies, as well as on compliance matters. It presents proposals and recommendations, at the request of the Managing Board or Supervisory Board, or otherwise in accordance with the mandates, on credit, market, investment, liquidity, operational and compliance/regulatory risks, and any other material risks NIBC is exposed to. The Audit Committee advises the Supervisory Board on financial reporting and internal and external audits. One of the elements of NIBC's risk framework is the application of thorough anti-money laundering, client due diligence and know-your-client procedures and policies. NIBC places particular emphasis on active client monitoring on an ongoing basis. Individual client officers are primarily responsible for the execution of client due diligence onboarding in accordance with NIBC's procedures; however, the day-to-day activities relating to onboarding have been outsourced to the KYC department, which is a separate department within the corporate client offering segment.

NIBC's risk management committees are supported by a robust risk management organisation, which focuses on the daily monitoring and management of the risks NIBC is exposed.

PORTFOLIO AND MAIN RISK TYPES

Within its risk management framework, NIBC identifies the following key risk categories: credit risk, investment risk, interest rate risk, market risk, currency risk, operational risk and liquidity risk. NIBC is

primarily exposed to credit and investment risk and seeks to manage other risk types in line with its business strategy. In addition, ensuring sufficient capital adequacy is a key focus area for NIBC.

The table below provides a breakdown of NIBC's primary risk exposures (representing both drawn and undrawn amounts) and the primary type of risk present in each of these portfolios for the periods indicated.

Overview of main risk types

In EUR millions	Main risk types	2017	2016
Corporate / investment loans		9,612	9,904
Corporate loans	Credit risk	9,393	9,658
Investment loans	Credit risk	220	246
Lease receivables	Credit risk	60	123
Residential mortgages	Credit risk	9,146	8,831
Equity investments	Investment risk	343	262
Debt investments		822	1,232
Debt from financial institutions and corporate entities	Credit risk / Market risk	324	459
Securitisations	Credit risk / Market risk	498	773
Cash management	Credit risk	2,021	1,371
Derivatives ¹	Credit risk / Market risk	1,021	1,817
Funding	Liquidity Risk	21,227	21,333
Capital (incl. Tier 2 as per Basel III)	Capital Adequacy Risk	2,327	2,155

¹ 2017 is based on a combination of netting and positive replacement values. 2016 is based on positive replacement values only.

CREDIT RISK

NIBC defines credit risk as the current or potential threat to NIBC's earnings and capital as a result of its counterparties' failure to make payments on time or to otherwise comply with its financial obligations to NIBC. Credit risk is present in NIBC's corporate loans, investment loans, lease receivables, residential mortgages, debt from financial institutions and corporate entities, securitisations, cash management and derivatives.

Within the corporate client offering, credit risk is monitored by and transaction proposals are reviewed and approved by the Transaction Committee and the Investment Committee, as applicable. Within NIBC's retail client offering, individual loan exposures that fall within NIBC's programme lending criteria are not subject to individual approval and credit review, and the credit risk of the overall portfolio, including portfolio and concentration limits, is monitored by the Risk Management Committee. The Risk Management Committee determines the programme lending criteria for the retail client offering and the business teams are authorised to originate retail mortgage loans and Buy-to-Let mortgage loans in compliance with those programme lending criteria.

Overview of credit risk exposures

in EUR millions	2017	2016
Corporate loans portfolio		
Commercial Real Estate	1,391	1,375
Food, Agri, Retail & Health	1,216	1,149
Industries & Manufacturing	1,730	1,514
Infrastructure & Renewables	1,626	1,618
Offshore Energy	934	1,233
Shipping & Intermodal	1,297	1,512
Telecom, Media, Technology & Services	1,198	1,257
Total corporate loan exposures	9,393	9,658
Investment loans portfolio		
Commercial Real Estate	22	20
Food, Agri, Retail & Health	98	116
Industries & Manufacturing	28	6
Infrastructure & Renewables	22	19
Offshore Energy	17	16
Shipping & Intermodal	-	-
Telecom, Media, Technology & Services	32	69
Total investment loan exposures	220	246
Retail loans portfolio		
Owner occupied Mortgage loans - Netherlands	8,476	8,376
Buy-to-Let Mortgage loans	617	371
Owner occupied Mortgage loans - Germany (closed book)	53	84
Total retail loan exposures	9,146	8,831
Debt investment portfolio		
Financial institutions & Corporate credits	324	459
Securitisations	498	773
Total debt investment exposures	822	1,232
Lease receivables exposure	60	123
Derivatives ¹	1,021	1,817
Cash Management	2,021	1,371
Total	22,682	23,278

¹ 2017 is based on a combination of netting and positive replacement values. 2016 is based on positive replacement values only.

Development of Credit Quality

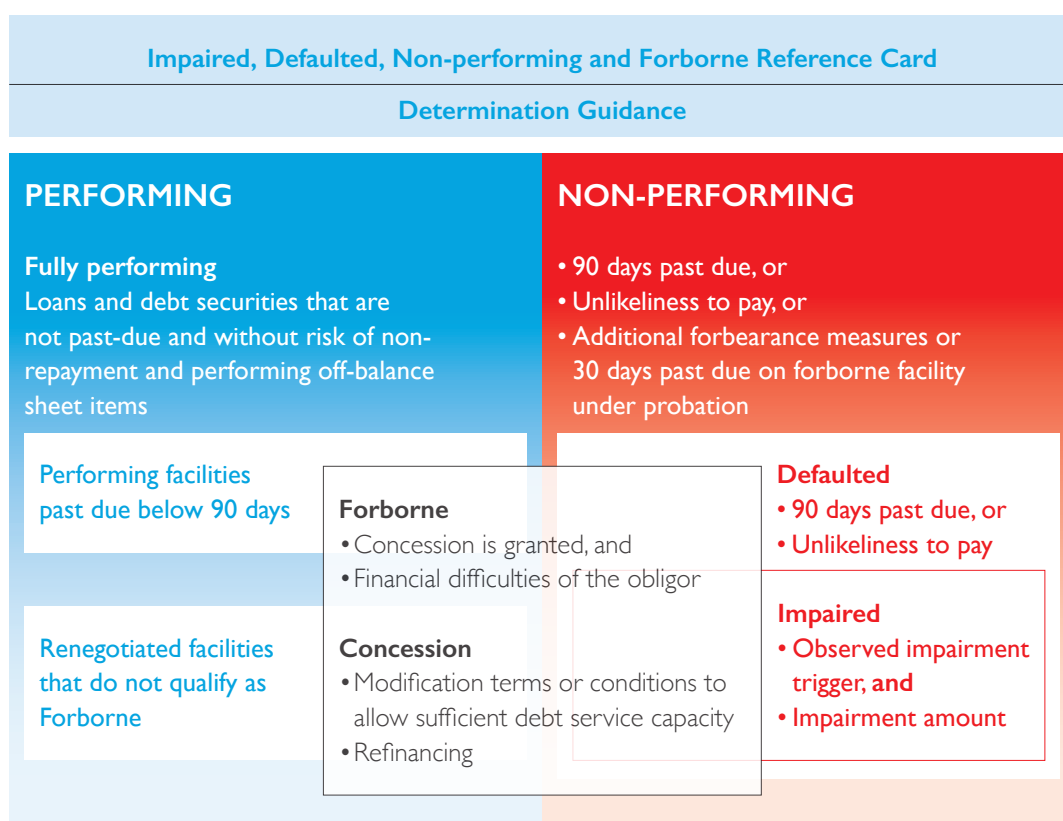
NIBC monitors the credit quality of its loan portfolio on an ongoing basis, which NIBC believes enables it to take prompt and proactive action to address potentially problematic exposures. NIBC applies different risk management procedures depending on how credit and counterparty exposures are categorised:

- **Non-performing exposure:** in line with the *European Banking Authority (EBA)* definition, a borrower or facility is considered non-performing if that particular borrower is in default or if a performing forbore facility is extended additional concessions or such forbore facility becomes more than 30 days past due. NIBC's non-performing portfolio contains the defaulted portfolio and forbore exposures that have been granted further concessions.
- **Forborne exposure:** in line with the EBA definition, a facility is considered to be forbore if the borrower is facing financial difficulties and NIBC grants a concession to the borrower in respect of that particular facility, including loans and debt securities. Concessions may only be granted on individual facilities and include modifications to the terms of a facility to allow the borrower sufficient debt service capacity to satisfy its obligations without defaulting, or the partial refinancing

of a particular facility. Due to the structured nature of NIBC's credit facilities, NIBC has historically been willing to grant its borrowers temporary financial concessions in the face of financial difficulties, which NIBC believes has resulted in NIBC having a larger forborne exposure portfolio than some of its peers.

- **Defaulted exposure:** in line with the CRR/CRD IV definition, NIBC considers a borrower to be in default when a credit review determines that the borrower is unlikely to pay its obligations in full or is more than 90 days past due on a material obligation. At that point the entire EAD of the borrower's outstanding facilities are classified as defaulted.
- **Impaired exposure:** in line with the IFRS definition, facilities are considered impaired if the Transaction Committee decides to take an impairment charge on a particular facility, at which point the entire EAD of that particular facility is classified as impaired.

The figure below presents an overview of NIBC's defaulted, impaired, non-performing and forborne exposure assessment methodology.



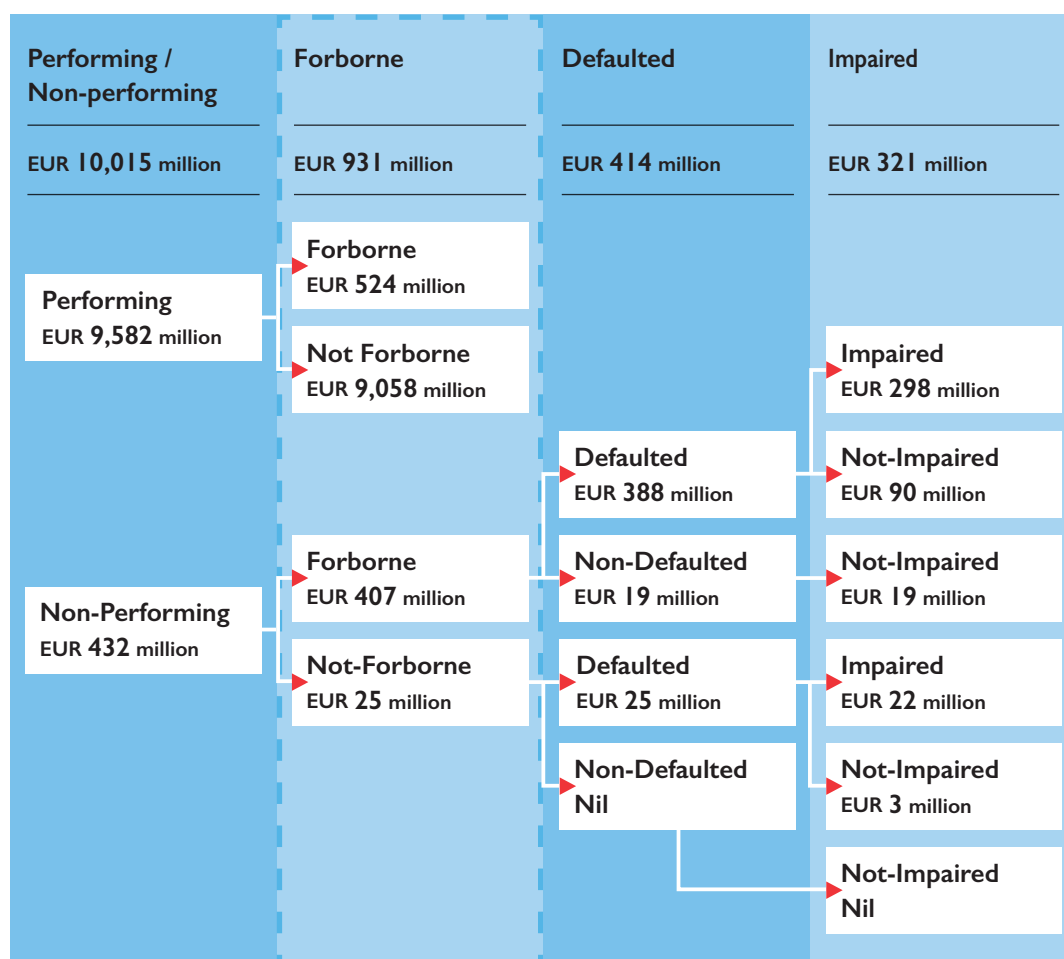
These exposure categories assist NIBC in identifying exposures that require additional attention. NIBC monitors certain early warning signals, including poor financial performance that has led to a request for a covenant waiver or other form of forbearance, in the case of corporate credit facilities, or the tenor of arrears, in the case of mortgage loans, which allow NIBC to identify and work with its clients to resolve credit issues early and avoid further deterioration of the relevant asset. The table below provides an overview of the corporate loans and Dutch residential mortgage loan exposures that are classified within one or more of the credit quality measures as at 31 December 2017 and 2016.

Overview of credit quality measures

	2017				2016			
	Corporate exposure	Retail exposure	Total exposure		Corporate exposure	Retail exposure	Total exposure	
	in EUR millions			%	in EUR millions			%
Defaulted exposure	414	42	456	2.4%	658	49	707	3.8
Impaired exposure	321	-	321	1.7%	629	-	629	3.4
Non-performing exposure	433	42	475	2.5%	658	49	707	3.8
Forborne exposure	931	41	972	5.2%	975	38	1,013	5.4

	2017			FY 2016		
	Non-performing exposure	Impaired exposure	Impairment coverage ratio ¹	Non-performing exposure	Impaired exposure	Impairment coverage ratio
	in EUR millions		%	in EUR millions		%
Corporate client exposures						
Commercial Real Estate	98	98	40%	363	363	21%
Food, Agri, Retail & Health	28	16	21%	30	30	55%
Industries & Manufacturing	6	6	54%	31	28	53%
Infrastructure & Renewables	51	51	29%	52	52	28%
Offshore Energy	173	92	54%	113	87	36%
Shipping & Intermodal	48	48	32%	58	58	48%
Telecom, Media, Technology & Services	28	9	29%	12	12	53%
Total corporate client exposures	433	321	40%	658	629	30%
Retail client exposures						
Residential mortgages	41	0	3%	49	-	-
Buy-to-let mortgages	0	-	-	-	-	-
Total retail client exposures	42	0	3%	49	-	-
Total exposures	474	321	40%	707	629	30%

¹ Impairment coverage ratio excludes IBNR amounts.



INVESTMENT RISK

Investment risk, as it relates to NIBC's equity investments, is the risk that the value of NIBC's investment will deteriorate. NIBC's investments include private equity, infrastructure equity and real estate equity investments, which can be divided into direct and indirect investments. Indirect investments are those made through *funds* (**NIBC Funds**) and direct investments are all other investments and consist of investments in private and listed common equity securities, preference shares, warrants and interests in funds managed by NIBC or by third parties over which NIBC does not exercise control.

NIBC's investment process is based on the following investment risk management principles:

- NIBC seeks to ensure that investment risk exposures are authorised independently from the business originators.
- NIBC performs systematic risk analysis of the investment, with a view to identifying, measuring, and evaluating all risks.
- NIBC embeds 'know your customer' principles, corporate social responsibility and customer due diligence as integral parts of the overall investment process.

Management of investment exposures

Direct equity investments and commitments to third-party funds are required to be approved by the Investment Committee, while indirect investments are approved by the investment committees of the relevant NIBC Funds, subject to the investment guidelines stipulated in the agreements between the

manager of the NIBC Fund and investors. NIBC's equity investment portfolio generally consists of illiquid investments. As the size of NIBC's investment portfolio is limited, NIBC assesses concentration risk for each individual asset before the investment is made, as well as the market, sector and geographical exposure profiles. All investment exposures are reviewed by the investment manager on a quarterly basis, and the results are reported and approved by the Investment Committee. The investment manager drafts a review document and prepares a valuation of the investment in accordance with the *International Private Equity and Venture Capital Valuation Guidelines* (Edition December 2015) and IAS 39. All valuations are approved by the Investment Committee and Risk Management. The exit strategy for each particular investment is reviewed and updated in each quarterly review. Divestment proposals for direct investments are submitted for approval to the Investment Committee while divestment proposals for indirect investments are submitted for approval to the investment committee of the relevant NIBC Fund.

Composition of investment exposure

The following table presents the total amounts and the breakdown of the equity investments portfolio by industry sector and geographic region. NIBC's off-balance commitments amounted to EUR 12 million at year-end 2017 (2016: EUR 19 million).

Breakdown of equity investments per sector

in EUR millions	2017	2016
Commercial Real Estate	39	19
Food, Agri, Retail & Health	57	13
Industries & Manufacturing	16	14
Infrastructure & Renewables	129	116
Offshore Energy	3	-
Shipping & Intermodal	-	-
Telecom, Media, Technology & Services	98	101
Total	343	262

Breakdown of equity investments per region

in EUR millions	2017	2016
The Netherlands	268	200
Germany	10	-
United Kingdom	24	15
Rest of Europe	4	6
North America	37	42
Total	343	262

INTEREST RATE RISK

Interest rate risk refers to the sensitivity of NIBC's interest income and/or market value to adverse interest rate movements. When interest rates rise or fall, interest cash flows and/or their present value also change. Movements in interest rates can therefore have a major impact on both interest income and NIBC's market value.

NIBC defines *interest rate risk in the banking book (IRRBB)* as the risk of losses from interest rate sensitive positions in non-trading activities due to movements in interest rates. IRRBB is measured and monitored by the risk management function. NIBC has developed an IRRBB framework, which is used to measure and monitor IRRBB from both an economic value perspective (impact on economic

value) and from an earnings perspective (impact on net interest income). Any significant breach of IRRBB limits is required to be reported to the *chief risk officer (CRO)* immediately.

To monitor the impact on economic value, NIBC calculates interest *basis point value (BPV)* and interest *value at risk (VaR)* measures on a daily basis and for review by the market risk department.

To monitor the impact on net interest income, NIBC uses a combination of static and dynamic (changes to the current portfolio composition) analyses. The dynamic analyses consider NIBC's strategy by modelling the development of the balance sheet in line with NIBC's business plan and taking into account both refinancing and reinvestments. *Earnings at risk (EatR)* are calculated as the 12-month earnings impact due to a 200 bps gradual upwards or downwards interest rate shift per currency.

As part of NIBC's interest rate risk analysis, NIBC considers a set of possible scenarios, including scenarios intended as stress testing and vulnerability identification, based on historical events and on possible future events.

NIBC accepts a certain economic value risk exposure in its mismatch book to stabilise earnings, referred to as the strategic mismatch exposure. Without the strategic mismatch exposure, NIBC would hedge all of its interest bearing assets to three-month EURIBOR/LIBOR, leading to NIBC's non-interest bearing capital effectively financing very short-term assets and the interest return on NIBC's non-interest bearing capital fluctuating with these short-term rates earned on those assets. The mismatch book exclusively contains swaps in EUR, USD and/or GBP. Apart from the mismatch book, interest rate risk is also present in the remaining banking book: liquidity portfolio, collateral portfolio, debt investments portfolio, mortgages book and corporate treasury book. The liquidity portfolio, collateral portfolio and debt investments portfolio consist mostly of investments in financial institutions and securitisations, while the corporate treasury book contains mainly the funding and the corporate loans of the bank. The mortgage loan book consists of the 'old' (white label) mortgage loan portfolio and the closed German residential mortgage loans accounted on fair value and mortgages originating under the NIBC Direct label accounted on amortised cost.

MARKET RISK

Market risk is the risk of loss as a result of changes in market variables, including interest rates, exchange rates and share prices, as well as other variables that are not directly observable, such as volatilities and correlations. NIBC defines market risk as:

- The risk of losses in the trading book arising from adverse movements in market rates;
- The risk of losses in the banking book from NIBC's credit spread risk position and equity positions (exclusively non-tradable securities);
- The risk of losses in both the banking and trading book from adverse movements in foreign currencies.

In the trading book, excluding NIBC Markets, NIBC takes short-term positions in the EUR, GBP and USD yield curves. The limits for the trading book are moderate and are monitored on a daily basis and reported to the Asset and Liability Committee on a bi-weekly basis. NIBC's policy is not to take any active currency positions. When currency positions exceed small facilitating limits, NIBC's policy is to enter into hedging transactions. NIBC's overall open foreign currency position was EUR 3 million as at 31 December 2017 (2016: EUR 18 million).

The predominant market risk drivers for NIBC are interest rate risk (in the trading book only) and credit spread risk (in both the trading and banking books). The capital requirement for market risk is based on internal models for the trading book, excluding NIBC Markets, and on the Standardised Approach for NIBC Markets. The capital requirement for the overall foreign currency position of the bank is calculated in accordance with the Standardised Approach.

The objectives of the market risk function are to measure, report and limit the market risk of NIBC in accordance with NIBC's market risk framework. NIBC has defined interest rate risk, credit spread risk and traded equity risk limits and monitors their positions on a daily basis, reporting to the Asset and Liability Committee once every two weeks. The risk management and control function is independent of any trading activities. Any significant breach of market risk limits is required to be reported to the CRO for immediate action. Market risk analyses all 'overshootings' (i.e. occasions where either the hypothetical or actual profit and loss account exceeds the VaR) in the trading book and reports them to both the CRO and the DNB in accordance with Article 366 point 5 of the CRR.

NIBC uses multiple risk metrics to monitor and manage market risk. These include interest BPV, credit BPV, interest VaR and credit VaR. These metrics are calculated on a daily basis and are reviewed by the market risk department.

In addition to the VaR, NIBC has developed a number of stress tests. These stress tests consist of both historical events and potential extreme market conditions. Market risk stress tests are conducted and reported regularly, both at portfolio level and on a consolidated basis.

CURRENCY RISK

NIBC manages its overall currency position based on the currency positions in the monthly balance sheets. The main exposures in foreign currencies for NIBC are USD, GBP and JPY. NIBC uses matched funding and other measures to apply its policy of not taking any currency positions. Any currency position open at month-end as a result of movements in the fair value of assets or liabilities or interest income in foreign currencies is typically hedged by entering into foreign exchange rate spot transactions.

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error, fraud, or external events including legal risk, compliance risk and reputational risk.

NIBC's operational risk management function monitors and controls operational risk, develops policies and processes to manage operational risk and provides methodology and tools. These tools enable NIBC to assess whether the operational risk profile of NIBC fits within its operational risk appetite and provide an integrated view of the operational risk and control self-assessments performed by all business units and countries, action planning, and event and loss registration and support the constant process of evaluating and reducing operational risk, and planning mitigation measures. Furthermore, the operational risk department also coordinates the development of forward-looking scenario analysis and supports business continuity and information security.

LIQUIDITY RISK

Liquidity risk is an entity's inability to fund its assets and meet its obligations as they become due, at an acceptable cost. In order to maintain an adequate liquidity position, NIBC has developed a comprehensive liquidity management framework, which it reviews on an annual basis. In recent years, new regulatory requirements have influenced NIBC's liquidity policies. NIBC aims to be an early adopter of such regulatory developments.

NIBC monitors its liquidity position on an ongoing basis. The funding profile is analysed by aggregating all assets and liabilities based on their maturities. NIBC prepares and presents several liquidity stress tests to the Asset and Liability Committee once every two weeks. The stress tests are amongst others based on projections prepared by the business units, the current asset and liability maturity profiles and a liquidity stress policy, which is reviewed by the Asset and Liability Committee on a yearly basis.

CAPITAL ADEQUACY

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

As in previous years, NIBC is solidly capitalised at 31 December 2017, displayed by our solid regulatory ratios. The fully-loaded Common Equity Tier 1 ratio stood at 21.4% (Common Equity Tier 1 ratio 31 December 2016: 16.8%); the Tier 1 ratio at 23.7% (31 December 2016: 16.8%); and the Total Capital / BIS ratio at 27.2% (31 December 2016: 21.3%). These are well above the minimum capital requirements imposed by the CRR/CRD IV, which require a minimum Tier 1 ratio of 6% and a minimum Total Capital / BIS ratio of 8%, excluding capital buffers. The ratios increased compared to 2016 because of increase in the Common Equity Tier 1 capital and substantial decrease in Risk Weighted Assets (RWA). Of the total capital requirement, 88% relates to credit risk, 9% to operational risk, 2% to market risk and 1% credit value adjustment. The following table shows the summary of capital ratios and RWA for NIBC. The increase in 2017 of RWAs relating to operational risk is based on the calculation by means of the standardised approach and mainly reflects the improved profitability of NIBC.

NIBC (fully loaded) capital ratios, CCR / CRD IV

	2017 ^I	2016 ^I
Capital ratios (in %)		
Common equity Tier 1 ratio	21.4%	16.8%
Tier 1 ratio	23.7%	16.8%
Total capital / BIS ratio	27.2%	21.3%
Risk weighted assets (in EUR millions)		
Credit risk	7,587	9,299
Market risk	130	203
Operational risk	747	482
Credit value adjustment	83	125
Total risk weighted assets	8,546	10,109

^I Based on CRR / CRD IV standards.

Economic capital

In addition to regulatory capital, NIBC also calculates *Economic Capital (EC)*. EC is the amount of capital that NIBC needs as a buffer against potential losses from business activities, based on its own assessment of risks. It differs from Basel's regulatory capital, as NIBC assesses the specific risk characteristics of its business activities in a different manner than the required regulatory method. At NIBC, EC is based on a one-year risk horizon with a 99.9% confidence level. This confidence level means that there is a probability of 0.1% that losses in a period of one year will be larger than the allocated EC.

CONDENSED CONSOLIDATED FINANCIAL REPORT NIBC BANK N.V.

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CONSOLIDATED INCOME STATEMENT

for the years ended 31 December

in EUR millions

	2017	2016
Interest and similar income	548	547
Interest expense and similar charges	182	241
Net interest income	366	306
Fee and commission income	54	32
Fee and commission expense	-	-
Net fee and commission income	54	32
Investment income	67	23
Net trading income	25	12
Other operating income	-	22
Operating income	512	395
Personnel expenses and share-based payments	109	101
Other operating expenses	95	80
Depreciation and amortisation	5	7
Regulatory charges and levies	14	15
Operating expenses	223	203
Impairments of financial assets	34	70
Impairments of non-financial assets	-	2
Total expenses	257	275
Profit before tax	255	120
Tax	42	18
Profit after tax	213	102
Attributable to:		
Shareholder of the company	210	102
Holders of capital securities	3	-
Non-controlling interests	-	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December

	2017			2016		
	Before tax	Tax charge/(credit)	After tax	Before tax	Tax charge/(credit)	After tax
in EUR millions						
Profit for the year	255	42	213	120	18	102
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Revaluation of property, plant and equipment	2	-	2	-	-	-
Revaluation of own credit risk	(67)	(16)	(51)	(16)	(4)	(12)
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss						
Net result on hedging instruments	(18)	(5)	(13)	(8)	(2)	(6)
Available-for-sale financial assets:						
Revaluation of loans and receivables	(4)	(1)	(3)	4	1	3
Revaluation of equity investments	(1)	-	(1)	(4)	(1)	(3)
Revaluation of debt investments	6	1	5	(1)	-	(1)
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-
Total other comprehensive income	(82)	(21)	(61)	(25)	(6)	(19)
Total comprehensive income	173	21	152	95	12	83
Total comprehensive income attributable to:						
Shareholder of the company	170	21	149	95	12	83
Holders of capital securities	3	-	3	-	-	-
Non-controlling interests	-	-	-	-	-	-
Total comprehensive income	173	21	152	95	12	83

CONDENSED CONSOLIDATED BALANCE SHEET**as at 31 December**

in EUR millions

	2017	2016
Assets		
Financial assets at amortised cost		
Cash and balances with central banks	1,604	918
Due from other banks	962	1,428
Loans and receivables		
Loans	7,749	8,269
Residential mortgages own book	4,412	3,346
Debt investments	59	287
Financial assets available-for-sale		
Loans on group companies	-	24
Equity investments	36	41
Debt investments	823	1,028
Financial assets at fair value through profit or loss (including trading)		
Loans	181	210
Residential mortgages own book	4,581	4,124
Securitised residential mortgages	338	1,550
Equity investments (including investments in associates)	287	204
Debt investments	31	60
Derivative financial assets	1,021	1,817
Other		
Investments in associates and joint ventures (equity method)	10	7
Property, plant and equipment	44	44
Current tax	1	-
Deferred tax	8	-
Other assets	62	223
Total assets	22,209	23,580

as at 31 December

in EUR millions

	2017	2016
Liabilities and equity		
Financial liabilities at amortised cost		
Due to other banks	1,835	1,290
Deposits from customers	11,535	11,827
Own debt securities in issue	4,392	3,855
Debt securities in issue related to securitised mortgages and lease receivables	267	1,337
Financial liabilities at fair value through profit or loss (including trading)		
Own debt securities in issue	38	37
Debt securities in issue structured	616	620
Derivative financial liabilities	863	2,006
Other		
Other liabilities	111	235
Current tax	1	-
Deferred tax	4	3
Employee benefits	3	3
Subordinated liabilities		
Amortised cost	115	122
Fair value through profit or loss	167	276
Total liabilities	19,947	21,611
Equity		
Equity attributable to shareholder of the company	2,059	1,969
Capital securities	203	-
Equity attributable to non-controlling interests	-	-
Total equity	2,262	1,969
Total liabilities and equity	22,209	23,580

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

in EUR millions	Attributable to:			Total equity
	Shareholder of the company	Capital securities ¹	Non-control-ling interests	
Balance at 1 January 2017	1,969		-	1,969
Total comprehensive income for the period ended 31 December 2017	149	3	-	152
Issue of capital securities	-	200	-	200
Cost of capital securities	(2)	-	-	(2)
Paid interest on capital securities	-	-	-	-
Other	(1)	-	-	(1)
Final and interim dividend paid	(56)	-	-	(56)
Balance at 31 December 2017	2,059	203	-	2,262

¹ Capital securities of EUR 200 million consists of EUR 200 million notional amount and EUR 3 million profit attributable to capital securities. At reporting date there is no obligation to pay the profit attributable to capital securities holders.

in EUR millions	Attributable to:			Total equity
	Shareholder of the company	Capital securities	Non-control-ling interests	
Balance at 1 January 2016	1,886	-	-	1,886
Total comprehensive income for the period ended 31 December 2016	83	-	-	83
Balance at 31 December 2016	1,969	-	-	1,969

Available distributable amount as at 31 December

in EUR millions	2017
Shareholder's equity ¹	2,062
Share capital	(80)
Legal reserves	(297)
Available distribution amount	1,685

¹ Excluding capital securities and non-controlling interests but including profit attributable to capital securities.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

in EUR millions	2017	2016
Cash flows from operating activities	1,201	(19)
Cash flows from investing activities	(73)	(24)
Cash flows from financing activities	(559)	(5)
Net increase/(decrease) in cash and cash equivalents	569	(48)
Cash and cash equivalents at 1 January	1,175	1,223
Net increase/(decrease) in cash and cash equivalents	569	(48)
Cash and cash equivalents at 31 December	1,744	1,175
Reconciliation of cash and cash equivalents:		
Cash and balances with central banks (maturity three months or less)	1,410	777
Due from other banks (maturity three months or less)	334	398
	1,744	1,175
Supplementary disclosure of operating cash flow information:		
Interest paid	179	256
Interest received	585	541

CONSOLIDATED FINANCIAL INFORMATION

Introduction

The consolidated financial information for the year 2017 consists of:

- NIBC Bank N.V.;
- NIBC Holding N.V. (the parent company of NIBC Bank N.V.).

For practical purposes NIBC Bank N.V. and NIBC Holding N.V. are both named as NIBC (unless stated otherwise) in this section.

These consolidated financial information 2017 based upon IFRS-EU is unaudited.

Basis of preparation

The accompanying consolidated financial information has been prepared in conformity with *International Financial Reporting Standards as adopted by the European Union (IFRS-EU)* as issued by the *International Accounting Standards Board (IASB)*. In preparing the financial information, except as described otherwise, the same accounting principles are applied as in NIBC's Annual Report 2016, which is available on www.nibc.com. Further disclosures, as required under IFRS-EU in annual reports and interim reporting (IAS 34), are not included in the consolidated financial information.

The financial statements for 2017 are in progress and may be subject to adjustments from subsequent events. All amounts are presented in euro (**EUR**) and rounded to the nearest million unless otherwise stated.

Small differences are possible in the tables due to rounding.

Changes in accounting policies in 2017

Changes in IFRS-EU

A number of new or revised standards, amendments or interpretations became effective in 2017. These new or revised standards, amendments or interpretations do not have any (significant) impact on the financial position at 31 December 2017 and financial performance of NIBC for the year 2017.

Upcoming changes after 2017

Upcoming significant changes relating to new accounting standards, amendments and/or interpretations issued by the IASB and endorsed by the EU, but not yet effective are discussed below. The new accounting standards, amendments and interpretations are required to be applied as from 1 January 2018 or later on.

IFRS 9 'Financial instruments'

As from 1 January 2018, the current IFRS standard for financial instruments (IAS 39) will be replaced by IFRS 9. Changes contain three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting. As from 1 January 2016, NIBC has already early adopted the own credit requirements introduced by IFRS 9 in isolation. The own credit requirements entail changes in the fair value attributable to changes in credit risk of the financial liabilities designated at *Fair Value through Profit or Lose (FVTPL)* to be recognised in *Other Comprehensive Income (OCI)*.

Classification and measurement of financial instruments

In 2017 the business model blueprint has been finalised, which was used to determine the classification under IFRS 9. Following the determination of business models, transactions to be recognised at amortised cost have been reviewed to ensure the contractual cash flow characteristics meet the requirement to solely consist of payments of principal and interest (SPPI). The detailed analysis of the cash flow characteristics of all relevant financial assets and liabilities has been finalised. The business model selection and SPPI test have been performed on groups of assets that have a set of similar characteristics resulting in a homogenous population. Process adjustments to ensure an adequate governance and ongoing compliance with IFRS 9 have been identified and embedded.

Impact

Except for the reclassification effect of residential mortgages designated at FVTPL to amortised cost, NIBC notes there is a limited impact on equity related to changes in classification. The reclassification effect of residential mortgages designated at FVTPL to amortised cost is EUR 321 million, which is the result of revoking the previous fair value designation and consequently is equal to the fair value of the relevant residential mortgages designated at FVTPL as per 31 December 2017. The impact was primarily driven by market interest rates as these have had a material impact on the fair value development of the portfolio. The reclassification effect on the regulatory capital leads to a decrease of the fully loaded CET 1 ratio of both NIBC Bank and NIBC Holding of 3.6%-points at 1 January 2018.

Impairment of financial assets

Key decisions with respect to staging triggers and incorporation of forward looking information to measure *expected credit losses* (ECL) remain as described in NIBC's Annual report 2016. These include quantitative and qualitative methods to determine significant increase in credit risk which can differ per type of financial asset. Examples of used triggers are increase of lifetime PD since initial recognition, days past due, forbore, watch list and other internal and external rating methods.

The implementation of the aforementioned key decisions into ECL models and risk management processes have been completed in 2017. All relevant ECL models have been validated by a third party. Furthermore risk and finance processes and systems have been adjusted to support the required ECL-calculations, administrative processing and reporting. In 2018 NIBC will continue to refine and further improve all related processes.

Impact

Based on ECL calculations NIBC considers the increase in the total level of impairment allowance to be moderate, but not significant. The transition to IFRS 9 leads to a decrease of the fully loaded CET 1 ratio of both NIBC Bank and NIBC Holding of 0.4%-points at 1 January 2018. Following the transition to IFRS 9, a more volatile impairment charge is expected on the back of macroeconomic predictions.

With the introduction of IFRS 9, NIBC will no longer report *incurred but not reported* (IBNR) impairment losses. This will partially offset the impact of ECL impairment allowances.

Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 after 1 January 2018. NIBC decided to continue applying IAS 39 for hedge accounting including the application of the EU carve out.

Reporting

IFRS 9 introduces expanded disclosure requirements and changes in presentation. These will change the nature and extent of NIBC's disclosures about its financial instruments particularly in the year of the application of the new standard.

Overall transition impact

The overall initial application effect of IFRS 9 on the fully loaded CET 1 capital ratio is a decrease of 4.0%-points for NIBC Bank and NIBC Holding, but will not lead to a breach of the minimum SREP level requirements. This is the result of a total impact on regulatory capital of EUR 0.3 billion.

The information provided in this note is focused upon material items, consequently it does not represent a complete list of expected adjustments.

IFRS 15 'Revenue from Contracts with Customers' (IFRS 15)

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. Based upon NIBC's analysis IFRS 15 will not have a significant impact.

Consolidated financial information

The consolidated financial information on the following pages for NIBC Bank N.V. and NIBC Holding N.V. comprises:

- Consolidated income statement;
- Consolidated statement of comprehensive income;
- Condensed consolidated balance sheet;
- Condensed consolidated statement of changes in shareholder's equity;
- Condensed consolidated cashflow statement; and
- Segment report .

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

I Segment report

Segment information is presented in this condensed consolidated financial report on the same basis as used for internal management reporting within NIBC Bank. Segment reporting puts forth a presentation of the segment results based on management reporting methods and a reconciliation between the results of the operating segments and the consolidated financial statements. The Managing Board is the Group's chief operating decision-maker.

Operating segments

Taking into account the changes, the operating segments are as follows:

Corporate client offering

Corporate client offering provides advice and debt, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany and the UK. Sectors in which we are active include Commercial Real Estate, Food, Agriculture, Retail & Health, Infrastructure & Renewables, Industries & Manufacturing, Telecom, Media, Technology & Services. Furthermore, we are active in two global sectors in which we have longstanding expertise: Offshore Energy and Shipping & Intermodal. This segment also includes NIBC Markets.

Retail client offering

Retail client offering offers savings products and mortgages to consumers who are seeking to actively manage their financial objectives. Savings products are offered in the Netherlands, Germany and Belgium, and mortgages are offered in the Netherlands. We also offer brokerage services in Germany under our label 'NIBC Direct.'

Treasury and Group Functions

Treasury and Group Functions includes the bank's treasury function, asset and liability management, risk management and the bank's Corporate Centre which includes HR & Corporate Communications, Internal Audit, Legal & Compliance, Sustainability, Operations & Facilities, Technology, Finance, Tax & Strategy. A substantial part of the operating expenses as well as the full time equivalents of Group Functions are allocated to corporate and retail client offering.

No operating segments have been aggregated to form the above-mentioned segments. Transfer prices between operating segments are at an arm's length basis in a manner similar to transactions with third parties.

Certain financial assets and liabilities are not allocated to corporate and retail client offering as they are managed on a group basis. These financial assets and liabilities are held within the segment Treasury and Group Functions and mainly comprise cash, debt investments, derivative assets and liabilities as well as majority of the bank's funding. As the assets of corporate and retail client offering are largely funded internally with transfer pricing, majority of the bank's external funding is held within Treasury and Group Functions.

Inter-segment income and expenses are eliminated on consolidation level.

Reconciliation with consolidated income statement

The accounting policies of the segments are the same as those described in our Accounting Policies section as reported in NIBC's Annual Report 2016, with the exception of the following adjustment.

NIBC operates in four geographical locations namely the Netherlands, Germany, the UK and Belgium. Special items: The gains and losses that do not arise in the ordinary course of business have been excluded as 'special items.' In 2016, these include the goodwill from acquisition of NIBC Markets of EUR 22 million, EUR 18 million after tax credit loss on resolving pre-crisis retail exposure, EUR 6 million after tax one-off expenses related to the outsourcing of our technical IT-environment and also to the alignment of the NIBC Markets franchise to our business model as well as the further development of this franchise. There are no special items reported in 2017.

NIBC operates in four geographical locations namely the Netherlands, Germany, the UK and Belgium. The income and expenses incurred at each location are provided.

The following table presents the Segment report comprising of a summary of our internal management report and the reconciliation to the consolidated results under IFRS for the years ended 31 December 2017 and 31 December 2016.

in EUR millions	For the year ended 31 December 2017					
	Corporate client offering	Retail client offering	Treasury & Group functions	Internal management report	Reconciliation	Total consolidated financial report)
Net interest income	204	127	35	366	-	366
Net fee and commission income	50	4	0	54	-	54
Investment income	66	-	1	67	-	67
Net trading income	37	(2)	(10)	24	-	25
Other operating income	0	0	0	0	-	-
Operating income	357	130	25	512	-	512
Regulatory charges and levies	-	9	5	14	-	14
Other operating expenses ¹	121	54	34	209	-	209
Operating expenses	121	63	39	223	-	223
Impairments of financial assets	34	0	0	34	-	34
Profit before tax	201	67	(13)	255	-	255
Tax	35	16	(10)	42	-	42
Profit after tax	166	50	(4)	213	-	213
Result attributable to non-controlling interests	0	0	0	0	-	-
Net profit before special items	166	50	(4)	213	-	213
Special items net of tax	-	-	-	-	-	-
Net profit attributable to:	166	50	(4)	213	-	213
Shareholder of the company						210
Holders of Capital securities						3
Non-controlling interests						-
Total FTEs	461	126	79	666	-	666
EC Usage (start of the year)	1,154	363	138	1,656		1,656
Available capital (start of the year)				1,944		1,944
ROE (SBU based on EC Usage)	14.4%	13.9%	-4.8%	12.7%		12.7%
ROE (on available capital)				10.8%		10.8%
Cost/income ratio	34%	48%		44%		44%
Segment assets	8,308	9,095	4,806	22,209	-	22,209
Risk weighted assets	6,516	1,158	872	8,546	-	8,546

¹ Other operating expenses includes all operating expenses except regulatory charges and levies.

in EUR millions	For the year ended 31 December 2017				Total
	The Netherlands	Germany	United Kingdom	Belgium	
Operating income	449	48	10	5	512
Operating expenses	179	30	11	3	223
Impairments & other	34	0	0	-	34
Profit before tax	236	17	0	2	255
Tax	35	6	0	1	42
Profit after tax	201	11	0	1	213
FTEs	552	78	31	5	666

in EUR millions	For the year ended 31 December 2016					
	Corporate client offering	Retail client offering	Treasury & Group functions	Internal management report	Reconciliation	Total consolidated financial report)
Net interest income	162	117	27	306	-	306
Net fee and commission income	32	0	(1)	32	-	32
Investment income	33	-	(2)	31	(8)	23
Net trading income	16	(4)	(1)	12	-	12
Other operating income	0	0	1	0	22	22
Operating income	244	114	24	381	14	395
Regulatory charges and levies	-	10	5	15	-	15
Other operating expenses ¹	118	47	15	180	9	188
Operating expenses	118	57	20	194	9	203
Impairments of financial assets	57	1	0	57	14	72
Profit before tax	69	56	4	129	(9)	120
Tax	12	14	0	25	(7)	18
Profit after tax	58	42	4	104	(2)	102
Result attributable to non-controlling interests	0	0	0	0	-	0
Net profit before special items	58	42	4	104	(2)	102
Special items net of tax	(18)	-	16	(2)	-	-
Net profit attributable to:	39	42	20	102	-	102
Shareholder of the company						102
Holders of capital securities						-
Non-controlling interests						-
Total FTEs	508	122	74	704	-	704
EC Usage (start of the year)	1,084	334	107	1,525	-	1,525
Available capital (start of the year)				1,886	-	1,886
ROE (SBU based on EC Usage)	5.3%	12.7%	3.8%	6.8%		6.7%
ROE (on available capital)				5.5%		5.4%
Cost/income ratio	48%	50%		51%		51%
Segment assets	8,880	8,831	5,869	23,580	-	23,580
Risk weighted assets	7,861	1,284	964	10,109	-	10,109

¹ Other operating expenses includes all operating expenses except regulatory charges and levies.

in EUR millions	For the year ended 31 December 2016				Total
	The Netherlands	Germany	United Kingdom	Belgium	
Operating income	320	48	21	6	395
Operating expenses	156	31	12	4	203
Impairments & other	71	1	0	-	72
Profit before tax	93	15	9	2	120
Tax	11	5	2	1	18
Profit after tax	82	11	7	2	102
FTEs	579	87	34	5	704

SUPPLEMENTARY FINANCIAL REPORT NIBC HOLDING N.V.

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CONSOLIDATED INCOME STATEMENT

for the years ended 31 December

in EUR millions

	2017	2016
Interest and similar income	534	539
Interest expense and similar charges	192	246
Net interest income	342	293
Fee and commission income	54	32
Fee and commission expense	-	-
Net fee and commission income	54	32
Investment income	67	23
Net trading income	98	34
Other operating income	(2)	31
Operating income	559	413
Personnel expenses and share-based payments	111	102
Other operating expenses	102	82
Depreciation and amortisation	6	7
Regulatory charges and levies	14	15
Operating expenses	233	206
Impairments of financial assets	56	82
Impairments of non-financial assets	-	2
Total expenses	289	290
Profit before tax	270	123
Tax	54	19
Profit after tax	216	104
Attributable to:		
Shareholders of the company	213	104
Holders of capital securities (non-controlling interest)	3	-
Other non-controlling interests	-	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December

in EUR millions	2017			2016		
	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
Profit for the year	270	54	216	123	19	104
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Revaluation of property, plant and equipment	2	-	2	-	-	-
Revaluation of own credit risk	(67)	(16)	(51)	(16)	(4)	(12)
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss						
Net result on hedging instruments	(18)	(5)	(13)	(8)	(2)	(6)
Available-for-sale financial assets:						
Revaluation of equity investments	(1)	-	(1)	(4)	(1)	(3)
Revaluation of debt investments	6	1	5	(1)	-	(1)
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-
Total other comprehensive income	(78)	(20)	(58)	(29)	(7)	(22)
Total comprehensive income	192	34	158	94	12	82
Total comprehensive income attributable to:						
Shareholders of the company	189	34	155	91	12	79
Holders of capital securities (non-controlling interest)	3	-	3	-	-	-
Other non-controlling interests	-	-	-	3	-	3
Total comprehensive income	192	34	158	94	12	82

CONDENSED CONSOLIDATED BALANCE SHEET**as at 31 December**

in EUR millions

	2017	2016
Assets		
Financial assets at amortised cost		
Cash and balances with central banks	1,604	918
Due from other banks	965	1,468
Loans and receivables		
Loans	7,473	7,844
Residential mortgages own book	4,412	3,346
Debt investments	59	287
Financial assets available-for-sale		
Equity investments	36	41
Debt investments	823	1,028
Financial assets at fair value through profit or loss (including trading)		
Loans	181	210
Residential mortgages own book	4,581	4,124
Securitised residential mortgages	338	1,550
Equity investments (including investments in associates)	287	204
Debt investments	31	60
Derivative financial assets	1,021	1,811
Other		
Investments in associates and joint ventures (equity method)	10	7
Intangible assets	3	3
Property, plant and equipment	62	50
Investment property	-	271
Current tax	1	-
Deferred tax	38	46
Other assets	62	227
Assets of disposal group classified as held for sale	161	-
Total assets	22,148	23,495

as at 31 December

in EUR millions

	2017	2016
Liabilities and equity		
Financial liabilities at amortised cost		
Due to other banks	1,834	1,290
Deposits from customers	11,510	11,802
Own debt securities in issue	4,392	3,855
Debt securities in issue related to securitised mortgages and lease receivables	267	1,337
Financial liabilities at fair value through profit or loss (including trading)		
Borrowings	-	49
Own debt securities in issue	38	37
Debt securities in issue structured	616	620
Derivative financial liabilities	863	2,006
Other		
Other liabilities	113	275
Current tax	1	-
Deferred tax	4	3
Employee benefits	3	3
Liabilities of disposal group classified as held for sale	104	-
Subordinated liabilities		
Amortised cost	115	122
Fair value through profit or loss	167	276
Total liabilities	20,027	21,675
Equity		
Equity attributable to shareholders of the company	1,915	1,817
Capital securities (non-controlling interests)	203	-
Equity attributable to other non-controlling interests	3	3
Total equity	2,121	1,820
Total liabilities and equity	22,148	23,495

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in EUR millions	Attributable to:			Total equity
	Shareholders of the company	Capital securities ¹	Other non-controlling interests	
Balance at 1 January 2017	1,817	-	3	1,820
Total comprehensive income for the period ended 31 December 2017	155	3	-	158
Issue of capital securities	-	200	-	200
Cost of capital securities	(2)	-	-	(2)
Paid coupon on capital securities	-	-	-	-
Other	1	-	-	1
Final and interim dividend paid	(56)	-	-	(56)
Balance at 31 December 2017	1,915	203	3	2,121

¹ Capital securities of EUR 200 million consists of EUR 200 million notional amount and EUR 3 million profit attributable to capital securities. At reporting date there is no obligation to pay the profit attributable to capital securities holders.

in EUR millions	Attributable to:			Total equity
	Shareholders of the company	Capital securities	Other non-controlling interests	
Balance at 1 January 2016	1,735	-	-	1,735
Total comprehensive income for the period ended 31 December 2016	82	-	-	82
Other	-	-	3	3
Balance at 31 December 2016	1,817	-	3	1,820

Available distributable amount as at 31 December

in EUR millions	2017
Shareholders equity ¹	1,918
Share capital	(148)
Legal reserves	(297)
Available distribution amount	1,473

¹ Excluding capital securities and non-controlling interests but including profit attributable to capital securities.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

in EUR millions	2017	2016
Cash flows from operating activities	1,225	30
Cash flows from investing activities	(85)	(27)
Cash flows from financing activities	(608)	(34)
Net increase / (decrease) in cash and cash equivalents	532	(31)
Cash and cash equivalents at 1 january	1,215	1,246
Net increase/(decrease) in cash and cash equivalents	532	(31)
Cash and cash equivalents at 31 december	1,747	1,215
Reconciliation of cash and cash equivalents:		
Cash and balances with central banks (maturity three months or less)	1,410	777
Due from other banks (maturity three months or less)	337	438
	1,747	1,215
Supplementary disclosure of operating cash flow information:		
Interest paid	192	260
Interest received	572	534

NOTES TO THE SUPPLEMENTARY FINANCIAL REPORT

I Segment report

Segment information is presented in this supplementary financial report on the same basis as used for internal management reporting within NIBC Holding. Segment reporting puts forth a presentation of the segment results based on management reporting methods and a reconciliation between the results of the operating segments and the consolidated financial statements. The Managing Board is the Group's chief operating decision-maker.

Operating segments

Taking into account the changes, the operating segments are as follows:

Corporate client offering

Corporate client offering provides advice and debt, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany and the UK. Sectors in which we are active include Commercial Real Estate, Food, Agriculture, Retail & Health, Infrastructure & Renewables, Industries & Manufacturing, Telecom, Media, Technology & Services. Furthermore, we are active in two global sectors in which we have longstanding expertise: Offshore Energy and Shipping & Intermodal. This segment also includes NIBC Markets.

Retail client offering

Retail client offering offers savings products and mortgages to consumers who are seeking to actively manage their financial objectives. Savings products are offered in the Netherlands, Germany and Belgium, and mortgages are offered in the Netherlands. We also offer brokerage services in Germany under our label 'NIBC Direct.'

Treasury and Group Functions

Treasury and Group Functions includes the bank's treasury function, asset and liability management, risk management and the bank's Corporate Centre which includes HR & Corporate Communications, Internal Audit, Legal & Compliance, Sustainability, Operations & Facilities, Technology, and Finance, Tax & Strategy. A substantial part of the operating expenses as well as the full time equivalents of Group Functions are allocated to corporate and retail client offering.

No operating segments have been aggregated to form the above-mentioned segments. Transfer prices between operating segments are at an arm's length basis in a manner similar to transactions with third parties.

Certain financial assets and liabilities are not allocated to corporate and retail client offering as they are managed on a group basis. These financial assets and liabilities are held within the segment Treasury and Group Functions and mainly comprise cash, debt investments, derivative assets and liabilities as well as majority of the holding's funding. As the assets of corporate and retail client offering are largely funded internally with transfer pricing, majority of NIBC Holding's external funding is held within Treasury and Group Functions.

Inter-segment income and expenses are eliminated on consolidation level.

Reconciliation with consolidated income statement

The accounting policies of the segments are the same as those described in our Accounting Policies section as reported in NIBC Holding's Annual Report 2016, with the exception of the following two adjustments.

Special items: The gains and losses that do not arise in the ordinary course of business have been excluded as 'special items.' In 2016, these include the goodwill from acquisition of NIBC Markets of EUR 22 million after tax, EUR 18 million after tax credit loss on resolving pre-crisis retail exposure, EUR 6 million after tax one-off expenses related to the outsourcing of our technical IT-environment and also to the alignment of the NIBC Markets franchise to our business model as well as the further development of this franchise. There are no special items reported in 2017.

NIBC Holding operates in four geographical locations namely the Netherlands, Germany, the UK and Belgium. The income and expenses incurred at each location are provided.

The following table presents the Segment report comprising of a summary of our internal management report and the reconciliation to the consolidated results under IFRS for the years ended 31 December 2017 and 31 December 2016

For the year ended 31 December 2017								
in EUR millions	Corporate client offering	Retail client offering	Treasury & Group functions	Internal management report	Reconciliation	Total Bank (consolidated financial report)	Holding items	Total Holding supplementary financial report)
Net interest income	204	127	35	366	-	366	(24)	342
Net fee and commission income	50	4	0	54	-	54	0	54
Investment income	66	-	1	67	-	67	0	67
Net trading income	37	(2)	(10)	25	-	25	74	98
Other operating income	0	0	0	0	-	0	(3)	(2)
Operating income	357	130	25	512	-	512	47	559
Regulatory charges and levies	-	9	5	14	-	14		14
Other operating expenses ¹	121	54	34	209	-	209	10	219
Operating expenses	121	63	39	223	-	223	10	233
Impairments of financial assets	34	0	0	34	-	34	21	56
Profit before tax	201	67	(13)	255	-	255	16	270
Tax	35	16	(10)	42		42	12	54
Profit after tax	166	50	(4)	213	-	213	4	216
Result attributable to non-controlling interests	0	0	0	0	-	-	0	0
Net profit attributable to:	166	50	(4)	213	-	213	3	216
Shareholders of the company						210		213
Holders of capital securities (non-controlling interests)						3		3
Other non-controlling interests						-		-
Total FTEs	461	126	79	666	-	666	23	689
EC Usage (start of the year)	1,154	363	138	1,656		1,656		1,656
Available capital (start of the year)				1,944		1,944		1,792
ROE (SBU based on EC Usage)	14.4%	13.9%	-4.8%	12.7%		12.7%		12.9%
ROE (on available capital)				10.8%		10.8%		11.9%
Cost/income ratio	34%	48%		44%		44%		42%
Segment assets	8,308	9,095	4,806	22,209	-	22,209	(61)	22,148
Risk-weighted assets	6,516	1,158	872	8,546	-	8,546	38	8,584

¹ Other operating expenses includes all operating expenses except regulatory charges and levies.

in EUR millions	For the year ended 31 December 2017				Total
	The Netherlands	Germany	United Kingdom	Belgium	
Operating income	490	54	10	5	559
Operating expenses	189	30	11	3	233
Impairments & other	55	0	0	-	56
Profit before tax	245	23	0	2	270
Tax	46	6	0	1	54
Profit after tax	199	17	0	1	216
FTEs	574	78	31	5	689

For the year ended 31 December 2016								
in EUR millions	Corporate client offering	Retail client offering	Treasury & Group functions	Internal management report	Reconciliation	Total Bank (consolidated financial report)	Holding items	Total Holding supplementary financial report)
Net interest income	162	117	27	306	-	306	(14)	293
Net fee and commission income	32	0	(1)	32	-	32	-	32
Investment income	33	-	(2)	31	(8)	23	-	23
Net trading income	16	(4)	(1)	12	-	12	22	34
Other operating income	0	0	1	0	22	22	9	31
Operating income	244	114	24	381	14	395	17	413
Regulatory charges and levies	-	10	5	15	-	15	-	15
Other operating expenses ¹	118	47	15	180	9	188	3	191
Operating expenses	118	57	20	194	9	203	3	206
Impairments of financial assets	57	1	0	57	14	72	12	84
Profit before tax	69	56	4	129	(9)	120	3	123
Tax	12	14	0	25	(7)	18	1	19
Profit after tax	58	42	4	104	(2)	102	2	104
Result attributable to non-controlling interests	0	0	0	0	-	-	-	-
Profit before special items	58	42	4	104	(2)	102	2	104
Special items net of tax	(18)	-	16	(2)	-	-	-	-
Profit attributable to:	39	42	20	102	-	102	2	104
Shareholders of the company						102		104
Holders of capital securities (non-controlling interests)						-		-
Other non-controlling interests						-		-
Total FTEs	508	122	74	704	-	704	12	716
EC Usage (start of the year)	1,084	334	107	1,525		1,525		1,525
Available capital (start of the year)				1,886		1,886		1,735
ROE (SBU based on EC Usage)	5.3%	12.7%	3.8%	6.8%		6.7%		6.8%
ROE (on available capital)				5.5%		5.4%		6.0%
Cost/income ratio	48%	50%		51%		51%		50%
Segment assets	8,880	8,831	5,869	23,580	-	23,580	(85)	23,485
Risk-weighted assets (end of year)	7,861	1,284	964	10,109	-	10,109	(178)	9,930

¹ Other operating expenses includes all operating expenses except regulatory charges and levies.

in EUR millions	For the year ended 31 December 2016				Total
	The Netherlands	Germany	United Kingdom	Belgium	
Operating income	338	48	21	6	413
Operating expenses	159	31	12	4	206
Impairments & other	83	1	0	-	84
Profit before tax	96	15	9	2	123
Tax	12	5	2	1	19
Profit after tax	85	11	7	2	104
FTEs	591	87	34	5	716

ALTERNATIVE PERFORMANCE MEASURES

NIBC uses, throughout its financial publications, alternative performance measures ("**APMs**") in addition to the figures that are prepared in accordance with the International Financial Reporting Standards ("**IFRS**"), Capital Requirements Regulation ("**CRR**") and Capital Requirements Directive ("**CRD IV**"). NIBC uses APMs to provide additional information to investors and to enhance the understanding of the results. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to IFRS, CRR and CRD IV. All measures that are covered by IFRS, CRR and CRD IV are not considered to be APMs.

NIBC uses the following APMs:

- Dividend payout ratio, %
- Cost/income ratio, %
- Return on equity, %
- Cost of risk, %
- Impairment ratio, %
- NPL ratio, %
- Impairment coverage ratio, %
- Loan-to-deposit ratio, %
- Net interest margin, %

Investors should consider that similarly titled APMs reported by other companies may be calculated differently. For that reason, the comparability of APMs across companies might be limited. In accordance with the guidelines of the European Securities and Markets Authority (ESMA), the following information is given in regards to the above mentioned alternative performance measures:

1. Definition of the APM
2. Reconciliation of the APM to the most directly reconcilable line item, subtotal or total presented in the financial statements

NIBC's most recent financial publications at any time are available online at <https://www.nibc.com/investor-relations/>.

DIVIDEND PAYOUT RATIO

The dividend payout ratio is the fraction of net income for a period to be paid to NIBC's shareholders in dividends. It provides meaningful information on the portion of NIBC's profit that is distributed to its shareholders. The elements of the dividend payout ratio reconcile to the income statement of NIBC.

$$\text{Dividend payout ratio} = \frac{\text{Dividend payout}}{\text{Profit after tax}}$$

Dividend payout ratio	2017	2016	2015	2014
Dividend payout 2017	96			
Profit after tax 2017	210			
Dividend payout ratio 2017	45			
Dividend payout 2016 (page 36 annual report NIBC Bank N.V. Holding)		25		
Profit after tax 2016 (page 58 annual report NIBC Bank N.V. Holding)		102		
Dividend payout ratio 2016		25		
Dividend payout 2015 (N.A.)			N.a.	
Profit after tax 2015 (page 84 annual report NIBC Bank N.V. Holding)			71	
Dividend payout ratio 2015			N.a.	
Dividend payout 2014 (N.A.)				N.a.
Profit after tax 2014 (page 64 annual report NIBC Bank N.V. Holding)				24
Dividend payout ratio 2014				N.a.

COST/INCOME RATIO

The cost/income ratio displays operating expenses as a percentage of operating income. The concept provides meaningful information on NIBC's operating efficiency. Cost/income ratio is calculated as the ratio (i) operating expenses before special items and (ii) operating income before special items. The elements of the cost/income ratio reconcile to the income statement of NIBC.

$$\text{Cost/Income ratio} = \frac{\text{Operating expenses}}{\text{Operating income}}$$

Cost/Income ratio	2017	2016	2015	2014
Operating expenses 2017	223			
Operating income 2017	512			
Cost/Income ratio 2017	44			
Operating expenses 2016 (page 157 annual report NIBC Bank N.V.)		194		
Operating income 2016 (page 157 annual report NIBC Bank N.V.)		381		
Cost/Income ratio 2016		51		
Operating expenses 2015 (page 124 annual report NIBC Bank N.V.)			176	
Operating income 2015 (page 124 annual report NIBC Bank N.V.)			316	
Cost/Income ratio 2015¹			56	
Operating expenses 2014 (comparative figures page 124 annual report NIBC Bank N.V.)				155
Operating income 2014 (comparative figures page 124 annual report NIBC Bank N.V.)				295
Cost/Income ratio 2014¹				53

¹ Regulatory charges and levies should be incorporated in operating expenses in 2015 (also included in 2017 and 2016 operating expenses) for calculation of Cost-to-income ratio. One-off SNS levy (18 mln) is excluded in 2014

RETURN ON EQUITY

Return on equity measures net profit in relation to the book value of shareholder's equity. It provides meaningful information on the performance of Issuer's business, as well as on NIBC's ability to generate income from the equity available to it. Return on equity is calculated as the ratio of (i) annualised net profit attributable to parent shareholder to (ii) total shareholder's equity at the start of the financial year. All elements of the return on equity reconcile to NIBC's consolidated financial statement.

$$\text{Return on equity} = \frac{\text{Annualised net profit attributable to parent shareholder}}{\text{Total shareholder's equity at start of the financial year}}$$

Return on equity	2017	2016	2015	2014
Annualised net profit attributable to parent shareholder	210			
Total shareholder's equity at the start of financial year	1,941			
Return on equity 2017	10.8			
Annualised net profit attributable to parent shareholder (page 108 annual report NIBC Bank N.V.)		102		
Total shareholder's equity at the start of financial year (page 111 annual report NIBC Bank N.V.)		1886		
Return on equity 2016		5.4		
Annualised net profit attributable to parent shareholder (page 84 annual report NIBC Bank N.V.)			71	
Total shareholder's equity at the start of financial year (page 87 annual report NIBC Bank N.V.)			1831	
Return on equity 2015			3.9	
Annualised net profit attributable to parent shareholder (page 64 annual report NIBC Bank N.V.)				24
Total shareholder's equity at the start of financial year (page 67 annual report NIBC Bank N.V.)				1789
Return on equity 2014				1.3

COST OF RISK

The cost of risk compares the total credit losses included in the income statement to the total risk weighted assets. This measure provides meaningful information on Issuer's performance in managing credit losses. The cost of risk is calculated as the ratio of (i) the sum of annualized impairments and the credit losses on the fair value residential mortgages and loans (as part of the net trading income) and to (ii) the total risk weighted assets averaged over the reporting period. With the exception of the credit losses on the fair value residential mortgages and loans, the elements of the cost of risk reconcile to our financial statements and regulatory reporting. The credit losses on the fair value residential mortgages are calculated in accordance with the applicable financial reporting framework and form part of the net trading income.

$$\text{Cost of Risk} = \frac{\text{Annualised impairments and the credit losses on fair value residential mortgages and loans (as part of net trading income)}}{\text{Average risk weighted assets (Basel III regulations)}}$$

Cost of risk	2017	2016	2015	2014
Annualised impairments	34			
Annualised credit losses FVTPL Mortgages	2			
Total annualised impairments and credit losses on fair value residential mortgages 2017	36			
Risk-weighted assets 2017	8,546			
Risk-weighted assets 2016	10,109			
Average risk-weighted assets 2017	9,328			
Cost of risk 2017	0.38			
Annualised impairments (page 32 annual report NIBC Bank N.V.)		58		
Annualised credit losses FVTPL Mortgages and AQR (page 32 annual report NIBC Bank N.V.)		4		
Total annualised impairments and credit losses on fair value residential mortgages 2016		62		
Risk-weighted assets 2016 (page 8 annual report NIBC Bank N.V.)		10,109		
Risk-weighted assets 2015 (page 8 annual report NIBC Bank N.V.)		10,162		
Average risk-weighted assets 2016		10,136		
Cost of risk 2016		0.60		
Annualised impairments (page 137 Condensed interim financial report bank)			63	
Annualised credit losses FVTPL Mortgages and AQR (page 32 annual report NIBC Bank N.V. 2016)			8	
Total annualised impairments and credit losses on fair value residential mortgages 2015			71	
Risk-weighted assets 2015 (page 5 annual report NIBC Bank N.V.)			10,162	
Risk-weighted assets 2014 (page 5 annual report NIBC Bank N.V.)			9,646	
Average risk-weighted assets 2015			9,904	
Cost of risk 2015			0.71	
Annualised impairments (page 117 annual report NIBC Bank N.V.)				93
Annualised credit losses FVTPL Mortgages and AQR (page 32 annual report NIBC Bank N.V. 2016)				12
Total annualised impairments and credit losses on fair value residential mortgages 2014				105
Risk-weighted assets 2014 (page 5 annual report NIBC Bank N.V.)				9,646
Risk-weighted assets 2013 (page 5 annual report NIBC Bank N.V.)				8,405
Average risk-weighted assets 2014				9,026
Cost of risk 2014				1.16

IMPAIRMENT RATIO

The impairment ratio compares impairments included in the income statement on corporate and retail loans to the carrying value of these loans. The measure provides meaningful information on NIBC's performance in managing credit losses arising from its business. The impairment ratio is calculated as the ratio of (i) the annualised impairment expenses to (ii) the average loans and residential mortgages. All elements of the impairment ratio reconcile to NIBC's income statement and the consolidated balance sheet.

$$\text{Impairment ratio} = \frac{\text{Annualised impairment expenses including AQR}}{\text{Average financial assets regarding loans and residential mortgages}}$$

Impairment ratio	2017	2016	2015	2014
Annualised impairments including AQR	34			
Average financial assets at amortised cost: loans	8,009			
Average financial assets at amortised cost: residential mortgages	3,879			
Average financial assets at available for sale: loans	12			
Average financial assets at fair value through profit or loss: loans	196			
Average financial assets at fair value through profit or loss: residential mortgages own book	4,353			
Average financial assets at fair value through profit or loss: securitised residential mortgages	944			
Average financial assets regarding loans and residential mortgages (total)	17,392			
Impairment ratio 2017	0.20			
Annualised impairments including AQR (page 32 annual report NIBC Bank N.V.) ¹		58		
Average financial assets at amortised cost: loans (page 110 annual report NIBC Bank N.V.)		7,969		
Average financial assets at amortised cost: residential mortgages (page 110 annual report NIBC Bank N.V.)		2,868		
Average financial assets at available for sale: loans (page 110 annual report NIBC Bank N.V.)		21		
Average financial assets at fair value through profit or loss: loans (page 110 annual report NIBC Bank N.V.)		263		
Average financial assets at fair value through profit or loss: residential mortgages own book (page 110 annual report NIBC Bank N.V.)		4,118		
Average financial assets at fair value through profit or loss: securitised residential mortgages (page 110 annual report NIBC Bank N.V.)		1,908		
Average financial assets regarding loans and residential mortgages (total)		17,146		
Impairment ratio 2016		0.34		
Annualised impairments including AQR (page 137 annual report NIBC Bank N.V.)			63	
Average financial assets at amortised cost: loans (page 86 annual report NIBC Bank N.V.)			7,447	
Average financial assets at amortised cost: residential mortgages (page 86 annual report NIBC Bank N.V.)			1,734	
Average financial assets at available for sale: loans (page 86 annual report NIBC Bank N.V.)			9	
Average financial assets at fair value through profit or loss: loans (page 86 annual report NIBC Bank N.V.)			345	
Average financial assets at fair value through profit or loss: residential mortgages own book (page 86 annual report NIBC Bank N.V.)			3,648	
Average financial assets at fair value through profit or loss: securitised residential mortgages (page 86 annual report NIBC Bank N.V.)			2,937	
Average financial assets regarding loans and residential mortgages (total)			16,120	
Impairment ratio 2015			0.39	
Annualised impairments including AQR (page 117 annual report NIBC Bank N.V.)				93
Average financial assets at amortised cost: loans (page 66 annual report NIBC Bank N.V.)				6,706
Average financial assets at amortised cost: residential mortgages (page 66 annual report NIBC Bank N.V.)				588
Average financial assets at available for sale: loans (page 66 annual report NIBC Bank N.V.)				0
Average financial assets at fair value through profit or loss: loans (page 66 annual report NIBC Bank N.V.)				427
Average financial assets at fair value through profit or loss: residential mortgages own book (page 66 annual report NIBC Bank N.V.)				3,464
Average financial assets at fair value through profit or loss: securitised residential mortgages (page 66 annual report NIBC Bank N.V.)				3,758
Average financial assets regarding loans and residential mortgages (total)				14,943
Impairment ratio 2014				0.63

¹ Impairments 2016 excludes EUR 14 million, which was part the EUR 18 million after tax loss on resolving pre-crisis exposure, that was reported in special items

NPL RATIO

The non-performing loans ("**NPL**") ratio compares the non-performing exposure (as defined by the European Banking Authority) of corporate and retail loans to the total exposure of these loans. The measure provides meaningful information on the credit quality of NIBC's assets. The ratio is calculated by dividing the total of non-performing exposure for both corporate loans and residential mortgages by the total exposure for corporate loans and residential mortgages. The elements of the NPL ratio reconcile to the consolidated financial statements and the regulatory reporting of NIBC.

$$\text{NPL ratio} = \frac{\text{Non performing exposure (corporate and residential mortgages)}}{\text{Total exposure (corporate loans and residential mortgages)}}$$

NPL ratio	2017	2016	2015	2014
Non performing exposure corporate loans 2017	433			
Non performing exposure residential mortgages 2017	42			
Non performing exposure 2017	475			
Total corporate loans drawn and undrawn 2017	9,612			
Total retail client assets 2017	9,147			
Total exposure 2017	18,759			
NPL ratio 2017	2.5			
Non performing exposure corporate loan and residential mortgages 2016 (page 93 annual report NIBC Bank N.V.) ¹		707		
Total corporate loans drawn and undrawn 2016 (page 8 annual report NIBC Bank N.V.) ¹		9,904		
Total retail banking assets 2016 (page 8 annual report NIBC Bank N.V.)		8,831		
Total exposure 2016		18,735		
NPL ratio 2016*		3.8*		
Non performing exposure corporate loan and residential mortgages 2015 (page 74 annual report NIBC Bank N.V.)			656	
Total corporate loans drawn and undrawn 2015 (page 4 annual report NIBC Bank N.V.) ¹			9,358	
Total consumer banking assets 2015 (page 5 annual report NIBC Bank N.V.)			8,580	
Total exposure 2015			17,938	
NPL ratio 2015			3.7	
Non performing exposure 2014 (page 52 annual report NIBC Bank N.V.) ¹				586
Total corporate loans drawn and undrawn 2014 (page 4 annual report NIBC Bank N.V.) ¹				8,943
Total consumer banking assets 2014 (page 5 annual report NIBC Bank N.V.)				8,058
Total exposure 2016				17,001
NPL ratio 2014				3.4

¹ Figures changed compared to the published figures due to the inclusion of investment management loans as part of corporate loans exposure.

IMPAIRMENT COVERAGE RATIO

The impairment coverage ratio compares impaired amounts on corporate and retail exposures to the total corporate and retail exposures, providing meaningful information on the residual risk related to NIBC's impaired assets. The ratio is calculated by dividing the total impairments on corporate and retail loans by the total exposure of impaired corporate and retail loans. The elements of the impaired coverage ratio reconcile to NIBC's consolidated financial statements.

$$\text{Impairment coverage ratio} = \frac{\text{Total impairments on corporate and retail loans}}{\text{Total exposure of impaired corporate and retail loans}}$$

Impairment coverage ratio	2017	2016	2015	2014
Balance impairment losses on loans	147			
Total impaired exposure 2017	321			
Impairment coverage ratio 2017	46			
Balance impairment losses on loans 2016 (page 173 annual report NIBC Bank N.V.) ¹		206		
Total impaired exposure 2016 (page 93 annual report NIBC Bank N.V.) ¹		629		
Impairment coverage ratio 2016²		33		
Balance impairment losses on loans 2015 (page 173 annual report NIBC Bank N.V. 2016) ¹			173	
Total impaired exposure 2015 (page 74 annual report NIBC Bank N.V.) ¹			507	
Impairment coverage ratio 2015²			34	
Balance impairment losses on loans 2014 (page 173 annual report NIBC Bank N.V. 2016) ¹				171
Total impaired exposure 2014 (page 52 annual report NIBC Bank N.V.) ¹				459
Impairment coverage ratio 2014¹				37

¹ Figures changed compared to the published figures due to the inclusion of investment management loans as part of corporate loans exposure.

² In 2016 the impairment balance 2015 was restated including calculation of the impairment coverage ratio. Comparative numbers (ending balance 2015 and ending balance 2014) reflect the numbers used in this calculation.

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio compares NIBC's loans to customers to its deposits from customers. It provides meaningful information on Issuer's funding and liquidity position. The loan-to-deposit ratio is calculated by dividing the total loans and residential mortgages by the deposits from customers. The elements of the loan-to-deposit ratio reconcile to NIBC's balance sheet.

$$\text{Loan to deposit ratio} = \frac{\text{Financial assets regarding loans and residential mortgages}}{\text{Deposits from customers}}$$

Loan to deposit ratio	2017	2016	2015	2014
Financial assets at amortised cost: loans	7,749			
Financial assets at amortised cost: residential mortgages	4,412			
Financial assets at available for sale: loans	0			
Financial assets at fair value through profit or loss: loans	181			
Financial assets at fair value through profit or loss: residential mortgages own book	4,581			
Financial assets at fair value through profit or loss: securitised residential mortgages	338			
Financial assets regarding loans and residential mortgages (total)	17,261			
Deposits from customers	11,535			
Loan to deposit ratio 2017	150			
Financial assets at amortised cost: loans (page 110 annual report NIBC Bank N.V.)		8,269		
Financial assets at amortised cost: residential mortgages (page 110 annual report NIBC Bank N.V.)		3,346		
Financial assets at available for sale: loans (page 110 annual report NIBC Bank N.V.)		24		
Financial assets at fair value through profit or loss: loans (page 110 annual report NIBC Bank N.V.)		210		
Financial assets at fair value through profit or loss: residential mortgages own book (page 110 annual report NIBC Bank N.V.)		4,124		
Financial assets at fair value through profit or loss: securitised residential mortgages (page 110 annual report NIBC Bank N.V.)		1,550		
Financial assets regarding loans and residential mortgages (total)		17,523		
Deposits from customers (page 111 Condensed interim financial report bank)		11,827		
Loan to deposit ratio 2016		148		
Financial assets at amortised cost: loans (page 86 annual report NIBC Bank N.V.)			7,668	
Financial assets at amortised cost: residential mortgages (page 86 annual report NIBC Bank N.V.)			2,390	
Financial assets at available for sale: loans (page 86 annual report NIBC Bank N.V.)			18	
Financial assets at fair value through profit or loss: loans (page 86 annual report NIBC Bank N.V.)			316	
Financial assets at fair value through profit or loss: residential mortgages own book (page 86 annual report NIBC Bank N.V.)			3,954	
Financial assets at fair value through profit or loss: securitised residential mortgages (page 86 annual report NIBC Bank N.V.)			2,236	
Financial assets regarding loans and residential mortgages (total)			16,582	
Deposits from customers (page 87 Condensed interim financial report bank)			11,586	
Loan to deposit ratio 2015			143	
Financial assets at amortised cost: loans (page 66 annual report NIBC Bank N.V.)				7,226
Financial assets at amortised cost: residential mortgages (page 66 annual report NIBC Bank N.V.)				1,078
Financial assets at available for sale: loans (page 66 annual report NIBC Bank N.V.)				0
Financial assets at fair value through profit or loss: loans (page 66 annual report NIBC Bank N.V.)				374
Financial assets at fair value through profit or loss: residential mortgages own book (page 66 annual report NIBC Bank N.V.)				3,342
Financial assets at fair value through profit or loss: securitised residential mortgages (page 66 annual report NIBC Bank N.V.)				3,638
Financial assets regarding loans and residential mortgages (total)				15,658
Deposits from customers (page 61 Condensed interim financial report bank)				10,182
Loan to deposit ratio 2014				154

NET INTEREST MARGIN

The net interest margin is a measure to display the difference between interest income and the amount of interest paid out to lenders, relative to the amount of interest-earning assets. It is similar to the gross margin (or gross profit margin) of non-financial companies and provides meaningful information on the contribution of Issuer's business to its operating income. It is calculated as the ratio of (i) the net interest income from the last 12 months and (ii) the 12 months moving average interest bearing assets. Interest bearing assets equal the total assets from the consolidated balance

sheet excluding equity investments, derivatives, investments in associates, property, plant and equipment and other assets. The net interest income reconciles to the income statement of NIBC. The average interest bearing assets cannot be directly reconciled with the financial publications of NIBC as the monthly figures are not disclosed, however the monthly figures are prepared in accordance with the applicable financial reporting framework.

Since the denominator of the net interest margin calculation is subject to volatility in the balance, a moving average provides more reliable information on the underlying developments. The moving average however does not tie back to disclosed balances. For reference purposes, the following table shows the calculation method and the comparative outcome for 2017 when the net interest margin is calculated on ending balances instead of moving averages.

$$\text{Net interest margin} = \frac{\text{Sum net interest income last 12 Months}}{\text{12 Months average interest bearing assets}}$$

Net interest margin	2017	2016	2015	2014
Sum interest income last 12 Months 2017	366			
12 Month average interest bearing assets	21,652			
Net interest margin 2017	1.69			
<i>Net interest margin 2017 on balance sheet end date average instead of 12 Month average</i>	<i>1.72</i>			
Net interest margin 2016		1.44		
Net interest margin 2015			1.37	
Net interest margin 2014				1.28

DISCLAIMER

Cautionary statement regarding forward-looking statements

Certain statements in this Condensed Year Report 2017 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', 'objective' 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 Condensed Year Report 2017, 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 Condensed Year Report 2017, 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.

Disclaimer

The financial information included in the Condensed Year Report 2017 has not been reviewed or audited by the Independent Auditor of the company and may be subject to adjustments from subsequent events. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.

