NIBC ANNUAL REPORT
2010

NIBC

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Letter from the CEO

Last year, we celebrated our 65th anniversary: an occasion both to reflect on how we have evolved over the decades and to consider what has not changed. Ever since we were founded to finance the Dutch enterprises that helped rebuild the country after World War Two, we have been a dynamic, entrepreneurial banking partner to our clients.

That enterprising, can-do mindset - what we call our 'yes' mentality - characterises NIBC to this day. It shone out from the landmark deals we did in 2010, such as advising Sun European Partners in its high-profile acquisition of the V&D department store chain, or our financing and advisory role in Oranjewoud's takeover of Strukton Groep - the largest transaction in the Dutch construction sector since 2005. These are, of course, just two examples out of many.

We participated voluntarily in last year's European stress test and the results confirmed that we are one of the best capitalised banks in the Netherlands. We diversified our funding further with two successful securitisations and an increase in retail savings through NIBC Direct.

We pursued our quest to make corporate social responsibility an integral part of our organisation and the way we do business. Among the corporate social responsibility highlights of 2010 were the implementation of our sustainability policy and toolkit, our adoption of the Equator Principles, and our head office in The Hague becoming carbon neutral.

"We were founded in 1945 to finance Dutch enterprises, and our can-do mindset - what we call the 'yes' mentality - characterises NIBC to this day."

Our strategic priorities - client focus, sustainable profitability and strong solvency and liquidity - underpinned everything we did last year. We pressed our strong capital and liquidity position into the service of our clients, closing an abundance of significant transactions to support their business ambitions and ending the year with substantially higher full-year income.

We achieved a net profit of EUR 76 million in 2010, 73% higher than in 2009. In line with our strategic target, the composition of our operating profit was improved by a doubling of the interest income component. We were delighted to pay a dividend for the first time in three years.

Conscious of our responsibility to all our stakeholders, we became compliant with the requirements of the Dutch Banking Code.
We adjusted our remuneration policy to meet prevailing norms and intensified efforts to embed the 'yes' mentality throughout NIBC.

No year is without its challenges, and the persistently fragile business environment certainly

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

posed a challenge in 2010 - though corporate activity clearly picked up in the second half. NIBC could have achieved nothing without the sheer hard work of our dedicated and dynamic staff. Their commitment came through loud and clear from our first-ever employee engagement survey, which we conducted last year.

The survey showed overall engagement was 85%, putting NIBC significantly ahead of other global financial services organisations and on a par with high-performing organisations. An impressive 92% said they were 'proud to be associated with NIBC'.

I too am proud to work for the go-getting, dynamic bank that NIBC is. I am proud of what we achieved for our clients last year and I speak for the whole Managing Board when I say that we face 2011 - and beyond - with confidence.

On behalf of the Managing Board,

The Hague, 21 April 2011
Jeroen Drost
Chief Executive Officer,
Chairman of the Managing Board

Our Strategy and Organisation

We were established in 1945 with a fundamental social purpose: to provide financing for the entrepreneurs who helped rebuild the Netherlands after World War Two. Client focus was then, is now and will always be our guiding principle. In order to serve our clients, we strive for sustainable profitability, strong solvency and ample liquidity. We employ what we call our 'yes' mentality - spotting opportunities for our clients and doing all we can to help them reach their goals.

Our vision, mission and ambition

Our vision, mission and ambition are the foundation upon which our client-centred strategy is built.

Our vision

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

Our mission

To be the bank of choice for decisive financial moments.

Our ambition

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

The five elements of our ambition

The enterprising bank

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

Crystal-clear answers to complex financial challenges

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

Spot-on solutions for defining moments

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

The top team for the task - every single time

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

Agile and always available

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

Our strategy

Back to the basis

Founded in 1945, NIBC was at the cradle of the Netherlands' post-war recovery, providing financing for Dutch enterprises that helped rebuild the country. We retain that positive, entrepreneurial mindset - our 'yes' mentality - to this day and employ it in the interests of our clients.

Our strengths have always been in our credit skills, especially in long-term asset finance, our strong mid-market franchise, our investment management capabilities, and our high quality people and their can-do spirit.

We concentrate fully on long-term relationships of trust with our clients, providing them with clear and sustainable solutions in a complex world. To cement our position as a traditional bank with a strong client focus, we sharpened our strategy in 2008. The services we deliver are built on our core competencies and are organised around our two strategic pillars, Merchant Banking and Specialised Finance. Over the last year, we are growing our retail activities by offering mortgages and savings products to an increasing number of clients in the Netherlands and Germany. In recent years, we have adjusted our remuneration policy to meet prevailing norms and intensified efforts to ensure we have the right can-do mindset throughout the bank.

Strategic priorities

Client focus is our primary strategic priority. In order to serve our clients to the best of our abilities, we need to be financially healthy. Sustainable profitability, strong solvency and ample liquidity are the strategic priorities that support our all-important client focus.

Client focus

We have a responsibility towards all our stakeholders: clients, employees, shareholders, suppliers and the community. Our clients are our starting point, driving everything we do. We are a trustworthy banking partner and act swiftly and resolutely at decisive moments for our clients. We focus on our chosen sectors in order to best help our clients navigate complex issues and achieve their strategic ambitions. Our relatively modest size enables sector and product specialists to work closely together to develop tailor-made financial solutions that meet evolving client demands. In these turbulent times, we remain focused on the long term.

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

Critical to our client focus is having the right mindset. Our 'yes' mentality means we constantly seek opportunities for our clients and do everything in our power to help make them reality.

Sustainable profitability

Our shareholders are essential to the successful execution of our strategy. We deliver the optimal balance between risk and return, commensurate with our profile as a traditional business bank, in order to serve our clients and create shareholder value. We aim to grow our Corporate Loan portfolio and thus further build our stable base of interest income.

Our performance is not only measured on the basis of economic and financial performance, but is also gauged by our social and environmental contribution. Our ambition to be a trustworthy, transparent and sustainable bank means we take into account the social and environmental consequences of our actions. This way, we believe we will perform better as a company - in terms of business, social citizenship and environmental impact. For more information on our *Corporate Social Responsibility* (**CSR**) policy, see the CSR chapter.

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

We will maintain strict cost management. We have increased our organisation's efficiency in recent years, in the context of our sharpened strategy and enhanced focus, and to keep pace with the changed market circumstances.

Strong solvency and liquidity position

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

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

In order to ensure long-term stability, we took decisive steps to diversify our funding and ensure stable, transparent and tightly-controlled liquidity. We have sought forms of funding such as online retail savings products via NIBC Direct, covered bonds, state-guaranteed bonds and securitisations. With NIBC Direct, we have built a stable base of retail savings and aim to develop support products to ensure the savings remain invested with NIBC.

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

The credit crisis and economic downturn have led to an increase in capital requirements for banks. With our strong capitalisation and sound liquidity position, we can deliver market-leading services and truly support our clients in the testing economic environment.

Our organisation

NIBC is streamlined around two strategic pillars - Merchant Banking and Specialised Finance - that work closely together. Supportive to our client business are Treasury, Risk Management and Corporate Center. This structure enables us to concentrate on what we are good at.

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

- Advisory services: M&A-related transactions, including mergers, acquisitions, disposals and buyouts, strategic advice for recapitalisation or financial restructurings, advice on access and distribution of debt and equity capital markets and products;
- Debt finance, leveraged finance, project and asset finance;
- Derivatives;
- Structured transactions via various risk transfer techniques;

- Growth capital via mezzanine and equity investments;
- Investment funds that are open to third parties: funds have been developed in our areas of expertise, which are infrastructure, commercial real estate, private equity and mezzanine;
- Online retail savings via NIBC Direct; and
- Residential mortgages.

Merchant Banking

Client Franchise

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

- Food, Agri & Retail;
- Technology, Media & Services; and
- Industries.

Investment Management

Against the background of our sector expertise, NIBC is widely experienced in helping our clients to achieve their goals with equity solutions. As a principal investor, we invest directly in companies or via dedicated investment funds that can invest in specific sectors such as infrastructure, private equity/mezzanine and real estate. Our investment funds are open to third-party investors.

Specialised Finance

Lending activities

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

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

Retail Activities

Our retail markets activities in both the Netherlands and Germany consist of residential mortgages and our online retail savings products of NIBC Direct.

Treasury

Treasury works with both the Merchant Banking and Specialised Finance teams to find the optimal way of funding the bank's assets and managing its interest rate position. In addition, Treasury works with the bank's clients to find tailored solutions to manage their interest rate exposures.

Risk Management

Risk Management measures and manages financial risk on a bank-wide basis and is at the heart of our operations.

Corporate Center

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

Advisory Board, Beirat and senior board advisors

To increase our focus on clients and our market penetration, NIBC is supported by the following initiatives:

- **Merchant Banking Advisory Board**: a forum composed of senior professionals with a strong track record and reputation, and a large network. The members have experience and knowledge of the fields in which Merchant Banking is active. The Advisory Board meets four to six times a year and discusses strategy, trends and/or special issues;
- **Beirat**: a similar board composed of four senior professionals serving on the boards of various corporations and institutions representing several sectors and regions of the German market. They provide access to a wide network of clients;
- **Senior board advisors**: a position created to help build in-depth relationships with our chosen clients. The senior board advisors have years of experience within banking and/or industry and have strong networks and product knowledge, giving them access and influence at the highest levels of a client's organisation. They help NIBC to enhance its strategic and board-level discussions with clients, and identify and assess client opportunities.

International offices

Our international offices are key links in our business chain. They draw on the expertise available throughout the organisation and apply it to the local markets of which they have first-hand knowledge.

In addition to our headquarters in The Hague, NIBC Bank has offices in Brussels, Frankfurt, London and Singapore. Our office in New York is a subsidiary of *NIBC Holding N.V.* (**NIBC Holding**).

Brussels

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

Frankfurt

NIBC opened an office in Frankfurt in 2005, gaining a foothold in Europe's largest economy. Our flourishing German operations focus in particular on debt, equity and advisory solutions for clients and on corporate lending, leveraged finance, commercial real estate and infrastructure & renewables - all sectors in which NIBC excels. The Frankfurt office also focuses on retail clients with our online savings products of NIBC Direct. With its growth record and multitude of market opportunities, Germany is proving itself a well-chosen second home market for NIBC.

London

NIBC has maintained a presence in London, Europe's financial capital, since 1995. The London office has a strong track record in infrastructure & renewables financing and equity fund management, leveraged loan financing and investment management. The UK market is often ahead of the continental European market and is a centre of financial expertise, giving our London office a valuable role in spotting new developments and market opportunities for NIBC.

Singapore

NIBC Singapore was set up in 1996. The Singapore office is a base from which we have built a position in the global shipping, and offshore oil and gas finance markets. A large share of NIBC's overall exposure in these sectors originates from Asia.

New York

NIBC Holding has had an office in the US since 2002. This office moved to New York in 2006. The New York office conducts structured credit asset management activities.

Report of the Managing Board

The year 2010 was a positive one for *NIBC Bank N.V.* (**NIBC**) as the business climate improved and we reaped the benefit of our sharp client focus - our primary strategic priority. We have learned from the past, placing the emphasis firmly back on our clients and ensuring all our staff have the right can-do mentality to serve our clients' interests.

Our profit increased substantially compared to 2009 and we put our strong liquidity to work in multiple high-quality transactions for clients across our core regions and sectors.

Both our strategic pillars, Merchant Banking and Specialised Finance, turned in four strong quarters, with business activity clearly picking up in the second half of the year. We ended 2010 with a net profit of EUR 76 million compared to EUR 44 million in the previous year, and paid out a dividend for the first time in three years.

The composition of our operating income improved sharply as an expansion in our corporate loan book boosted our interest income. That created a robust foundation for stable and sustained growth for the years to come. Our risk-bearing private equity investments yielded good returns in 2010.

Impairments were significantly lower in 2010 than in 2009. Costs remained tightly controlled and we closed 2010 with an excellent cost to income ratio of 50%.

The results of last year's European stress test, in which NIBC participated voluntarily, showed we are one of the best capitalised banks in the Netherlands, making us a solid and stable partner for our clients. Our Tier-1 capital ratio stood at 14.5% at end-2010: a healthy capital position that also means we can fulfil the tightened Basel III requirements that will be introduced in the coming years.

We further diversified our funding position with the successful issue of Dutch MBS XV, a EUR 750 million residential mortgage-backed securitisation, and the private placement of Essence III, a EUR 1.1 billion residential mortgage-backed securitisation. Retail savings via NIBC Direct increased by 14% to EUR 4.2 billion by year-end.

Our strong financial position enabled us to close landmark deals for our clients in 2010. Our hard work to intensify our client relationships was rewarded by an abundance of transactions, especially in the second half of the year as market activity revived. We enter 2011 with a well-filled deal pipeline and a clear sense that NIBC is strongly entrenched in market minds as an expert provider of tailored financial solutions for clients' decisive moments.

Throughout 2010, we intensified the client focus that has been integral to our strategy for years. To improve our client-servicing capabilities even further, we began a sales programme for all client-facing staff, which continues into 2011. Next year, we will introduce the Net Promoter Score methodology - which will evaluate how many clients recommend us to other companies - in order to see how we can support clients even better.

As a bank, we recognise our responsibility to all our stakeholders: clients, employees, shareholders, suppliers and the community. Crucial to 2010 was that NIBC became compliant with the requirements of the Dutch Banking Code, which entered into force on 1 January 2010. For more information, see the Corporate Governance and Banking Code section.

Last year, we made our international offices more cohesive parts of NIBC as a whole. In London, we created a business development forum, which discusses market opportunities in infrastructure, renewables and leveraged finance and ways to roll out new products in these areas in the UK and potentially in continental Europe.

Geographically, our activities in Germany outperformed strongly and made a large contribution to our growth as the German market saw a strong revival in activity. We expect this trend to continue in 2011.

Every year requires hard work from our employees, and 2010 was no different. Their dedication and motivation was emphasised in the positive outcome of our first-ever employee engagement survey. Overall engagement was 85%, putting NIBC significantly ahead of other global financial services organisations and on a par with high-performing organisations around the world.

Though the general environment stabilised in 2010, there is no doubt that markets remain nervous, as evidenced by the concerns over the sovereign debt of peripheral European economies. NIBC has minimal exposure to these economies and no government bonds whatsoever.

Targets and performance in 2010

Targets	Performance
Increasing the number of client transactions and growing our corporate loan book	Our client transactions increased by 71% versus 2009 and our loan book (drawn and undrawn) grew by 16%.
Maintaining our policy of funding diversification and our strong liquidity position	We successfully executed two Dutch residential mortgage securitisations for EUR 1.85 billion, raised over EUR 600 million through other funding secured by Dutch residential mortgages and grew our total retail savings through NIBC Direct to EUR 4.2 billion at end-2010 from EUR 3.7 billion at end-2009.
Keeping our excellent Tier-1 ratio	We ended 2010 with a Tier-1 ratio of 14.5%. Our core Tier-1 ratio was 12.9% and BIS ratio 15.8% at the close of 2010.
Maintaining tight credit risk control and optimising the recovery from any asset that becomes distressed	We remained vigilant on our exposure and on loan covenants. Impairments fell by 40%. We took a proactive approach to optimising the recovery from distressed assets.
Improving the composition of our operating income	We made major strides in improving the make-up of our operating income, almost doubling interest income to EUR 142 million as our loan book grew and cost of funds fell. Gains less losses were positive and net trading income decreased.
Improving employee engagement	Our employee engagement survey showed overall engagement was 85%, putting NIBC significantly ahead of other global financial services organisations and on a par with high-performing organisations.
Selectively growing the business without sacrificing cost prudence	Our loan book grew, especially in our shipping, oil & gas services and infrastructure & renewables sectors, while we maintained an excellent cost to income ratio, which ended 2010 at 50%.
Expanding further in Germany with the longer-term aim of building it into a second home market	Germany made a sharply higher contribution to our business, with a 200% increase in client transactions. Germany's share of our overall loan production increased to 29% from 11% in 2009. Savings with NIBC Direct Germany contributed substantially to the overall growth.

Selected deals 2010

Senior Facilities
Mandated Lead Arranger
NIBC 2010

EUR 190 million
Senior Secured Revolving and Term Loan Facilities
Lead Arranger
NIBC 2010

GBP 317 million
Senior Secured Loan Facilities to Amey Birmingham Highways Limited
Mandated Lead Arranger
NIBC 2010

USD 81.62 million
Secured Pre- and Post-Delivery Facilities
Mandated Lead Arranger
NIBC 2010

Acquisition of V&D and La Place
Advisor to Sun European Partners
NIBC 2010

Growth Capital
NIBC Capital Partners
Lead Investor
NIBC 2010

Equity Investment
Acquisition of 46 MW Onshore Wind Portfolio
NIBC Infrastructure Partners
NIBC 2010

EUR 670 million
Senior Secured Facilities for the financing of A-Lanes A15 PPP
Mandated Lead Arranger
NIBC 2010

EUR 155 million
Senior Secured Term Loan Facility for Jack Up Accommodation Unit "Haven"
Sole Bookrunner, Coordinator and Mandated Lead Arranger
NIBC 2010

USD 170 million
Senior Secured Term Loan for the financing of two Very Large Crude Carriers
Mandated Lead Arranger and Hedge Provider
NIBC 2010

OSIB FINANCIAL HOLDING B.V.
USD 55 million
Structured Senior Term Loan to finance two new citizenM hotels in New York
Sole Arranger and Lender
NIBC 2010

EUR 457,5 million
Post-IPO Syndicated Term Loan and Revolving Credit Facility
Lead Arranger
NIBC 2010

EUR 75 million
Receivables Financing Facility
Sole Mandated Lead Arranger
NIBC 2010

EUR 45 million
Structured Lease Receivables Financing
Sole Mandated Lead Arranger
NIBC 2010

USD 110 million
Senior Secured Term Loan Facility for the Swiber PJW 3000 Heavy Lift Pipe Lay Barge
Facility Agent and Mandated Lead Arranger
NIBC 2010

Acquisition of ogone
Advisor to Summit Partners
NIBC 2010

USD 180 million
Senior Secured Term Loan Facility for the Bluewater Glas Dowr FPSO
Bookrunner, Underwriter and Facility Agent
NIBC 2010

EUR 100 million
Senior Facilities
Mandated Lead Arranger and Facility Agent
NIBC 2010

Buy-Out from Uniq Plc
Advisor to Gilde
NIBC 2010

USD 225 million
Senior Secured Term Loan for PetroRig III Drilling Platform
Joint Bookrunner and Mandated Lead Arranger
NIBC 2010

Sale to EGERIA
Advisor to consortium led by AAC Capital Partners
Mandated Lead Arranger, Facility Agent and Hedge Provider
NIBC 2010

EUR 435 million
Acquisition of Strukton Groep
Sole Financial Advisor to Oranjewoud
Mandated Lead Arranger and Bookrunner
NIBC 2010

USD 53,7 million
Senior Secured Term Loan to finance two Supramax Bulk Carriers
Sole Arranger and Hedge Provider
NIBC 2010

EUR 60 million
Senior Secured Facilities for financing Bremervörde Prison PPP
Mandated Lead Arranger
NIBC 2010

USD 25 million
Senior Secured Facility
Panamax Bulk Carrier
Sole Arranger
NIBC 2010

Merchant Banking: business performance in 2010

Merchant Banking ended 2010 with a profit after tax of EUR 58 million compared to a loss of EUR 62 million in 2009. The first half of the year was challenging as general business activity remained muted, but the second half saw a significant increase in client transactions as the climate improved.

Operating income increased to EUR 170 million from EUR 79 million in 2009. Impairments totalled EUR 32 million, down from EUR 96 million the previous year.

Interest income increased from 2009 levels, helping create a more robust income basis for our bank as a whole. Gains less losses from financial assets, which relate to NIBC's Equity Investments portfolio, saw positive results and ended at EUR 50 million in 2010 compared to a loss of EUR 21 million in 2009.

Specialised Finance: business performance in 2010

The full-year profit after tax of Specialised Finance amounted to EUR 22 million compared to EUR 106 million in 2009. Profit is on target with higher interest income and lower trading income compared to 2009.

Client activity at Specialised Finance was strong throughout the year, and by bolstering our sector teams, NIBC anticipates healthy growth on the back of our current pipeline.

Operating income decreased to EUR 153 million from 2009's EUR 242 million. Our income mix improved considerably, as net interest income grew to EUR 61 million compared to EUR 1 million in 2009, due to increased client activity and lower cost of funds. Net trading income fell to EUR 84 million from the previous year's EUR 209 million, mainly because of the return to greater stability in the financial markets.

Impairments of EUR 43 million were taken, up from EUR 28 million in 2009.

On the retail side, demand for our NIBC Direct savings products continued to be strong. Retail savings via NIBC Direct increased by 14% to EUR 4.2 billion by the end of 2010. Our mortgage portfolio also performed very well.

Risk overview

Risk Management ensures we manage risks prudently and have a diversified risk portfolio. With an in-depth understanding of the business and its clients, Risk Management's role is to prevent surprises by accurately assessing and controlling NIBC's risk profile. It is well integrated into the business so that it fully comprehends the bank's positions and products, and has a good dialogue with the front office.

Risk Management focused on two priorities in 2010. These were liquidity risk and credit risk - the prudent acceptance of new loans and intensive supervision of distressed assets. We envisage that these will remain the Risk Management priorities in 2011.

Liquidity risk remained the highest priority in terms of Risk Management, prompted by the scarcity of capital markets' funding sources. We moved successfully to increase our liquidity and ensure our funding for future years. The emphasis on liquidity risk highlights the re-sequencing of risk priorities triggered by the financial crisis.

We worked hard to ensure the quality of our assets, conducting a careful assessment of risks before granting new lending and structuring loans. This has been executed in such a way that value can be preserved to the maximum extent, also in the present times of increased macroeconomic uncertainty.

For NIBC, as for our peers, impairments have been an inevitable by-product of the economic downturn, and a particular concern would be that several large clients run into trouble simultaneously. However, credit losses can be contained by working closely with clients who have landed in distress and, together with them, developing appropriate ways to limit any damage.

The management of Operational Risk acquired a new focus when we combined this activity with Business Continuity Planning, Information Security and Administrative Organisation/ Internal Control in a newly-formed department.

Outlook for 2011

As we enter 2011, the global economy remains unpredictable, and its recovery from the depths of the financial crisis is unlikely to trace a straight upward line. Companies in late cyclical sectors in particular will continue to struggle, though other sectors have already returned to health or are well on their way. However, as the peripheral European economies' turmoil showed in 2010, markets continue to be highly nervous.

Though the macroeconomic climate is likely to remain difficult, NIBC is well positioned to continue to grow its business. Whereas the lending capacity of many banks will be restricted by tightened capital requirements or their own straightened funding situation, our strong capital base and liquidity position offer us ample scope to service existing and new clients.

The sharpened strategy we introduced in 2008 has served us well. We will keep to that strategy in 2011, and will carefully consider expanding into new products or geographies, if this fits our client-focused strategy.

Overall, we face the future with a strong financial position, a well-filled pipeline and an unshakeable commitment to supporting our clients in the months and years to come.

Targets for 2011

- Increase name recognition and strengthen proposition among client target groups;
- Grow corporate loan book;
- Keep excellent Tier-1 capital ratio;
- Maintain tight credit risk control;
- Maintain our policy of funding diversification;
- Maintain a strong liquidity position;
- Improve cost to income ratio;
- Exceed global financial sector benchmark for employee engagement;
- Expand contribution of international offices; and
- Further embed sustainability in every aspect of our organisation by increasing awareness of our sustainability strategy among employees and make sustainability part of our day-to-day business activities.

Our two strategic business units, Merchant Banking and Specialised Finance, have specific targets directly derived from our bank-wide objectives.

The Hague, 21 April 2011
Managing Board

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

Biographies of Managing Board members

Jeroen Drost

Chief Executive Officer, Chairman

Jeroen has been Chairman and *Chief Executive Officer* (**CEO**) of NIBC since May 2008. From 1986 to 2008, he held several positions at ABN AMRO. His last position there was CEO Asia, which spanned over 17 countries. Jeroen has extensive experience in corporate finance in the Netherlands, London, Central & Eastern Europe and Asia. He holds a degree in business economics and Dutch law from the Erasmus University of Rotterdam. Jeroen is a member of the board of the Dutch Banking Association (Nederlandse Vereniging van Banken) and the Chairman of the International Community Platform.

Kees van Dijkhuizen

Chief Financial Officer, Vice-Chairman, Head of Corporate Center

Kees has been *Chief Financial Officer* (**CFO**) of NIBC since December 2005 and Vice-Chairman since September 2009. Prior to that, he worked at the Ministries of Finance and Economic Affairs where he most recently held the position of Treasurer General. Previously, he was the Ministries' Director General of the Budget. Kees holds a degree in economics from the Free University of Amsterdam. He is Chairman of the Government Committee of Export, Import and Investment Guarantees (Rijkscommissie voor Export-, Import-, en Investeringgaranties), a member of the board of trustees of Museum Meermanno, and a member of the supervisory board of TNO.

Rob ten Heggeler

Head of Merchant Banking

Rob has been Head of Merchant Banking since August 2009. From 1989 to 2001, he held several positions at ABN AMRO in the Netherlands, Eastern Europe, Asia and the US. In 2001, he joined the Executive Board of Fortis Bank (Netherlands) where he was responsible for Commercial and Retail Banking in the Netherlands. He was later appointed Global CEO of Fortis Private Banking. In 2006, Rob joined the Managing Board of Rabobank International. He holds tax law and business law degrees from the University of Groningen. Rob is a member of the board of directors of the American Chamber of Commerce in the Netherlands, a member of the advisory board of the Hong Kong Chamber of Commerce, a member of the advisory board of Prince Lobkowicz Foundation, and a member of the board of directors of Stichting Trustfonds CHIO.

Jeroen van Hessen

Head of Specialised Finance & Treasury

Jeroen has been Head of Specialised Finance & Treasury since September 2009. From 1999 to 2009, he held several senior management positions within NIBC, among others in Structured Finance, Real Estate Markets and as country manager Germany. Prior to NIBC he worked for Bank Labouchere, AEGON and the Boston Consulting Group. Jeroen holds a degree in macroeconomics from the Erasmus University Rotterdam and Dutch law from the University of Amsterdam. He is a member of the board of directors of the Foundation Monsterverbond.

Jan Sijbrand

Chief Risk Officer, Head of Risk Management

Jan has been *Chief Risk Officer* (**CRO**) from February 2008. Before joining NIBC, Jan was Senior Executive Vice-President at ABN AMRO where he started in 1996, initially responsible for all market risk and from 1998, for credit and operational risk. From 2005, he held various functions in ABN AMRO Financial Markets division. From 1992 to 1996, Jan was responsible for fixed income trading and sales at Rabobank, and from 1981 to 1992 he held various positions with Shell in trading, manufacturing and research. In 1981, Jan obtained a PhD in Applied Mathematics from Utrecht University.
Jan is member of the supervisory board of the postgraduate programme Treasury Management at the Free University School of Finance.

Report of the Supervisory Board

The business climate improved during 2010 and NIBC ended the year with a net profit of EUR 76 million, substantially higher than in 2009. Overall, NIBC enjoyed four strong quarters.

NIBC remained one of the Netherlands' best-capitalised banks. Funding was further diversified, costs remained tightly controlled and the bank ended the year with an excellent cost to income ratio of 50%. In addition, NIBC became fully compliant with the requirements of the Dutch Banking Code, which took effect on 1 January 2010. For more details, see the Corporate Governance and Banking Code section.

With a strong capital position, diversified funding and a sharp improvement in the composition of its operating income, NIBC is well positioned for stable and sustained growth in the coming years. Much credit must go to the Managing Board, whose members demonstrated great ability and leadership throughout 2010.

The Supervisory Board greatly appreciates the work done by the Managing Board and all staff and wishes to thank them for their invaluable efforts during 2010.

Financial statements and dividend proposal

The financial statements have been drawn up by the Managing Board and audited by PricewaterhouseCoopers Accountants N.V., who issued an unqualified opinion dated 21 April 2011. The Supervisory Board advises and proposes that shareholders adopt the 2010 Financial Statements at the Annual General Meeting of Shareholders on 24 May 2011. The Supervisory Board supports the proposal of the Managing Board to pay out dividends twice a year if the results allow for it. The Supervisory Board has approved the Managing Board's proposal for the payment of dividend over and in 2010.

The Supervisory Board recommends that the Annual General Meeting of Shareholders discharge the Managing Board and Supervisory Board for their respective management and supervision during the financial year 2010.

Composition of the Supervisory Board

Name	Year of birth	Date of first appointment [1]	Duration of term
Mr. J.H.M. Lindenbergh (Chairman)	1943	14 December 2005	Resigned per 18 May 2010
Mr. W.M. van den Goorbergh (Chairman)	1948	14 December 2005	17 May 2014
Mr. D.R. Morgan (Vice-Chairman)	1947	17 May 2010	17 May 2014
Mr. A.A.G. Bergen	1950	17 May 2010	17 May 2014
Mr. C.H. van Dalen	1952	14 December 2005	29 April 2013
Mr. N.W. Hoek	1956	14 December 2005	29 April 2013
Mr. A. de Jong	1954	14 December 2005	20 March 2011
Mrs. S.A. Rocker	1954	29 April 2009	29 April 2013
Mr. D. Rümker	1937	14 December 2005	20 March 2011
Mr. A.H.A. Veenhof	1945	30 March 2006	20 March 2011

1. The indicated dates refer to the member's initial appointment and do not refer to the official approval by the Dutch Central Bank or the member's reappointment for a second term.

As at 31 December 2010, the Supervisory Board was composed of nine members (see previous table). As per 18 May 2010, Mr. Lindenbergh resigned as member of the Supervisory Board. Mr. Van den Goorbergh was reappointed for a second term as member of the Supervisory Board at the General Meeting of Shareholders of 17 May 2010. Mr. Van den Goorbergh was subsequently appointed as Chairman of the Supervisory Board. Mr. Morgan, Managing Director of J.C. Flowers & Co Europe and Asia Pacific, and Mr. Bergen, former CEO of KBC Group, were appointed to the Supervisory Board at the General Meeting of Shareholders of 17 May 2010. Subsequently, Mr. Morgan was appointed as Vice-Chairman.

Composition of the Managing Board

Name	Year of Birth	Position	Membership since [1]	End of Term [2]
Mr. J.P. Drost	1961	Chairman and Chief Executive Officer	2008	2012
Mr. C. van Dijkhuizen	1955	Vice-Chairman and Chief Financial Officer	2005	2014
Mr. R.H.L. ten Heggeler	1963	Member	2009	2013
Mr. J.A. van Hessen	1962	Member	2009	2013
Mr. J. Sijbrand	1954	Chief Risk Officer	2008	2012

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

As at 31 December 2010, the Managing Board was composed of five members, who are also members of the Managing Board of NIBC Holding (see previous table).
Mr. Van Dijkhuizen was reappointed for a second term as member of the Managing Board.

Meetings of the Supervisory Board

The Supervisory Board met on five occasions in 2010. All members of the Supervisory Board participated frequently. Meetings were held to discuss the liquidity position, rating, market developments and implementation of the Dutch Banking Code, which included topics such as risk definition, risk appetite, the approval of a strengthened New Product Approval Process and the revised remuneration policy. Other matters discussed were quarterly results, strategic issues, control-related topics, the financial reporting process, composition of the Supervisory Board and its committees and compliance with legislation and regulations.

In 2010, the Supervisory Board began its programme of lifelong learning and had a session on Corporate Governance and *International Financial Reporting Standards* (**IFRS**).

Upon request of the Supervisory Board, Egon Zehnder International performed an external evaluation of the Supervisory Board in 2010, as required by the Dutch Banking Code. The Supervisory Board discussed the outcome of the evaluation and began following up on Egon Zehnder's recommendations. As an example, the quarterly meeting of the Supervisory Board will be spread over two days in 2011 instead of the regular one-day meetings up to now, thus doubling the time allotted by the members to their supervisory activities. In 2011, regular meetings will be held with senior management; two days are reserved for the lifelong training programme; business presentations and a one-day strategic meeting are also planned.

The financial statements and the findings of the external auditor were discussed in the external auditor's presence. Most of the discussions and decisions of the Supervisory Board were prepared in the committees referred to below, at which at least two members of the Supervisory Board are always present. Members of the Managing Board were consulted at all but one meeting of committees of the Supervisory Board at which the Supervisory Board discussed its own functioning and that of its individual members; the desired profile, composition and competence of the Supervisory Board; and the functioning of the Managing Board collectively and in terms of its individual members.

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

Meetings of the committees of the Supervisory Board

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

Risk Policy Committee

Members | Mr. Van den Goorbergh (Chairman), Mr. Lindenbergh (until 17 May 2010), Mrs. Rocker (until 23 August 2010), Mr. Rümker, Mr. Bergen, Mr. Morgan, Mr. De Jong

Meetings | The Risk Policy Committee met four times in 2010.

The Risk Policy Committee (**RPC**) assists the Supervisory Board in monitoring NIBC's risk policy and profile in relation to its general lending and investment policy. The committee also advises the Supervisory Board on credit, liquidity, market, investment and operational risks and with regard to regulatory changes. The main topics discussed in 2010 were existing portfolios, liquidity, stress tests and the risk profile, including NIBC's risk appetite. Syndication reports, reports on specific parts of Merchant Banking and Specialised Finance, country risk reports, impairment reports and portfolio overviews were also discussed.

On a regular basis, the committee also discussed NIBC's market risk and event risk reports, economic capital reports and liquidity risk reports. Additionally, the RPC reviewed and approved the *New Product Approval Process* (**NPAP**).

Related Party Transactions Subcommittee

Members | Mr. Van den Goorbergh (Chairman), Mr. Lindenbergh (until 17 May 2010), Mr. Bergen and Mr. Veenhof, all of whom meet the independence criteria outlined in the Dutch Corporate Governance Code

Meetings | The Related Party Transactions Subcommittee did not meet in 2010.

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

In the case of transactions in which there are conflicts of interest with the Managing Board and/ or the Supervisory Board, best practice provisions III.6.1 to III.6.3, III.6.4 and II.3.2 to II.3.4 will be observed and complied with. In 2010, no related party transactions that require Supervisory Board approval were presented to the Related Party Transactions Subcommittee.

Audit and Compliance Committee

Members | Mr. Van den Goorbergh (Chairman until 15 November 2010), Mr. Bergen (Chairman as of 15 November 2010), Mr. Van Dalen, Mr. Lindenbergh (until 17 May 2010), Mrs. Rocker (until 23 August 2010) and Mr. Morgan

Meetings | The Audit and Compliance Committee met five times in 2010.

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

The main topics discussed during 2010 were the impact of market circumstances on NIBC, funding and liquidity planning, the budget and the quarterly, semi-annual and annual financial reports and related press releases or trading updates, developments regarding the internal reporting process and related control environment, including the anti-fraud framework, and the CSR Policy Framework.

The ACC discussed the reports of external auditor PricewaterhouseCoopers Accountants N.V. and its audit plan for 2010. The ACC also discussed the internal audit plan and the compliance year plan, including progress and main findings and conclusions of the Internal Audit department and the Compliance department.

The ACC evaluated the external auditors and the functioning of Internal Audit and Compliance. The internal auditors and the compliance officer were represented at all meetings. The external auditors, by mutual agreement, were represented at all but one meeting of the ACC in 2010. The external auditor had one meeting with the ACC without the members of the Managing Board present.

Remuneration and Nominating Committee

Members | Mr. Lindenbergh (Chairman until 17 May 2010), Mr. Morgan (as of 23 August 2010 as full member and Chairman), Mr. Hoek, Mrs. Rocker, Mr. Van den Goorbergh and Mr. Veenhof

Meetings | The Remuneration and Nominating Committee met four times in 2010.

The Remuneration and Nominating Committee (**RNC**) advises the Supervisory Board on the remuneration of the members of the Supervisory Board, the Managing Board and certain other senior managers, provides the Supervisory Board with proposals for appointments and reappointments to the Supervisory Board, its committees and the Managing Board, evaluates the performance of the other Supervisory Board committees, and assesses the performance of the members of the Managing Board and the Supervisory Board. In addition, it monitors the remuneration policy, which entails discussing the total available pool for variable compensation and defining the collective and individual performance targets that form the basis for the variable compensation of individual members of the Managing Board. In 2010, the RNC discussed the 2010 remuneration policy for the Managing Board, the Supervisory Board and other staff, individual compensation arrangements for the members of the Managing Board, the overall available funding for variable compensation arrangements, and the performance of the Managing Board. Furthermore, the nomination for reappointment of Mr. Van Dijkhuizen as member of the Managing Board and his appointment as Vice-Chairman was discussed. The RNC nominated Mr. Van den Goorbergh for reappointment as member of the Supervisory Board and Mr. Bergen for appointment as a member of the Supervisory Board. The nominations were made after a careful process that included drawing up the profiles of the vacant positions and identifying, interviewing and presenting the candidates to the full Supervisory Board.

Strategic Committee

Members	Mr. Van den Goorbergh (Chairman), Mr. Van Dalen, Mr. Hoek, Mr. Lindenbergh (until 17 May 2010), Mrs. Rocker, Mr. Rümker
Meetings	The Strategic Committee did not meet in 2010.

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

Remuneration report

In 2010, the RNC focused primarily on the implementation of NIBC's remuneration policy which was agreed at the end of 2009 following extensive discussions. The new policy resulted in a significantly more moderate and sustainable approach to compensation.

Judging by the overall performance of the bank, 2010 was a good year. NIBC managed to increase the number of client transactions and grow its Corporate Loan portfolio. The policy of funding diversification was maintained by placing two Dutch residential mortgage securitisations and growing retail savings through NIBC Direct. The quality of operating income improved significantly, largely due to improved interest income. Tight credit control was maintained and further expansion in the German market, where good prospects for the bank continue to emerge, materialised. Finally, it is worth noting that the engagement of NIBC's employees, measured for the first time in 2010, puts NIBC ahead of most other financial services organisations and on par with high performing organisations. This demonstrates that investments in leadership and talent development are beginning to pay off. All in all, the RNC and the Supervisory Board are pleased with the Managing Board's achievements over the past year under the leadership of Mr. Drost, clearly building on the foundation laid in the last two years.

Based on an objective assessment of the Managing Board's performance, the RNC believed that short-term variable compensation for the performance year 2010 would have been warranted. However, in light of the developments in society about executive remuneration in financial services firms, the RNC recommended to the Supervisory Board that no short-term variable compensation be awarded for the performance year 2010 for any of the Managing Board members, for the third year running. The Supervisory Board accepted the recommendations made by the RNC and decided accordingly.

Remuneration Policy

In 2009, NIBC thoroughly reviewed its remuneration policies and practices, both for the Managing Board, the Supervisory Board and other staff against the back drop of the then relevant regulations. In particular, the Dutch Corporate Governance Code, the Dutch Banking Code, and the *Principles for Controlled Remuneration Policies as issued by the Dutch Central Bank and the Dutch Authority for the Financial Markets* **(the DNB/AFM Principles)**.

The Rules of the 2008 Credit Guarantee Scheme of the State of the Netherlands were also fully taken into consideration. In 2010, relevant remuneration decisions were taken consistent with the new remuneration policy and the improved governance.

Amendments to the Remuneration Policy

At the end of 2010, new compensation regulations were published as part of the new European *Capital Requirements Directive* **(CRD III)**. These led to the *Committee of European Banking Supervisors* **(CEBS)** publishing extensive new guidelines on remuneration policies and practices on 10 December. This publication was quickly followed by the *Dutch Central Bank* **(DNB)** publishing its Regulation on Controlled Remuneration Policies *(Besluit en Regeling Beheerst Beloningsbeleid Wft 2011)* on 16 December 2010. Both sets of guidelines replaced earlier versions, have come into effect as of 1 January 2011 and need to be viewed in tandem. The implication of these new guidelines is that the NIBC Remuneration Policy needs to be reviewed and amended, once again, prior to 31 March 2011. However, the main elements of that policy remain firmly in place.

As it is work in progress, the full extent of the changes that need to be made to the remuneration policy are not yet known. However, the RNC did recommend to the Supervisory Board that the new rules with regard to the prescribed pay mix, deferral, vesting and retention periods are introduced for the Managing Board with effect from 1 January 2011.These new rules require banks to pay their Identified Staff, which includes the Managing Board, a minimum of 50% of their variable compensation in equity or equity-linked instruments and the remaining 50% (or less) in cash. Another requirement for banks is that 40 - 60% of variable compensation is deferred, equally across the equity and cash component, with 60% applying to those that have the highest impact on the risk profile, and the responsibilities and tasks performed, and depending on the amount of their variable remuneration. Also, a minimum deferral period of between 3 - 5 years is required.

However, in light of the fact that our medium term business plans and planning cycle span a period of three years, with corresponding three-year goals being used as performance conditions for the *long-term incentive plan* **(LTI)** (as has been the case for the 2009 and 2010 LTI), the RNC recommended to the Supervisory Board that the three-year deferral period for the LTI remains in place as it is subject to cliff vesting. Consequently, the deferral period for the deferred cash component also remains three years, however, with pro-rated vesting. Finally, a minimum retention period, which can be no shorter than the vesting period, needs to be applied. This coincides with the requirement that was already incorporated in our previous remuneration policy (stemming from the Dutch Banking Code) that equity instruments must be held for five years as measured from the date of grant.

The new regulations introduce the concept of an equity or equity-linked payout, which immediately vests but is subject to retention rules. In order to allow for this, the RNC recommended to the Supervisory Board to introduce a new component to the pay mix for the Managing Board in the form of *Phantom Share Units* **(PSUs)**. These PSUs have similar characteristics as the *Conditional Restricted Depositary Receipts* **(CRDRs)** used for the delivery of the LTI such as eligibility for dividend and a value which is tied to variations in the net asset value of NIBC. In addition to these characteristics, the PSU allows the holder thereof to convert the PSU to cash immediately upon vesting or following the end of the retention period and, thus, obtain liquidity prior to a formal liquidity event taking place. This seems a logical alternative given that this element of the pay mix is, essentially, part of the cash portion. These PSUs can be used to deliver both vested equity as well as unvested equity. In case of PSUs being used to deliver unvested equity, these will be subject to the same three-year deferral period with pro-rated vesting and a five-year retention period for the Managing Board.

The Supervisory Board adopted these proposals made by the RNC and inserted these as amendments to the remuneration policy.

Remuneration principles

The remuneration policy identifies the key principles that underpin the remuneration practices applying to all NIBC employees, including the Managing Board. These key principles have not changed and require that remuneration is:

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

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

Peer group composition

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

Market positioning

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

Managing Board remuneration

Base salaries

Base salaries for the Chairman and the members of the Managing Board remained unchanged in 2010 at EUR 700,000 and EUR 400,000 gross per annum respectively.
Base salaries for the Chairman and most of the other members of the Managing Board were determined at the beginning of 2007 and have not changed since. In light of market developments within the chosen peer group since 2007, the RNC recommended to the Supervisory Board to increase the base salary for the Chairman to EUR 750,000 and for the members of the Managing Board to EUR 450,000 as of 1 March 2011, which recommendation was adopted by the Supervisory Board.

Short-term incentive compensation

A maximum of 75% (for CEO and members of the Managing Board responsible for commercial divisions) and 55% (for CRO and CFO) is available for the annual *short-term incentive* **(STI)**. For on-target performance the percentages are 50% and 35% respectively. Performance is measured by looking at the achievement against short-term (annual) performance targets. These targets contain an appropriate and balanced mix of financial and non-financial targets for the Chairman and the members of the Managing Board responsible for the commercial divisions such as (i) net profit to shareholders, (ii) cost to income ratio, (iii) revenue growth, and (iv) personal development. However, the targets for the CRO and the CFO are solely non-financial, such as (i) rating, (ii) funding and (iii) personal development.

All performance targets are aligned with the approved long-term strategy and budget of the bank and any payout is wholly discretionary.

Pay Mix

The consequence of the amendments made to the remuneration policy is that variable compensation needs to be delivered in four or maybe even five different components, (i) cash, (ii) deferred cash, (iii) vested PSUs, (iv) unvested PSUs and (v) unvested CRDRs (for the purpose of the LTI).

Long-term incentive compensation

Executive compensation needs to consist of larger deferrals and more long-term components these days. Therefore, with effect from 2009, a new LTI was introduced. This LTI aims to stimulate long-term thinking and behaviour and rewards the Chairman and the members of the Managing Board for achieving bank-wide long-term performance conditions. The LTI is conditional, forward looking and will be granted annually, irrespective of prior year business or individual performance. Its main aim is to provide an incentive to the Managing Board to achieve a balanced mix of pre-agreed long-term financial (average three-year Return on Equity) and non-financial (average three-year employee engagement) performance conditions. The LTI is subject to three-year cliff vesting, conditional upon the achievement of the performance conditions and is therefore delivered in the form of CRDRs. The LTI will have a value equal to 25% of their respective base salary at grant and is also subject to an additional lock-up or retention period of two years following vesting.

Pension

In line with all other employees, the Chairman and members of the Managing Board are members of the NIBC pension plan (version 2007) consisting of (i) a defined benefit pension arrangement up to a pensionable salary of EUR 58,075 (for 2010 and 2011) which is annually adjusted for general wage increases in line with the Collective Labour Agreement for Banks in the Netherlands, plus (ii) an additional contribution under a defined contribution arrangement up to a maximum pensionable salary equal to their respective base salaries.

The pensionable age for the Chairman and the members of the Managing Board is 65 at present. There are no contractual early retirement provisions. A standard flat-rate contribution equal to 17.1% (from 2009) of pensionable salary for each member is paid by NIBC into the pension fund. The Chairman and other members of the Managing Board are required to make a personal contribution of 3.3% for 2010 (3.1% for 2011) of their pensionable salary towards their pension.

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

Other key benefits

The Chairman and the members of the Managing Board are entitled to a company (lease) car up to a certain limit or, if they choose, the equivalent value of the (lease) car limit as a cash allowance. The Chairman is entitled to the use of a permanent chauffeur from the chauffeurs pool, while the other members of the Managing Board are entitled to the use of a chauffeur from the pool for business purposes only, unless specifically otherwise agreed by the Supervisory Board. In line with other employees, the Chairman and the members of the Managing Board are entitled to a contribution towards their medical insurance, disability insurance, accident insurance and permanent travel insurance, a monthly expense allowance net of tax, and a subsidy on mortgage interest paid. on a maximum mortgage equal to four times their base salary and, finally, up to 30 holiday days per year.

Employment contracts

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

Remuneration Managing Board in 2010

To avoid unnecessary duplication and in order to comply with the principles of the Dutch Corporate Governance Code, we refer to note 54 of the annual accounts for all relevant tables. These can be considered an integral part of this Remuneration Report. The Supervisory Board adopted the proposals made by the RNC.

Other staff remuneration

Total compensation funding

Each year, based on a proposal made by the Managing Board, the Supervisory Board decides, in its discretion, on the total amount of money available for total compensation, the amount of variable compensation and the specific forms in which variable compensation may be awarded. The 2010 compensation ratio (total compensation costs as percent of operating income) is 29%.

Variable compensation

All employees are eligible to receive STI compensation, but whether or not they actually receive it is wholly discretionary and depends on the overall performance of the bank and their respective business unit as well as on their own personal performance. Each employee will have a pre-agreed set of financial and non-financial performance targets. The performance assessment takes into account the realisation of pre-agreed targets as well as the way the employee has behaved according to the NIBC 7, the Business Principles of NIBC.

The 100% cap introduced by the Dutch Banking Code for the Chairman and members of the Managing Board will serve as a guideline for other employees too, although a limited number of exceptions can be made annually, subject to specific prior approval by the RNC and the Supervisory Board. STI compensation will be a combination of cash and deferred cash. The Managing Board shall determine the precise split between cash and equity or equity-linked components, the proportion of deferred compensation and the form in which this is distributed (e.g. cash or unvested equity), whether a threshold applies for the deferred component and, if so, how high that threshold is.

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

Special situations

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

Supervisory Board remuneration

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

Remuneration governance

In line with the various recommendations and guidelines issued by regulators, the governance surrounding the annual remuneration process has been strengthened and key roles have been agreed for the Human Resource, Risk Management, Compliance, Audit and Finance functions. This process was formalised at the end of 2010 by establishing a Remuneration Governance Work Group consisting of representatives of the functions mentioned. At least once a year, the Chairman of the RPC will attend the meeting of the RNC where remuneration decisions as mentioned above are prepared so as to assess whether or not the suggested compensation has led to or results from unnecessary risk-taking. The Supervisory Board has discussed employees with the highest proposed variable compensation for 2010 as well as any proposal to award variable compensation in excess of 100%, if any. Scenario analyses have been conducted to assess the possible outcomes of the variable remuneration components on an individual and collective basis.

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

In addition to claw backs and as a result of the new DNB/CEBS Guidelines, the concept of malus is introduced in the remuneration policy. This is an arrangement that permits NIBC to prevent vesting of all or part of the amount of deferred compensation in relation to risk outcomes of performance. Malus is a form of ex-post risk adjustment, one of the key requirements, in addition to ex-ante risk adjustments, under the new guidelines.

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

Conclusion

The RNC and the Supervisory Board believe that, with the amendments made, the remuneration policy is compliant with the latest regulations and remains prudent and sustainable. The Supervisory Board continues to believe in prudent management of remuneration but recognises that NIBC operates in a competitive marketplace where it needs to be able to attract, motivate and retain sufficient talent. It is important to be alert and assess whether or not and, if so, to what extent a level playing field with regard to variable compensation, as envisaged by the regulators, emerges within the European Union. NIBC is determined to play its part and make a positive contribution to this goal.

The Hague, 21 April 2011

Supervisory Board

Mr. W.M. van den Goorbergh, *Chairman*
Mr. D.R. Morgan, *Vice-Chairman*
Mr. A.A.G. Bergen
Mr. C.H. van Dalen
Mr. N.W. Hoek
Mr. A. de Jong
Mrs. S.A. Rocker
Mr. D. Rümker
Mr. A.H.A. Veenhof
Sir M.C. Mc Carthy [1]
Mr. M. Christner [1]

1. Member of the Supervisory Board as per January 14, 2011

Members of the Supervisory Board
as per 31 December 2010

Mr. W.M. van den Goorbergh, Chairman
Former Vice-Chairman and CFO of the Executive Board of Rabobank Nederland
Background | Banking and finance
Nationality | Dutch

Chairman of the supervisory boards of DELA Cooperation and De Welten Groep Holding B.V.; member of the supervisory boards of N.V. Bank Nederlandse Gemeenten and Mediq N.V.; member of the managing boards of Stichting Administratiekantoor SBT and Stichting Administratiekantoor Heijmans; chairman of the boards of Vereniging Aegon and Stichting Administratiekantoor ANWB.

Mr. D.R. Morgan
Former CEO of Westpac Banking Corporation
Background | Banking and finance
Nationality | Australian

Managing Director of JCF Europe and Asia Pacific.

Mr. A.A.G. Bergen
Former CEO of KBC Group
Background | Banking and finance
Nationality | Belgian

Member of the board of directors of NYSE Euronext, Cofinimmo and Ahlers N.V.; member of the board of the King Baudouin Foundation and the Flemish industry association; member of the board of Zuhair Fayez Partnership.

Mr. C.H. van Dalen
Member of the Managing Board of Directors and CFO of Vimpelcom Ltd. Former CFO of Royal DSM N.V. and CFO of TNT N.V.
Background | General management, HR and finance, chemical industry, transport/logistics
Nationality | Dutch

Member of the supervisory board of Macintosh Retail Group N.V.; member of the board of Nationaal Fonds 4 en 5 mei; member of the advisory boards of Stichting AIESEC Nederland, NEVIR (Dutch association for investor relations) and VEUO (Vereniging Effecten Uitgevende Ondernemingen).

Mr. N.W. Hoek
Chairman of the Executive Board of Delta Lloyd Group
Background | Insurance, finance and petrochemical industry
Nationality | Dutch

Member of the supervisory board of Stadsherstel Amsterdam N.V.; member of the board of Verbond van Verzekeraars; member of the advisory board of the Zuiderzee museum.

Mr. A. de Jong
Former Managing Director at Credit Suisse First Boston Ltd, responsible for investment banking activities in the Benelux
Background | Banking and finance
Nationality | Dutch

Member of the board of trustees of The Highbury Centre and chairman of the supervisory board of J.M. de Jong Verenigde Werkplaatsen B.V.

Mrs. S.A. Rocker
Managing Director at JC Flowers & Co LLC
Background | Banking and finance
Nationality | American

Member of the supervisory boards of Crump Group, Inc., NPG Wealth Management, Flowers National Bank and Saddle River Valley Bank.

Mr. D. Rümker
Former Executive Vice-President of Westdeutsche Landesbank and former CEO and Chairman of the Managing Board of Landesbank Schleswig-Holstein
Background | Banking and finance
Nationality | German

Member of the supervisory boards of Damp Holding AG, Investitionsbank Berlin and Euro Group Consulting AG; chairman of the supervisory board of Minimax Viking GmbH and Minimax Management GmbH.

Mr. A.H.A. Veenhof
Former President & CEO of Philips DAP, member of the Group Management Committee Philips and former CEO of Koninklijke Wessanen N.V.
Background | Consumer products and technology
Nationality | Dutch

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

Financial Results

Highlights

- Net profit increases by 73% to EUR 76 million;
- Net interest income increases to EUR 142 million, nearly twice that of 2009;
- Origination of corporate loans nearly doubles in 2010 compared to 2009;
- Cost to income ratio remains favourable in 2010, at a level of 50%;
- Impairments are 40% lower in 2010 than in 2009; and
- Capital position remains strong with a core Tier-1 ratio of 12.9%, a Tier-1 ratio of 14.5% and a BIS ratio of 15.8%.

Income statement

IN EUR MILLIONS	2010	2009
Net interest income	142	72
Net fee and commission income	26	32
Dividend income	10	30
Net trading income	91	207
Gains less losses from financial assets	50	(26)
Share in result of associates	3	5
Other operating income	1	1
OPERATING INCOME	**323**	**321**
Personnel expenses	(100)	(81)
Other operating expenses	(56)	(65)
Depreciation and amortisation	(6)	(8)
OPERATING EXPENSES	**(163)**	**(154)**
Impairments	(75)	(124)
TOTAL EXPENSES	**(238)**	**(278)**
PROFIT BEFORE TAX	**85**	**42**
Tax	(6)	1
PROFIT AFTER TAX	**80**	**43**
Profit attributable to minority interest	(3)	1
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDER	**76**	**44**

Small differences are possible in the table due to rounding.

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

Operating income

Net interest income increased to EUR 142 million in 2010, nearly twice that of 2009. This increase was driven by the higher volume of loan origination, which was nearly twice the size of that in 2009, and an improvement in the difference between the average interest rates on NIBC's assets and the interest rates on the NIBC's liabilities. Since mid-2009, net interest income has continued to increase, from EUR 28 million in the first half of 2009, EUR 44 million in the second half of 2009 and EUR 64 million in the first half of 2010 to EUR 79 million in the second half of 2010.

Net fee and commission income decreased in 2010 by 19% to EUR 26 million. The decrease mainly relates to a large fee on one transaction in 2009. In the second half of 2010, net fee and commission income displayed an increase of 50% compared to the first half of 2010 and of 25% compared to the second half of 2009.

Dividend income fell, reflecting the divestment of enhanced investments in the second half of 2009. Dividend income from equity investments managed by the bank's investment management business more than doubled in 2010.

Net trading income decreased from EUR 207 million in 2009 to EUR 91 million in 2010, as improved stability in the financial markets led to improved quality in the bank's operating income.

Gains less losses from financial assets improved from a loss of EUR 26 million in 2009 to a gain of EUR 50 million in 2010, reflecting the positive revaluation of a number of equity investments. The recovery of equity markets in the second half of 2009 continued in 2010, an improvement reflected in the development of the half-year figures.

Operating expenses

Following two years of decreases by 14% in 2008 and 15% in 2009, operating expenses increased in 2010 by 6% to EUR 163 million.

Personnel expenses increased by 23%. However, the 2010 level of payroll expenses was still substantially below that of 2008. The average number of *full-time equivalents* (**FTEs**) increased by 4% in 2010.

Other operating expenses declined in 2010 by EUR 9 million to EUR 56 million. EUR 6 million of this decrease related to our share in 2009 in the estimated losses caused to Dutch banks by the bankruptcy of DSB Bank.

Depreciation and amortisation decreased in 2010 from EUR 8 million to EUR 6 million.

Impairments

Impairments decreased in 2010 by 40% to EUR 75 million, under market circumstances that have improved but remain difficult. We remain prudent regarding the impact of potential future impairments as a result of the volatile economic environment. The portion of impairments relating to corporate loans amounts to 0.8% of our corporate loan exposure (2009: 0.7%).

Tax

Tax expense was low in both 2010 and 2009, which is mainly explained by income and expense components not subject to tax (such as income from equity investments falling within the participation exemption) and releases of tax provisions related to the final tax assessment of previous years.

Assets

NIBC's total assets at year-end 2010 amounted to EUR 28.0 billion (2009: EUR 29.2 billion).

Cash and balances with central banks and due from other banks (NIBC's short-term liquid assets) decreased from EUR 4.4 billion at year-end 2009 to EUR 3.0 billion at year-end 2010, representing a strong liquidity position.

Loans increased from EUR 8.4 billion at end-2009 to EUR 8.7 billion at end-2010 due to increased origination of loans in 2010. The Residential Mortgage portfolio (both own book and securitised) decreased in 2010 from EUR 10.6 billion to EUR 9.8 billion. Credit losses on the Residential Mortgage portfolio remained very low and totalled just 0.08% of the outstanding portfolio in 2010.

The Debt Investments and Enhanced Investments portfolios increased slightly in 2010 from EUR 2.2 billion to EUR 2.3 billion as a result of the temporary investment of excess cash in low-risk, short-term debt investments, partially compensated by the decrease in Enhanced Investments and other Debt Investment portfolios.

Liabilities and Equity

NIBC maintained a strong liquidity position and continued to diversify its funding sources in 2010. Funding from NIBC Direct was attracted in both the Netherlands and Germany and increased from EUR 3.7 billion at year-end 2009 to EUR 4.2 billion at year-end 2010. Furthermore, NIBC executed one public and one private residential mortgage securitisation transaction, totalling EUR 1.85 billion.

Total shareholder's equity increased from EUR 1,696 million at the end of 2009 to EUR 1,803 million at the end of 2010. The increase of EUR 107 million mainly stems from the net profit attributable to our parent shareholder of EUR 76 million, an increase in the hedging and revaluation reserves of EUR 41 million and an increased minority interest of EUR 4 million, partially compensated by interim dividend payments of EUR 22 million.

NIBC's solvency ratios remained strong. The Tier-1 ratio of 14.5% in 2010 (2009: 16.2%) is well above the minimum Tier-1 requirement of 4% and illustrates the strength of the bank's capital structure. The core Tier-1 ratio amounted to 12.9% (2009: 14.0%) and the BIS ratio to 15.8% (2009: 18.4%).

Corporate Governance and Banking Code

NIBC again strengthened its corporate governance in 2010. After revising our corporate governance controls to reflect the updated Dutch Corporate Governance Code (Code Frijns), which became effective in 2009, last year saw us fully implement the *Dutch Banking Code* (**Banking Code**), which came into force on 1 January 2010.

Dutch Banking Code

In September 2009, the Dutch Banking Association published a Banking Code in response to an advisory committee's report on the future of banking. That report, entitled 'Restoring Trust', called for banks to initiate improvements to the way they work and so restore the public trust damaged by the financial crisis.

The Banking Code laid out the principles for good conduct and initially took the form of self-regulation. These principles have since been enshrined in legislation by the Dutch Ministry of Finance. The Banking Code took effect on 1 January 2010.

The Banking Code is divided into the following sections:

i. Compliance with the Code;
ii. Supervisory Board;
iii. Executive Board;
iv. Risk Management;
v. Audit; and
vi. Remuneration Policy.

In December 2009, our Supervisory Board approved revisions to NIBC's charters, those of our committees, the Supervisory Board and the Managing Board, to ensure our governance was fully aligned with the Banking Code.

We have now implemented all the procedural and operational measures required under the Banking Code. We revised our remuneration policy for staff and completed the revision of our remuneration policy for the Managing Board. The Managing Board members signed a moral and ethical conduct declaration as worded in the Banking Code and this is published on NIBC's website. A programme of lifelong learning was drawn up and training sessions for the Managing Board and the Supervisory Board were held in 2010. Dates and programmes for 2011 have been set. The members of the Supervisory Board evaluated their performance in March 2010, with the support of external advisors and began following up on the recommendations. The Report of the Supervisory Board offers more information.

The Minister of Finance and the Dutch Banking Association set up a monitoring committee that will report annually on compliance with the Banking Code. As from 2011, banks must specify how they are applying the Banking Code in a 'comply or explain' statement in their financial report for the previous year.

In a preliminary report published in December 2010, the Monitoring Committee said it would focus on the following subjects in 2011, when it releases its first full report on the implementation of the Banking Code:

- Client focus;
- Risk Management; and
- Governance.

Below, we describe developments within NIBC in these three focus areas. The Banking Code Policy published on our website, www.nibc.com, offers a detailed overview of NIBC's compliance with the principles of the Banking Code.

Client Focus

First priority within NIBC

The 'Client First' principle finds expression throughout our business. It is at the heart of our business principles, mission and ambition statements, which spell out how we concentrate on long-term relationships of trust with our clients.

NIBC is a bank for both corporate and retail clients. The product range of the retail side of our business consists of savings and mortgages. For both client groups, NIBC has appropriate client focus instruments in place.

In 2008, we shifted our business model from 'originate to distribute' to a strongly client-focused model around two strategic pillars - Merchant Banking and Specialised Finance. The other functions within NIBC, including Treasury, support the customer-facing strategic business units.

In order to concentrate fully on client transactions, we ended trading for the bank's own account, except for interest rate derivatives to support our clients and internal deal flow. Mindful of our duty of care towards clients, we use our NPAP - approved by the Supervisory Board in 2010 - before launching a new product or rolling out an existing product to new clients. This procedure assesses a product's risks and weighs its benefits against associated costs and risks. We updated the NPAP last year, broadening its scope and placing greater emphasis on risk management. The NPAP is described in the Risk Management paragraph.

We have worked hard in recent years to embed and enhance the culture of client focus within NIBC. In 2009, we conducted two large internal projects to create and implement a more customer-oriented strategy, and executed a leadership programme focusing on communicating the mission and ambition statements and the Client First principle.

We strengthened that focus further in 2010. Two days were organised for members of the Managing Board and Managing Directors of the bank, during which the spotlight was on client focus and the duty of care. We launched *Accelerating Business & Clients* (**ABC**), an intensive programme to ensure an even better focus on clients. Every client-facing NIBC employee, from Vice President to Managing Director level, participates in the programme, which continues into 2011 and includes deepening our knowledge of our clients and their markets and doing more for our clients. Last year also saw us implement a digital Know Your Customer tool and start an intensive programme to increase *Markets in Financial Instruments Directive* (**MiFID**) awareness.

The Managing Board leads by example: its members are personally and actively involved in customer contact, including client visits. Under our 'Executive Involved' programme, clients have access to a member of the Managing Board. In addition, NIBC management has taken the lead in the leadership programme and team-building activities themed around client focus.

We are fully aware of our duty of care towards our retail customers. We are therefore pleased that the Netherlands *Authority for the Financial Markets* (**AFM**) has rated our NIBC Direct savings product as above average, and qualified the information on the website as transparent.

Measuring Client Focus

Our business model revolves around springing into action at moments decisive to our corporate clients' development. We do not offer day-to-day services such as payments or cash management. The fact that our clients return to us time and again, and that we successfully cross-sell our services, is the true measure of client focus and satisfaction. To evaluate our client focus more precisely in the future, we will introduce the Net Promoter Score methodology in 2011.

Client focus is a major factor during our employee appraisal process. When appraising performance, the most important *key performance indicator* (**KPI**) is our business principle 'We Think Clients'. Compensation for commercial staff partly depends on this indicator, and all employees are required to include at least one target reflecting the 'We Think Clients' KPI when preparing their personal targets.

Risk Management

Organisation risk management

The Managing Board's CRO is responsible for, among others, all risk-related decision making. The RPC assists the Supervisory Board in monitoring NIBC's risk management framework, including procedures, rules and its acceptance policy.

NIBC's risk policy was reviewed to introduce a more detailed description of its risk appetite and the related internal procedures. Our risk appetite is determined by the Managing Board after being proposed by the CRO and then approved by the Supervisory Board. The bank's overall risk appetite is discussed by the Managing Board at least once per quarter and ad hoc, as necessary.

The CRO is supported by various risk committees - which are the *Risk Management Committee* (**RMC**), the *Transaction Committee* (**TC**), the *Asset & Liability Committee* (**ALCO**) and the *Investment Committee* (**IC**) - and the risk management organisation. The risk committees review, monitor and evaluate all new and existing risk exposures, operations and products in the light of existing risk management standards and risk appetite.

Operational Risk is monitored by the Operational Risk Manager, who reports to the CRO and who - inter alia - coordinates the process leading to the In Control Report and the Responsibility Statement of the Managing Board in the Annual Report.

Internal reporting on the bank's risk profile is the remit of the CRO, who forwards reports through the Risk Management department and the management of the various business units, in order to raise commercial risk profile awareness within the organisation. In addition, all stakeholders are informed through annual reports, interim reports and reports such as those relating to Pillar III (on capital adequacy and risk management). Every quarter, comprehensive reporting is made to the Supervisory Board's RPC on all risk aspects.

Embedding risk appetite in day-to-day risk management

NIBC's qualitative risk appetite is determined by the decisions made in the bank, varying from top-level strategic decisions to individual transaction approval. Decisions influencing or relating to risk appetite are embedded by risk management on a daily basis in, among others, the functioning and decision-making of committees, monitoring of portfolios, limit-setting on product, portfolio and country level, new transaction approvals, investments/reinvestments of matured exposures, budget and growth plans.

The following sections focus on a selected number of processes, measures and portfolios that demonstrate the translation of risk appetite into day-to-day risk management decision-making in the lending activity of the bank.

From the start of the credit crisis in 2007, NIBC's Risk Management took early action to de-risk the bank's balance sheet. The most striking change was the reduction of our Debt Investments portfolio from 25% of the balance sheet in 2006 to just 2% non-core debt investments in 2010. Additional developments in our operating environment include the following de-risking or risk-constraining actions:

i) Limits on corporate loans

The application of limits on a sector level is the most important feature of the way we manage and grow our corporate loan book. Nominal limits on the six corporate loan departments (commercial real estate, shipping, oil & gas services, infrastructure & renewables, corporate lending, leveraged finance) have existed since 2006.
In recent years, the limit framework was further extended to the risk weighted asset and economic capital consumption of the corporate loan book.

ii) Country risk limits

Country risk is potentially an important cause of increased counterparty default risk since a large number of individual debtors could default at the same time (concentration risk) when a country goes into default. This may have major implications for the quality of the Corporate Loan portfolio. NIBC's country risk policy aims to report and manage country risk.

iii) Management of concentration risk

Concentration risk is managed on sub-portfolio level through the limit framework that is in place, as mentioned above, and on individual counterparty level by taking the one obligor exposure and related exposure into account. NIBC has already implemented the new regulatory requirements for the reporting of large exposures, as these are expressed through the one obligor exposure and related exposure measures.

iv) Other processes related to origination

A NPAP is in use for new products introduced by the bank.

New Product Approval Process

The NPAP was strengthened in 2010. In this process, potential new products are checked to determine:

- Whether they are in line with corporate strategy (mission/vision/strategic goals and core values) and business principles;
- The robustness, accuracy and completeness of the business case;
- Whether they are in line with current (national and international) laws and regulations;
- Whether they fulfil the applicable duty of care to the client;
- Whether they present unwanted operational or other risks to the bank or the customer; and
- Whether they are transparent.

During the approval process, all relevant parties are involved in the process, including commercial business units, Compliance, Risk Management, Finance, Legal and Operations. The NPAP has been introduced to the staff members involved in the respective business units.

Client focus is part of the NPAP assessment and decision-making process. Also as part of the NPAP, Compliance checks whether the new product is in line with regulatory requirements.

Each new product must go through the NPAP and the ultimate approval is granted by the RMC. The NPAP is laid down in a written assessment of all relevant features of the new product.
The decision-making process rests with the RMC.
In 2010, 22 new products were submitted to the NPAP.

Governance

Managing Board

The five members of the Managing Board all have thorough knowledge of the financial sector in general and the banking sector in particular. Four board members have long-term experience in the banking sector and one worked at the Dutch Ministries of Finance and Economic Affairs, where he most recently held the position of Treasurer General.

The Managing Board focuses on balancing the interests of all NIBC stakeholders. The main forum for this is the weekly board meeting, where all current issues are discussed. Stakeholders' interests are also discussed by the *Engagement and Compliance Committee* (**ECC**), which comprises members of the Managing Board, the general counsel and head of Compliance. Meeting weekly, its main purpose is to ensure a meticulous, documented decision-making process in which commercial deals are viewed in relation to legal, regulatory and other compliance requirements. There is a strict policy on conflicts of interest that is overseen by the ECC, and active monitoring of Chinese walls and *Procedures on Personal Investment Transactions* (**PPIT**). At Supervisory Board level, there is also a Related Parties Transaction Committee.

In addition to these committees, the division of tasks within the Managing Board creates a balanced consideration of interests as two Managing Board members (the heads of the strategic pillars Merchant Banking and Specialised Finance) represent the commercial interests, while the CFO and CRO have a supervisory role, all under the leadership of the CEO. These roles are reflected in the remuneration policy and enshrined in the charters of the Managing Board and the Supervisory Board.

The moral and ethical declaration signed by each Managing Board member is being further implemented in the organisation, including embedding it in our Code of Conduct. It will also be referred to in new employment contracts. The underlying standards reflected in the declaration have for years been part of the business principles of NIBC.

Supervisory Board

The composition of the Supervisory Board offers sufficient assurance of independence, expertise and diversity.

The Supervisory Board has four members with expertise in banking and three who are financial experts. Other members have expertise in the fields of compliance, corporate governance, internal governance and CSR, backgrounds in industry or as all-round managers.

The Supervisory Board consists of nine members of diverse nationalities: five are Dutch and the others are Australian, German, Belgian and American. There is one female member.

For the concept of independence of the Supervisory Board members, we adhere to the independence criteria laid down in the updated *Dutch Corporate Governance Code* (**Governance Code**).

Lifelong learning

A programme of lifelong learning has been drawn up for members of the Managing Board and the Supervisory Board, to keep them up to date on matters such as relevant developments in the banking and financial sector, corporate governance, duty of care towards customers/'Client First', integrity, risk management and financial reporting. The lifelong learning programme activities of individual Supervisory Board members have been registered and their learning needs have been taken into account.

Two days have been reserved in 2011 for collective lifelong learning of the Supervisory Board. NIBC also offers individual training programmes.

For the Managing Board, five days in 2010 were reserved for lifelong learning, which partly followed some elements of the Supervisory Board programme, as well as teamwork on aspects such as corporate strategy, cooperation and clients. Additionally, each Managing Board member followed individual educational programmes in line with his personal development needs, such as programmes delivered through the Duisenberg School of Management.

Internal Audit and role of the external auditor

Internal Audit reports directly to the CEO and, at the request of the Managing Board, pays increasing attention to new initiatives, products and related projects within the bank. Following the Banking Code, the Managing Board aims for closer cooperation and coordination between the control functions such as internal audit, compliance and (operational) risk management. There is increasing focus on themes such as integrity, conflicts of interest, information security and fraud control.

The head of the internal audit function also has a direct reporting line to the chairman of the ACC of the Supervisory Board. The internal audit function assesses the quality and effectiveness of the system of governance, risk management and the bank's control procedures and reports its findings to both the Managing Board and to the ACC.

Consultations between the internal audit function and the external auditor have intensified. Internal Audit and the external auditors regularly review audit results, risk analysis and planning. The information exchange with the ACC of the Supervisory Board has remained unchanged. At its own initiative, Internal Audit has periodic discussions with the DNB and the external auditor, where the risk analysis, planning and audit results are shared and discussed.

Remuneration

In light of the ongoing public and political debate about remuneration within the banking industry, the Supervisory Board reviewed NIBC's remuneration policy and amended it where necessary, taking into account all relevant regulations and guidelines, most notably the Banking Code and European regulations. As a result, the remuneration opportunities for the Managing Board have been substantially reduced and the governance strengthened. Also, the remuneration opportunities for other staff were further restrained and are more moderate than before. The new remuneration policy is sustainable, balanced and in line with the chosen strategy and risk appetite. It identifies the following five key principles: remuneration is (i) aligned with business strategy, (ii) appropriately balanced between short term and long term, (iii) differentiated and discretionary, (iv) externally competitive and internally fair and (v) managed in an integrated, total compensation manner.

In compliance with the Banking Code, the variable remuneration of Managing Board members has been capped at 100% of base salary, except for the CFO and the CRO, for whom the cap was set at 80% of base salary. In addition to the existing short-term incentive opportunity, a new long-term incentive opportunity was introduced. Each member of the Managing Board agrees a limited number of financial and non-financial targets annually and short-term variable remuneration is awarded dependent on whether these are achieved. It should be noted that neither the CFO nor the CRO have financial targets for their short-term incentive opportunity that are dependent on the financial performance of the bank.

The composition of the peer group was changed and now consists of all listed companies in the AEX and AMX indices, preventing the possibility of influencing the composition by including or excluding specific companies.

The new long-term incentive opportunity introduced for the Managing Board and senior management is subject to three-year cliff vesting and the achievement of one financial target (three-year average return on equity) and one non-financial target (three-year average employee engagement). Upon vesting, there is a lock-up expiring on 1 January of the year following the fifth anniversary of the initial grant. Finally, a larger portion of variable remuneration will now be deferred.

In addition, the Supervisory Board has the discretion to adjust variable pay if it considers that this would lead to unfair or unintended outcomes. The Supervisory Board has the power to recover variable pay awarded to a member of the Managing Board on the basis of incorrect (financial) data ('clawback' provision).

Also, in exceptional circumstances, the Supervisory Board has the discretion to adjust any or all variable remuneration if, in its opinion, it would have unfair or unintended effects.

In determining variable remuneration levels, the CRO, the head of Compliance and the head of Internal Audit are asked to report in writing to the RNC on their views regarding individuals and business units, stating whether or not there are, in their opinion, any issues that should positively or negatively impact their variable compensation. Finally, the chairman of the RPC attends the meeting where the RNC discusses the annual variable compensation awards. The final decision is taken by the entire Supervisory Board.

All in all, the combination of restraint and moderation on the one hand, and strengthened governance around the remuneration process on the other, makes for a sustainable remuneration policy.

Dutch Corporate Governance Code

NIBC operates a two-tier board system consisting of a Managing Board and a Supervisory Board to ensure that proper checks and balances exist within the company. The Managing Board is responsible for the day-to-day management of the business and its long-term strategy. The Supervisory Board supervises management performance and advises the Managing Board.

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

This collaboration is further substantiated in NIBC's coherent and transparent governance framework of charters, with clear guidelines for the assignment of duties and responsibilities, financial reporting, risk management, compliance, corporate governance, corporate social responsibility and remuneration policies.

The Managing Board has delegated operational decisions to the (strategic) business units management teams and a number of functional committees.

Merchant Banking, Specialised Finance & Treasury, Risk Management and Corporate Center are each headed by a Managing Board member. This ensures direct communication between the Managing Board and the management teams of the (strategic) business units and swift decision-making. In this way, accountability and responsibility are embedded in the organisation and line managers are responsible for making decisions within their respective sphere.

In addition, the organisation is supported by a number of functional committees that operate across the (strategic) business units and meet on a regular basis.

NIBC supports and applies the principles of the updated Governance Code and will continue to apply the Governance Code. The Corporate Governance Policy published on our website, www.nibc.com, offers a detailed overview of NIBC's compliance with the principles of the Governance Code.

As at 31 December 2010, NIBC only partly deviates from best practices and principles as laid out in the Governance Code in the following areas:

- Best practice provision III.2.1, which provides that the members of a supervisory board should be independent, except for one member. As per 31 December 2010, NIBC had a Supervisory Board consisting of nine members, of whom two (Mrs. Rocker and Mr. Morgan) do not meet the independence criteria specified in best practice provision III.2.2 of the Governance Code. Although three other members of the Supervisory Board have relationships with investors in the shareholder consortium (Mr. Hoek, Mr. De Jong and Mr. Rümker), these three members, as well as the Chairman of the Supervisory Board (Mr. Van den Goorbergh) and two other members nominated by the Employees' Council (Mr. Van Dalen and Mr. Veenhof), meet the independence criteria mentioned in the Governance Code, as does Mr. Bergen. The supervisory board rules adopted by the Supervisory Board provide that certain important decisions require a simple majority including the supporting vote of at least one of the members of the Supervisory Board who do not have a relationship with the investors in the shareholder consortium (i.e. Mr. Van den Goorbergh, Mr. Van Dalen, Mr. Veenhof and Mr. Bergen). If such a resolution does not have the supporting vote of such a member of the Supervisory Board, a new Supervisory Board meeting will be convened with at least 90 days' notice, in which second meeting the Supervisory Board will resolve on the relevant matter by a simple majority. In connection with this, the authority to approve a material transaction with an affiliated party was delegated on 12 December 2006 to a separate Supervisory Board Committee (Related Party Transaction Committee) currently consisting of Mr. Van den Goorbergh, Mr. Bergen and Mr. Veenhof;
- Principle III.5 and related best practice provisions III.5.10 through III.5.14, which provide that a supervisory board of more than four members should establish a separate audit committee, a remuneration committee and a selection and nominating committee. NIBC has combined the remuneration committee and the selection and nominating committee in a combined RNC, which performs the tasks attributed by the Governance Code to the remuneration committee, as well as the selection and nominating committee;
- Best practice provisions IV.4.1 through IV.4.3, which relate to the annual publication by NIBC on its website of information relating to NIBC's voting policies as shareholder of listed companies, and the execution thereof. It is not NIBC's policy to acquire shares in listed companies. Such acquisitions may occur occasionally as a side effect of transactions. NIBC does not wish to emphasis its limited ownership of shares in listed companies and has therefore not formulated a voting policy in respect of such shares;
- NIBC applies best practice provision II.2.10, which provides that the remuneration report of a supervisory board should contain an overview of the remuneration policy including a description of performance criteria. NIBC partially deviates from this provision in the sense that it will not disclose

performance criteria that reflect or relate to commercially-sensitive information;
- NIBC considers itself to be in compliance with best practice provision III.7.2, which provides that any investment by a supervisory board member in shares of the company on whose supervisory board he or she serves is a long-term investment, as it believes that ordinary shares in its capital held, directly or indirectly, by supervisory board members are held by such members only by way of long-term investment; and
- Best practice provision IV.3.13, which provides that a company shall formulate an outline policy on bilateral contacts with its shareholders and publish this policy on its website. NIBC does not apply this provision since it is privately owned.

Our People

Our people are key in our efforts to achieve success. We seek to align our staff to our growth ambitions. Human Resources is at the heart of this, recruiting talented employees, assigning them where most appropriate and providing ongoing training.

Our main areas of focus in 2010

Talent Development

Human Resources began 2010 with three clear leadership and training aims that arose from a company-wide assessment at the end of 2009. These were:

- To create a leadership profile that reflects the leadership qualities NIBC requires to achieve its vision, mission and ambition. The profile was developed and introduced in 2010 and is now being embedded into our people processes. It defines the leadership styles, competencies and behaviours we want in our organisation, and that will be used when selecting, appointing and assessing leaders;
- To organise a series of leadership events. Three successful events were held for our Managing Directors. These offered an opportunity to strengthen trust and cooperation, and enabled the participants to practise leadership skills such as active listening and providing constructive feedback; and
- To develop training curricula for all levels. We worked closely with key business units to create customised training courses for their staff. To date, we have developed continuous professional development curricula for 25 key business units. This will be expanded to 40 in 2011. The courses cover business, management and personal skills on three levels: junior, intermediate and senior. There are now more than 400 courses that can be accessed via a new training tool called My Learning Plaza.

Looking to the year ahead, we will expand our sales programme to boost sales skills. This so-called ABC programme, which saw almost 120 commercial employees receive sales training in 2010, will become part of an ongoing sales curriculum in 2011. We are also creating a development programme for managers, a credit course and a programme for young bankers that is similar to our successful young analysts' programme. This year, we had a full class of 18 analysts on the programme, which is offered in conjunction with the Amsterdam Institute of Finance and continues to deliver excellent results. The 2011 programme is already fully subscribed.

Employee Engagement

This year, we conducted the first-ever NIBC Employee Engagement Survey. All staff were invited to participate to give us a more complete overview of our organisation.

- Overall engagement was 85%, putting NIBC significantly ahead of other global financial services organisations and on a par with high-performing organisations. We aim to stay within this zone in 2011;
- Some 69% of respondents said they saw a significant overall improvement at NIBC compared with 2009. As this was the first survey of its kind, the question was specifically included; and
- There are areas that can be further improved and we will be working on these in 2011.

Performance management and reward

Compensation for bankers has become increasingly regulated in recent years. Towards the end of 2009, we developed and agreed a new remuneration policy, which was fully aligned with the relevant guidelines and regulations at that time. However, 2010 saw the introduction of further regulations and guidelines, which will enter the Dutch and European regulatory framework in 2011. We reviewed these amendments and incorporated them into our remuneration policy.

Other activities

- Our Dutch health and safety department ('Arbodienst') conducted a mandatory risk inventory and evaluation of NIBC's head office in The Hague. This involved interviewing employees about their working conditions, as well as an independent assessment. NIBC scored better than the national benchmark. Areas that will be acted upon in 2011 include improving reporting channels and management of employee absence due to illness;
- We initiated a preliminary investigation into introducing more flexible ways of working. Although employee surveys show there are already ample opportunities to combine work and home life, we want to extend this. In 2011, Human Resources will work with the IT department to further improve ways to technically support working outside the office;
- We provided more extensive health checks for employees. We make these voluntary preventative check-ups available because we believe a healthy workforce makes good long-term business sense. Around 200 employees took up the offer. In 2011, we will devise a support plan for people in categories at-risk, offering dietary advice or subsidised gym membership, for example; and
- 2010 was a difficult year for Dutch pension funds, including the NIBC employee pension fund. Although it ended the year in a relatively good position with a coverage ratio of 110.6% (as per 31 December 2010), it was affected by the general economic environment and factors such as the Dutch government's decision to raise the retirement age to 67 from 65.

Recruitment and selection

The number of FTEs increased slightly last year. We ended 2010 with 669 FTEs versus 644 at end-2009, thanks to selective hiring of professionals and lower staff turnover.

Business principles

Our business principles define who we are as a company and what is important to us. They underpin our way of working. To learn more about our business principles, see our website www.nibc.com.

Employees' Council

The *Employees' Council* (**EC** or the **Council**) represents all NIBC employees based in the Netherlands and ensures that management objectives are aligned with those of employees. It consists of 11 members.

The Council enjoyed a relatively quiet year in 2010. As is customary, we held six formal meetings with members of the Managing Board, and a number of informal meetings. These meetings enable the Council to get information from the Managing Board that is in the interest of NIBC staff, as well as giving staff a voice at Managing Board level. The Council also meets periodically with the CFO to stay abreast of financial developments, and meets twice a year with members of the Supervisory Board for open and constructive discussion.

In 2010, the Council maintained the informal role it took on in 2009 to represent staff interests in the governance of NIBC's employee pension fund. Recognising that pensions are an important part of employees' overall benefit packages, we attended the fund's quarterly meetings and participated in pension-related discussions. Although the Council has no voting rights on pension fund matters, our opinion is highly valued.

Some of the Council's main activities during 2010 included:

- Advising on changes to the governing bodies of NIBC. We gave our recommendation for three changes to the Supervisory Board, following meetings with the prospective candidates. The Council considers the balance and backgrounds of Supervisory Board members to be important to the governance of the bank and welcomed the proposed changes;
- Advising positively on organisational changes within the IT & Operations Group. The Council will evaluate those changes in early 2011. We also assessed the staff changes that took place in Specialised Finance and Merchant Banking in early 2010. Based on numerous interviews with the employees involved, we are satisfied that the reorganisation was handled with care and that the changes are widely supported;
- Agreeing to a further two-year extension of NIBC's Social Protocol;
- Approving the compliance-related Special Investigations Procedure, which was amended and updated; and
- Entering discussions with Human Resources on more flexible working arrangements, and how to balance these with business continuity. We also worked with Human Resources on updates to the staff manual, which lays out NIBC's procedures, regulations and remuneration policies.

The Council is always open to questions and suggestions from staff. We would like to take this opportunity to thank the Managing Board and Supervisory Board for their constructive cooperation and all NIBC employees who provided useful input throughout the year.

Jack van Reisen
Chairman
Employees' Council

Martijn Weinreich
Vice-Chairman
Employees' Council

Corporate Social Responsibility

In a sustainable society, performance is not only measured on the basis of economic and financial performance, but must also be gauged by social and environmental criteria. NIBC constantly incorporates sustainability into every aspect of our business. We believe in taking our responsibility towards society. Sustainability makes business sense, drives performance and creates long-term value.

We want to contribute to a sustainable society and deliver responsible financial services. We are a trustworthy, transparent and sustainable bank, building long-term relationships with our clients. At the same time, we take into account the interests of our other stakeholders, including employees, shareholders, suppliers and society at large.

CSR - a top priority

In NIBC's vision, companies that take their social and environmental responsibilities seriously are the companies of the future.

In 2010, we pursued our objective to make CSR an integral part of our organisation and the way we do business. We took steps to ensure we meet ambitious social and environmental standards, related both to how we operate our bank and to how we interact with clients.

We recognise that sustainability is a continuous process, yet we are proud of our achievements in 2010, meeting the vast majority of our CSR objectives set for the year. As a result, CSR has a firm place in our day-to-day operations and our staff are committed to making sustainability part of NIBC's entrepreneurial approach to serving its clients.

Among the highlights of 2010 were:

- Implementing our Sustainability Policy and Toolkit, thereby embedding sustainability in our client processes;
- Adopting the *Equator Principles* (**EP**), the globally-recognised benchmark for assessing and managing social and environmental risks in project finance, as an official signatory;
- Successfully rolling out our debt prevention project; and
- NIBC's head office in The Hague becoming carbon neutral.

CSR strategy

NIBC's sustainability strategy is based on our responsibility towards various stakeholders. It considers economic, environmental and social aspects of our activities and aims to incorporate sustainability into every aspect of our business. Our long-term sustainability vision and strategy are in line with NIBC's overall business vision and strategy: we build durable and long-term relationships with our clients and provide them with clear, sustainable solutions. Our strategy is based on a foundation of 'integrity and responsibility', the core principles for a sound and sustainable business. This includes the values that are part of NIBC's culture, a sound governance structure and the recognition of our responsibility towards stakeholders.

NIBC's sustainability strategy is clustered around three cornerstones, related to our client business, society and the environment:

- Client Interaction: offering responsible services that create sustainable growth;
- Social Citizenship: being a responsible member of society; and
- Environmental Sustainability: managing our impact on the environment responsibly.

CSR management approach

Our CEO is responsible for CSR within NIBC. He is Chairman of the CSR Steering Committee, which discusses and decides on CSR strategy, planning and budget. Set-up and implementation of CSR strategy and planning are delegated to the CSR Team, which consists of the CSR manager and several CSR specialists. For more on our CSR management approach, see www.nibc.com/csr.

Achievements in 2010 and goals for 2011

General CSR initiatives

NIBC's revised CSR strategy, adopted in 2009, was further implemented in 2010. Led by the CEO and other board members, management and other staff became familiarised with our CSR initiatives and sustainability was embedded in existing processes within NIBC. Several of our CSR activities generated media coverage, which enhanced awareness about NIBC's CSR activities and aspirations among external stakeholders too.

In line with our commitments to sustainability and our business principles, NIBC formally subscribed to the UN Global Compact in 2010 and the 10 universally-accepted principles in the areas of human rights, labour, environment and anti-corruption. We are committed to integrating sustainability into our business approach and consider these principles as the basis for all our activities.

In 2011, we will sharpen our long-term CSR strategy, further embedding our sustainability activities within every aspect of our business. In line with our commitment to transparency, we will expand reporting on CSR on our website and in our Annual Report. NIBC's sustainability statements will be published on the NIBC website. We are also planning to intensify contacts and enter into dialogue with selected external stakeholders on our CSR strategy.

Client Interaction

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

Our Sustainability Policy framework came fully into effect in July 2010. That means we now expect our clients to meet the sustainability standards as set out in our Sustainability Policy and, where applicable, our sector-specific policies. If parties are active in restricted sectors and activities, such as controversial weapons, we will not engage in business with them. The standards in these policies are based on international conventions, codes of conduct and industry practices.

In addition to our general Sustainability Policy for client interaction, NIBC has sector-specific policies in place for oil & gas, shipping, infrastructure and water & waste, renewable energy and commercial real estate. These policies outline the risks we identify in each sector, the market practices that apply there and our approach to client interaction in these specific sectors. We evaluate the existing policies on an ongoing basis, to ensure adjustments are made where relevant.

The Sustainability Toolkit was also introduced in July 2010. This toolkit reflects the standards in our Sustainability Policies and provides guidance for our business teams to assess the commitment, capacity and track record of our clients in the realm of sustainability. This toolkit is applied for all new clients and transactions and has been embedded in the organisation through integration into existing credit and engagement processes.

If existing clients or prospect clients fail to meet certain standards, we engage with those clients who are willing to improve to meet these standards. The CSR team and business teams within NIBC have an ongoing dialogue on sustainability issues and client assessments.

For all project financing transactions, NIBC has been working for several years in line with the EP, the globally-recognised benchmark for assessing and managing social and environmental risks in project finance. In 2010, we became an official signatory to the EP. As a result of this, in 2011 we will ensure our project financing transactions are EP-compliant and meet the reporting requirements.

NIBC's sustainability framework also applies to our investment management activities. Environmental and social standards play a role in our initial investment analysis and decision-making processes.

In 2011, we will investigate whether it is necessary and feasible to develop sustainability policies for three additional sectors: food, agri & retail; technology, media & services and industries. NIBC's general Sustainability Policy currently applies to these sectors, but if their relevance is confirmed, we will develop sector-specific sustainability policies for them. The coming year, we will also investigate whether it is relevant and feasible for NIBC to formally subscribe to the Principles for Responsible Investment.

We also expect our suppliers to meet our sustainability standards and we include sustainability criteria in all new contracts with suppliers.

For more information on NIBC's Sustainability Policies and framework, standards, scope and approach, as well as EP, see www.nibc.com/csr.

For more information on our responsibility in the supply chain and the direct and indirect impact of our activities on society and the environment as well as our approach, see www.nibc.com/csr.

Social citizenship

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

Social citizenship projects that NIBC initiates have a local focus, as we believe our impact is most effective locally. In addition, these activities have an educational theme related to youth as we believe that children are our future and education is key to building a sustainable society. NIBC always wants to support activities by providing volunteers' time and knowledge, in addition to a financial contribution.

In 2010, we continued a project aimed at training youths to manage their finances responsibly. This debt prevention project was initiated by NIBC staff in 2009, spurred by local media reports about individuals' debt problems caused by the financial crisis. In cooperation with the City of The Hague, NIBC volunteers facilitated group discussions and workshops to teach children to manage their finances at two local high schools.

NIBC received positive feedback on the project and we aim to expand the debt prevention programme in 2011, involving both NIBC volunteers and other financial institutions in The Hague, thereby reaching more schools and children.

A second social citizenship project was rolled out in cooperation with the Mauritshuis art gallery in The Hague. NIBC employees gave classes on arts and the museum to primary school pupils from schools in disadvantaged neighborhoods in The Hague, before accompanying them to an exhibition at the Mauritshuis and providing support as supervisors at art workshops.

Other 2010 projects included analysts from NIBC's Analyst Programme giving strategic funding advice to the **ALS** (*Amyotrofe Laterale Sclerose*) foundation and carrying out a coaching project for teenagers from disadvantaged backgrounds. We also held an Open Museum Day to celebrate NIBC's 65th anniversary and supported the War Child peace concert in The Hague.

Additionally, NIBC continued to match funds raised and time spent on charitable projects by our employees.

In 2011, we wish to carry on playing a role in our local society and further continue our social citizenship initiatives. For more details and examples of our social citizenship activities, visit www.nibc.com/csr.

Environmental sustainability

NIBC's ambition to be a trustworthy, transparent and sustainable bank includes taking action to minimise our impact on the environment and to contribute to building a sustainable society for future generations.

NIBC in The Hague became a carbon neutral organisation in 2010. This means we measure the direct carbon emissions from our office building, as well as business travel, try to reduce our consumption and compensate any remaining emissions.

To reduce carbon emissions, we took several measures, such as making significant improvements to our building management and lighting systems. We also started implementing a comprehensive plan to further reduce the energy consumption and carbon emissions of our head office building and improve the energy label to A/B. Approved in 2010, this energy-saving plan includes significant investments and measures and will take three to five years to realise. Although we made improvements to reduce our carbon emissions, we purchased verified Emissions Reduction credits to become carbon neutral. We assessed the carbon emissions of our foreign offices in 2010, as a first step towards making these offices carbon neutral. We aim to become a carbon neutral organisation globally in 2011.

For more information on our environmental sustainability initiatives, our carbon reductions and carbon credit programme, see www.nibc.com/csr.

In Control Report and Responsibility Statement

The responsibilities of the Managing Board are anchored among the other regulations in the principles of the Financial Supervision Act [1]. These responsibilities include compliance with relevant legislation and responsibility for the implementation of risk management and control systems. The management and control systems aim to ensure reliable financial reporting and to control downside risk to the operational and financial objectives of NIBC. The systems enable active monitoring and management of the risk profile in relation to the marketplace and economic environment.

Risk management and control framework

The risk management and control framework is designed to fit the bank's exposure and is focused on the identification and control of risks that come with the execution of NIBC's business activities. A detailed description of the risks associated with the bank's business activities and how they are managed is contained in the Risk Management section. The risk management and control framework is aligned with IFRS and meets the requirements of Basel II and other European directives.

The Managing Board being ultimately responsible for NIBC's risk management and control framework is supported by the business unit managers. The business unit managers provide annually an In Control Statement to the Managing Board. The individual In Control Statements are based on the individual annual risk and control self-assessment from each business unit.

In order to achieve a risk level that is aligned with NIBC's risk profile and appetite, the bank analyses strategic, financial, compliance and operational risks. This operational risk analysis also includes an evaluation of potential responses. In evaluating the potential responses, both the likelihood and impact of the potential risk events are taken into consideration. Alternative control scenarios are analysed for risk-reducing capacity and impact. The control measures are reviewed annually by the Operational Risk Manager as part of the in control process.

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

Specific events and action points in 2010

In 2010, the following events required the specific attention of the Managing Board.

- The formal introduction of the Banking Code, which came into force on 1 January 2010, brought with it a number of initiatives that not only impacted the Bank's governance structure and associated responsibilities, but also risk management, audit and remuneration. Where relevant, this led to the revision of the charter provisions to ensure that the bank complies with the provisions of the Banking Code. All the members of the Managing Board have signed an ethical conduct declaration required under the Banking Code and made assurances that NIBC will abide by the declaration's principles;
- The Banking Code stipulates that both the Managing and Supervisory Boards ensure that the risk profile of the bank is in line with the level of risk appetite established by the Supervisory Board and that the products and services delivered by the bank are suitable for its clients. To this end, the existing NPAP was revamped and the approval process was routed through the RMC for approval and to the Supervisory Board where required;
- NIBC began integrating sustainability into its business processes in 2010. With the philosophy that the bank's clients are central, sustainability activities have been focused on client interaction, social citizenship and environmental sustainability;
- The bank realises that through its interaction with clients it has the potential to impact society at large. In an attempt to reduce any negative impact and stimulate the positive, the bank's transaction approval process has been adjusted to include an analysis of social and environmental risks and their management;
- The extent to which the bank's activities are outsourced to third-party providers for IT and business support remained a focus of management attention in 2010. NIBC continuously improves and deepens the professional character of operations and processing for efficiency, reduction of operational risk and improvement of control. To this end, during 2010 the bank in-sourced a portion of the services provided by third parties for both its German mortgage operations and the Dutch internet savings operation; and
- As NIBC's commercial activities continue their recovery from the credit crisis, management has focused on continuing to build on its domestic and international franchise in selected sectors. In 2010, maintaining sustainable profits was complemented by the ability of the organisation to provide systems and operations to effectively and efficiently meet growth in customer demand. The bank has continued to improve its information technology and information security, which is substantiated by advances in the COBiT maturity levels of IT processes. Information security processes have been further enhanced and access management controls strengthened.

During 2010, the Managing Board discussed with the Supervisory Board the corporate strategy and the main risks of the business, the results of the assessment by the Managing Board of the design and effectiveness of internal risk management and control systems, as well as any significant change to these.

Planned improvements and attention areas 2011

- The NPAP will play a prominent role in ensuring that the risks taken in providing banking services fall within the boundaries of the NIBC risk and control framework and that the products and services delivered are suitable for the customer. The bank has a range of improvement projects to further refine the quality of management information and increase an already robust risk assessment and approval process.

Improvements are aimed at ensuring the smooth and efficient execution of the bank's business strategy while keeping the client central;
- In 2011, further expansion is planned for NIBC selected sectors. The commercial approvals for these expansions are to be provided by the Managing Board. New products and services will be approved by the RMC to ensure the client suitability of the products and services, delivery capability of the bank and management of risks. Through review of the product, service and operational processes by a number of specialised units in the bank, the NPAP will provide the required level of comfort for the Managing and Supervisory Boards to meet the requirements of the Dutch Banking Code.

Conclusion

Within the current internal risk management and control system, certain high risk events were identified by management in the course of 2010, and where required, corrective measures were taken. Nevertheless, the measures to manage NIBC through a period of increased commercial activity in a soft macroeconomic climate will remain areas of attention in 2011.

The internal risk management and control system provides reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems regarding financial reporting risks worked properly in the year under review.

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

In respect of Article 5:25c, Section 2 (c) (1 and 2) of the Financial Supervision Act, the members of the Managing Board of NIBC hereby confirm, to the best of their knowledge, that:
- The annual financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of NIBC and its consolidated group companies;
- The report of the Managing Board gives a true and fair view of the situation on the balance sheet date and developments during the financial year of NIBC and its consolidated group companies; and
- The annual report describes the principal risks which NIBC faces.

The Hague, 21 April 2011
Managing Board

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

Risk Management

The financial crisis drastically changed risk priorities. Where the pre-crisis emphasis was on credit, market and operational risk, our Risk Management department's top priority became liquidity risk in 2009 and remained so in 2010.

We have significantly reduced our exposure to market risk since 2007. We reduced our already conservative appetite for credit risk in anticipation of a severe economic recession. Timely steps such as these have ensured our risk profile remains healthy.

Next to liquidity risk, Risk Management's other main area of focus in 2010 was credit risk - the selective acceptance and intensive supervision of distressed assets. We rigorously assess risks before accepting new exposures.

Nevertheless, impairments have been an inevitable by-product of the economic downturn, for NIBC as well as for our peers. Additions to impairments were significantly lower in 2010 than in 2009.

We have access to liquidity through our retail savings programme NIBC Direct in the Netherlands and Germany. This now represents some 19% of our total funding. We further diversified our funding position in 2010 with the successful issue of Dutch MBS XV, a EUR 750 million residential mortgage-backed securitisation, and the placement of EUR 1 billion of triple-A rated notes.

With the financial world remaining in constant flux, there are continuous new insights into risk management. In response, we adapted our Risk Management organisation in 2010. We revamped our operational risk unit to create synergies, combining internal control, business continuity, information security and operational risk.

Following on from our creation in 2009 of a dedicated Financial Markets Credit Risk department, we adapted our market risk models last year to reflect changes in the market risk environment. We further developed our modelling of economic capital and improved our assessments of the creditworthiness of financial counterparties. We allocated more dedicated focus on country risk, despite our moderate country risk exposure.

Notes 55, 56, 57 and 58 to the consolidated financial statements contain more detailed information on Risk Management.

Portfolio overview

Table 1 shows a breakdown of the book value of risk exposures (on- and off-balance sheet) of NIBC, together with the types of risk present in these portfolios. The numbers presented are not directly comparable to the numbers on the balance sheet. The exposure amounts shown are broadly aligned with the regulatory capital view of Basel II capital calculations, except for derivatives, which show the positive replacement values only, without netting and without any potential future exposure add-on.

Note 55 to the consolidated financial statements presents a more detailed comparison between risk figures and balance sheet amounts.

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

Table 1 Overview of risk exposures

IN EUR MILLIONS	Main risk types	31 December 2010	31 December 2009
Corporate loans	Credit risk	9,674	8,572
Residential mortgages	Credit risk	9,767	10,601
Investment Management loans	Credit risk	205	245
Equity investments	Investment risk	371	345
Debt investments portfolio	Credit risk/Market risk	2,317	2,295
Cash management	Credit risk	1,879	3,411
Derivatives [1]	Credit risk/Market risk	3,318	2,825

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

Risk governance structure

Under the supervision of the Managing Board and the Risk Policy Committee of the Supervisory Board, formal authority and ultimate decision-making in respect of risk management matters is the responsibility of four committees: the *Risk Management Committee* (**RMC**), the *Asset & Liability Committee* (**ALCO**), the *Transaction Committee* (**TC**) and the *Investment Committee* (**IC**). These committees are chaired by the CRO and ensure that assessment and acceptance of credit, market, investment and liquidity risk exposure is made independently of the business originators within the operating segments.

The RMC determines the overall risk appetite and risk profile at a strategic level, evaluates new activities and products on client suitability and the bank's operational and risk management capabilities, as well as reviews risks at portfolio level, sets country risk and sector limits, approves acceptance policies and guidelines, risk policies and manuals. Three members of the Managing Board are members of the RMC, which also includes representatives from the TC and the ALCO. As necessitated by the topics to be discussed, specialists in certain areas are also invited to the meetings of the RMC. The RMC meets once a month.

The ALCO monitors the development of NIBC's balance sheet and market risk profile. The ALCO monitors traded market risks, exposure to interest rates and currency risks, the capital structure and liquidity position. The ALCO also approves large transactions such as securitisations and sets overall limits on market risk exposures. The ALCO receives reports on all breaches of risk limits. Three members of the Managing Board are members of the ALCO. The ALCO meets once every two weeks.

The TC, NIBC's credit committee, makes decisions on individual debt transactions, including terms and conditions for lending and the acceptance of derivative counterparty exposures and underwriting strategies, as well as evaluating opportunities for potential subsequent distribution of the asset. The TC sets counterparty exposure limits, monitors exposure and decides on impairments. Three members of the Managing Board are members of the TC. Meetings of the TC take place twice a week.

The IC is responsible for investment risk. The IC approves transactions with respect to equity, Investment Management loans and subordinated debt exposures as well as impairments and revaluations for these assets. Two members of the Managing Board are members of the IC. The IC meets, in principle, once every two weeks. Investment decisions of the Funds managed by Investment Management are made by the Investment Committees of the various Funds.

In addition to the above risk management committees, there is also the *Engagement and Compliance Committee* (**ECC**), which is responsible for the prevention of potential commercial conflicts of interest and compliance issues in evaluating potential assignment for clients. All five members of the Managing Board are members of the ECC.

Overlap of committee membership among Managing Board members contributes to consistency in communication and decision-making.

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

CRM is responsible for the credit risk management of the Corporate Loan portfolio. CRM develops and implements policies and procedures regarding credit risk, advises on credit proposals, reviews, waivers and amendments, and reviews impairments. Furthermore, CRA validates NIBC's internal counterparty credit ratings and loss given default ratings. The *Distressed Assets department* (**DA**) is a sub-department of CRM. DA manages assets which are impaired, or at significant risk of becoming impaired. Credit risk management of the Investment Management loans, as well as investment risk management of the private equity positions are the responsibility of the IC or the Investment Committee of one of the NIBC Funds (depending on whether the specific Investment Management loan or equity position is part of NIBC's direct portfolio or part of one of the NIBC Funds). The definition of NIBC Funds is given in the section on investment risk management.

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

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

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

RP&R is a sub-department of FMCR and monitors risk on portfolio level. RP&R develops policies and methods for measuring risk, notably the credit rating system used to evaluate probability of default and loss given default in NIBC's credit portfolio. RP&R is also responsible for the reporting of credit portfolio information to the various users within NIBC. RP&R is pivotal in NIBC's Basel II process and also performs parts of quantitative risk modelling.

ORM is responsible for monitoring and managing operational risk stemming from NIBC's business and operational practices. ORM co-ordinates the New Product Approval Process and the bank-wide process of new activities with respect to the assessment of operational, risk management, compliance and reporting capabilities and into the RMC for final product approval.

Credit risk management

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

Credit risk at NIBC exists in different shapes and forms. Almost every activity at NIBC is related to credit risk: credit risk is present in the Corporate Loan portfolio, the Residential Mortgage portfolio, the Debt Investments portfolio, cash management and derivatives. Credit risk is also present in NIBC's portfolio of Investment Management loans. These portfolios are further discussed in note 55 to the consolidated financial statements.

Specifically for the Debt Investments portfolio, NIBC defines the credit risk as issuer risk, which is the credit risk of losing the principal amount on products like bonds and CDS positions (where it concerns sold protection).

Corporate loans

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

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

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

The assessment of these parameters is supported by NIBC's internal rating system, which has been in use since 2000.

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

NIBC enforces strict separation of responsibilities with respect to its internal rating methodologies and rating process, model development, model validation and internal audit. The roles and responsibilities of each involved unit are explicitly set out in internal policies and manuals, also in conformity with the stipulations of Basel II with respect to model governance.

The Basel II AIRB approach for NIBC's exposure classes has been adopted by NIBC and approved by NIBC's regulatory authority, the DNB since 1 January 2008.

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

Counterparty credit ratings and probability of default

The CCR reflects the counterparty's capacity to meet its financial obligations in full and in time. CCRs do not incorporate any recovery aspects, as these are captured through the LGD internal estimates.

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

The general methodology for determining a CCR is based on several qualitative and quantitative rating indicators, such as the analysis of the business and financial profile of the counterparty, a cash flow analysis, a sovereign risk analysis, a peer-group analysis and a rating benchmark based on third-party models. Expert judgement is applied at the end of the rating process and determines what the final rating of the counterparty will be, taking into account the rating indicators of the various models.

The performance of the CCR methodology is back-tested annually in order to ensure that rating consistency is kept throughout the portfolio and to measure the discriminatory power and ranking ability of the CCRs. Furthermore, NIBC regularly benchmarks its CCRs with external rating agencies. The last benchmark took place in 2009 and generated satisfactory results.

The section on the credit approval process in note 55 to the consolidated financial statements contains additional information on the CCRs of corporate loans.

Loss given default

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

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

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

The section on collateral in note 55 to the consolidated financial statements contains additional information on the LGDs of corporate loans.

Origination of corporate loans

The Corporate Loan portfolio is one of the core portfolios of NIBC and had a size of EUR 9,674 million at 31 December 2010.

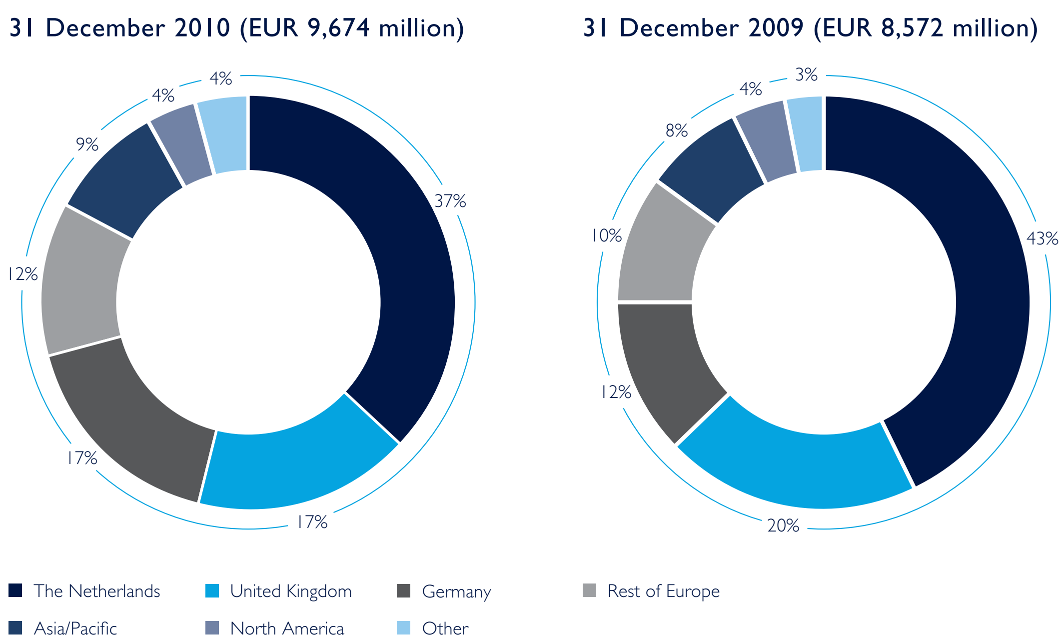
Corporate loans at NIBC are originated by six separate departments. These departments are Commercial Real Estate, Infrastructure & Renewables, Shipping, Corporate Lending, Leveraged Finance and Oil & Gas Services. The sections that follow provide details for each of these departments.

Note that the Corporate Loan portfolio includes a collateralised loan of EUR 400 million (the collateral is a pool of prime Dutch residential mortgages) to an investment-grade financial institution. This loan is managed by NIBC's Treasury department and does not fall within the six departments described in this section.

The management of the Corporate Loan portfolio by the six departments is not entirely aligned to the industry sector overviews presented in note 55 to the consolidated financial statements, although a high degree of overlap exists. NIBC distinguishes 11 industry sectors, which are based on an EU industry standard classification system, commonly known as NACE. The managing departments Commercial Real Estate, Infrastructure & Renewables, Shipping, and Oil & Gas Services manage almost exclusively assets in the industry sectors commercial real estate, infrastructure, shipping, and oil & gas. However, the departments Leveraged Finance and Corporate Lending manage assets that span over most of NIBC's 11 industry sectors, as the focus of these two departments is on counterparties across the economy.

The geographical distribution of corporate loans is given in graphs 2 and 3. The Netherlands, the United Kingdom and Germany, being the core markets of NIBC, account for 71% of corporate loan exposures at 31 December 2010. If the rest of Europe is added, then the percentage increases to 83%. The geographical distribution in 2010 is similar to that in 2009, although the relative weight of the Netherlands and the United Kingdom has slightly diminished, mainly in favour of Germany.

Graphs 2 and 3 Corporate loan exposure per region



The impact of the credit crisis on the Corporate Loan portfolio was felt in 2010 as in previous years but impairments still remained at acceptable levels. However, the impact of the crisis differed between the various loan segments. Most new impairments were taken on commercial real estate exposures, but other parts of the portfolio carry either no impairments and write-offs (e.g. oil & gas services) or negligible amounts, as is the case for the Shipping portfolio. Other parts of the Corporate Loan portfolio that had experienced increased impairments in 2008 and 2009 showed signs of stabilisation and/or upward credit migrations, as is the case of Leveraged Finance and Corporate Lending.

Table 4 shows the average losses in basis points since 2004. Losses are attributed to the year in which the counterparty entered default according to the Basel II definition. The losses are based on the actual write-off on the loans and on the outstanding impairment at 31 December 2010, in case the default was unresolved at year-end. Consequently, average losses are not necessarily constant, given that impairment amounts change over time. The losses are related to the non-defaulted portfolio at the start of the year, containing on- and off-balance sheet amounts.

Table 4 Overview of average losses, Corporate Loan portfolio

IN BASIS POINTS	2010	2009	2008	2007	2006	2005	2004
Average loss	91	67	51	0	34	39	21

Commercial real estate

The Commercial Real Estate portfolio amounted to EUR 2,205 million at 31 December 2010, of which 99% was drawn. These figures include an amount of EUR 614 million in securitised loans. This concerns the Mesdag Delta securitisation, of which EUR 470 million has been sold. NIBC has retained notes for an amount of EUR 144 million, which entail the net credit risk exposure.

The total Commercial Real Estate portfolio consists of 172 mortgage loans to 40 counterparties. It is well diversified across various commercial real estate classes and countries. Residential commercial property financing accounts for 41% of the portfolio, which significantly reduces the concentration risk in the underlying collateral pool. Office and retail property financing account for 17% and 13% respectively. Hotel financing accounts for 7%; development company financing for 8%. The remainder (13%) of the portfolio consists of financing of miscellaneous properties, most of which are mixed-use, and some industrial properties. The weighted average CCR in this segment remained stable at a rating 6 in NIBC's internal rating scale (B in external rating agencies' scales).

In terms of geographical distribution, 60% of the commercial real estate loan collaterals are located in the Netherlands, 35% in Germany and 5% in other EU countries.

The unfavourable market conditions in the commercial real estate segment resulted in impairment increases of EUR 25 million compared to 2009. As expected, the yields in most segments further increased during 2010, resulting in increasing loan-to-value ratios.

In 2011, EUR 378 million (17%) of the Commercial Real Estate portfolio is due for refinancing. In 2012, this is EUR 67 million (3%). The largest part of the remainder (70%) matures in 2014 or later.

Infrastructure & Renewables

The Infrastructure & Renewables portfolio amounted to EUR 1,902 million at 31 December 2010. In terms of geographical distribution, 66% of the portfolio is located in the United Kingdom, 11% in Germany, 10% in the Netherlands and the remainder in the rest of Europe. In terms of sub-sectors, the portfolio spans various industry sectors, of which education (27%), healthcare (19%), energy production (15%) and waste (8%) are the most important.

The weighted average CCR in this portfolio is 5 in NIBC's internal rating scale (BB in external rating agencies' scales). During the course of 2010, an impairment of EUR 15 million was taken on the non-core part of the portfolio. This non-core part of the portfolio concerns a limited number of highly levered transactions with corporate features structured around relatively stable cash flows, which are based upon a country's essential infrastructure. These transactions originated mainly in 2007. No impairments are foreseen on the remaining part of the essential infrastructure portfolio of EUR 141 million.

The market for infrastructure in 2010 remained relatively stable from a risk point of view. A significant distinction can be made between the construction (approximately 33% of the portfolio) and the operational phase (approximately 67% of the portfolio). The comparison between construction and operational phase is closely followed by the drawn (71%) and undrawn (29%) portions of the portfolio. The risk profile of the construction phase is strongly related to the risk profile of the construction company involved. At the same time, the construction phase is characterised by substantial security packages, including performance bonds and letters of credit. The existence of such security packages results in a better-than-average risk profile, despite the current increased risk profile of individual construction companies. Throughout the portfolio, only the established European construction companies are involved in the infrastructure projects.

For the main part of the portfolio that is in operational phase, 88% of those projects carry only availability risk (i.e. the risk that the project will not be completed and available in time) and no market risks. As the availability risk is passed through to the operating and maintenance contractor, the remaining risk is that of the off-taker. For true *Private Finance Initiative* (**PFI**) transactions, 100% of the off-takers are government-related entities.

The Renewables portfolio is only a small part of the Infrastructure & Renewables portfolio, amounting to EUR 199 million (or 10% of the Infrastructure & Renewables portfolio) at 31 December 2010. Of this portfolio, 37% was located in the Netherlands, 24% in Germany, 23% in the United Kingdom and the remainder predominantly in other EU countries.

Shipping

In the wake of the financial and economic crisis, NIBC's Shipping team took a very selective approach towards new business opportunities, resulting in a year-on-year decreasing portfolio until 2009. This strategy appeared to be very successful with minimal losses and a favourable market position in today's market.

Market sentiment started to improve in early 2010, with a strong rebound of the liner market and a stabilising dry bulk market. After successfully restructuring a number of transactions, the Shipping team took full benefit of its market position and commercial activities regained momentum in 2010, ending the year with 16 new transactions totalling EUR 424 million. The total size of the Shipping portfolio amounted to EUR 1,598 million at 31 December 2010, of which 83% was drawn.

Because of continuing overcapacity in the various shipping segments, transaction structures were chosen to be conservative, with strong counterparties, and well-collateralised, with modern tonnage collateral at relatively low historical values. Sub-portfolio diversification improved in 2010, as the relative weight of the four main sub-sectors diminished compared to 2009. In 2010, tankers represented 39% of the Shipping portfolio, bulk carriers 22%, container vessels 10% and container boxes 9%. The remainder of the portfolio (20%) included, among others, financing of car carriers, and oil and gas support assets, such as accommodation barges. Regional diversification remained stable compared to 2009, with Asia/Pacific (41%), Europe (25%) and North America (12%) being the most important regions.

The weighted average CCR in this portfolio was 6 in NIBC's internal rating scale (B in external rating agencies' scales). No additional impairments had to be taken on the portfolio in 2010, with impairments remaining stable at merely EUR 0.4 million.

The outlook of the global shipping industry will remain challenging, characterised by limited ship finance available from many traditional 'shipping banks' and looming overcapacity in the various segments. At the same time, reduced competition and low asset values will continue to give good opportunities for enhancing NIBC's relationship with high-quality shipping companies. Therefore, the selective expansion strategy will be continued in 2011.

In addition to the Shipping portfolio, the Shipping department manages a legacy portfolio in the aviation industry sector. This portfolio amounted to EUR 75 million at 31 December 2009 and was reduced to EUR 43 million at 31 December 2010. The Aviation portfolio carried an impairment amount of EUR 2 million at 31 December 2010, down from EUR 17 million at 31 December 2009.

Corporate lending

In 2010, Corporate Lending continued its focus on medium-sized to large-sized companies in the Benelux and Germany. Market activity increased during 2010, in combination with an expansion in the client base. At 31 December 2010, the portfolio amounted to EUR 1,401 million, of which 72% was drawn. The exposure of the portfolio was spread over nine different industry sectors, with financial services (27%), manufacturing (15%), wholesale/retail/leisure (14%), services (12%) and construction companies (10%) being the most important.

The Corporate Lending portfolio also includes a small number of transactions in which the client is funded through a financial markets' structure with highly-rated collateral involved.

In terms of geographical distribution, 78% of the portfolio is located in the Netherlands, 14% in Germany and 8% in the rest of Europe.

In 2009, the Corporate Lending portfolio had experienced a number of defaults of assets mainly originated in 2007. These comprised highly levered assets sensitive to a sharp deteriorating market demand. In 2010, there were no new defaults; however, there was an increase of impairment amounts by EUR 10 million compared to 2009.

The main portfolio risks are concentration risk and the current economic conditions. A mitigating factor for concentration risk is that the large exposures are mainly related to reputable corporate clients. Furthermore, Corporate Lending deals are highly collateralised, in line with the more sector-driven segments. On the whole, concentration risk remained stable compared to 2009. In 2010, the overall credit quality of the portfolio remained at a CCR of 5- in NIBC's internal rating scale (BB- in external rating agencies' scales).

Leveraged finance

Leveraged finance focuses on mid-market transactions in the Benelux and Germany. After the slow market of 2008-2009, the number of deals increased in 2010 in both core geographies of leveraged finance. The syndication market was absent for most of the first half of 2010. However, in the second half of 2010 NIBC witnessed a reoccurrence of appetite in the market.

The exposure of the Leveraged Finance portfolio managed by NIBC increased to EUR 1,339 million at 31 December 2010, of which EUR 83% was drawn. Exposure was located in the Netherlands (45%), Germany (25%), the United Kingdom (18%), and the rest of Europe (11%). The portfolio was spread over 79 different assets. The average drawn amount was, therefore, less than EUR 15 million, making the portfolio well diversified. The weighted average CCR of the Leveraged Finance portfolio in NIBC's internal rating scale remained stable at a rating 6 (B in external rating agencies' scales). However, an upward rating migration was noticed in the portfolio during 2010, also expected to continue in 2011, which is a reflection of the improved environment in the leveraged finance markets in North Western Europe.

The most important sub-sectors of the portfolio are retail (28%), services (15%), manufacturing of industrial products (12%), food & beverages (9%) and wholesale (7%). The remainder of the portfolio (28%) is spread over 16 sub-sectors, none of which represents more than 5%.

The monthly monitoring tool as deployed within leveraged finance was improved even further in 2010. This tool is considered by the market as being up to the market standard, as also evidenced by the response of many investors in NIBC's North Westerly *collateralised loan obligation* (**CLO**) programme that makes use of this monitoring tool as well.

Closed transactions were all conservatively structured in terms of leverage, interest coverage, collateral and covenants and supported by well-known private equity sponsors, who made substantial equity contributions. There is no concentration with respect to the relevant private equity houses; transactions with over 60 different private-equity parties are on the book of NIBC. Pricing was stable.

Impairment amounts within the Leveraged Finance portfolio reduced by EUR 1 million compared to 2009. This is another sign of stabilisation in the credit quality of the portfolio.

Oil & gas services

Over 2010 the size of the Oil & Gas Services portfolio further increased to EUR 787 million (approximately USD 1 billion), of which 65% is drawn. Total exposure is split over five main industry sectors of which drilling (42%), oil and gas extraction (23%) and support activities (22%) are the most important ones. In terms of geographical focus the majority of clients are located in

North Western Europe (37%), Asia/Pacific (27%) and the United States (16%), whereas the assets are located all around the world in key oil and gas areas.

The overall risk profile remained stable over 2010, although the risk components have changed. A key risk factor is construction risk. This risk changes with the number of assets under construction and with assets being delivered or delayed. For 2010, these effects generally evened out. At 31 December 2010, approximately 25% of portfolio exposure related to assets under construction. About 70% of the portfolio consisted of project financing and 30% of corporate financing. Project financing is primarily sensitive to the quality of the contracts and contract parties, availability of the asset and quality of the operator. All project financing activities are secured, as well as the majority of corporate financings. Unsecured exposure is mitigated by comfortable order books, negative pledges and market position.

At 31 December 2010, the portfolio carried no impairment amounts. The overall credit quality of the portfolio is reflected by a CCR of 5- in NIBC's internal rating scale (BB- in external rating agencies' scales).

Residential mortgages

The Residential Mortgage portfolio at 31 December 2010 amounted to EUR 9,767 million and consists of residential mortgage loans originated in the Netherlands and Germany. The majority (95%) of the Residential Mortgage portfolio consists of Dutch mortgages. The other 5% comprises German mortgages. The total Dutch mortgage book of EUR 9,245 million is funded for EUR 5,338 million by external securitisations. The German mortgage book has a size of EUR 522 million.

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

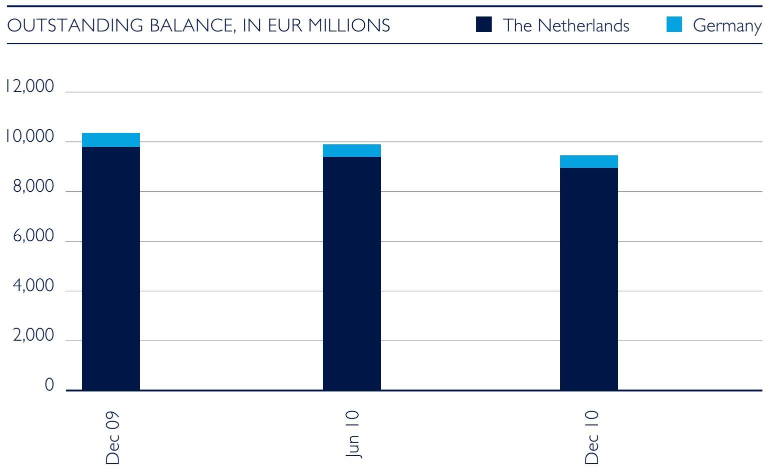
As of 1 January 2008, NIBC's rating methodology for residential mortgages received approval from the DNB to use the AIRB approach for calculating solvency requirements and reporting to DNB. The calculation of PD, LGD and EAD is performed by an in-house developed Basel II AIRB model, which has been in use since 2006. The PD estimates are dependent on a variety of factors, of which the key factors are debt-to-income and loan-to-value ratios. Minor factors which play a role in the PD estimates are several other mortgage loan characteristics, borrower characteristics and payment performance information. The PD scale is based on a continuous scale ranging from 0 - 100%.

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

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

Graph 5 shows the development of the outstanding balance of the Residential Mortgage portfolio between year-end 2009 and year-end 2010. The portfolio size has slightly diminished in this period.

Graph 5 Residential mortgages, outstanding balance development



Mortgage acceptance follows certain acceptance criteria when screening residential mortgage applications, further specified in note 55 to the consolidated financial statements.

NIBC handles in-house all management of the amounts in arrear of its Dutch Residential Mortgage portfolio. Over the past couple of years, NIBC has significantly strengthened the arrears management by in-sourcing the arrears management process of the mortgages. This process of in-sourcing was finalised in 2009.

An increase in defaults and losses was observed in both 2009 and 2010 compared to previous years, due to market circumstances. The defaults and actual credit losses in the Dutch and German portfolio have, nevertheless, been extremely low in the past years. Tables 6 and 7 show an overview of the actual losses in the Dutch portfolio since 2005, and of the German portfolio in 2010 only, as this is the first year in which losses have been experienced. Losses are expressed as basis points of outstanding balance.

Table 6 Overview of actual losses, Dutch Residential Mortgage portfolio

IN BASIS POINTS	2010	2009	2008	2007	2006
Actual loss	8	5	2	2	2

Table 7 Overview of actual losses, German Residential Mortgage portfolio

IN BASIS POINTS	2010	2009
Actual loss	2	0

Debt investments

The Debt Investments portfolio contains issuer risk, which is the credit risk of losing the principal amount on products like bonds and CDS positions (where it concerns sold protection) and it is calculated based on the book value. NIBC identifies the following categories:

- Debt from financial institutions, corporate and sovereign entities; and
- Securitisations.

Debt from financial institutions, corporate and sovereign entities

The credit risk on debt issued by financial institutions, corporate and sovereign entities decreased from EUR 1,557 million at 31 December 2009 to EUR 1,365 million at 31 December 2010. These figures include exposure on Enhanced Investments and Credit Fixed Income Funds. At 31 December 2010, exposure on both portfolios was merely EUR 5 million (EUR 48 million at 31 December 2009). The portfolio of debt investments in financial institutions, corporate and sovereign entities did not include any sovereign risk exposures at 31 December 2010.

Note 55 to the consolidated financial statements provides more information on debt from financial institutions, corporate and sovereign entities.

Securitisations

The Securitisations portfolio is further broken down into three sub-portfolios:

- Western European Securitisations portfolio;
- Liquidity Investments portfolio; and
- Investments in Own Securitisations portfolio.

The total securitisation exposure increased to EUR 952 million at 31 December 2010 from EUR 738 million at 31 December 2009. This increase is due to new investments in the Liquidity Investments portfolio and the Investments in Own Securitisations portfolio. The combined increase in these two portfolios more than offsets the decrease in the Western European Securitisations portfolio.

Note 55 to the consolidated financial statements provides more information on NIBC's securitisation exposure.

Cash management

NIBC is also exposed to credit risk as a result of cash management activities. An example is the credit risk on accounts with other banks. These accounts are used for correspondent banking or third-party account providers.

In 2010, NIBC's risk management framework for cash management continued its conservative attitude that took into account the vulnerable financial markets and concern about various financial entities. NIBC only places its excess cash primarily with the DNB and with a selected number of strong investment-grade financial institutions. For the approved financial counterparties, a monitoring process has been set up within the FMCR department. Ratings of financial counterparties are verified on a daily basis, and limits are possibly adjusted in case of a perceived decline in creditworthiness.

Note 55 to the consolidated financial statements provides more information on cash management.

Derivatives

Credit risk in derivatives is the risk of having to replace the counterparty in derivative contracts. NIBC manages this risk, based upon the marked-to-market value plus an add-on. The add-on reflects a potential future change in marked-to-market value during the remaining lifetime of the derivative contract.

Limits are set and monitored per counterparty on a discrete basis and compared to the marked-to-market value plus add-on, taking into account collateral postings under a *Credit Support Annex* (**CSA**). Note 55 to the consolidated financial statements provides more information on the risk monitoring of credit risk in derivatives.

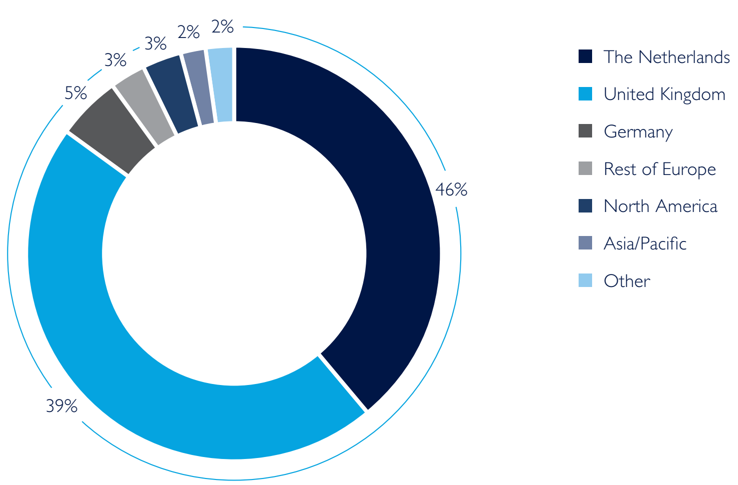
The counterparties can be split into financial institutions and corporate entities. With respect to financial institutions, NIBC only enters into OTC derivatives with investment-grade counterparties. NIBC has bilateral collateral contracts in place with all of the main financial institutions it does business with. These contracts aim to mitigate credit risk on the derivatives by means of CSA.

Under the CSA agreements, (cash) collateral is exchanged to account for changes in the marked-to-market value of the underlying contracts, usually on a daily basis. The increased volatility in several key market drivers (interest and foreign-exchange rates) continued in 2010, resulting in significant exposures between collateral exchange moments.

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

Graph 8 shows the breakdown of corporate derivatives in different regions at 31 December 2010.

Graph 8 Corporate derivative exposure per region, 31 December 2010 (EUR 610 million)



Market risk management

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

Note 56 to the consolidated financial statements provides more information on market risk.

Interest rate and credit spread risk parameters

Interest *Basis Point Value* (**BPV**), credit BPV, interest *Value at Risk* (**VaR**), and credit VaR measures are calculated on a daily basis for the major currencies and reviewed by the Market Risk department. Note 56 to the consolidated financial statements provides the definition of these measures.

Limits are set on all the indicators (BPV and VaR, interest, credit and total) and on various portfolio, aggregated department, and operating segment levels. A more defined limit framework within several portfolios is in place, e.g. consisting of limits per currency (interest and credit BPV), per group of securities in a specific industry segment, or per group of securities with similar maturities.

Total VaR forms the basis for economic capital calculations for a significant part of the portfolios. Within those calculations, the confidence level is scaled to 99.95%. A broader insight into economic capital methodologies is given in the section on Economic Capital, within this Risk Management section.

Interest rate risk

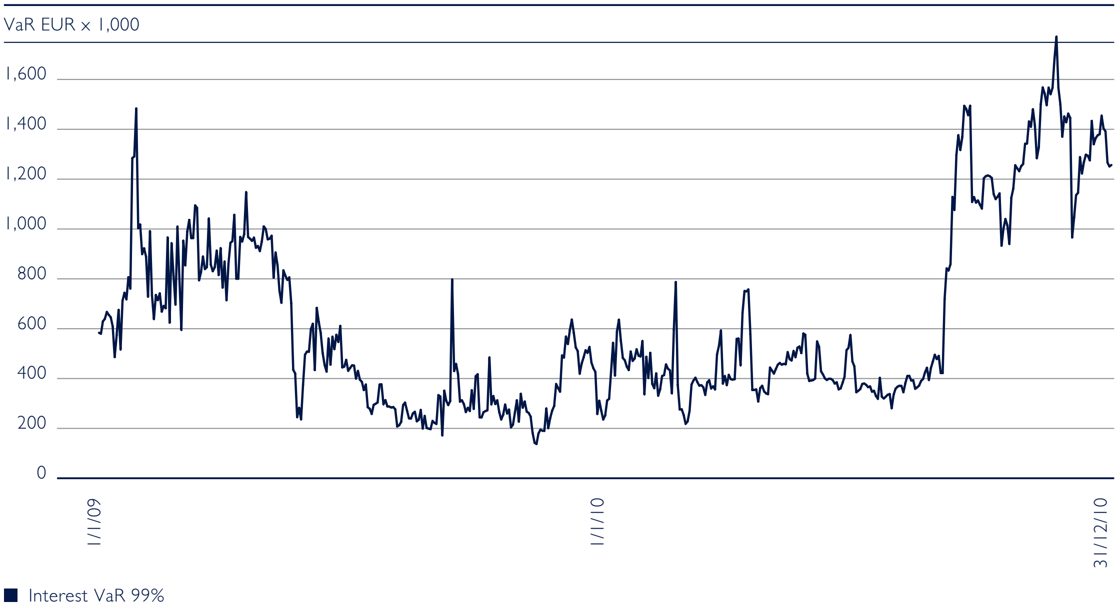
Interest rate risk within NIBC is present in the Trading portfolio, the Mismatch portfolio and the Banking book. At the beginning of 2010, the portfolios that had a regulatory market risk treatment consist of the interest rate trading portfolios and are henceforth referred to as the Trading portfolio.

Interest rate risk in the Trading portfolio

Trading positions change daily. Graph 9 contains the daily VaR figures during 2009 and 2010 and it shows that the average level of risk increased in the third quarter of 2010, due to a new yield-curve methodology and increased position size.

During 2010, this portfolio consisted solely of interest rate-driven exposures. The portfolio is used for facilitating derivative transactions with corporate clients. Activities also comprise short-term (up to two years) interest position taking, money market and bond futures trading and swap spread position taking. The interest rate spread risk between positions in swaps and bond futures is also taken into account in the VaR.

Graph 9 Trading portfolio VaR



Interest rate risk in the Mismatch portfolio

NIBC concentrates its strategic interest rate risk position in the Mismatch portfolio. This portfolio exclusively contains swap positions, with which a view on future interest rate developments is taken.

Interest rate risk in other portfolios

Apart from the Trading portfolio and the Mismatch portfolio, interest rate risk is also contained in the following portfolios (henceforth collectively referred to as Banking book):

- Debt Investments portfolio;
- Residential Mortgage portfolio; and
- Residual Interest Rate Risk portfolio.

The interest rate risk in these portfolios is significantly below the risk contained in the Mismatch portfolio, as it is the policy of NIBC to hedge the interest rate risk in these portfolios. Detailed information about the interest rate risk in the Banking book can be found in note 56 to the consolidated financial statements.

Credit spread risk

Within Treasury, credit spread risk is mainly concentrated in the Debt Investments portfolio and comprises investments in financial institutions, corporate and sovereign entities and securitised products. NIBC's total credit spread sensitivity at 31 December 2010 increased compared to 31 December 2009. The increase relates mostly to the Securitisations portfolio and has two main causes. First, the Securitisations portfolio increased in size compared to last year through investments in the Liquidity Investments portfolio and the Investments in Own Securitisations portfolio. Second, credit spreads at 31 December 2010 were generally lower than at 31 December 2009, increasing the credit BPV of existing positions.

Tables 10 and 11 present an overview of the development in credit spread sensitivity over 2010 and 2009. BPV as displayed in these tables represents the sensitivity of the market value for one-basis-point, parallel upward shift of the underlying curve. A negative amount represents a loss; a positive amount represents a gain.

Table 10 Credit spread BPV, Debt Investment portfolio, 31 December 2010

	Credit spread BPV			
IN EUR THOUSANDS	End-of-Year	Average	Min [1]	Max [2]
Financial institutions, corporate and sovereign entities	(282)	(248)	(206)	(307)
Securitisations	(254)	(215)	(127)	(262)
TOTAL	**(536)**	**(463)**	**(396)**	**(546)**

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

Table 11 Credit spread BPV, Debt Investment portfolio, 31 December 2009

	Credit spread BPV			
IN EUR THOUSANDS	End-of-Year	Average	Min [1]	Max [2]
Financial institutions, corporate and sovereign entities	(272)	(250)	(152)	(332)
Securitisations	(143)	(147)	(104)	(185)
TOTAL	**(414)**	**(397)**	**(358)**	**(433)**

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

Currency risk

All of NIBC's positions in foreign currencies, including those of subsidiaries, are hedged by either funding these investments in the appropriate foreign currency or by hedging the exposures using cross-currency swaps or foreign-exchange contracts. The most relevant exposures in foreign currencies for NIBC are USD, GBP and JPY. As a result of its policy, NIBC does not actively maintain open currency positions other than translation exposures arising from future income in foreign currencies. NIBC's Finance department determines, on a monthly basis, NIBC's currency positions and reports to NIBC's Risk Management. When currency positions exceed NIBC's small facilitating foreign currency exposure limits for that currency, NIBC reduces its positions by FX spot or FX forward transactions. The total foreign currency position, by nominal amount, is generally around EUR 25 million, in accordance with historical figures over the last few years.

Investment risk management

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

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

The investment process of Investment Management is based on the following principles:
- Investment risk exposures are authorised independently of the business originators;
- Systematic risk analysis of the investment is undertaken, with a view to identify, measure, and evaluate all risks; and
- The principles of Know Your Customer, Customer Due Diligence and Corporate Social Responsibility are embedded as an integral part of the overall investment process.

Management of investment exposures

The responsibility for the management of both direct and indirect investment exposures rests with Investment Management. Direct investment transactions with respect to private equity exposures are approved by the IC. As far as indirect investment transactions are concerned, these are approved by the investment committees of the NIBC Funds, subject to the investment guidelines stipulated in the fund agreements between the manager of the NIBC Fund and the investors.

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

Investment process

Every investment proposition is assessed by an investment team, consisting of at least one senior investment manager. After an initial screening, the investment team may decide to reject the proposition or to prepare a preliminary analysis to determine if the investment is worth pursuing. The preliminary analysis is then discussed in a team meeting and, if the decision to continue is made, due diligence and market analysis are undertaken. Ultimately, the investment proposal for direct investments is submitted to the IC for a final decision on the investment, whereas the investment proposal for indirect investments is decided upon in the investment committee of the NIBC Fund.

Investment control process

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

Exit process

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

Composition of investment exposure

On a total level, the size of the Equity Investment portfolio increased at 31 December 2010 (EUR 371 million) in comparison to year-end 2009 (EUR 345 million), predominantly due to appreciation of the existing portfolio. Tables 12 and 13 present the breakdown of the portfolio in industry sectors and regions. Note that the amounts shown in these tables represent on-balance amounts. Off-balance commitments of NIBC amounted to EUR 68 million at 31 December 2010 (31 December 2009: EUR 102 million).

Table 12 Breakdown of equity investments per industry sector

IN EUR MILLIONS	2010	2009
Wholesale/Retail/Leisure	151	0
Infrastructure	69	0
Commercial Real Estate	33	24
Financial Services	31	43
Manufacturing	21	4
TMT	20	138
Shipping	17	22
Services	2	14
Oil & Gas	0	54
Other	27	46
TOTAL AT 31 DECEMBER	371	345

Table 13 Breakdown of equity investments per region

IN EUR MILLIONS	2010	2009
The Netherlands	306	281
United Kingdom	6	1
Rest of Europe	38	32
North America	21	31
TOTAL AT 31 DECEMBER	371	345

Liquidity risk management

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

One of the cornerstones of NIBC's liquidity risk management framework is to maintain a comfortable liquidity position. The credit and liquidity crisis made liquidity risk management even more important. NIBC was able to maintain a sound liquidity position in the difficult times of the credit crisis due to the prudent and conservative liquidity and funding policy in the past, as well as by diversifying funding sources. Following the funding diversification of the past years, further expansion of the online retail savings programme NIBC Direct, as well as renewed RMBS issuance, were the major funding initiatives undertaken in 2010. In addition, NIBC was able to maintain its liquidity buffers of highly liquid assets and collateralised funding capacity.

Stress scenario

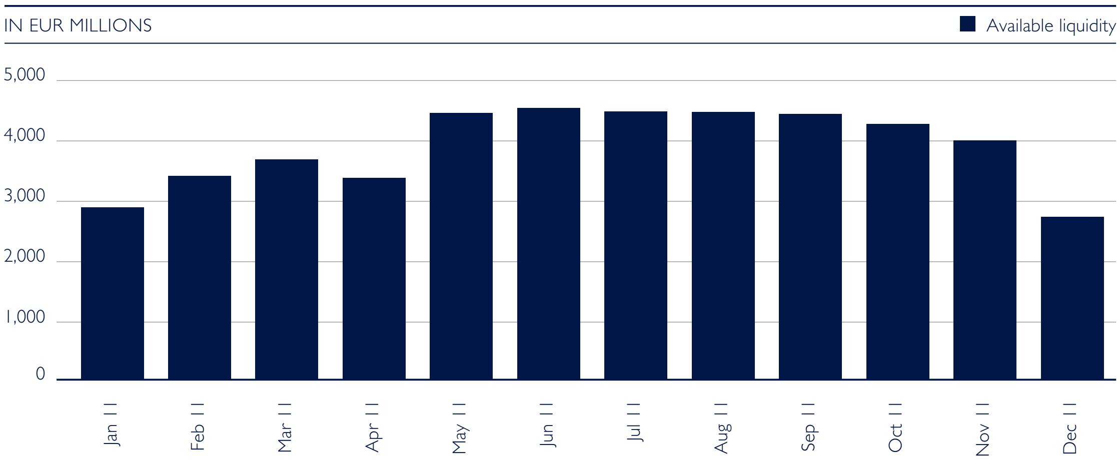
Based on projections prepared by the business units and reviewed by risk management, and the current asset and liability maturity profiles, a liquidity stress test is prepared and presented once every two weeks to the ALCO, in order to create continuous monitoring of the liquidity position. Note 57 to the consolidated financial statements provides more details on the assumptions behind the stress test.

Graphs 14 and 15 show the strong liquidity buffer in the stress scenario at year-end 2010 and year-end 2009. Although this analysis focuses on the next 12 months, the liquidity buffer in the liquidity stress test remains positive for longer periods.

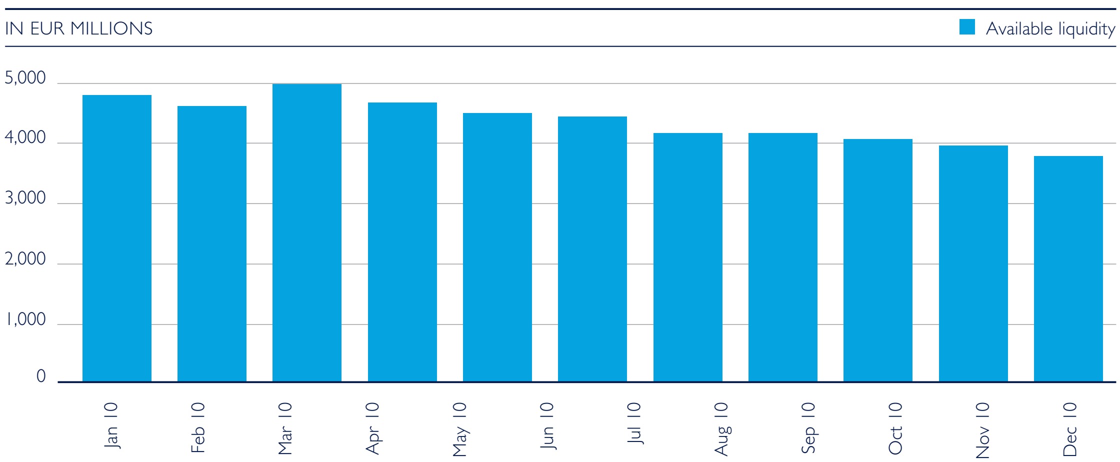
The available liquidity, as presented in the graphs that follow, consists of:

- A projected pool of cash plus liquidity buffers of highly liquid assets and collateralised funding capacity, minus a buffer for intraday payments and potential CSA collateral cash outflows, at each month end;
- A reduction to the available pool created by maturing liabilities and other projected outflows (e.g. from new business); and
- An increase in the available pool created by maturing assets.

Graph 14 Stress scenario, short-term analysis, 31 December 2010



Graph 15 Stress scenario, short-term analysis, 31 December 2009



Both forecasts of the 12-month liquidity stress test at 31 December 2009 and at 31 December 2010 show that the outcome of the stress test after 12 months is positive in both years.

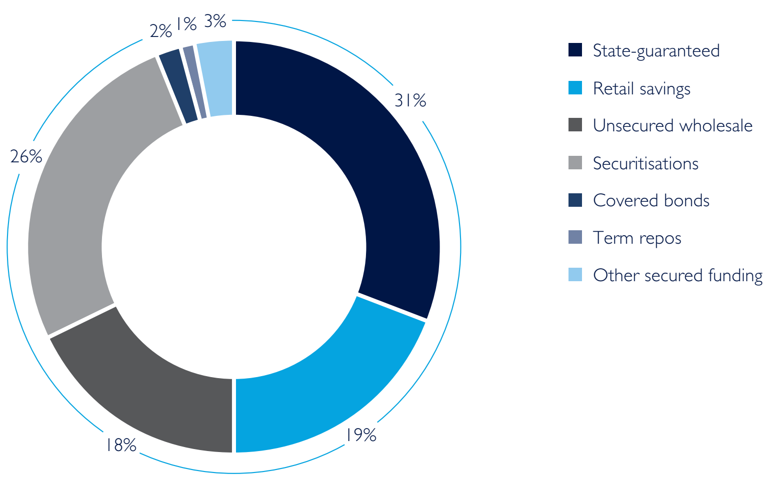
At the end of 2010, a large buffer of cash, highly liquid assets and collateralised funding capacity is available to cover the expiring funding in 2011. Due to a reorganisation of a part of the collateralised funding capacity, the realised liquidity buffer at the end of 2010 was lower than originally forecast at the beginning of 2010, however this is only a temporary effect. After this reorganisation, in March 2011 and the following months, the liquidity buffers will again reach the level as expected at the end of 2009. Thereafter, the liquidity buffer of NIBC in this liquidity stress declines at the end of 2011 to a still comfortably high level. This decline is mainly caused by maturing funding including the first government-guaranteed issue of NIBC. Note that this liquidity stress test does not assume new funding initiatives. In 2011, initiatives as, for example, an increase in retail savings and certain forms of secured funding, will contribute to the liquidity of NIBC.

In addition to the 12-month liquidity stress analysis above, NIBC also conducts liquidity analyses over longer periods once every two weeks. These analyses assume a possible growth in the size of the books in combination with new funding initiatives as the ones mentioned. The analyses assume no issuance of wholesale unsecured funding. The outcome of, for example, a 36-month liquidity analysis shows again a positive buffer throughout the period.

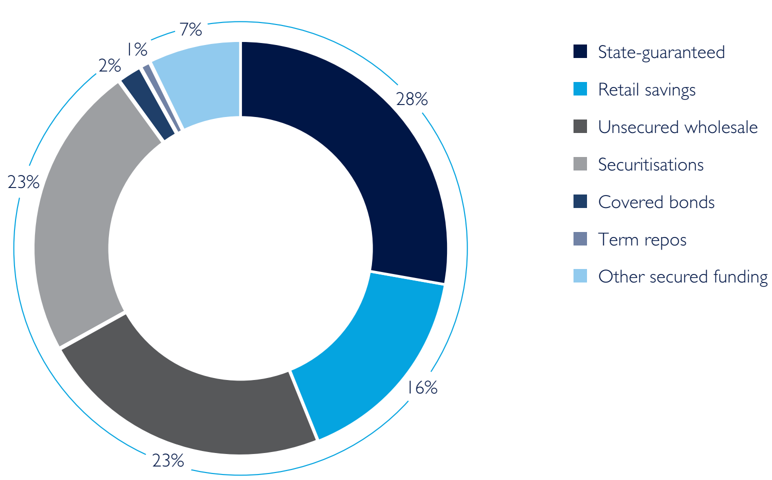
Funding

NIBC further diversified its funding base by the initiatives mentioned earlier. An overview of the Funding portfolio at 31 December 2010 and 31 December 2009 is shown in graphs 16 and 17.
In contrast to previous years, the consolidated securitisations are included in the funding portfolio.

Graph 16 Breakdown of total Funding portfolio, 31 December 2010 (EUR 21,216 million)



Graph 17 Breakdown of total Funding portfolio, 31 December 2009 (EUR 23,132 million)



Operational risk management

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error or external events including legal risk. This is the definition of the Basel Committee on Banking Supervision. NIBC has chosen to include reputation and strategic business risk as operational risk. Operational Risk Management is concerned with all operational risks that affect NIBC's reputation, operational earnings and/or have adverse effects on capital value.

The objective of Operational Risk Management is laid down in the operational risk policy and the means and responsibilities for managing operational risk are laid down in the operational risk framework. The framework sets out the roles and responsibilities for management supervision, as well as those tools and methods used within the bank for identifying, measuring, reporting, monitoring, and controlling operational risk. 'Sound Practices for the Management and Supervision of Operational Risk', published by the Basel Committee on Banking Supervision, has been used in the development of the operational risk framework to ensure robust and effective management and supervision. The framework is based on the principle that NIBC's Managing Board and Supervisory Board and senior management are actively involved in risk management, and that the bank's risk management framework is independent, conceptually sound and implemented with integrity.

Operational risk is managed at both a group and division level. The Managing Board provides consistency and oversight of significant operational issues, and oversees the adoption of best practice across the bank. At the division level and below, managers are responsible for adherence to the operational risk policy and operational risk management framework, which includes oversight of all operational risks specific to the business and reporting of operational risk events and losses.

The Operational Risk Management department monitors and manages operational risk on group level, develops policy and provides methodology and tools. The tools utilised by managers give an integrated view of the risk self-assessment, control identification, action planning, and event and loss registration and support the constant process of evaluating and reducing operational risk, and planning mitigation measures. The dynamics of NIBC's risk profile are managed by the Operational Risk Management department through the NPAP that ensures that NIBC has the operational capability to provide a new product or service and ensures the client suitability of its offerings.

NIBC has sought to build operational risk management into all its business processes. Operational risk is monitored on a daily basis and self-assessments are performed semi-annually. The year-end self-assessments form the basis for NIBC's In Control Report section of this annual report. In control reporting seeks to ensure that the operational risk management policy framework is integrated into the daily activities of all employees and that it forms an integral part of the internal control system.

Risk Weighted Assets

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

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

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

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

The RWA calculation for market risk encompasses the interest rate risk from the Trading book and the currency risk of NIBC. The RWA of the Trading book is calculated under the IMA approach using VaR figures, and the RWA for the currency risk follows the Standardised approach.

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

Table 18 presents a breakdown of RWA among the exposure classes and risk types included in Pillar 1. Specifically for credit risk, the table also provides a breakdown of NIBC's portfolios among the Pillar 1 exposure classes.

Table 18 RWA per Pillar 1 exposure class and risk type

IN EUR MILLIONS	31 December 2010	31 December 2009	Portfolios in Annual Report
Corporate	7,409	6,363	Corporate Loan portfolio, including guarantees, derivatives and debt investments in corporate entities, and Investment Management Loan portfolio
Equities	1,999	1,846	Equity investments and off-balance commitments
Retail	1,011	871	Dutch and German Residential Mortgage portfolio, excluding securitised portfolios
Securitisations	987	773	Securitisation portfolio and retained notes of own securitisations
Institutions	702	798	Debt investments in financial institutions, and cash and derivative transactions with financial institutions
Sovereign	2	0	Debt investments in sovereign entities and cash at central banks
Other	62	92	Non-credit related exposures
TOTAL CREDIT RISK	12,172	10,744	
Total Market Risk	242	98	Trading book
Total Operational Risk	795	957	
TOTAL NIBC	13,209	11,799	

The RWA consumption of NIBC between 2010 and 2009 increased by 12% and this is owed to a variety of factors.

Within credit risk, the RWA for the corporate exposure class increased by 16%, mainly as a result of the increase in the size of this portfolio. Furthermore, NIBC introduced a change in the methodology for calculating RWA on defaulted, non-impaired exposures which increased RWA consumption. The increase in the size of the Corporate Loan portfolio is the most important driver of the absolute increase in the RWA in 2010.

The increase of 8% in the RWA of the equity exposure class is due to the increase in the size of the Equity Investments portfolio, predominantly by appreciation of the existing portfolio.

RWA for the retail exposure class also increased (16%), due to two main factors. Firstly, the risk parameters used in the Basel II Advanced IRB model have become more conservative, causing an increase in RWA. Secondly, the expiration of two own securitisations has increased the pool of mortgages that get a retail exposure class treatment under Basel II.

The RWA consumption for the securitisations exposure class increased by 28%. As for the corporate class, this shift is also due to the increase in the size of the Securitisations portfolio through new investments mainly in the Liquidity Investments portfolio, as well as the retained positions in NIBC's newly issued securitisations.

RWA for institutions decreased by 12%. This is due to the decrease in the size of NIBC's debt investments in financial institutions.

RWA for market risk in 2010 increased by 147% compared to 2009. This increase is related to changes in modelling and in the positions.

Economic capital

Economic capital (**EC**) is the amount of capital that NIBC allocates as a buffer against potential losses from business activities, based upon its assessment of risks. It differs from Basel II regulatory capital, as NIBC sometimes assesses the specific risk characteristics of its business activities in a different way than the general regulatory method. Relating the risk-based EC of each business to its profit results in the calculation of its RAROC. EC and RAROC are key tools used in support of the capital allocation process according to which shareholders' equity is allocated as efficiently as possible based on expectations of both risk and return. The usage of EC is reported once every two weeks to the ALCO. The ALCO adjusts the maximum allocation level of EC to and within each business, taking into account business expectations and the desired risk profile. EC allocation is based on a one-year risk horizon, using a 99.95% confidence level (increased from 99.90% in 2009). This confidence level means that there is a probability of 0.05% that losses in a period of one year will be larger than the allocated EC.

EC methodology

NIBC uses the business model of each activity as the basis for determining the EC approach. If the business model of an activity is trading, distribution, or investment for a limited period of time, a market risk approach is used based upon historical simulation, increased with add-ons for, among other, specific risk and prepayment risk. A business model equal to 'buy-to-hold' or investment to maturity means that a credit risk approach is applied based upon estimations of PD and LGD. Add-ons for operational risk and country risk are also calculated. In addition, NIBC allocates EC for business risk, reputation risk and model risk on a group-wide level.

The EC approach differs from the regulatory capital approach, in which only the trading books are assigned a market risk approach. Activities that have a business model equal to distribution or investment for a limited period of time are, in some cases, assigned a credit risk approach in the regulatory capital framework due to Basel II regulations or regulatory industry practice. For these business model categories, NIBC applies a market risk approach in the EC framework similar to the trading activities, as for all of these activities the market price becomes relevant at a certain point in time. Risks and EC are therefore monitored accordingly.

The main differences between the EC and regulatory capital framework exist for the Residential Mortgage portfolio, the Western European Securitisations portfolio and NIBC's interest rate mismatch position. EC is determined by a market risk approach for these activities because of their business model. The regulatory capital approach for these portfolios is either included in credit risk (mortgages and securitisations) or not included at all within Basel II Pillar 1 (mismatch position). As EC methodology may differ significantly among financial institutions, it is more appropriate to compare the regulatory capital ratios for the purpose of industry comparison of market risk and credit risk exposures.

EC Usage

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

- For the Corporate Loan portfolio, which uses a major part of EC, EC usage is calculated using a credit risk approach based upon the Basel II regulatory capital formula and an add-on for concentration risk;
- For the Debt Investments and Trading portfolios (including the interest rate mismatch positions that represent the strategic long-term investments of NIBC's capital) and the Residential Mortgage portfolio, a market risk approach is used to determine EC usage. Historical data are used to simulate scenarios from which EC is calculated;
- For the Investment Management Loan portfolio, EC usage is calculated by applying a credit risk approach based upon the Basel II regulatory capital formula; and
- For the Equity Investment portfolio, fixed percentages are used.

Table 19 shows the EC usage per business activity. At the beginning of 2010, the EC framework started taking into account diversification effects between the different risk types (credit, market and operational risk), next to diversification effects within market risk that were already part of NIBC's EC methodology. Within the market risk EC calculation, NIBC takes diversification effects into account between credit spread and interest rate risk. Diversification derives from the fact that not all risks will occur at the same time. Therefore, the sum of EC within or between risks on a stand-alone basis will be higher than the amount of EC if these risks are combined. This reduction of EC is defined as diversification.

Table 19 EC usage per business activity

IN EUR MILLIONS	31 December 2010	31 December 2009	Difference (in %)
Corporate Loan portfolio	548	493	11
Investment Management Loans and Equity Investment portfolio	231	185	25
TOTAL CREDIT AND INVESTMENT RISK	**779**	**678**	**15**
Residential Mortgage portfolio	312	262	19
Debt Investments and Trading portfolio	491	402	22
(of which: mismatch positions)	160	252	(37)
Market risk diversification effects	(266)	(115)	131
TOTAL MARKET RISK	**537**	**549**	**(2)**
Operational and other risk	114	71	62
Reputation risk	100	100	0
Business risk	100	100	0
Model risk	20	20	0
TOTAL OTHER RISK	**334**	**291**	**15**
Diversification effects between risk types	(415)	0	N/A
TOTAL DIVERSIFIED ECONOMIC CAPITAL	**1,235**	**1,518**	**(19)**

The changes in the usage of EC at year-end 2010 are owed to a variety of factors. The most notable ones are due to methodology changes, such as the introduction of diversification between different risk types, the confidence level increase from 99.90% to 99.95%, the change in market risk EC approach (from scaling the weekly VaR figures for a one-year horizon) towards historical simulation (sampling historical weekly changes to arrive at a one-year horizon and 99.95% confidence level), and the addition of specific risk within market risk.

Apart from methodology changes, the changes in EC usage can also be explained as follows:

- The increase of 11% noted for the Corporate Loan portfolio was mainly the result of the increase in the size of the portfolio, as well as the introduction of EC for unexpected losses on non-impaired defaulted loans;
- The increase of 25% in the IM Loans and Equity Investment portfolios are due to revaluations of the Equity Investments portfolio;
- With respect to market risk, 2010 was the first year in which NIBC adopted the historical simulation methodology described earlier to calculate EC for portfolios with a market risk approach. This methodology change led to an increase in EC for the Residential Mortgage and Debt Investments portfolios. Also a larger short-term liquidity portfolio of highly liquid assets (part of the Securitisations portfolio) that reflects NIBC's cash surplus, contributed to the rise in EC usage. Moreover, credit-spread tightening in 2010 led to a higher fair value of debt investments and subsequently, to a higher EC. In addition, NIBC now includes, as mentioned, a specific risk add-on to account for rating migration risk and default risk of market risk positions;
- Diversification effects within market risk have increased based on the 2010 market data; and
- Lastly, the EC usage of the interest rate mismatch position decreased by 37%, mainly due to the methodology change, the amortisation of the strategic mismatch positions, as well as due to relatively shorter maturities of the strategic mismatch positions.

Capital adequacy

The capital adequacy of NIBC is managed at NIBC Holding level.

The principal ratios for reviewing the capital adequacy of NIBC are the Tier-1 ratio and the BIS ratio. These ratios, which were implemented by the *Bank for International Settlements* (**BIS**), are intended to promote comparability between financial institutions. They are based on the Basel II Capital Accord.

NIBC monitors developments in the ratios on a monthly basis, including comparison between the expected ratios and the actual ratios. These ratios indicate capital adequacy to mitigate on-balance credit risks, off-balance sheet commitments, market risks, operational risks and other risk positions expressed as risk-weighted items in order to reflect their relative risk.

During the year ended 31 December 2010, NIBC complied with the capital requirements imposed by the DNB, which require a minimum Tier-1 ratio of 4% and a minimum BIS ratio of 8%.

The Tier-1 ratio is defined as Tier-1 capital divided by RWA. The BIS ratio is defined as Total Capital (which is the sum of Tier-1 capital and Tier-2 capital) divided by RWA.

At 31 December 2010, NIBC had excellent regulatory ratios. The Core Tier-1 ratio stood at 12.9% (2009: 14.0%); the Tier-1 ratio at 14.5% (2009: 16.2%); and the BIS ratio at 15.8% (2009: 18.4%). The main driver for the lower levels of these ratios compared to 2009 was the increase in RWA, which was mainly driven by the increase in the size of the Corporate Loan portfolio.

Table 20 shows the summary of capital ratios and RWA for NIBC.

Table 20 NIBC capital ratios, Basel II, actual

IN EUR MILLIONS	31 December 2010	31 December 2009
CAPITAL RATIOS		
Core Tier-1 ratio	12.9	14.0
Tier-1 ratio	14.5	16.2
BIS ratio	15.8	18.4
RISK WEIGHTED ASSETS		
Credit risk	12,172	10,744
Market risk	242	98
Operational risk	795	957
TOTAL RWA	**13,209**	**11,799**

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Consolidated Financial Statements

Consolidated income statement

for the year ended 31 December

IN EUR MILLIONS	NOTE	2010	2009
Interest and similar income		602	698
Interest expense and similar charges		470	634
NET INTEREST INCOME	2	**132**	**64**
Fee and commission income		26	33
Fee and commission expense		-	1
NET FEE AND COMMISSION INCOME	3	**26**	**32**
Dividend income	4	10	30
Net trading income	5	92	205
Gains less losses from financial assets	6	44	(19)
Share in result of associates	28	3	5
Other operating income	7	77	35
OPERATING INCOME		**384**	**352**
Personnel expenses and share-based payments	8	132	99
Other operating expenses	9	70	71
Depreciation and amortisation	10	19	17
OPERATING EXPENSES		**221**	**187**
Impairments of financial assets	11	75	124
TOTAL EXPENSES		**296**	**311**
PROFIT BEFORE TAX		**88**	**41**
Tax	12	8	(2)
PROFIT AFTER TAX		**80**	**43**
Result attributable to non-controlling interests	13	4	(1)
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDER		**76**	**44**

Consolidated statement of comprehensive income

for the year ended 31 December

IN EUR MILLIONS	2010 Before tax	2010 Tax charge/ (credit)	2010 After tax	2009 Before tax	2009 Tax charge/ (credit)	2009 After tax
PROFIT FOR THE YEAR	**88**	**8**	**80**	**41**	**(2)**	**43**
OTHER COMPREHENSIVE INCOME						
Net result on hedging instruments	42	15	27	(47)	(12)	(35)
Revaluation loans and receivables	18	5	13	49	12	37
Revaluation equity investments	3	2	1	(11)	(2)	(9)
Revaluation debt investments	(3)	1	(4)	17	3	14
Revaluation property, plant and equipment	-	-	-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME	**60**	**23**	**37**	**8**	**1**	**7**
TOTAL COMPREHENSIVE INCOME	**148**	**31**	**117**	**49**	**(1)**	**50**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO						
Parent shareholder	144	31	113	50	(1)	51
Non-controlling interests	4	-	4	(1)	-	(1)
TOTAL COMPREHENSIVE INCOME	**148**	**31**	**117**	**49**	**(1)**	**50**

Consolidated balance sheet

at 31 December

IN EUR MILLIONS	NOTE	2010	2009
Assets			
FINANCIAL ASSETS AT AMORTISED COST			
Cash and balances with central banks	14	1,314	1,353
Due from other banks	15	1,698	3,094
Loans and receivables			
Loans	16	7,005	6,633
Debt investments	17	566	581
Securitised loans	18	614	616
FINANCIAL ASSETS AT AVAILABLE FOR SALE			
Equity investments	19	72	94
Debt investments	20	1,190	714
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)			
Loans	21	1,074	1,103
Residential mortgages own book	22	4,429	5,817
Securitised residential mortgages	23	5,338	4,783
Debt investments	24	572	804
Enhanced investments	25	5	53
Equity investments (including investments in associates)	26	269	215
Derivative financial assets held for trading	27	3,113	2,816
Derivative financial assets used for hedging	27	360	242
OTHER			
Investments in associates (equity method)	28	30	35
Intangible assets	29	117	40
Property, plant and equipment	30	101	101
Investment property	31	26	28
Current tax	32	4	14
Other assets	34	112	53
TOTAL ASSETS		**28,009**	**29,189**

IN EUR MILLIONS	NOTE	2010	2009
Liabilities			
FINANCIAL LIABILITIES AT AMORTISED COST			
Due to other banks	35	1,354	2,601
Deposits from customers	36	4,781	4,332
Own debt securities in issue	37	8,209	8,836
Debt securities in issue related to securitised mortgages	38	5,562	5,231
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)			
Own debt securities in issue	39	46	85
Debt securities in issue structured	40	2,120	2,453
Derivative financial liabilities held for trading	27	3,334	3,133
Derivative financial liabilities used for hedging	27	48	80
OTHER FINANCIAL LIABILITIES			
Other liabilities	41	225	214
Deferred tax	33	34	22
Employee benefits	42	5	5
SUBORDINATED LIABILITIES			
Amortised cost	43	119	132
Fair value through profit or loss	44	369	369
TOTAL LIABILITIES		**26,206**	**27,493**
SHAREHOLDER'S EQUITY			
Share capital	45	80	80
Other reserves	45	318	281
Retained earnings		1,329	1,273
Net profit attributable to parent shareholder		76	44
Interim dividend paid		(22)	-
TOTAL PARENT SHAREHOLDER'S EQUITY		**1,781**	**1,678**
Non-controlling interests		22	18
TOTAL SHAREHOLDER'S EQUITY		**1,803**	**1,696**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**28,009**	**29,189**

Consolidated statement of changes in shareholder's equity

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

IN EUR MILLIONS	Attributable to parent shareholder: Share capital	Other reserves[1]	Retained earnings	Net profit	Total	Non-controlling interests	Total share-holder's equity
BALANCE AT 1 JANUARY 2010	**80**	**281**	**1,273**	**44**	**1,678**	**18**	**1,696**
Transfer net profit 2009 to retained earnings	-	-	44	(44)	-	-	-
Total comprehensive income for the year ended 31 December 2010	-	37	-	76	113	4	117
Capital contribution of third parties in a subsidiary controlled by NIBC	-	-	-	-	-	-	-
Capital contribution share-based payments	-	-	6	-	6	-	6
Interim dividend paid[2]	-	-	-	(22)	(22)	-	(22)
Net investment hedge foreign entities	-	-	6	-	6	-	6
BALANCE AT 31 DECEMBER 2010	**80**	**318**	**1,329**	**54**	**1,781**	**22**	**1,803**

1. Other reserves include share premium, hedging reserve and revaluation reserve.
2. Ordinary interim dividend paid in 2010 to equity holder.

Consolidated statement of cash flows

for the year ended 31 December

IN EUR MILLIONS	NOTE	2010	2009
OPERATING ACTIVITIES			
Net profit for the year		76	44
ADJUSTMENTS FOR NON-CASH ITEMS			
Depreciation, amortisation and impairment losses	10/11	94	141
Changes in employee benefits	42	-	(3)
Gains less losses from financial assets	6	(44)	19
Share in result of associates	28	(3)	(5)
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Derivative financial instruments	27	(219)	(9)
Operating assets		279	894
Operating liabilities		(444)	(1,462)
Dividends received from associates	28	4	2
CASH FLOWS FROM OPERATING ACTIVITIES[1]		**(257)**	**(379)**
INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment	30/31	1	2
Acquisition of property, plant and equipment	30/31	(12)	(13)
Disposal of subsidiaries, associates and joint ventures	28	3	3
Acquisition of associates and joint ventures	28/29	(84)	-
CASH FLOWS FROM INVESTING ACTIVITIES		**(92)**	**(8)**
FINANCING ACTIVITIES			
Net increase/(decrease) in own debt securities in issue	37/39	(666)	2,779
Net increase/(decrease) in subordinated liabilities	43/44	(13)	(195)
Net increase/(decrease) in debt securities in issue structured	40	(333)	(657)
Interim dividend paid		(22)	-
CASH FLOWS FROM FINANCING ACTIVITIES		**(1,034)**	**1,927**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,383)**	**1,540**
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**3,387**	**1,847**
Net increase/(decrease) in cash and cash equivalents		(1,383)	1,540
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**2,004**	**3,387**
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Cash and balances with central banks	14	1,314	1,353
Due from other banks (maturity three months or less)	15	690	2,034
		2,004	**3,387**

1. In the cash flows from operating activities is included an amount of EUR 12 million of taxes received (2009: EUR 1 million taxes paid).

Accounting Policies

General information

NIBC Bank N.V. (**NIBC**), together with its subsidiaries (NIBC or the group) is a Dutch bank that offers integrated solutions to corporate clients in the Benelux and Germany through a combination of advising, financing and co-investing. NIBC is also a meaningful player in a select number of clearly defined asset classes. It employs its expertise to provide asset financing in sectors such as corporate lending, leveraged finance, shipping, oil & gas services, infrastructure & renewables and commercial real estate. NIBC's clients are corporations, financial institutions, institutional investors, financial sponsors, family offices and entrepreneurial investors. NIBC has offices in The Hague, Brussels, Frankfurt, London and Singapore. NIBC is domiciled in the Netherlands, and is a 100% subsidiary of *NIBC Holding N.V.* (**NIBC Holding**).

These consolidated financial statements were approved for issue by the Managing Board of NIBC on 21 April 2011.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, available for sale financial assets, financial assets and financial liabilities held at fair value through profit or loss, and all derivative contracts. The consolidated financial statements are presented in EUR and all values are rounded to the nearest EUR million, except when otherwise indicated.

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

Standards, amendments and interpretations effective in 2010

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2010:

- IFRS 3 (Revised), 'Business Combinations', and consequential amendments to *International Accounting Standards* (**IAS**) 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the income statement. IAS 27 (Revised) has had no material impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no material transactions with non-controlling interests;
- IFRS 1 (Amendment), 'Additional exemptions for first time adopters' (effective from 1 January 2010). The amendment relieves first-time adopters of IFRS from providing the additional disclosures introduced in March 2009 by 'Improving disclosures about financial instruments' (Amendment to IFRS 7). The amendments to IFRS 1 did not have a significant impact on NIBC's financial position in 2010;
- IFRS 2 (Amendment), 'Group cash-settled share-based payment transactions'. The amendments to IFRS 2 were issued in June 2009. The amendments provide a clear basis to determine the classification of share-based payment transactions in consolidated and separate financial statements. The amendments incorporate IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 - Group and treasury transactions', into IFRS 2. They also expand on the guidance given in IFRIC 11 to address group arrangements that were not considered in that interpretation. The amendments to IFRS 2 did not have a significant impact on NIBC's financial position in 2010;
- Improvements to IFRS 2009. The *International Accounting Standards Board* (**IASB**) issued amendments to various IFRS standards as part of its annual improvements project in April 2009. NIBC adopted the improvements to IFRS 2009 on 1 January 2010. The adoption of the amendments did not have a significant impact on NIBC's financial position in 2010;
- IAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement' - Eligible hedged items (effective from 1 July 2009). The amendments to IAS 39 were issued in July 2008. The amendments provide additional guidance on the designation of a hedged item. The amendments clarify how the existing principles underlying hedge accounting should be applied in two particular situations: a) a one-sided risk in a hedged item and b) inflation in a financial hedged item.

NIBC adopted the amendments to IAS 39 on 1 January 2010. The amendments to IAS 39 did not have a significant impact on NIBC's financial position;

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective from 1 July 2009). IFRIC 17 addresses how non-cash dividends distributed to shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in the income statement. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation. The application of this amendment does not have a material impact on the financial statements 2010; and
- IFRS 1 (Revised), 'First-Time Adoption of IFRS' (effective from 1 January 2010). The revised standard is applicable for entities applying IFRS for the first time for annual periods beginning on or after 1 July 2009. This revised standard does not have an impact on NIBC's financial position.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2011 or later periods, but NIBC has not early-adopted them:

- Revised IAS 24 (Revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (Revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the revised standard from 1 January 2011. When the revised standard is applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. The group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures. This revised standard will not have an impact on NIBC's financial position in 2011;
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in the income statement, which is measured at the difference between the carrying amount of the financial reliably and the fair value of the equity instrument issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liabilities extinguished. The group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the group's financial position;
- IFRIC 14 (Amendment) 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments

should be applied retrospectively to the earliest comparative period presented. The group will apply these amendments for the financial reporting period commencing on 1 January 2011. Management is currently reviewing the requirements of this interpretation to IFRIC 14 to determine whether it will have a material impact on NIBC's financial position in 2011; and

- IAS 32 (Amendment) 'Classification of rights issues', issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The group will apply the amended standard from 1 January 2011. The amendment of IAS 32 does not have a material impact on NIBC's financial position.

Company income statement

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

Basis of consolidation

The consolidated financial statements are comprised of the financial statements of NIBC and its subsidiaries as at and for the years ended 31 December 2009 and 2010.

Subsidiaries

Subsidiaries are all entities (including *Special-Purpose Entities* (**SPE**)) over which the group has the power, directly or indirectly, to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Business combinations from 1 January 2010

The group uses the acquisition method of accounting to account for business combinations.
The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's net assets.

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

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

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

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Transactions and non-controlling interests

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

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

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

Joint ventures

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

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

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

Associates

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

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

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

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

Unrealised gains on transactions between the group and its associates are eliminated to the extent of NIBC's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by NIBC.

Dilution gains or losses arising in investments in associates are recognised in the income statement.

Changes in accounting policy

The group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised IAS 27, 'Consolidated and separate financial statements', became effective. The revision to IAS 27 contained consequential amendments to IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'. Previously, transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in the income statement and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to the income statement or directly to retained earnings. Previously, when the group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence was lost, became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets. The group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Segment reporting

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

Foreign currency translation

Functional and presentational currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in EUR, the functional currency and presentation currency of NIBC.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity (other comprehensive income net of tax) as qualifying net investment hedges.

Changes in the fair value of monetary loans denominated in foreign currency that are classified as available for sale are analysed between foreign exchange translation differences and other changes in the carrying amount of the loan. Foreign exchange translation differences are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Foreign exchange translation differences on non-monetary assets and liabilities that are stated at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items classified as available for sale assets are included in the fair value reserve in other comprehensive income.

Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholder's equity. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

Recognition of financial instruments

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

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

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

Derecognition of financial assets and liabilities

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

- The rights to receive cash flows from the financial assets have expired; or
- When NIBC has transferred its contractual right to receive the cash flows of the financial assets, and either:
  - substantially all risks and rewards of ownership have been transferred; or
  - substantially all risks and rewards have neither been retained nor transferred but control is not retained.

If NIBC has transferred its contractual rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of NIBC's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that NIBC could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of NIBC's continuing involvement is the amount of the transferred asset that NIBC may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of NIBC's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Classification of financial instruments

Financial assets are classified as:
- Financial instruments at fair value through profit or loss, including derivative instruments that are not designated for cash flow hedge accounting relationships;
- Available for sale financial instruments; or
- Loans and receivables at amortised cost.

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

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

Financial assets - reclassification

In accordance with the amendment to IAS 39: 'Reclassifications of Financial Assets', NIBC may reclassify certain non-derivative financial assets held for trading to either the loans and receivables or available for sale categories. The amendment also allows for the transfer of certain non-derivative financial assets from available for sale to loans and receivables.

NIBC is allowed to reclassify certain financial assets out of the held for trading category if they are no longer held for the purpose of selling or repurchasing them in the near term.

The amendment distinguishes between those financial assets which would be eligible for classification as loans and receivables and those which would not. The former are those instruments which have fixed or determinable payments, are not quoted in an active market and contain no features that could cause the holder not to recover substantially all of its initial investment, except through credit deterioration.

Financial assets that are not eligible for classification as loans and receivables may be transferred from held for trading to available for sale only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Financial assets that would now meet the criteria to be classified as loans and receivables may be transferred from held for trading or available for sale to loans and receivables if the entity has the intention and ability to hold them for the foreseeable future.

Reclassifications are recorded at the fair value of the financial asset as of the reclassification date. The fair value at the date of reclassification becomes the new cost or amortised cost as applicable. Gains or losses due to changes in the fair value of the financial asset recognised in the income statement prior to reclassification date shall not be reversed. Effective interest rates for financial assets reclassified to the loans and receivables category are determined at the reclassification date as the discount rate applicable to amortise the fair value back to expected future cash flows at that date. Subsequent increases in estimated future cash flows will result in a prospective adjustment to the effective interest rate applied.

For financial assets reclassified from available for sale to loans and receivables, previous changes in fair value that have been recognised in the revaluation reserve within other comprehensive income shall be amortised to the income statement over the remaining life of the asset using the effective interest rate method. If such assets are subsequently determined to be impaired, the balance of losses previously recognised in other comprehensive income shall be released to the income statement and, if necessary, additional impairment losses shall be recorded in the income statement to the extent they exceed the remaining (available for sale) revaluation reserve in equity (other comprehensive income).

Reclassification of financial assets (as of 1 July 2008)

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

- Loans and receivables: loans and receivables, except for those that were designated at fair value through profit or loss, were reclassified out of the available for sale category to loans and receivables at amortised cost; and
- Debt investments:
  - EU structured credits originated after 1 July 2007 were reclassified out of the available for sale category to loans and receivables at amortised cost to the extent the assets meet the definition of loans and receivables;
  - EU corporate credits and EU structured credits originated before 1 July 2007 were reclassified out of the held for trading category to loans and receivables at amortised cost to the extent the assets meet the definition of loans and receivables; and
  - EU *Collateralised Debt Obligation* (**CDO**) equity was reclassified out of the held for trading category to the available for sale category. Any subsequent change in fair value from the fair value at the date of reclassification will be recorded in the (available for sale) revaluation reserve unless it is determined to be impaired or until the instrument is derecognised.

Changes to classification of financial assets (in 2007)

In 2007, NIBC made the following changes:

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

An overview of the classification of different classes of financial assets is presented in the following table:

	Before reclassification	After reclassification
Financial assets		
LOANS AND RECEIVABLES		
COMMERCIAL REAL ESTATE LOAN PORTFOLIO		
Originated before 1 July 2007	Designated at FVPL	Designated at FVPL
Originated after 1 July 2007	L&R at AC	L&R at AC
LEVERAGED LOAN WAREHOUSES		
Originated before 1 July 2007	Designated at FVPL	Designated at FVPL
Originated after 1 July 2007	L&R at AC	L&R at AC
SECONDARY LOAN TRADING PORTFOLIO		
Originated before 1 July 2007	Designated at FVPL	Designated at FVPL
Originated after 1 July 2007	L&R at AC	L&R at AC
DISTRESSED ASSET TRADING PORTFOLIO		
Originated before 1 July 2007	Designated at FVPL	Designated at FVPL
Originated after 1 July 2007	L&R at AC	L&R at AC
OTHER CORPORATE LENDING PORTFOLIOS		
Originated before 1 July 2007	AFS	L&R at AC
Originated after 1 July 2007	L&R at AC	L&R at AC
DEBT INVESTMENTS		
STRUCTURED CREDITS EU		
Originated before 1 July 2007	HFT	L&R at AC
Originated after 1 July 2007	AFS	L&R at AC
Assets that do not meet the definition of loans and receivables	HFT or AFS	HFT or AFS
CORPORATE CREDITS EU		
Originated before 1 July 2007	HFT	L&R at AC
Originated after 1 July 2007	AFS	L&R at AC
EU EQUITY TRANCHE NOTES		
Originated before 1 July 2007	HFT	AFS
Originated after 1 July 2007	AFS	AFS
EQUITY INVESTMENTS (held by venture capital organisation)		
EQUITY INVESTMENTS (including investments in associates)		
Originated before 1 January 2007	Equity method	Equity method
Originated after 1 January 2007	Designated at FVPL	Designated at FVPL
INVESTMENTS IN JOINT VENTURES		
Originated before 1 January 2007	Proportionately consolidated	Proportionately consolidated
Originated after 1 January 2007	Designated at FVPL	Designated at FVPL
OTHER INVESTMENTS		
Originated before 1 January 2007	AFS	AFS
Originated after 1 January 2007	Designated at FVPL	Designated at FVPL

AC: amortised cost - AFS: available for sale - FVPL: fair value through profit or loss - HFT: held for trading - L&R: loans and receivables.

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

Changes to classification of financial liabilities (in 2007)

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

Financial instruments at fair value through profit or loss

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

Financial instruments held for trading

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

The measurement of these financial instruments is initially at fair value, with transaction costs taken to the income statement. Subsequently, their fair value is re-measured, and all gains and losses from changes therein are recognised in the income statement in net trading income as they arise.

Financial instruments designated upon initial recognition as fair value through profit or loss

Financial instruments are classified in this category if they meet one or more of the criteria set out below, and provided they are so designated by management. NIBC may designate financial instruments at fair value when the designation:

- Eliminates or significantly reduces valuation or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases. Under this criterion, the main classes of financial instruments designated by NIBC at fair value through profit or loss are:
  - Residential mortgage loans (own book and securitised);
  - Certain Debt Investment portfolios;
  - Enhanced investments;

  - Equity investments (including investments in associates and joint ventures held by our venture capital organisation within the operating segment Merchant Banking); and
  - Certain fixed rate long-term debt securities issued after 1 January 2007.
- Applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information on the groups of financial instruments is reported to management on that basis. Under this criterion, the main classes of financial instruments designated by NIBC at fair value through profit or loss are:
  - Equity investments (originated after 1 January 2007);
  - Commercial real estate loans (originated before 1 July 2007);
  - Leveraged loan warehouses;
  - Secondary loan trading; and
  - Distressed asset trading.

  NIBC has documented risk management and investment strategies designed to manage such assets at fair value, taking into consideration the relationship of assets to liabilities in a way that mitigates market risks. Reports are provided to management on the fair value of the assets; and
- Relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments. Under this criterion, the main classes of financial instruments designated by NIBC at fair value through profit or loss are:
  - Debt securities in issue structured; and
  - Subordinated liabilities at fair value through profit or loss.

The fair value designation, once made, is irrevocable.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or liabilities are included in net trading income.

Financial instruments at fair value through profit or loss (comprising the categories described above) are initially recognised at fair value, and transaction costs are expensed in the income statement. Subsequent measurement is at fair value and all changes in fair value are reported in the income statement, either as net trading income or as gains less losses from financial assets. Interest is recorded in interest income using the effective interest rate method, while dividend income is recorded in dividend income when NIBC's right to receive payment is established.

Available for sale financial assets

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

The main classes of financial instruments designated at available for sale assets at 31 December 2010 include:

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

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

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

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

Fair value estimation

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

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

Determination of fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable willing parties in an arm's length transaction. NIBC determines fair value either by reference to quoted market prices or dealer price quotations without adjustment for transaction costs for those financial instruments that are currently traded in an active market. The fair value measurement is based upon the bid price for financial assets and the ask price for financial liabilities. These financial instruments are reported as level 1 in the fair value hierarchy.

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

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

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

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

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

Loans and receivables at amortised cost

Loans and receivables at amortised cost are non-derivative financial assets with fixed or determinable payments that are (upon recognition) not quoted in an active market, other than: (a) those that NIBC intends to sell immediately or in the short term, which are classified as held for trading; (b) those that NIBC upon initial recognition designates at fair value through profit or loss; (c) those that NIBC upon initial recognition designates at available for sale; and (d) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

An interest acquired in a pool of assets that are not loans and receivables (for example an interest in a mutual fund or similar fund) is not a loan or receivable.

The main classes of loans and receivables at amortised cost at 31 December 2010 include corporate lending (excluding commercial real estate and leverage loan warehouses, secondary loan trading and distressed asset trading) and investments in the EU Corporate Credits and EU Structured Credits portfolio that were reclassified in 2008.

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

Financial liabilities

With the exception of those financial liabilities designated at fair value through profit or loss, these are initially recognised at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest method (including interest accruals), with the periodic amortisation recorded in the income statement.

The main classes of financial liabilities at amortised cost include amounts due to other banks, deposits from corporate and retail customers, own debt securities in issue under the European Medium Term Note programme, Covered Bonds and State Guaranteed Funding programme and debt securities in issue related to securitised mortgages. The main classes of financial liabilities designated at fair value through profit or loss include debt securities in issue structured that consist of notes issued with embedded derivatives and derivative financial liabilities held for trading and used for hedging.

NIBC classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. NIBC's perpetual bonds are not redeemable by the holders but bear an entitlement to distributions that is not at the discretion of NIBC. Accordingly, they are presented as a financial liability.

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

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

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

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

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

Recognition of day one profit or loss

The best evidence of fair value at initial recognition is the transaction price (that is, the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

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

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

Offsetting

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

Collateral

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

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

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

Derivative financial instruments and hedging

NIBC uses derivative financial instruments both for trading and hedging purposes. NIBC uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks and to credit risk.

Derivative financial instruments are initially measured, and are subsequently re-measured, at fair value. The fair value of exchange-traded derivatives is obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

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

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

Hedge accounting

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

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

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

Fair value hedge

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement together with changes in the fair value of the hedged items attributable to the hedged risk.

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

Portfolio fair value hedge

NIBC applies portfolio fair value hedge accounting to the interest rate risk arising on portfolios of fixed interest rate corporate loans (classified as available for sale financial assets or as amortised cost assets), to portfolios of plain vanilla fixed interest rate funding (liabilities classified as amortised cost) and retail deposits.

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

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

Micro fair value hedge

NIBC applies micro fair value hedge accounting to the interest rate risk and/or the foreign exchange risk arising from debt investments at available for sale and plain vanilla fixed interest rate funding denominated in a foreign currency.

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

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

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

Cash flow hedge

Cash flow hedging is applied to hedge the variability arising on expected future cash flows due to interest rate risk on available for sale corporate loans and/or corporate loans at amortised cost with floating interest rates. As interest rates fluctuate, the future cash flows on these instruments also fluctuate. NIBC uses interest rate swaps to hedge the risk of such cash flow fluctuations.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income within the cash flow hedging reserve. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the income statement.

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

Net investment hedge

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

Hedge effectiveness testing

To qualify for hedge accounting, NIBC requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness). Actual effectiveness (retrospective effectiveness) must also be demonstrated on an ongoing basis.

The documentation of each hedging relationship describes how effectiveness will be assessed. For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80% - 125% for the hedge to be deemed effective.

Hedge ineffectiveness is recognised in the income statement in net trading income.

Derivatives managed in conjunction with financial instruments designated as at fair value through profit or loss

All gains and losses arising from changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statement. Derivatives used to manage the interest rate and credit spread exposure on certain financial assets and liabilities (mainly structured funding, debt investments and residential mortgage loans) are not designated in hedging relationships. Gains and losses on these derivatives together with the fair value movements on these financial assets and liabilities are reported within net trading income.

Sale and repurchase agreements

Securities sold subject to repurchase agreements (**Repos**) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other banks or other deposits as appropriate.

Securities purchased under agreements to resell (**Reverse repos**) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Impairment

General

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example: equity ratio and net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio (Corporate Loans, EU Corporate Credits and EU Structured Credits). The average period used is three months for the different Corporate Loan portfolios.

Losses expected from future events, no matter how likely, are not recognised.

Financial assets reported at amortised cost

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

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

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

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

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

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

Financial assets classified as available for sale

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

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

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

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

- Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement; and

- If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Non-financial assets

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

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (*cash-generating units* (**CGUs**)). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date. Impairment losses and the reversal of such losses, for non-financial assets other than goodwill, are recognised directly in the income statement.

Renegotiated loans

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

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment or more frequently when there are indications that impairments may have occurred and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

Trademarks and licences
Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of five years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

Order backlog
An order backlog acquired in a business combination is recognised at fair value at the acquisition date. The order backlog has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the order backlog.

Customer relationships
Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The (contractual) customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

Computer software
Costs associated with research and maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by NIBC and that generate economic benefits exceeding one year are capitalised as intangible assets. Computer software development costs recognised as assets are amortised over their estimated useful lives of three to five years.

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

Tangible assets

Property (land and buildings), plant and equipment
Land and buildings comprise mainly factories and offices. Land and buildings are shown at fair value. This fair value is based on the most recent appraisals by independent registered appraisers, less straight-line depreciation for buildings over the estimated economic life taking into account any residual value. Any accumulated depreciation at the date of revaluation is eliminated against the carrying amount of the asset, and the net amount is restated to the re-valued amount of the asset. All other property, plant and

equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

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

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

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

Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes or sale in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. The fair value is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction, without any deduction for transaction costs it may incur on sale or other disposal. The unrealised gains and losses arising from the changes in fair value of the investment property as a result of appraisals are included in other operating income in the income statement.

Investment properties are derecognised when they have been disposed of.

Leases

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

A group company is the lessee

Operational lease

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

Financial lease

Leases of assets where the group has substantially all risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are measured subsequently at their fair value.

The leases entered into by the group are primarily operational leases. The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease. When an operational lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

A group company is the lessor

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

Cash and cash equivalents

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

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

Other assets

Trade receivables related to consolidated non-financial companies

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

Inventories related to consolidated non-financial companies

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost formula. The cost of finished goods and work in progress is comprised of design costs, raw materials, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Construction contracts related to consolidated non-financial companies

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that the contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The group uses the percentage of completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within other assets.

The group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Provisions

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

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

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

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

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

Trade payables

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

Employee benefits

Pension benefits

NIBC and its subsidiaries have various pension arrangements in accordance with the local conditions and practices in the countries in which they operate. NIBC generally funds these arrangements through payments to insurance companies or trustee administered funds, determined by periodic actuarial calculations. These various pension arrangements consist of a defined contribution plan, a defined benefit plan or a combination of these plans.

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

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to the income statement over the employees' expected average remaining working lives. Past service costs are recognised immediately in administrative expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past-service costs are amortised on a straight-line basis over the vesting period.

Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. NIBC recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Share-based compensation

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

Equity-settled transactions

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

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

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

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

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

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

Cash-settled transactions

For the cash-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of share-based compensation is recognised as a liability. The liability is re-measured at each balance sheet date up to and including the settlement date with changes in fair value recognised in the income statement in personnel expenses.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Profit-sharing and bonus plans

A liability is recognised for cash-settled bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to our shareholder after certain adjustments. NIBC recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Income tax

Income tax on the profit or loss for the year is comprised of current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholder's equity (other comprehensive income), in which case it is recognised in shareholder's equity (other comprehensive income).

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

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

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

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

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

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

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

Shareholder's equity

Share capital

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

Share issue costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability in the period that the obligation for payment has been established, being in the period in which they are approved by the shareholder.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and when specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest income and expense

Interest income and interest expense are recognised in the income statement for all interest bearing instruments, including those classified as held for trading or designated at fair value through profit or loss.

For all interest bearing financial instruments, interest income or interest expense is recognised using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability (on an amortised cost basis). The calculation includes all contractual terms of the financial instrument (for example, prepayment options) but not future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets is impaired, interest income is subsequently recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Any increase in estimated future cash flows of financial assets reclassified to loans and receivables at amortised cost on 1 July 2008 will result in a prospective adjustment to the effective interest rates.

Fee and commission income and expense

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Loan syndication fees are recognised as revenue when the syndication has been completed and NIBC has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commissions and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis.

Asset management fees related to investment funds are recognised pro rata over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

Dividend income

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

Net trading income

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

Gains less losses from financial assets

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

Other operating income

The revenue diminished by cost of sales from consolidated non-financial companies is presented under other operating income.

Sales of goods by consolidated non-financial companies

The group manufactures and sells products to clients. Sales of goods are recognised when a group entity has delivered products to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products.

Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the client, and either the client has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

Products are often sold with volume discounts and customers have a right to return faulty products. Sales are recorded based on the price specified in the sales contracts, net of estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. Volume discounts are assessed based on anticipated annual sales. No element of financing is deemed present as the sales are made with a credit term of 90 days, which is consistent with the market practice.

Sales of services by consolidated non-financial companies

The group sells water and pile services and transportation services, temporary employment services and panoramic and aerial images. These services are provided on a time and or materials basis or as fixed-price contracts, with contract terms generally ranging from less than one year to two years.

Revenue from time and material contracts, typically from delivering water and pile services, temporary employment services and panoramic and aerial images, is recognised using the percentage-of-completion method. Revenue is generally recognised at the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours delivered as a percentage of total hours to be delivered. For (material) contracts, the stage of completion is measured on the basis of direct expenses incurred as a percentage of the total expenses to be incurred.

Revenue from fixed-price contracts for delivering water and pile services and panoramic and aerial images is also recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

Revenue from fixed-price contracts for delivering transportation services is generally recognised in the period the services are provided, using a straight-line basis over the term of the contract.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and a) represents a separate major line of business or geographical area of operations; b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or c) is a subsidiary acquired exclusively with a view to resale.

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

Cash flow statement

The cash flow statement, based on the indirect method of calculation, gives details of the source of cash and cash equivalents that became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and inter-bank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in and sales of subsidiaries and associates, property, plant and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Movements due to currency translation differences as well as the effects of the consolidation of acquisitions, where of material significance, are eliminated from the cash flow figures.

Fiduciary activities

NIBC acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the group.

Critical Accounting Estimates and Judgements

NIBC makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and judgements are principally made in the following areas:

- Estimated impairment of goodwill arising on consolidated non-financial companies;
- Fair value of certain financial instruments;
- Impairment of corporate loans;
- Impairment of debt investments classified as amortised cost;
- Impairment of debt investments classified as available for sale;
- Impairment of equity investments classified as available for sale;
- Securitisations and special purpose entities;
- Pension benefits; and
- Income taxes.

Estimated impairment of goodwill arising on consolidated non-financial companies

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

The recoverable amount of a group of CGUs related to consolidated non-financial companies is determined based on a value-in-use calculation, that is the higher of value in use and fair value less costs to sell. These calculations use pre-tax cash flow projections based on financial budgets approved by the Managing Boards of the acquirer companies covering a three year period (2011 - 2013). Cash flows beyond the three year period are extrapolated using an estimated perpetual growth rate.

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

IN %	2010	2009
Perpetual growth rate (bandwidth relates to all non-financial companies)	0.0 - 2.5	0.0 - 2.5
Pre-tax discount rate	12.1 - 12.2	11.7 - 12.6
Tax rate	25.5 - 29.0	25.5 - 29.0

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

NIBC has not recognised a goodwill impairment charge for the consolidated non-financial companies.

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

If the estimated pre-tax discount rate applied to the discounted cash flow for the group of CGUs had been 1% higher than management estimates (13.1% - 13.2% instead of 12.1% - 12.2%), NIBC would not have recognised a goodwill impairment charge.

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

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

If the budgeted profit before tax of the group of CGUs used in the value-in-use calculation had been 5% lower than management's estimates at 31 December 2010, NIBC would not have recognised a goodwill impairment charge in respect of its controlled non-financial companies.

Fair value of certain financial instruments

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

Changes in assumptions about these factors could affect the reported fair value of financial instruments. For the identification of assumptions used in the determination of fair value of financial instruments and for estimated sensitivity information for level 3 financial instruments, except for own liabilities designated at fair value through profit or loss reference is made to note 46.

Own liabilities designated at fair value through profit or loss

At 31 December 2010, the fair value of these liabilities was estimated to be EUR 2,535 million (2009: EUR 2,907 million). This portfolio was designated at fair value through profit or loss and is reported on the face of the balance sheet under the following headings:

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

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

The valuation of all the above classes of financial liabilities designated at fair value through profit or loss is sensitive to the estimated credit spread used to discount future expected cash flows. A 10 basis point change in the weighted average credit spread used to discount future expected cash flows would increase or decrease the fair value of these own financial liabilities as of 31 December 2010 by EUR 14.0 million (31 December 2009: EUR 14.6 million).

Valuation corporate derivatives (credit value adjustment)

Credit Valuation Adjustments (**CVAs**) are incorporated into derivative valuations to reflect the risk of default of the counterparty. In essence, CVA represents an estimate of the discounted expected loss on an *Over The Counter* (**OTC**) derivative during the lifetime of a contract. It is applied to all OTC derivative contracts, except for those that benefit from a strong collateral agreement where cash collateral is regularly exchanged, mitigating credit risk. In practice, this means that CVAs are only applied to OTC derivative contracts that generate credit risk on corporate (i.e. non-financial) counterparties.

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

The CVA is sensitive to changes in credit quality of the counterparties, as well as to changes in interest rates affecting current exposure. Based on the current composition of the portfolio, the CVA, in general, reduces when interest rates rise.

Fair value of financial assets venture capital organisation within operating segment Merchant Banking

The group estimates the fair value of its venture capital assets using valuation models, and it applies the valuation principles set forth by the International Private Equity and Venture Capital Valuation Guidelines to the extent that these are consistent with IAS 39.

On 31 December 2010, the fair value of this portfolio was estimated to be EUR 341 million (2009: EUR 309 million). This portfolio is reported as equity investments (including investments in associates) at fair value through profit or loss (2010: EUR 269 million; 2009: EUR 215 million) and as equity investments at available for sale (2010 EUR 72 million; 2009: EUR 94 million).

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

Impairment of corporate loans

NIBC assesses whether there is an indication of impairment of corporate loans classified as loans and receivables at amortised cost on an individual basis on at least a quarterly basis. NIBC considers a range of factors that have a bearing on the expected future cash flows that it expects to receive from the loan, including the business prospects of the borrower and its industry sector, the realisable value of collateral held, the level of subordination relative to other lenders and creditors, and the likely cost and likely duration of any recovery process. Subjective judgements are made in the process including, among others, the determination of expected future cash flows and their timing and the market value of collateral. Furthermore, NIBC's judgements change with time as new information becomes available, or as recovery strategies evolve, resulting in frequent revisions to individual impairments, on a case-by-case basis. NIBC regularly reviews the methodology and assumptions used for estimating both the amount and timing of future cash flows, to reduce any differences between loss estimates and actual loss experience.

If, as at 31 December 2010, for each of NIBC's impaired corporate loans, the net present value of the estimated cash flows had been 5% lower or higher than estimated, NIBC would have recognised an additional impairment loss or gain of EUR 10.0 million (2009: EUR 7.1 million).

Impairment of debt investments classified as amortised cost

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

If, as at 31 December 2010, for each of NIBC's impaired debt investments, the net present value of the estimated cash flows had been 5% lower or higher than estimated, NIBC would have recognised an additional impairment loss or gain of EUR 0.2 million (2009: EUR 0.1 million).

Impairment of debt investments classified as available for sale

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

The level of the impairment loss that NIBC recognises in the consolidated income statement is equivalent to the cumulative loss that had been recognised directly in the revaluation reserve of other comprehensive income. If, as at 31 December 2010, for each of NIBC's impaired debt investments, the fair value had been 5% lower or higher, NIBC would have recognised an additional impairment loss or gain of EUR 0.2 million (2009: EUR 0.1 million).

Impairment of equity investments classified as available for sale

NIBC determines an impairment loss on the available for sale equity investments held in the investment portfolio of the venture capital organisation within the operating segment Merchant Banking when there has been a significant or prolonged decline in fair value below original cost. NIBC exercises judgement in determining what is 'significant' or 'prolonged' by evaluating, among other factors, whether the decline is outside the normal range of volatility in the asset's price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the company whose securities are held by NIBC, a decline in industry or sector performance, adverse changes in technology or problems with operational or financing cash flows.

The level of the impairment loss that NIBC recognises in the consolidated income statement is the cumulative loss that had been recognised directly in the revaluation reserve of other comprehensive income. If NIBC had deemed all of the declines in fair value of equity investments below cost as 'significant' or 'prolonged', the effect would have been a EUR 4.7 million (2009: EUR 8.5 million) reduction in the profit before tax (gains less losses from financial assets) in 2010.

Securitisations and special purpose entities

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

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

When assessing whether NIBC has to consolidate a SPE, it evaluates a range of factors, including whether:
- It will obtain the majority of the benefits of the activities of a SPE;
- It retains the majority of the residual ownership risks related to the assets in order to obtain the benefits from its activities;
- It has decision-making powers to obtain the majority of the benefits; and
- The activities of the SPE are being conducted on NIBC's behalf according to NIBC's specific business needs so that it obtains the benefits from the SPEs operations.

The evaluation mentioned above is necessarily subjective.

Were the group not to consolidate the assets, liabilities and the results of these consolidated SPEs, the net effect on the balance sheet would be a decrease in net assets of EUR 6.7 billion (2009: EUR 6.4 billion) and the net effect on the income statement in both 2010 and 2009 would be insignificant.

De-recognition of assets and recognition of continuous involvement

NIBC executed transactions under its *Commercial Mortgage-Backed Securities* (**CMBS**) programme. The purpose of this programme is to offer NIBC's real estate clients access to the capital markets. NIBC established SPEs for the commercial backed securities programme. All loans transferred to the SPEs are collateralised by commercial real estate properties. The SPEs obtain funding from the capital markets by issuing CMBS notes. The commercial real estate loans, included in the CMBS programme, were originated by NIBC or by other banks prior to the securitisation. The total amount of commercial loans originated by NIBC prior to the securitisation and that were subsequently transferred to these SPEs amounts to EUR 1,288 million. The notional amount at 31 December 2010 was EUR 1,171 million (2009: EUR 1,200 million). The loans that continued to be recognised to the extent of NIBC's continuing involvement amounted to EUR 681 million at 31 December 2010 (2009: EUR 684 million). The reason for recognising this continuing involvement is that, based on a risks and rewards analysis, NIBC did not transfer substantially all risks and rewards associated with the securitised assets. The continuing involvement is reflected in the balance sheet as EUR 612 million (2009: EUR 614 million) in securitised loans valued at amortised cost and with a corresponding amount in debt securities in issue related to securitised mortgages and loans, EUR 65 million (2009: EUR 65 million) in loans at fair value through profit or loss and with a corresponding amount in debt securities in issue related to securitised mortgages and loans and EUR 5 million (2009: EUR 5 million) in debt investments at fair value through profit or loss which concerns the fair value of NIBC's investment in certain CMBS notes.

Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 42.

Were the discount rate used to differ by 10% from management's estimates, the carrying amount of pension obligations would be an estimated EUR 16.6 million (2009: EUR 15.4 million) lower or EUR 19.2 million (2009: EUR 17.8 million) higher. The service cost would be EUR 0.7 million (2009: EUR 0.7 million) lower or EUR 0.8 million (2009: EUR 0.8 million) higher.

Income taxes

NIBC is subject to income taxes in a number of tax jurisdictions. NIBC makes estimates in determining its worldwide provision for income taxes, and files its tax returns after the finalisation of its financial statements. The ultimate tax determination by tax authorities for certain transactions arising in the ordinary course of business may remain uncertain for several years after their occurrence. NIBC recognises assets and or liabilities for taxation when it is probable that the relevant taxation authority will require NIBC to receive and or pay taxation. Where the final outcome of such determination is different from the amounts that were initially estimated and recorded, these differences will impact the income tax expenses or deferred tax position in the period in which the determination is made.

Notes
to the consolidated financial statements

1 Segment report

The segment information has been prepared in accordance with IFRS 8, operating segments, which defines requirements for the disclosure of financial information about an entity's operating segments.

Identification of segments
IFRS 8 requires operating segments to be identified on the basis of internal management reports on components of the entity that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess segment performance.

NIBC is comprised of the following operating segments:
- Merchant Banking; and
- Specialised Finance.

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

Merchant Banking enables corporate clients, financial institutions, entrepreneurial investors and family offices to grow their businesses, by providing clients with access to NIBC's investment banking products, like M&A advisory, lending and equity/mezzanine financing. Merchant Banking's franchise is built on offering integrated solutions to clients. These integrated solutions are based on NIBC's established 'triple play' model of advising, financing and co-investing with clients. NIBC's sector experts share ideas and market knowledge on specific sectors in the Benelux and Germany - including food, agri & retail services; technology, media & services; manufacturing, automotive & industrials - for the benefit of clients.

Specialised Finance combines expertise in specific asset classes with NIBC's balance sheet and capital markets capabilities to provide solutions to clients. It focuses on asset and project financing in the segments, shipping, oil & gas, infrastructure & renewables and commercial real estate. The retail activities in residential mortgages and savings (via NIBC Direct) are also incorporated in Specialised Finance.

As of 1 January 2010, some client related portfolios, which - until then - were managed together by Merchant Banking and Specialised Finance, were assigned to one of the segments. For comparison purposes, the 2009 figures were adjusted and aligned with the way the operating segments are set up as of 1 January 2010.

IFRS 8 requires the disclosure of the information used by the chief operating decision-maker to allocate resources and to assess performance. Management reporting within NIBC is based on IFRS. Segment reporting under IFRS 8 requires a presentation of the segment results based on management reporting methods and a reconciliation between the results of the operating segments and the consolidated financial statements.

The following table presents the results of the operating segments, including a reconciliation to the consolidated results under IFRS for the years ended 31 December 2010 and 31 December 2009.

	Operating segments[1]				Total (internal management report)		Consolidation effects[2]		Total (consolidated financial statements)	
	Merchant Banking		Specialised Finance							
IN EUR MILLIONS	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net interest income	81	71	61	1	142	72	(10)	(8)	132	64
Net fee and commission income	20	27	5	5	26	32	-	-	26	32
Dividend income	10	4	1	26	10	30	-	-	10	30
Net trading income	7	(2)	84	209	91	207	1	(1)	92	205
Gains less losses from financial assets	50	(21)	-	(5)	50	(26)	(6)	7	44	(19)
Share in result of associates	2	-	2	4	3	5	-	-	3	5
Other operating income	1	1	-	1	1	1	76	34	77	35
OPERATING INCOME	**170**	**79**	**153**	**242**	**323**	**321**	**61**	**32**	**384**	**352**
OPERATING EXPENSES	**78**	**66**	**85**	**87**	**163**	**154**	**58**	**33**	**221**	**187**
Impairments of financial assets	32	96	43	28	75	124	-	-	75	124
TOTAL EXPENSES	**110**	**163**	**128**	**115**	**238**	**278**	**58**	**33**	**296**	**311**
PROFIT BEFORE TAX	**60**	**(84)**	**25**	**127**	**85**	**42**	**3**	**(1)**	**88**	**41**
Tax	3	(22)	3	21	6	(1)	3	(1)	8	(2)
PROFIT AFTER TAX	**58**	**(62)**	**22**	**106**	**80**	**43**	**-**	**-**	**80**	**43**
Average allocated economic capital	393	471	1,007	929	1,400	1,400	-	-	1,400	1,400
Average unallocated capital	-	-	140	76	140	76	-	-	140	76
Segment assets	2,464	2,421	25,351	26,639	27,814	29,060	195	129	28,009	29,189
Segment liabilities	2,303	2,280	23,706	25,092	26,009	27,372	197	120	26,206	27,493
Capital expenditure	2	2	2	3	4	5	9	4	13	9
Share in result of associates based on the equity method	2	-	2	4	4	5	-	-	4	5
Investments in associates based on the equity method	13	8	16	27	30	35	-	-	30	35

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

Transactions between segments are conducted at arm's length. The funding requirements of each segment reflect funding at market interest rates. Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

In the income statement of Merchant Banking and Specialised Finance the following allocations are made:

- All expenses relating to Risk Management, Corporate Center and the Managing Board are allocated to the two segments based on the number of direct *full-time equivalents* (**FTEs**) in each segment. Total operating expenses, relating to these support and overhead expenses, amounts to EUR 73 million in 2010 (2009: EUR 63 million);
- All income and expenses related to Treasury activities are included in Specialised Finance, with the exception of income from NIBC's strategic mismatch position, which is allocated equally to the two operating segments. Income from NIBC's strategic mismatch position amounted to EUR 29 million in 2010 (2009: EUR 28 million); and
- During 2010, an average of EUR 393 million of economic capital was allocated from Specialised Finance to Merchant Banking (2009: EUR 471 million). The benefit for Merchant Banking in net interest income related to this economic capital amounted to EUR 12 million (2009: EUR 14 million).

Besides the allocations mentioned above, there are no further inter-segment revenues and expenses in 2010 and 2009.

NIBC generated 84% of its revenues in the Netherlands (2009: 99%) and 16% abroad (2009: 1%).

2 Net interest income

IN EUR MILLIONS	2010	2009
INTEREST AND SIMILAR INCOME		
Interest income from assets designated at fair value through profit or loss	266	331
Interest income from other assets	336	367
	602	**698**
INTEREST EXPENSE AND SIMILAR CHARGES		
Interest expense from liabilities designated at fair value through profit or loss	47	61
Interest expense from other liabilities	423	573
	470	**634**
	132	**64**

For the year ended 31 December 2010, interest income includes accrued interest on impaired financial assets of EUR 3 million (2009: EUR 1 million).

For the year ended 31 December 2010, interest expense related to deposits from customers amounts to EUR 169 million (2009: EUR 214 million).

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

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

	For the period ended 31 December			
	2010		2009	
IN EUR MILLIONS	After reclassification	Before reclassification	After reclassification	Before reclassification
Interest income	109	101	139	131

3 Net fee and commission income

IN EUR MILLIONS	2010	2009
FEE AND COMMISSION INCOME		
Agency and underwriting fees	4	4
Investment management fees	13	11
Other	9	18
	26	**33**
FEE AND COMMISSION EXPENSE		
Other non-interest related	-	1
	-	**1**
	26	**32**

4 Dividend income

IN EUR MILLIONS	2010	2009
Equity investments (available for sale)	10	4
Enhanced investments (fair value through profit or loss)	-	26
	10	**30**

5 Net trading income

IN EUR MILLIONS	2010	2009
Assets and liabilities designated at fair value through profit or loss (including related derivatives)	44	77
Assets and liabilities held for trading	37	23
Other net trading income	11	105
	92	**205**

Net trading income includes a foreign exchange gain of EUR 2 million (2009: gain of EUR 6 million).

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

	For the period ended 31 December			
	2010		2009	
IN EUR MILLIONS	After reclassification	Before reclassification	After reclassification	Before reclassification
Net trading income	2	76	(1)	(23)

6 Gains less losses from financial assets

IN EUR MILLIONS	2010	2009
Equity investments		
GAINS LESS LOSSES FROM EQUITY INVESTMENTS (AVAILABLE FOR SALE)		
Net gain/(losses) on disposal	4	1
Net revaluation gain/(losses) transferred from equity on disposal	(1)	1
Impairment losses equity investments	(2)	(9)
INVESTMENTS IN ASSOCIATES (EQUITY METHOD)		
Impairment losses investments in associates	(1)	(5)
Gains less losses from associates (fair value through profit or loss)	35	(7)
Gains less losses from other equity investments (fair value through profit or loss)	8	-
	43	**(19)**
Debt investments		
Gains less losses from debt investments (available for sale)	1	-
	1	**-**
	44	**(19)**

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

7 Other operating income

IN EUR MILLIONS	2010	2009
Real estate rental income	1	1
Net revenue of non-financial companies included in the consolidation	76	34
	77	**35**

IN EUR MILLIONS	2010	2009
NET REVENUE OF NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION CAN BE CATEGORISED AS FOLLOWS:		
Net sales	240	49
Cost of sales	(164)	(15)
	76	**34**

The increase in net revenue of the non-financial companies included in the consolidation is explained by the in 2010 newly acquired non-financial companies included in the consolidation (see note 49).

8 Personnel expenses and share-based payments

IN EUR MILLIONS	2010	2009
Salaries	59	56
Variable compensation	26	10
PENSION AND OTHER POST-RETIREMENT CHARGES:		
Defined benefit plan	6	6
Defined contribution plan	3	3
Other post-retirement charges/(releases)	(1)	(2)
Other social security charges	6	6
Other staff expenses	2	2
Staff cost of non-financial companies included in the consolidation	31	18
	132	**99**

The increase in salaries and pension and other post-retirement charges in 2010 is mainly explained by higher average FTEs in 2010 (666) compared to 2009 (638) and an average increase in wage levels following the Collective Labour Agreements.

The increase in variable compensation is mainly explained by the low short-term cash bonus expense in 2009, a higher level of expenses related to share-based payment plans compared to 2009 (which included lower expenses because of high forfeited rights due to employees leaving NIBC) and higher performance-related reward arrangements (carried interest).

The number of FTEs (excluding the non-financial companies included in the consolidation) increased from 644 at 31 December 2009 to 669 at 31 December 2010. The number of FTEs employed outside of the Netherlands increased from 103 at 31 December 2009 to 123 at 31 December 2010.

At 31 December 2010, 726 FTEs (2009: 497 FTEs) are employed at the non-financial companies included in the consolidation, of which 482 FTEs are working outside of the Netherlands (2009: 461 FTEs).

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

Information on the remuneration of the members of the Statutory Board and Supervisory Board can be found in note 54.

Remuneration of the Statutory Board and Supervisory Board

Key management personnel compensation (Statutory Board)

IN EUR	2010	2009
THE BREAKDOWN OF THE TOTAL REMUNERATION OF THE STATUTORY BOARD IS AS FOLLOWS [1]:		
Cash compensation (base salary)	2,300,000	2,090,151
Short-term incentive compensation (cash bonus)	-	-
Vesting of prior years short-term deferred share awards compensation	167,210	222,646
Short-term incentive compensation (phantom share units)	-	-
Vesting of prior years long-term deferred share awards compensation	383,334	191,665
Vesting of 2009 one-off co-investment related deferred share awards compensation	1,283,233	2,026,194
Forfeiture of unvested share awards [2]	-	(1,478,056)
Pension costs	403,649	360,893
Other remuneration elements	466,879	607,689
	5,004,305	**4,021,182**

1. In addition to the above, personnel expenses in the income statement also include expenses relating to the vesting of the Statutory Board's sign-on and retention awards, which were rescinded after 31 December 2008. The additional amount for 2010 is EUR 0.7 million (2009: nil). In accordance with NIBC's accounting policies for share-based compensation, this amount has been credited to other reserves.
2. The forfeiture relates fully to non-vested short-term deferred compensation granted to Mr. Jan van Nieuwenhuizen in previous years. Mr. Jan van Nieuwenhuizen stepped down as member of the Statutory Board in 2009.

The total number of Options on NIBC Holding *Common Depositary Receipts* (**CDRs**) held by the Statutory Board amounted to 217,056 (vested) and 50,000 (unvested) as at 31 December 2010 (2009: 108,528 (vested) and 158,528 (unvested)). As at 31 December 2010, members of the Statutory Board held 281,974 CDRs (2009: 268,744), 15,545 *Restricted Depositary Receipts* (**RDRs**) (2009: 28,775), 45,948 *Conditional Common Depositary Receipts* (**CCDRs**) (2009: nil) and 249,986 *Conditional Restricted Depositary Receipts* (**CRDRs**) (2009: 251,314).

Key management personnel compensation (Supervisory Board)

IN EUR	2010	2009
TOTAL REMUNERATION OF THE SUPERVISORY BOARD IS AS FOLLOWS:		
Annual fixed fees, committee fees	529,040	499,750
	529,040	**499,750**

Components of variable compensation - NIBC Choice

NIBC Choice is NIBC Holding's share-based and deferred compensation plan and governs all variable compensation components in the form of equity, equity-related and deferred cash compensation. In addition to this, variable compensation can consist of a discretionary short-term cash bonus. NIBC Choice is only open to management and employees and contains restrictions relating to termination of employment or certain corporate events, such as restructurings, affecting the rights that would otherwise accrue to them.

Depositary receipts

The *Depositary Receipts* (**DRs**), consisting of CDRs and RDRs, are issued by *Stichting Administratie-kantoor NIBC Holding* (**the Foundation**) in accordance with its relevant conditions of administration (administratievoorwaarden). The Foundation issues a DR for each ordinary share it holds in NIBC Holding. The Foundation exercises the voting rights in respect of each of these ordinary shares at its own discretion, while the holder of a DR is entitled to the dividends and other distributions declared payable in respect of the underlying ordinary share. Holders of DRs cannot exercise voting rights or request a power of attorney from the Foundation to vote in respect of our ordinary shares.

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

RDRs cannot be transferred, and are subject to specific vesting rules. Up to 1 January 2008, they were subject to five-year vesting with 1/5th vesting on the 1st of January of each year. In 2008, the vesting schedule was changed to three-year vesting, with 1/3rd vesting each year on the 1st of January, to better align with vesting practices in other financial institutions. Additionally, RDRs are subject to certain limitations, including the forfeiture of the RDR in the case of termination of employment, or in the case of certain corporate events, such as restructurings.

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

In 2010, no new RDRs were granted by NIBC Holding. Instead, the 2009 short-term deferred compensation was delivered in the form of a deferred cash bonus, subject to three-year vesting, the first such vesting to occur on 1 January 2011.

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

The matching shares were awarded in 2009 to the Statutory Board with an underlying fair value of EUR 9.25, which was determined by the Supervisory Board, based on an agreed price-to-book ratio observed in the market at grant date based on net asset value. The number of performance shares will be calculated upon a change of control or any other liquidity event as a percentage of the number of matching shares that represents one year's net base salary at the time of grant, using a pre-agreed formula.

The terms and conditions applicable to these CRDRs are in line with those applicable to the 2008 RDRs, except for the calculation of the grant price, the vesting period and certain performance conditions.

The CRDRs (matching shares) which were awarded to the Statutory Board members in 2009 in relation to their co-investment in NIBC are subject to four-year vesting with 1/4th vesting each year, for the first time on 1 January 2010 and will become fully unconditional and vest immediately upon change of control of NIBC Holding. The conditional performance shares will vest immediately upon a change of control or any other liquidity event.

In 2009, a new *Long-Term Incentive plan* (**LTI**) was introduced for the Statutory Board members and selected senior management. The LTI is forward looking and will be granted annually. Its main aim is to provide an incentive to achieve a balanced mix of pre-agreed long-term financial and non-financial performance conditions. The LTI is subject to three-year cliff vesting and will be delivered in the form of CRDRs but, at the discretion of the Supervisory Board, may be delivered in another form.

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

Phantom Share Units

In 2010, a new equity-linked reward instrument was introduced as part of the *Short-Term Incentive* (**STI**) plan for the Statutory Board members and selected senior management. The short-term compensation in share related awards consists of *Phantom Share Units* (**PSUs**) and/or *Restricted Phantom Share Units* (**RPSUs**). RPSUs awards are subject to a three-year pro-rated vesting. All PSUs, whether vested or restricted are subject to a five-year retention period as measured from the date of grant. The (R)PSU has similar characteristics as the CRDR used for the LTI, such as eligibility for dividend and a value which is tied to variations in the net asset value of NIBC Holding. This short-term compensation can be converted into cash immediately after the retention period and therefore is recognised as cash-settled.

Stock Options

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

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

The exercise price of an option is equal to the fair market value of a DR at the date of grant as defined and calculated in accordance with the conditions of administration of the Foundation. This fair market value is based on the changes in NIBC Holding's net asset value, calculated using a fixed formula, relative to the exercise price of EUR 18.25, which was determined when NIBC first introduced the Option Plan in December 2005. The resulting exercise price at the date of grant for options granted prior to 31 March 2006 ranged from EUR 18.25 in December 2005 to EUR 18.49 in March 2006 per option. Any dividends payable shall be deducted from the exercise price of an option. The exercise price at the date of grant for options granted in 2006 on or after 31 March 2006 ranged from EUR 19.81 in April 2006 to EUR 20.67 in September 2006.

In June 2008, as part of the one-off retention package, 1,492,900 options with a four-year exercise period were granted to selected senior executives and other staff subject to the rules of the existing Option Plan. The exercise price of these options was determined at EUR 9.06. Any dividends payable shall be deducted from the exercise price of an option. The Statutory Board may allow for a cashless exercise, allowing the holder to convert his options into fewer CDRs than he would otherwise be entitled to, while not having to pay the exercise price. Upon the occurrence of certain corporate events, such as capital adjustments, payment of stock dividends, an issue of shares or recapitalisations, the Statutory Board, following consultation with the Supervisory Board, may adjust the number of options and/or the exercise price as is equitable to reflect the event.

In 2010, no new options were granted to employees.

Carried interest

Additionally, with respect to some key investment professionals within Merchant Banking, separate performance-related reward arrangements ('carried interest') are agreed upon. These reward arrangements are partly related to the employment of the investment professionals and partly related to their own investments in the specific funds. All related expenses are recognised under personnel expenses in the income statement. The actual payment of carried interest, if any, to the investment professionals is subject to specific conditions.

Stock option and share plans

Options

As at year-end 2010, 3,607,268 (2009: 3,883,983) options on CDRs of NIBC Holding were in issue, with a weighted average remaining vesting period of 0.2 years (2009: 0.8 years). Of this total position, 2,257,868 options are vested at 31 December 2010. A requirement for vesting at the vesting date is that the holder is still employed by NIBC Holding or one of its group companies. The weighted average exercise period of the options is 2.0 years (2009: 3.0 years). All options in issue as at 31 December 2010 and as at 31 December 2009 are equity-settled instruments.

	Options outstanding (in numbers)		Weighted average exercise price (in EUR)	
	2010	2009	2010	2009
CHANGES IN OPTION RIGHTS OUTSTANDING:				
BALANCE AT 1 JANUARY	3,883,983	4,439,793	13.39	13.53
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(276,715)	(555,810)	-	-
Expired	-	-	-	-
BALANCE AT 31 DECEMBER	3,607,268	3,883,983	13.22	13.39
OF WHICH VESTED AT 31 DECEMBER	2,257,868	1,174,502	-	-

The average fair value per option at grant date amounts EUR 5.29 [1].

1. The fair value of the options at grant date is calculated using a Black & Scholes pricing model. For the options issued in 2005, the fair value was calculated using an implied volatility of 24%, based on the implied volatility of long-term options of peer-banks, an exercise period of seven years, an exercise price of EUR 18.25, a fair market value of the underlying CDR of EUR 18.25, a risk-free rate of return of 3.2% and expected dividend pay-outs of nil (as based on the NIBC Choice option regulation, these are periodically adjusted in the exercise price). These options represent 59% of the options outstanding at the end of 2009 (2008: 63%). The fair value at grant date of the two smaller series of options issued in 2006 are calculated in the same way using the same volatility, exercise period and dividend assumptions, but with updated input variables for the risk-free rate of return, exercise price and fair market value of the underlying CDR.
   No new options were granted in 2007, 2009 and 2010. For the options granted in 2008, the fair value was calculated using an implied volatility of 45%, based on the implied volatility of long-term options of peer-banks, an exercise period of 4 years, an exercise price of EUR 9.06, a fair market value of the underlying CDR of EUR 9.06, a risk-free rate of return of 4.25% and expected dividend pay-outs of nil. The average fair value per option at grant date was EUR 5.29 at the end of 2010.

Common Depositary Receipts

As at year end 2010, 2,749,722 (2009: 2,484,235) CDRs were issued to employees. Of the position as at year end 2010, 10,500 which is 0.3% of CDRs are considered cash-settled (2009: 16,114 and 0.6%); the remaining 99.7% is considered equity-settled. In the case an employee has the right to demand cash settlement against their fair value, the CDRs are considered cash-settled (as opposed to equity-settled).

	Depositary receipt awards (in numbers)		Fair value at balance sheet date (in EUR)	
	2010	2009	2010	2009
CHANGES IN COMMON DEPOSITARY RECEIPTS:				
BALANCE AT 1 JANUARY	2,484,235	2,014,369	-	-
Granted	-	-	-	-
Investments from own funds	-	183,786	-	-
Exercised	-	-	-	-
Vesting of RDRs	265,487	286,586	-	-
CDRs repaid	-	(506)	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
BALANCE AT 31 DECEMBER	2,749,722	2,484,235	9.56	9.25
OF WHICH RELATES TO INVESTMENT FROM OWN FUNDS AT 31 DECEMBER	1,301,734	1,301,734	-	-

Restricted Depositary Receipts

As at year-end 2010, 303,623 (2009: 587,455) RDRs were issued to employees, with a weighted average remaining vesting period of 0.18 years (2009: 0.64 years). A requirement for vesting at the vesting date is that the holder is still employed by NIBC or one of its group companies. Of the position as at year-end 2010, no RDRs were considered cash-settled (2009: nil), but all RDRs were considered equity-settled.

	Depositary receipt awards (in numbers)		Weighted average grant date fair value (in EUR)	
	2010	2009	2010	2009
CHANGES IN RESTRICTED DEPOSITARY RECEIPTS:				
BALANCE AT 1 JANUARY	587,455	940,778	13.07	12.86
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(18,345)	(66,737)	-	-
Vested into CDRs	(265,487)	(286,586)	-	-
Expired	-	-	-	-
BALANCE AT 31 DECEMBER	303,623	587,455	13.65	13.07

Conditional Common Depositary Receipts

As at year-end 2010, 45,948 (2009: nil) CCDRs were issued to Statutory Board members. Of the position as at year-end 2010, no CCDRs were considered cash-settled (2009: nil), but all CCDRs were considered equity-settled.

	Conditional Common Depositary receipt awards (in numbers)		Weighted average grant date fair value (in EUR)	
	2010	2009	2010	2009
CHANGES IN CONDITIONAL COMMON DEPOSITARY RECEIPTS:				
BALANCE AT 1 JANUARY	-	-	-	-
Vested one-off matching shares (CRDRs) awarded in 2009 on investment from own funds	45,948	-	9.25	-
Vested one-off performance shares (CRDRs) awarded in 2009	-	-	-	-
Forfeited	-	-	-	-
BALANCE AT 31 DECEMBER	45,948	-	9.25	-

Conditional Restricted Depositary Receipts

At year-end 2010, 137,838 (2009: 183,786) CRDRs were in issue to Statutory Board members related to their personal co-investment in 2009 in NIBC Holding CDRs, with a weighted average remaining vesting period of 2.0 years (2009: 3.0 years). These CRDRs are subject to four-year vesting with 1/4th vesting each year on 1 January, for the first time on 1 January 2010 provided that the holder is still employed by NIBC prior to the vesting date. These CRDRs will become fully unconditional and vest immediately upon change of control of NIBC Holding. The number of performance shares is dependent on certain performance targets, and will be calculated upon a change of control event as a percentage of the number of matching shares that represents one year's net base salary at the time of grant.

For reporting purposes, the number of performance shares for the combined Statutory Board is estimated at 52,474 CRDRs, based on NIBC's current long-term forecast. Depending on the assumptions applied, this number can vary over time. The conditional performance shares will vest immediately upon a change of control of NIBC Holding. Of the position as at year-end 2010, no CRDRs were considered cash-settled (2009: nil), but all CRDRs were considered equity-settled.

	Conditional Restricted Depositary receipt awards (in numbers)		Weighted average grant date fair value (in EUR)	
	2010	2009	2010	2009
CHANGES IN CONDITIONAL RESTRICTED DEPOSITARY RECEIPTS:				
BALANCE AT 1 JANUARY	251,314	-	9.25	9.25
One-off matching shares (CRDRs) awarded in 2009 on investment from own funds	-	183,786	-	9.25
One-off performance shares (CRDRs) re-estimated 2010/awarded in 2009	14,783	37,691	9.25	9.25
Conditional restricted depositary receipts awarded based on LTI scheme in 2010/2009	69,269	29,837	9.25	9.25
Forfeited	-	-	-	-
Vested into conditional CDRs	(45,948)	-	9.25	-
BALANCE AT 31 DECEMBER	289,418	251,314	9.25	9.25

The fair market value per CRDR is calculated based on price-to-book ratios observed in the market at grant date based on net asset value.

Phantom Share Units

As at year end 2010, 91,383 (2009: nil) PSUs were issued to employees. The total outstanding position is considered cash-settled.

	Phantom Share Units (in numbers)		Weighted average grant date fair value (in EUR)	
	2010	2009	2010	2009
CHANGES IN PHANTOM SHARE UNITS:				
BALANCE AT 1 JANUARY	-	-	-	-
Granted	91,383	-	9.56	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
BALANCE AT 31 DECEMBER	91,383	-	9.56	-

Restricted Phantom Share Units

As at year end 2010, 101,904 (2009: nil) RPSUs were issued to employees. The total outstanding position is considered cash-settled.

	Phantom Share Units (in numbers)		Weighted average grant date fair value (in EUR)	
	2010	2009	2010	2009
CHANGES IN RESTRICTED PHANTOM SHARE UNITS:				
BALANCE AT 1 JANUARY	-	-	-	-
Granted	101,904	-	9.56	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
BALANCE AT 31 DECEMBER	**101,904**	**-**	**9.56**	**-**

With respect to all instruments relating to NIBC Choice (CDRs, RDRs, CRDRs, options and deferred cash), an amount of EUR 11 million was expensed through personnel expenses in 2010 (2009: EUR 8 million), of which EUR 4 million (2009: EUR 1 million) refers to cash-settled instruments (deferred cash and vested PSUs) and EUR 5 million (2009: EUR 4 million) to equity-settled instruments. With respect to the cash-settled instruments, the amount expensed during the vesting period through the income statement is based on the number of instruments originally granted at grant date and at balance sheet date, their fair value at grant date and at balance sheet date, the vesting period and estimates of the number of instruments that will be forfeited during the remaining vesting period.

The liability in the balance sheet with respect to cash-settled instruments is EUR 5 million (2009: EUR 1 million). With respect to the equity-settled instruments (CDRs, RDRs, CRDRs and options), the amount expensed during the vesting period through the income statement is based on the number of instruments granted at balance sheet date, their fair value at grant date, the vesting period and estimates of the number of instruments that will be forfeited during the remaining vesting period.

In the current account position with NIBC, an amount of EUR 34 million payable is included (2009: EUR 31 million) relating to NIBC Choice. This is a result of NIBC Holding pushing down expenses with respect to NIBC Choice (on both cash- and equity-settled instruments) to its subsidiaries. In view of IFRS 2, NIBC has a receivable in the current account position with NIBC Holding for the capital contribution of EUR 51 million (2009: EUR 45 million) in relation to the share-based payments programme granted by NIBC Holding.

9 Other operating expenses

IN EUR MILLIONS	2010	2009
Other operating expenses	54	63
Other operating expenses of non-financial companies included in the consolidation	14	5
Fees of the external auditor	2	3
	70	**71**

IN EUR MILLIONS	2010	2009
FEES OF THE EXTERNAL AUDITOR CAN BE CATEGORISED AS FOLLOWS:		
Audit financial statements	2	3
Other audit-related activities	-	-
Other non-audit related activities	-	-
Fiscal services	-	-
	2	**3**

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

Operating expenses for 2009 include a one-off expense of EUR 6 million for the expected net claim under the Dutch Deposit Guarantee Scheme in relation to the bankruptcy of DSB Bank N.V.

10 Depreciation and amortisation

IN EUR MILLIONS	2010	2009
Property, plant and equipment	6	7
Property, plant and equipment non-financial companies included in the consolidation	6	5
Intangible assets	7	5
	19	**17**

IN EUR MILLIONS	2010	2009
AMORTISATION OF INTANGIBLE ASSETS CAN BE CATEGORISED AS FOLLOWS:		
Trademarks and licenses	3	1
Customer relationships	3	2
Order backlog	-	2
Other intangibles	1	-
	7	**5**

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

11 Impairments of financial assets

IN EUR MILLIONS	2010	2009
IMPAIRMENTS		
Loans classified at amortised cost	90	101
Debt investments classified at amortised cost	5	13
Debt investments classified at available for sale	-	18
	95	**132**
REVERSALS OF IMPAIRMENTS		
Loans classified at amortised cost	(15)	(10)
Debt investments classified at amortised cost	(2)	-
Debt investments classified at available for sale	(2)	-
	(19)	**(10)**
Other	(1)	2
	75	**124**

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

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

	For the period ended 31 December			
	2010		2009	
IN EUR MILLIONS	After reclassification	Before reclassification	After reclassification	Before reclassification
Impairments of financial assets	(48)	(48)	(90)	(59)

In the table above, negative amounts represent losses.

12 Tax

IN EUR MILLIONS	2010	2009
Current tax	14	20
Deferred tax	(6)	(22)
	8	**(2)**

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

IN EUR MILLIONS	2010	2009
TAX DIFFERENCES CAN BE ANALYSED AS FOLLOWS:		
PROFIT BEFORE TAX	88	41
Tax calculated at the nominal Dutch corporate tax rate of 25.5% (2009: 25.5%)	22	11
Effect of different tax rates in other countries	-	(2)
Impact of income not subject to tax	(11)	(4)
Impact of expenses not deductible for tax purposes	2	1
RESULT FINAL TAX ASSESSMENT PREVIOUS YEARS		
The Netherlands	(5)	(5)
United Kingdom	-	(3)
Belgium	-	-
Germany	-	1
Singapore	-	(1)
	8	**(2)**
Effective tax rate	9.0%	(4.9%)

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

The current tax expense/(income) related to non-financial companies included in the consolidation amounts to EUR 2 million credit (2009: EUR 1 million debit).

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

13 Result attributable to non-controlling interests

IN EUR MILLIONS	2010	2009
Result attributable to non-controlling interests	4	(1)
	4	**(1)**

The non-controlling interests reflect third-party participations in investment funds controlled by NIBC and in non-financial companies included in the consolidation controlled by NIBC.

14 Cash and balances with central banks (amortised cost)

IN EUR MILLIONS	2010	2009
Cash and balances with central banks	1,314	1,353
	1,314	**1,353**

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

Cash and balances with central banks includes an overnight deposit of EUR 750 million (2009: nil) due from the Dutch Government.

Balances held with central banks are interest bearing.

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

15 Due from other banks (amortised cost)

IN EUR MILLIONS	2010	2009
Current accounts	244	743
Deposits with other banks	1,454	2,351
	1,698	**3,094**

IN EUR MILLIONS	2010	2009
DUE FROM OTHER BANKS CAN BE CATEGORISED AS FOLLOWS:		
Receivable on demand	655	743
Cash collateral placements posted under CSA agreements	953	1,051
Not receivable on demand	90	1,300
	1,698	**3,094**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF DUE FROM OTHER BANKS NOT RECEIVABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
Three months or less	35	1,291
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	51	4
Longer than five years	4	5
	90	**1,300**

There are no subordinated loans outstanding due from other banks in 2010 and 2009.

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

No impairments were recorded in 2010 and 2009 on the amounts due from other banks at amortised cost.

An amount of EUR 953 million (2009: EUR 1,051 million) relates to cash collateral given to third parties and is not freely available to NIBC.

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

16 Loans (amortised cost)

IN EUR MILLIONS	2010	2009
Loans to corporate entities	6,951	6,597
Public sector	54	36
	7,005	**6,633**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF LOANS IS ANALYSED AS FOLLOWS:		
Three months or less	810	755
Longer than three months but not longer than one year	525	324
Longer than one year but not longer than five years	2,931	2,865
Longer than five years	2,739	2,689
	7,005	**6,633**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN IMPAIRMENT LOSSES ON LOANS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	143	104
Additional allowances	90	101
Write-offs	(66)	(52)
Amounts released	(13)	(10)
Unwinding of discount adjustment	(3)	(1)
Exchange differences	2	1
BALANCE AT 31 DECEMBER	153	143

On 1 July 2008 following the IAS 39 amendments, an amount of EUR 79 million of the impairments related to the available for sale loans were reclassified to the loans category at amortised cost. The total amount of loans in the available for sale category net of impairments has been reclassified to the loans category at amortised cost as at 1 July 2008. The cumulative impairments at 31 December 2010, related to the available for sale loans reclassified to the loans category at amortised cost on 1 July 2008, amounts to EUR 94 million.

If NIBC had fair valued the loans classified at amortised cost using the valuation methodology applied to loans designated as available for sale as per 31 December 2010, then the carrying amount would decrease at the balance sheet date by EUR 198 million (31 December 2009: EUR 447 million). This decrease would reflect both changes due to interest rates and credit spreads. NIBC hedges its interest rate risk from these assets.

The maximum credit risk exposure including undrawn credit facilities arising on loans at amortised cost amounts to EUR 8,579 million (2009: EUR 7,824 million).

The total amount of subordinated loans in this item amounts to EUR 278 million in 2010 (2009: EUR 298 million).

As per 31 December 2010, EUR 54 million (2009: EUR 36 million) is guaranteed by the Dutch State.

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

IN EUR MILLIONS	Fair value on date of reclassification	Carrying value as per 31 December 2010	Fair value as per 31 December 2010
Loan portfolio reclassified from available for sale category	2,663	2,677	2,577

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

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

The following table contains estimates of undiscounted cash flows NIBC expected to recover from the assets reclassified as at 1 July 2008, which are still on the balance sheet as per 31 December 2010:

IN EUR MILLIONS	Less than one year	Between one and two years	Between two and five years	More than five years	Total
Loan portfolio reclassified from available for sale category	785	671	2,014	-	**3,470**

As of the date of reclassification - 1 July 2008 -, NIBC has recognised a total fair value loss in equity of EUR 29 million on assets reclassified.

17 Debt investments (amortised cost)

IN EUR MILLIONS	2010	2009
Debt investments	566	581
	566	**581**

All debt investments are listed and non-government.

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS IS ANALYSED AS FOLLOWS:		
Three months or less	-	-
Longer than three months but not longer than one year	1	-
Longer than one year but not longer than five years	33	28
Longer than five years	532	553
	566	**581**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	581	738
Additions	50	7
Disposals (sale and/or redemption)	(73)	(151)
Impairments	(3)	(13)
Exchange differences and amortisation	11	-
BALANCE AT 31 DECEMBER	566	581

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN IMPAIRMENT LOSSES ON DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	13	-
Additional allowances	5	13
Amounts released	(2)	-
BALANCE AT 31 DECEMBER	16	13

If NIBC had fair valued the debt investments classified as amortised cost using the valuation methodology applied to debt investments at held for trading or available for sale as per 31 December 2010, the carrying amount would decrease at the balance sheet date by EUR 93 million (2009: EUR 168 million). This decrease would reflect both changes due to interest rates and credit spreads. NIBC hedges its interest rate risk from these assets.

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

IN EUR MILLIONS	Fair value on date of reclassification	Carrying value as per 31 December 2010	Fair value as per 31 December 2010
DEBT INVESTMENTS RECLASSIFIED FROM:			
Held for trading category	487	411	324
Available for sale category	115	104	98

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

IN %	Range
DEBT INVESTMENTS RECLASSIFIED FROM:	
Held for trading category	1 - 20
Available for sale category	5 - 8

The following table contains estimates of undiscounted cash flows NIBC expected to recover from the assets reclassified as at 1 July 2008, which are still on the balance sheet as per 31 December 2010:

IN EUR MILLIONS	Less than one year	Between one and two years	Between two and five years	More than five years	Total
DEBT INVESTMENTS RECLASSIFIED FROM:					
Held for trading category	26	36	238	445	**745**
Available for sale category	5	6	42	114	**167**

18 Securitised loans (amortised cost)

IN EUR MILLIONS	2010	2009
Loans to corporate entities	614	616
	614	**616**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF THE SECURITISED LOANS IS ANALYSED AS FOLLOWS:		
Three months or less	2	2
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	612	614
	614	**616**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN SECURITISED LOANS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	616	630
Additions	-	-
Disposals (sale and/or redemption)	(2)	(14)
BALANCE AT 31 DECEMBER	**614**	**616**

If NIBC had fair valued the securitised loans classified as amortised cost using the valuation methodology applied to loans designated as available for sale as per 31 December 2010, then the balance sheet amount would decrease at the balance sheet date by EUR 52 million (2009: EUR 102 million). The fair value reflects movements due to both interest rate changes and credit spread changes. NIBC hedges its interest rate risk from these assets.

The maximum credit risk exposure including undrawn credit facilities arising on securitised loans at amortised cost amounts to EUR 614 million (2009: EUR 616 million).

No impairments were recorded in 2010 and 2009 on securitised loans at amortised cost.

19 Equity investments (available for sale)

IN EUR MILLIONS	2010	2009
Equity investments	72	94
	72	**94**

IN EUR MILLIONS	2010	2009
EQUITY INVESTMENTS CAN BE CATEGORISED AS FOLLOWS:		
Listed	-	9
Unlisted	72	85
	72	**94**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN EQUITY INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**94**	**108**
Additions	7	7
Disposals (sales and/or capital repayments)	(33)	(2)
Changes in fair value	1	(21)
Exchange differences	3	2
BALANCE AT 31 DECEMBER	**72**	**94**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN IMPAIRMENT LOSSES ON EQUITY INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**81**	**74**
Additional allowances	2	9
Write-offs	(19)	-
Exchange differences	3	(2)
BALANCE AT 31 DECEMBER	**67**	**81**

20 Debt investments (available for sale)

IN EUR MILLIONS	2010	2009
Debt investments	1,190	714
	1,190	**714**

IN EUR MILLIONS	2010	2009
DEBT INVESTMENTS CAN BE CATEGORISED AS FOLLOWS:		
Government	-	-
Government guaranteed	11	263
Other debt investments	1,179	451
	1,190	**714**

IN EUR MILLIONS	2010	2009
DEBT INVESTMENTS CAN BE CATEGORISED AS FOLLOWS:		
Listed	992	663
Unlisted	198	51
	1,190	**714**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS IS ANALYSED AS FOLLOWS:		
Three months or less	16	28
Longer than three months but not longer than one year	230	170
Longer than one year but not longer than five years	548	461
Longer than five years	396	55
	1,190	**714**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**714**	**35**
Additions	690	699
Disposals (sale and/or redemption)	(231)	(17)
Changes in fair value	17	(3)
BALANCE AT 31 DECEMBER	**1,190**	**714**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated with results on financial derivatives.

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN IMPAIRMENT LOSSES ON DEBT INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	25	7
Additional allowances	-	18
Amounts released	(2)	-
BALANCE AT 31 DECEMBER	23	25

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

IN EUR MILLIONS	Fair value on date of reclassification	Carrying value as per 31 December 2010	Fair value as per 31 December 2010
Debt investments reclassified from held for trading category	28	3	3

The effective interest rates on financial assets reclassified into debt investments at available for sale as at the date of reclassification - 1 July 2008 - fell approximately into the following range:

IN %	Range
Debt investments reclassified from held for trading category	13 - 26

The following table contains estimates of undiscounted cash flows NIBC expected to recover from the assets reclassified as at 1 July 2008, which are still on the balance sheet as per 31 December 2010:

IN EUR MILLIONS	Less than one year	Between one and two years	Between two and five years	More than five years	Total
Debt investments reclassified from held for trading category	7	6	24	25	62

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

IN EUR MILLIONS	2010	2009
Loans to corporate entities	1,074	1,103
	1,074	1,103

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF LOANS IS ANALYSED AS FOLLOWS:		
Three months or less	3	3
Longer than three months but not longer than one year	32	-
Longer than one year but not longer than five years	573	618
Longer than five years	466	482
	1,074	1,103

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN LOANS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	1,103	1,136
Additions	8	4
Disposals	(62)	(43)
Changes in fair value	16	(13)
Exchange differences	9	19
BALANCE AT 31 DECEMBER	1,074	1,103

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated with results on financial derivatives.

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

The portion of fair value changes in 2010 included in the balance sheet amount (designated at fair value through profit or loss) as at 31 December 2010 relating to the movement in credit spreads amounts to EUR 16 million debit (2009: EUR 13 million credit), being an increase in the balance sheet carrying amount.

The maximum credit risk exposure including undrawn credit facilities amounts to EUR 785 million (2009: EUR 802 million).

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

IN EUR MILLIONS	2010	2009
Residential mortgages own book	4,429	5,817
	4,429	**5,817**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF RESIDENTIAL MORTGAGES OWN BOOK IS ANALYSED AS FOLLOWS:		
Three months or less	22	16
Longer than three months but not longer than one year	12	27
Longer than one year but not longer than five years	39	80
Longer than five years	4,356	5,694
	4,429	**5,817**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN RESIDENTIAL MORTGAGES OWN BOOK MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**5,817**	**6,201**
Additions (including transfers from consolidated SPEs)	977	156
Disposals (sale and/or redemption, including replenishment of consolidated SPEs)	(2,381)	(537)
Changes in fair value	16	(3)
BALANCE AT 31 DECEMBER	**4,429**	**5,817**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated with results on financial derivatives.

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

The maximum credit exposure including committed but undrawn facilities is EUR 4,438 million (2009: EUR 5,836 million).

At 31 December 2010, no credit protection was in place in connection with NIBC's residential mortgages own book (2009: EUR 711 million by means of a guarantee structured in a synthetic securitisation).

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

IN EUR MILLIONS	2010	2009
Securitised residential mortgages	5,338	4,783
	5,338	**4,783**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF SECURITISED RESIDENTIAL MORTGAGES IS ANALYSED AS FOLLOWS:		
Three months or less	1	1
Longer than three months but not longer than one year	1	1
Longer than one year but not longer than five years	15	12
Longer than five years	5,321	4,769
	5,338	**4,783**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN SECURITISED RESIDENTIAL MORTGAGES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**4,783**	**5,250**
Additions	1,847	-
Disposals (sale and/or redemption including transfers to own book)	(1,365)	(497)
Changes in fair value	73	30
BALANCE AT 31 DECEMBER	**5,338**	**4,783**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated with results on financial derivatives.

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

At 31 December 2010, securitised residential mortgages in the amount of EUR 5,338 million (2009: EUR 4,783 million) were pledged as collateral for NIBC's own liabilities (see note 50).

The maximum credit exposure is EUR 5,338 million (2009: EUR 4,783 million).

The portion of fair value changes in 2010 included in the balance sheet amount relating to the movement in credit spreads on residential mortgages own book (see note 22) and securitised residential mortgages (see note 23) amounts to EUR 22 million credit at 31 December 2010 (2009: EUR 134 million credit), being a reduction in the balance sheet carrying amount.

The aggregate difference yet to be recognised in the income statement between transaction prices at initial recognition and the fair value determined by a valuation model on both residential mortgages own book (see note 22) and securitised residential mortgages (see note 23) at 31 December 2010 amounts to a liability of EUR 27 million (2009: EUR 29 million).

Securitised residential mortgages are retained on NIBC's balance sheet based on the risks and rewards NIBC retains in the SPEs issuing the mortgage-backed notes. Risks and rewards can be retained by NIBC by (amongst others) retaining issued notes, providing overcollateralisation to the SPEs or implementing reserve accounts in the SPEs. At the balance sheet date, NIBC retained EUR 298 million (2009: EUR 60 million) of notes issued by the SPEs, overcollateralisation provided to the SPEs amounted to EUR 21 million (2009: EUR 35 million) and reserve accounts amounted to EUR 6 million (2009: EUR 8 million).

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

IN EUR MILLIONS	2010	2009
Held for trading	101	78
Designated at fair value through profit or loss	471	726
	572	**804**

All debt investments are non-government.

IN EUR MILLIONS	2010	2009
DEBT INVESTMENTS HELD FOR TRADING CAN BE CATEGORISED AS FOLLOWS:		
Listed	94	72
Unlisted	7	6
	101	**78**

IN EUR MILLIONS	2010	2009
DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS CAN BE CATEGORISED AS FOLLOWS:		
Listed	462	717
Unlisted	9	9
	471	**726**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS IS ANALYSED AS FOLLOWS:		
Three months or less	15	82
Longer than three months but not longer than one year	56	235
Longer than one year but not longer than five years	266	390
Longer than five years	134	19
	471	**726**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN DEBT INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**726**	**634**
Additions	136	333
Disposals (sale and/or redemption)	(396)	(244)
Changes in fair value	3	4
Exchange differences	2	(1)
BALANCE AT 31 DECEMBER	**471**	**726**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated with results on financial derivatives.

The portion of fair value changes in 2010 included in the balance sheet amount (designated at fair value through profit or loss) relating to the movement in credit spreads amounts to EUR 1 million debit (2009: EUR 2 million credit), being an increase in the balance sheet carrying amount.

Interest income from debt investments is recognised in interest and similar income at the effective interest rate until the date of reclassification. Fair value movements (excluding interest) have been recognised in net trading income.

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

IN EUR MILLIONS	2010	2009
Enhanced investments	5	53
	5	**53**

All enhanced investments are unlisted instruments.

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF ENHANCED INVESTMENTS IS ANALYSED AS FOLLOWS:		
Three months or less	2	3
Longer than three months but not longer than one year	2	48
Longer than one year but not longer than five years	1	2
Longer than five years	-	-
	5	**53**

IN EUR MILLIONS	2010	2009
THE MOVEMENT OF ENHANCED INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**53**	**1,079**
Additions	2	13
Disposals	(52)	(1,016)
Changes in fair value	1	(24)
Exchange differences	1	1
BALANCE AT 31 DECEMBER	**5**	**53**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated with results on financial derivatives.

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

The portion of fair value changes in 2010 included in the balance sheet amount relating to the movement in credit spreads amounts to nil (2009: EUR 3 million debit).

The strong decrease in 2009 relates to the unwinding and repayment of a large part of this portfolio.

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

IN EUR MILLIONS	2010	2009
Investments in associates	255	211
Other equity investments	14	4
	269	**215**

There are no significant restrictions on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans.

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN INVESTMENTS IN ASSOCIATES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	211	188
Additions	28	37
Disposals	(13)	(4)
Changes in fair value	29	(7)
Exchange differences	-	(3)
BALANCE AT 31 DECEMBER	255	211

All of these investments in associates are unlisted instruments.

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN OTHER EQUITY INVESTMENTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	4	-
Additions	1	3
Changes in fair value	9	1
BALANCE AT 31 DECEMBER	14	4

EUR 1 million of the other equity investments is listed, the remainder is unlisted.

27 Derivative financial instruments

IN EUR MILLIONS	2010	2009
DERIVATIVE FINANCIAL ASSETS		
Derivative financial assets held for trading (trading portfolios)	2,404	2,423
Derivative financial assets held for trading (other portfolios)	709	393
Derivative financial assets used for hedging	360	242
	3,473	3,058

IN EUR MILLIONS	2010	2009
DERIVATIVE FINANCIAL LIABILITIES		
Derivative financial liabilities held for trading (trading portfolios)	2,970	2,712
Derivative financial liabilities held for trading (other portfolios)	364	421
Derivative financial liabilities used for hedging	48	80
	3,382	3,213

Derivative financial instruments - held for trading (trading portfolios) at 31 December 2010

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC PRODUCTS:						
Forward rate agreements	35	-	-	35	-	-
Interest rate swaps	7,097	9,393	54,328	70,818	2,202	2,720
Interest rate options (purchase)	5	102	729	836	15	-
Interest rate options (sale)	-	31	656	687	-	11
	7,137	**9,526**	**55,713**	**72,376**	**2,217**	**2,731**
CURRENCY DERIVATIVES						
OTC PRODUCTS:						
Currency/cross-currency swaps	920	-	261	1,181	178	230
	920	**-**	**261**	**1,181**	**178**	**230**
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
OTC PRODUCTS:						
Other swaps	166	96	10	272	5	5
Other options (purchase)	-	-	44	44	4	-
Other options (sale)	-	-	44	44	-	4
	166	**96**	**98**	**360**	**9**	**9**
TOTAL DERIVATIVES HELD FOR TRADING (trading portfolios)	**8,223**	**9,622**	**56,072**	**73,917**	**2,404**	**2,970**

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

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

Derivative financial instruments - held for trading (other portfolios) at 31 December 2010

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
Interest rate swaps	395	3,562	13,486	17,443	376	334
	395	**3,562**	**13,486**	**17,443**	**376**	**334**
CURRENCY DERIVATIVES						
OTC PRODUCTS:						
Forward rate agreements	19	-	-	19	-	-
Interest currency rate swaps	31	38	2,164	2,233	320	1
Other currency contracts	738	-	-	738	3	-
	788	**38**	**2,164**	**2,990**	**323**	**1**
OTC PRODUCTS:						
Credit default swaps (guarantees given)	-	34	87	121	2	8
Credit default swaps (guarantees received)	-	4	25	29	1	-
Other OTC products	17	-	-	17	7	21
	17	**38**	**112**	**167**	**10**	**29**
TOTAL DERIVATIVES HELD FOR TRADING (other portfolios)	**1,200**	**3,638**	**15,762**	**20,600**	**709**	**364**

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

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

Derivative financial instruments - used for hedging at 31 December 2010

IN EUR MILLIONS	Notional amount with remaining life of: Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE HEDGES OF INTEREST RATE RISK						
OTC PRODUCTS:						
Interest rate swaps	60	1,256	6,137	7,453	225	47
Interest currency rate swaps	8	27	26	61	10	-
	68	**1,283**	**6,163**	**7,514**	**235**	**47**
DERIVATIVES ACCOUNTED FOR AS CASH FLOW HEDGES OF INTEREST RATE RISK						
OTC PRODUCTS:						
Interest rate swaps	-	-	1,566	1,566	125	1
	-	**-**	**1,566**	**1,566**	**125**	**1**
TOTAL DERIVATIVES USED FOR HEDGING	**68**	**1,283**	**7,729**	**9,080**	**360**	**48**

Derivative financial instruments - used for hedging at 31 December 2009

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

Fair value hedges of interest rate risk

The following table discloses the fair value of the swaps designated in fair value hedging relationships:

IN EUR MILLIONS		2010	2009
Fair value pay - fixed swaps (hedging assets)	assets	2	-
Fair value pay - fixed swaps (hedging assets)	liabilities	(38)	(38)
		(36)	**(38)**

IN EUR MILLIONS		2010	2009
Fair value pay - floating swaps (hedging liabilities)	assets	233	162
Fair value pay - floating swaps (hedging liabilities)	liabilities	(9)	(41)
		224	**121**

Cash flow hedges of interest rate risk

The following table discloses the fair value of the swaps designated in cash flow hedging relationships:

IN EUR MILLIONS		2010	2009
Fair value receive - fixed swaps	assets	125	79
Fair value receive - fixed swaps	liabilities	-	(1)
		125	**78**

IN EUR MILLIONS		2010	2009
Fair value receive - floating swaps	assets	-	1
Fair value receive - floating swaps	liabilities	(1)	-
		(1)	**1**

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

IN EUR MILLIONS		2010	2009
Fair value pay swaps	assets	235	162
Fair value receive swaps	assets	125	80
		360	**242**

IN EUR MILLIONS		2010	2009
Fair value pay swaps	liabilities	(47)	(79)
Fair value receive swaps	liabilities	(1)	(1)
		(48)	**(80)**

The average remaining maturity (in which the related cash flows are expected to enter into the determination of profit or loss) is four years (2009: three years).

Hedging activities

Portfolio fair value hedge of plain vanilla funding

According to NIBC's Hedging Policy, NIBC should not be exposed to interest rate risk from its fixed rate plain vanilla funding activities above certain limits prescribed by the *Asset & Liability Committee* (**ALCO**). Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate funding. To mitigate any accounting mismatches, NIBC has defined a portfolio fair value hedge for the fixed rate plain vanilla funding and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2010 was EUR 27 million debit (2009: EUR 35 million debit). The losses on the hedging instruments were EUR 3 million (2009: loss of EUR 6 million). The gains on the hedged item attributable to the hedged risk were EUR 3 million (2009: gain of EUR 5 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Portfolio fair value hedge of fixed rate retail deposits

According to NIBC's Hedging Policy, NIBC should not be exposed to interest rate risk from its fixed rate retail deposit activities above certain limits prescribed by the ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate funding. To mitigate any accounting mismatches, NIBC has defined a portfolio fair value hedge for the retail deposits with a contractual duration longer than two years and the corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2010 was EUR 3 million debit. The losses on the hedging instruments were EUR 6 million. The gains on the hedged item attributable to the hedged risk were EUR 6 million. Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Micro fair value hedge of plain vanilla funding

According to NIBC's hedging policy, NIBC should not be exposed to interest rate and foreign exchange risk from its fixed rate plain vanilla funding activities above certain limits prescribed by ALCO. Consequently, NIBC uses cross-currency interest rate swaps to hedge the fair value interest rate risk and foreign exchange risk arising on this fixed rate funding. To mitigate any accounting mismatches, NIBC has defined a micro fair value hedge for fixed rate plain vanilla funding and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2010 was EUR 180 million debit (2009: EUR 71 million debit). The gains on the hedging instruments were EUR 123 million (2009: loss of EUR 6 million). The loss on the hedged item attributable to the hedged risk were EUR 109 million (2009: gain of EUR 14 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Portfolio fair value hedge of loans

According to NIBC's hedging policy, NIBC should not be exposed to interest rate risk from its corporate loan activities above certain limits as set by ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising from these fixed rate loans. To mitigate any accounting mismatches, NIBC has defined a portfolio fair value hedge for the fixed rate loan and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these hedge relationships at 31 December 2010 was EUR 10 million credit (2009: EUR 14 million credit). The results on the hedging instruments were nil (2009: gain of EUR 2 million). The losses on the hedged item attributable to the hedged risk were EUR 1 million (2009: loss of EUR 3 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Micro fair value hedge of the Liquidity portfolio debt investments

According to NIBC's hedging policy, NIBC should not be exposed to fair value interest rate risk from its fixed rate debt investments held in the Liquidity portfolios above certain limits prescribed by ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate debt investments. To mitigate any accounting mismatches, NIBC has defined a micro fair value hedge for fixed rate debt investments and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (interbank offered rates up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2010 was EUR 13 million credit (2009: EUR 7 million credit). The gains on the hedging instruments were EUR 1 million (2009: loss of EUR 1 million). The losses on the hedged item attributable to the hedged risk were EUR 1 million (2009: gain of EUR 1 million).

Cash flow hedges

NIBC has classified a large part of its corporate loans as loans and receivable at amortised cost. Therefore, variability in the cash flows of the floating rate corporate loans is accounted for in future periods, when the coupons are recorded in the income statement on an amortised cost basis.
Interest rate swaps are used to hedge the floating cash flows of its floating corporate loans. These swaps are reported at fair value through profit or loss. This accounting mismatch creates volatility in the income statement of NIBC. Therefore NIBC applies hedge accounting on these positions.

Hedge accounting is applied to all swaps that are used to hedge the cash flow risk of the floating corporate loans by defining a macro cash flow hedge relationship with the floating corporate loans.

The variability in interest cash flows arising on floating rate corporate loans is hedged on a portfolio basis with interest rate swaps that receive fixed and pay floating (generally one, three and six months floating rates). The highly probable cash flows being hedged relate both to the highly probable cash flows on outstanding corporate loans and to the future reinvestment of these cash flows. NIBC does not hedge the variability of future cash flows of corporate loans arising from changes in credit spreads.

Interest rate swaps with a net fair value of EUR 124 million debit (2009: EUR 79 million debit) were designated in a cash flow hedge relationship. The cash flow on the hedged item will be reported in income over the next ten years. In 2010, the ineffectiveness recognised in the income statement that arose from cash flow hedges was a loss of EUR 1 million (2009: EUR loss of 2 million).

There were no transactions in respect of which cash flow hedge accounting had to be ceased in 2010 or 2009 as a result of the highly probable cash flows no longer being expected to occur.

The amount that was recognised in equity during the year 2010 is EUR 33 million credit (2009: EUR 37 million debit). The amount that was removed from equity and included in the income statement in 2010 was a gain of EUR 1 million net of tax (2009: EUR gain of 10 million).

Net investment hedge

NIBC hedges part of the currency translation risk arising on its net investments in foreign operations by using foreign currency debt as a hedging instrument. Debt amounting to USD 193 million (2009: USD 184 million) was designated as a hedging instrument, and gave rise to currency gains for the year 2010 of EUR 10 million before tax (2009: EUR 4 million loss), which were recognised in the translation reserve component of equity. No ineffectiveness was recognised in the income statement arising from hedges of net investments in foreign operations. No dividends were paid by foreign operations during the year 2010 (2009: USD 60 million), and there were no disposals of foreign operations that were included in the net investment hedge.

28 Investments in associates (equity method)

IN EUR MILLIONS	**2010**	2009
Investments in associates	30	35
	30	**35**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN INVESTMENTS IN ASSOCIATES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	35	40
Purchases and additional payments	-	-
Disposals	(3)	(3)
Share in result of associates	(5)	5
Dividend received	4	(2)
Impairments	(1)	(5)
BALANCE AT 31 DECEMBER	30	35

At the end of 2010 and 2009, all investments in associates were unlisted.

There are no significant restrictions on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans.

There is no unrecognised share of losses of an associate, either for the period or cumulatively.

See note 53 for further details on the investments in associates.

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN IMPAIRMENT LOSSES ON INVESTMENTS IN ASSOCIATES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	9	4
Additional allowances	1	5
BALANCE AT 31 DECEMBER	10	9

29 Intangible assets

IN EUR MILLIONS	2010	2009
Intangible assets	117	40
	117	40

IN EUR MILLIONS	2010	2009
INTANGIBLE ASSETS RELATED TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION MAY BE SUMMARISED AS FOLLOWS:		
Cost	133	49
Accumulated amortisation	(16)	(9)
	117	40

IN EUR MILLIONS	Goodwill	Trademarks and licences	Customer relationships	Order backlog	Other intangibles	Total
THE MOVEMENT IN INTANGIBLE ASSETS TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION MAY BE SUMMARISED AS FOLLOWS:						
BALANCE AT 1 JANUARY 2009	**20**	**3**	**18**	**2**	**1**	**44**
Additions	-	-	-	-	1	1
Recognition following acquisition of business combinations	-	-	-	-	-	-
Amortisation	-	(1)	(2)	(2)	-	(5)
BALANCE AT 31 DECEMBER 2009	**20**	**2**	**16**	**-**	**2**	**40**

IN EUR MILLIONS	Goodwill	Trademarks and licences	Customer relationships	Order backlog	Other intangibles	Total
THE MOVEMENT IN INTANGIBLE ASSETS TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION MAY BE SUMMARISED AS FOLLOWS:						
BALANCE AT 1 JANUARY 2010	**20**	**2**	**16**	**-**	**2**	**40**
Additions	-	-	-	-	-	-
Recognition following acquisition of business combinations	39	28	14	-	3	84
Amortisation	-	(3)	(3)	-	(1)	(7)
BALANCE AT 31 DECEMBER 2010	**59**	**27**	**27**	**-**	**4**	**117**

The accumulated amortisation as at 31 December 2010 is EUR 16 million (2009: EUR 9 million). Amortisation of EUR 7 million (2009: EUR 5 million) is included in the depreciation and amortisation line of the income statement.

NIBC recognised goodwill to an amount of EUR 59 million and other intangible assets to an amount of EUR 74 million by the acquisition of business combinations that are individually not significant.

The remaining amortisation period for the categories trademarks and licences is three years and ten years for customer relationships. There is no remaining amortisation period for order backlog.

Intangible assets pledged as security for liabilities are nil for both 2010 and 2009.

Goodwill acquired in business combinations is reviewed in the fourth quarter of the respective financial year for impairment, or more frequently when there are indications that impairments may have occurred, by comparing the recoverable amount of each CGU to which goodwill has been allocated with its carrying value.

IN EUR MILLIONS	2010	2009
GOODWILL HAS BEEN ALLOCATED TO THE GROUP OF CASH GENERATING UNITS AS FOLLOWS:		
Non-financial companies included in the consolidation	59	20
	59	**20**

No impairments were recorded in 2010 and 2009 on intangible assets.

30 Property, plant and equipment

IN EUR MILLIONS	2010	2009
Land and buildings	56	28
Other fixed assets	6	6
	62	**64**
Land and buildings from non-financial companies included in the consolidation	7	7
Other fixed assets from non-financial companies included in the consolidation	32	30
	39	**37**
	101	**101**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	101	102
Additions	4	6
Additions non-financial companies included in the consolidation	3	5
Acquired in business combinations	5	-
Depreciation	(12)	(12)
BALANCE AT 31 DECEMBER	**101**	**101**

In 2010, EUR 6 million of the depreciation expenses relates to non-financial companies included in the consolidation (2009: EUR 7 million).

IN EUR MILLIONS	2010	2009
THE ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT CAN BE CATEGORISED AS FOLLOWS:		
Land and buildings	39	36
Other fixed assets	9	15
	48	51
Land and buildings from non-financial companies included in the consolidation	-	-
Other fixed assets from non-financial companies included in the consolidation	22	11
	22	11
	70	62

Buildings in use by NIBC are insured for EUR 92 million (2009: EUR 92 million). Other fixed assets are insured for EUR 96 million (2009: EUR 91 million). Other fixed assets of the non-financial companies included in the consolidation are insured for EUR 62 million (2009: EUR 56 million).

In 2010, EUR 21 million of land and buildings and other fixed assets from the non-financial companies included in the consolidation are pledged as security for liabilities (EUR 15 million).

In 2010, capital expenditure contracted for related to non-financial companies included in the consolidation amounts to EUR 5 million (2009: nil). No amount is recognised in the carrying amount of property, plant and equipment in the course of construction at 31 December 2010 and 2009.

NIBC's land and buildings in own use were last revalued as of 31 December 2006 based on an external appraisal carried out in January 2007.

31 Investment property

IN EUR MILLIONS	2010	2009
Land and buildings	26	28
	26	28

In 2010, investment property is insured for EUR 13 million (2009: EUR 13 million).

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN INVESTMENT PROPERTY MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	28	30
Additions resulting from acquisition	-	2
Disposals	(1)	(2)
Changes in fair value	(1)	(2)
BALANCE AT 31 DECEMBER	26	28

Investment property is stated at fair value. The fair value at 31 December 2010 is based upon various external appraisals, which were made prior to the acquisition of the properties in the fourth quarter of 2010 on the basis that there have been no material changes in the fair value of the investment property since the acquisition date. In 2009 this balance sheet item also included acquired property of EUR 2 million (2010: nil) from work-out and restructuring activities related to residential mortgages.

Investment property from the non-financial companies included in the consolidation pledged as security for liabilities is EUR 25 million both for 2010 and 2009.

The amount recognised in the income statement is EUR 2 million (2009: EUR 2 million), concerning rental income.

32 Current tax

IN EUR MILLIONS	2010	2009
Current tax assets	4	14
	4	**14**

It is expected that the current tax balance will be settled within 12 months.

33 Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a nominal tax rate of 25.0%, which will be applicable in 2011 (2009: 25.5%).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

IN EUR MILLIONS	2010	2009
Deferred tax liabilities	34	22
	34	**22**

IN EUR MILLIONS	2010	2009
THE AMOUNTS OF DEFERRED INCOME TAX ASSETS, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, IS AS FOLLOWS:		
Loans (available for sale)	5	9
Debt investments (available for sale)	3	3
Tax losses carried forward	14	5
	22	**17**
THE AMOUNTS OF DEFERRED INCOME TAX LIABILITIES, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, IS AS FOLLOWS:		
Equity investments (available for sale)	10	3
Cash flow hedges	24	14
Property	9	9
Temporary differences on loans and receivables as a result of internal securitisations	13	13
	56	**39**
	34	**22**

Temporary differences on loans and receivables arise as a result of internal securitisations relate to SPEs, which are consolidated in the financial statements, but not included in the fiscal unity of NIBC.

IN EUR MILLIONS	2010	2009
THE GROSS MOVEMENT ON THE DEFERRED INCOME TAX ACCOUNT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**22**	**39**
LOANS (REPORTED AS AVAILABLE FOR SALE):		
Fair value remeasurement charged/(credited) to revaluation reserve	4	12
DEBT INVESTMENTS (REPORTED AS AVAILABLE FOR SALE):		
Fair value remeasurement charged/(credited) to revaluation reserve	1	3
EQUITY INVESTMENTS (REPORTED AS AVAILABLE SALE):		
Fair value remeasurement charged/(credited) to revaluation reserve	6	-
CASH FLOW HEDGES:		
Fair value remeasurement charged/(credited) to hedging reserve	10	(12)
Temporary differences on loans and receivables as a result of internal securitisations	-	(15)
Tax losses carried forward	(9)	(5)
BALANCE AT 31 DECEMBER	**34**	**22**

34 Other assets

IN EUR MILLIONS	2010	2009
Other accruals and receivables	35	25
Other assets related to non-financial companies included in the consolidation	76	17
Interest	1	11
	112	**53**

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

Other assets related to non-financial companies included in the consolidation pledged as security for liabilities are EUR 60 million (2009: EUR 17 million).

IN EUR MILLIONS	2010	2009
OTHER ASSETS RELATED TO NON-FINANCIAL COMPANIES INCLUDED IN THE CONSOLIDATION CAN BE CATEGORISED AS FOLLOWS:		
Inventories (less provision for obsolence)	14	12
Trade receivables (less provisions for doubtful debts)	62	5
	76	**17**

35 Due to other banks (amortised cost)

IN EUR MILLIONS	2010	2009
Due to other banks	1,354	2,601
	1,354	**2,601**

IN EUR MILLIONS	2010	2009
DUE TO OTHER BANKS CAN BE CATEGORISED AS FOLLOWS:		
Payable on demand	108	111
Not payable on demand	1,246	2,490
	1,354	**2,601**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF DUE TO OTHER BANKS NOT PAYABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
Three months or less	569	232
Longer than three months but not longer than one year	62	1,246
Longer than one year but not longer than five years	434	880
Longer than five years	181	132
	1,246	**2,490**

Interest is recognised in interest expense and similar charges on an effective interest basis.

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

An amount of EUR 159 million (2009: EUR 163 million) relates to cash collateral received from third parties.

36 Deposits from customers (amortised cost)

IN EUR MILLIONS	2010	2009
Deposits from customers	4,781	4,332
	4,781	**4,332**

IN EUR MILLIONS	2010	2009
DEPOSITS FROM CUSTOMERS CAN BE CATEGORISED AS FOLLOWS:		
On demand	2,506	2,314
Term deposits	2,275	2,018
	4,781	**4,332**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF DEPOSITS FROM CUSTOMERS IS ANALYSED AS FOLLOWS:		
Three months or less	3,013	2,700
Longer than three months but not longer than one year	532	770
Longer than one year but not longer than five years	917	633
Longer than five years	319	229
	4,781	**4,332**

Interest is recognised in interest expense and similar charges on an effective interest basis.

37 Own debt securities in issue (amortised cost)

IN EUR MILLIONS	2010	2009
Bonds and notes issued	8,062	8,805
Fair value hedge adjustment	147	31
	8,209	**8,836**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF OWN DEBT SECURITIES IN ISSUE IS ANALYSED AS FOLLOWS:		
Three months or less	8	443
Longer than three months but not longer than one year	1,417	470
Longer than one year but not longer than five years	6,636	7,723
Longer than five years	148	200
	8,209	**8,836**

For an amount of EUR 6,846 million of the issued notes, the Dutch State has unconditionally and irrevocably guaranteed the due payment of all amounts of principal and interest due by NIBC under these notes according and subject to (I) the Rules governing the 2008 Dutch State's Credit Guarantee Scheme and (II) the Guarantee Certificate issued under those Rules in respect of these notes. These Rules and the Guarantee Certificate are available at www.dutchstate.nl. In 2010, gains of EUR 16 million were realised on the repurchase of own debt securities in issue at amortised cost (2009: gain of EUR 64 million).

38 Debt securities in issue related to securitised mortgages (amortised cost)

IN EUR MILLIONS	2010	2009
Bonds and notes issued	5,562	5,231
	5,562	**5,231**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IN ISSUE RELATED TO SECURITISED MORTGAGES IS ANALYSED AS FOLLOWS:		
Three months or less	11	11
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	5,551	5,220
	5,562	**5,231**

39 Own debt securities in issue (designated at fair value through profit or loss)

IN EUR MILLIONS	2010	2009
Bonds and notes issued	46	85
	46	**85**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF OWN DEBT SECURITIES IN ISSUE IS ANALYSED AS FOLLOWS:		
Three months or less	-	28
Longer than three months but not longer than one year	1	14
Longer than one year but not longer than five years	17	18
Longer than five years	28	25
	46	**85**

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated with results on financial derivatives.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amount to EUR 48 million at 31 December 2010 (2009: EUR 90 million).

The portion of fair value changes during 2010 attributable to the movement in credit spreads amounts to nil (2009: EUR 2 million debit, being a reduction in the carrying value).

40 Debt securities in issue structured (designated at fair value through profit or loss)

IN EUR MILLIONS	2010	2009
Bonds and notes issued	2,120	2,453
	2,120	**2,453**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IN ISSUE STRUCTURED IS ANALYSED AS FOLLOWS:		
Three months or less	47	72
Longer than three months but not longer than one year	129	268
Longer than one year but not longer than five years	476	479
Longer than five years	1,468	1,634
	2,120	**2,453**

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated with results on financial derivatives.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amount to EUR 2,058 million at 31 December 2010 (2009: EUR 2,619 million).

The portion of fair value changes during 2010 attributable to the movement in credit spreads amounts to EUR 19 million credit, being an increase of the carrying value (2009: EUR 64 million debit). In 2010, gains of EUR 4 million (2009: EUR 44 million) were realised on the repurchase of liabilities with respect to this balance sheet item.

41 Other liabilities

IN EUR MILLIONS	2010	2009
Accruals	56	72
Payables	121	135
Other liabilities related to payables of the non-financial companies	48	7
	225	**214**

The amortisation of any discount or premium and interest related to other liabilities are recognised in interest expense and similar charges using the effective interest method.

42 Employee benefits

IN EUR MILLIONS	2010	2009
Pension benefit obligations	1	2
Other post retirement obligations	-	-
Other employee benefits	3	3
Other employee benefits related to non-financial companies	1	-
	5	**5**

Pension benefit obligations

NIBC operates a number of pension plans covering substantially all employees. The schemes are generally funded through payments to insurance companies, on the basis of contractually agreed tariff rates, or separate trustee-administered funds, determined by periodic actuarial calculations. NIBC has both defined benefit and defined contribution plans.

A defined benefit plan is a plan where the rules specify the benefits to be paid to the members at retirement. These benefits will depend on the number of years of service, the final salary (up to a maximum) upon retirement and the accrual rate of the scheme. Most of the pension plans are defined benefit plans based on a maximised final pay salary and are funded.

A defined contribution plan is a pension plan under which NIBC each year pays a fixed percentage of the salaries of the members into the scheme. The size of the fund on retirement will be determined by how much was contributed to the scheme and the investment return achieved.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The latest actuarial valuation was carried out at 31 December 2010. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The assets of the funded plans are held independently of NIBC's assets in separate trustee administered funds.

Accumulated actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to the income statement over the employees' expected average remaining working lives.

For defined contribution plans, NIBC pays contributions directly into the member's scheme. NIBC has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

IN EUR MILLIONS	2010	2009
PENSION BENEFIT OBLIGATIONS CAN BE CATEGORISED AS FOLLOWS:		
Present value of funded obligations	197	176
Fair value of plan assets	183	166
DEFICIT FOR FUNDED PLANS	**14**	**10**
Unrecognised actuarial (gains)/losses	(10)	(5)
Subordinated loan to trustee-administered fund [1]	(3)	(3)
	1	**2**

1. NIBC has advanced a subordinated loan (interest charge: 0%) for an amount of EUR 3 million (2009: EUR 3 million) to the trustee-administered fund (NIBC's Pension Fund). There will be no repayment of this loan until the fund has reached a solvency ratio of 150%.

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN THE PRESENT VALUE OF FUNDED PENSION BENEFIT OBLIGATIONS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	176	159
Current service cost	5	4
Interest cost	9	9
Actuarial (gains)/losses on obligations	13	9
Benefits paid	(6)	(5)
BALANCE AT 31 DECEMBER	197	176

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	166	153
Expected return on plan assets	9	9
Actuarial gains/(losses)	7	3
Employer contributions	7	7
Benefits paid	(6)	(6)
BALANCE AT 31 DECEMBER	183	166

IN EUR MILLIONS	2010	2009
PLAN ASSETS ARE COMPRISED AS FOLLOWS:		
Equities	50	43
Bonds	136	125
Cash	-	1
Subordinated loans to trustee-administered fund [1]	(3)	(3)
	183	166

1. NIBC has advanced a subordinated loan (interest charge: 0%) for an amount of EUR 3 million (2009: EUR 3 million) to the trustee-administered fund (NIBC's Pension Fund). There will be no repayment of this loan until the fund has reached a solvency ratio of 150%.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

In 2010, the actual return on plan assets was EUR 16 million gain (2009: EUR 12 million gain).

IN EUR MILLIONS	2010	2009
THE AMOUNTS RECOGNISED IN PERSONNEL EXPENSES IN THE INCOME STATEMENT ARE AS FOLLOWS:		
Current service cost	5	5
Interest cost	9	9
Expected return on plan assets	(9)	(9)
	5	**5**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN THE LIABILITY RECOGNISED IN THE BALANCE SHEET MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	**2**	**4**
Total expense – as above	5	5
Employer contributions	(6)	(7)
BALANCE AT 31 DECEMBER	**1**	**2**

IN %	2010	2009
THE PRINCIPAL ACTUARIAL ASSUMPTIONS USED WERE AS FOLLOWS:		
Discount rate	4.75	5.25
Expected return on plan assets	5.25	5.25
Future salary increases, excluding career developments	2.25	2.25
Future pension increases (price inflation)	2.00	2.00

For the mortality assumptions, NIBC used the generation tables 'AG Prognosetafel 2060' from the Actuarial Society, with a correction for salary category 'High'.

The amounts for the current annual period and previous four annual periods for the pension benefit obligations are disclosed in the following table:

IN EUR MILLIONS	2010	2009	2008	2007	2006
LIABILITY RECOGNISED IN BALANCE SHEET AT END OF YEAR					
Present value of obligation	197	176	159	163	167
Fair value of plan assets	183	166	153	154	146
DEFICIT/(SURPLUS)	14	10	6	9	21
Unrecognised actuarial loss/(gain)	(10)	(5)	1	(1)	(15)
Subordinated loan to trustee-administered fund	(3)	(3)	(3)	(3)	(2)
Present value of unfunded obligation	-	-	-	1	2
Unrecognised past service cost	-	-	-	-	-
Unrecognised transition amount	-	-	-	-	-
Adjustment for limit on net asset	-	-	-	-	-
	1	2	4	6	6

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN THE LIABILITY RECOGNISED IN THE BALANCE SHEET MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	3	4
Releases	-	(1)
BALANCE AT 31 DECEMBER	3	3

Other employee benefit obligations of EUR 3 million at 31 December 2010 are related to payments to be made in respect of other leave obligations (2009: EUR 3 million). These obligations are short-term in nature and therefore valued at nominal value.

In 2010, EUR 1 million is related to employee benefit obligations of the non-financial companies included in the consolidation (2009: nil).

43 Subordinated liabilities - amortised cost

IN EUR MILLIONS	2010	2009
Subordinated loans qualifying as Tier-1 capital	76	89
Other subordinated loans	43	43
	119	**132**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS ANALYSED AS FOLLOWS:		
One year or less	-	-
Longer than one year but not longer than five years	25	30
Longer than five years but not longer than ten years	7	1
Longer than ten years	87	101
	119	**132**

All of the above loans are subordinated to the other liabilities of NIBC. EUR 76 million (2009: EUR 89 million) qualifying as Tier-1 capital is subordinated to other subordinated loans. These securities are perpetual securities and may be redeemed by NIBC at its option after ten years with the prior approval of the *Dutch Central Bank* (**DNB**). Interest expense of EUR 6 million was recognised on subordinated liabilities during the year 2010 (2009: EUR 8 million). In 2010, gains of EUR 13 million were realised on the repurchase of liabilities with respect to this balance sheet item (2009: gain of EUR 37 million).

44 Subordinated liabilities - designated at fair value through profit or loss

IN EUR MILLIONS	2010	2009
Subordinated loans qualifying as Tier-1 capital	197	174
Other subordinated loans	172	195
	369	**369**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS ANALYSED AS FOLLOWS:		
One year or less	-	-
Longer than one year but not longer than five years	23	23
Longer than five year but not longer than ten years	35	67
Longer than ten years	311	279
	369	**369**

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated with results on financial derivatives.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amount to EUR 458 million at 31 December 2010 (2009: EUR 482 million).

The portion of fair value changes during 2010 attributable to the movement in credit spreads amounts to EUR 10 million credit, being an increase of the carrying value (2009: EUR 36 million debit). All of the above loans are subordinated to the other liabilities of NIBC. EUR 197 million (2009: EUR 174 million) qualifying as Tier-1 capital is subordinated to other subordinated loans. These securities are perpetual securities and may be redeemed by NIBC at its option after ten years with the prior approval of the DNB. Interest expense of EUR 18 million was recognised on subordinated liabilities during the year 2010 (2009: EUR 25 million). In 2010, gains of EUR 11 million were realised on the repurchase of liabilities with respect to this balance sheet item (2009: gain of EUR 13 million).

Fair value of liabilities

Debt securities in issue structured, own debt securities in issue designated at fair value through profit or loss and derivative financial liabilities are valued at fair value through profit or loss. All other liabilities are valued at amortised cost. For these other liabilities, except for own debt securities in issue, subordinated liabilities and securities in issue related to securitised mortgages classified at amortised cost, the carrying value is considered to approximate the fair value because these liabilities are either short-term, have assets pledged as security against them or a combination of both.

The carrying value of own debt securities in issue classified at amortised cost amounts to EUR 8,209 million (2009: EUR 8,836 million), and the fair market value amounts to EUR 8,110 million (2009: EUR 8,534 million). The carrying value of subordinated liabilities classified at amortised cost amounts to EUR 119 million (2009: EUR 132 million), and the fair market value amounts to EUR 123 million (2009: EUR 132 million). The fair values of these items are calculated by applying a benchmark curve reflecting current spreads for repurchasing debt securities and reflecting current spreads for issuing new debt securities. The carrying value of debt securities in issue related to securitised mortgages classified at amortised cost amounts to EUR 5,562 million (2009: EUR 5,231million), and the fair market value amounts to EUR 5,318 million (2009: EUR 4,894 million).

NIBC has not had any defaults of principal, interest or redemption amounts during either 2010 or 2009 on its liabilities.

45 Shareholder's equity

The ultimate controlling company is New NIB Limited, a company incorporated in Ireland.

Share capital

IN EUR MILLIONS	2010	2009
Paid-up capital	80	80
	80	**80**

	2010	2009
THE NUMBER OF AUTHORISED SHARES IS SPECIFIED AS FOLLOWS:		
Number of authorised shares [1]	218,937,500	218,937,500
Number of shares issued and fully paid [2]	62,586,794	62,586,794
Par value per A-share	1.28	1.28
Par value per preferent share	1.00	1.00

1. Authorised capital amounts to EUR 250 million and is divided into 110,937,500 A-shares of EUR 1.28 nominal value and 108,000,000 preference shares of EUR 1.00 nominal value.
2. The shares issued and fully paid consist of A-shares.

Other reserves

IN EUR MILLIONS	2010	2009
OTHER RESERVES ARE COMPRISED OF:		
Share premium	238	238
Hedging reserve	67	40
Revaluation reserve - loans (available for sale)	(15)	(28)
Revaluation reserve - equity investments (available for sale)	8	7
Revaluation reserve - debt investments (available for sale)	(8)	(4)
Revaluation reserve - property, plant and equipment	28	28
	318	**281**

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserve	Total
BALANCE AT 1 JANUARY 2009	**238**	**75**	**(39)**	**274**
Net result on hedging instruments	-	(35)	-	(35)
Revaluation (net of tax)	-	-	42	42
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	**-**	**(35)**	**42**	**7**
BALANCE AT 31 DECEMBER 2009	**238**	**40**	**3**	**281**

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserve	Total
BALANCE AT 1 JANUARY 2010	**238**	**40**	**3**	**281**
Net result on hedging instruments	-	27	-	27
Revaluation (net of tax)	-	-	10	10
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	**-**	**27**	**10**	**37**
BALANCE AT 31 DECEMBER 2010	**238**	**67**	**13**	**318**

Share premium

The proceeds from rights issues and options exercised received net of any directly attributable transaction costs deducted with the nominal value are credited to share premium.

Hedging reserve

Hedging reserve comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge (net of tax) as well as the net investment hedge effect on foreign entities (net of tax).

Revaluation reserve - equity investments (available for sale)

Revaluation reserve comprises changes in fair value of available for sale equity investments (net of tax).

IAS 39

The impact of the application of amendments to IAS 39 on certain elements of shareholder's equity (revaluation reserves of loans and receivables, debt investments and financial assets) can be explained as follows:

Revaluation reserve - loans (available for sale)

In the period before reclassification (that is, per 1 July 2008), NIBC recognised in the revaluation reserve in equity a total fair value loss of EUR 41 million on financial assets reclassified out of the available for sale category into the loans and receivables category.

Revaluation reserve - debt investments (available for sale)

In the period before reclassification (that is, per 1 July 2008), NIBC recognised in the revaluation reserve in equity a total fair value loss of EUR 6 million on financial assets reclassified out of the available for sale category into the loans and receivables category.

Revaluation reserve financial assets reclassified into available for sale category

In 2009, a transfer to impairment expense with a fair value loss of EUR 10 million was recognised in the revaluation reserve in shareholder's equity on financial assets reclassified out of trading into the available for sale category (2010: nil).

NIBC chose to reclassify (as of 1 July 2008) certain financial assets that are no longer held for the purpose of selling in the near term as permitted by the amendment to lAS 39 and IFRS 7. In NIBC's judgement, the deterioration in the world's financial markets was an example of a rare circumstance applicable on the date of reclassification. Had NIBC determined that the market conditions during 2008 did not represent a rare circumstance or that NIBC did not have the intention and ability to hold the financial assets for the foreseeable future or until maturity, and had NIBC therefore not reclassified the financial assets, a net of tax gain of EUR 49 million (2009: nil) would have been recognised in the income statement and an incremental net of tax gain of EUR 131 million (2009: gain of EUR 6 million) would have been recognised in the revaluation reserve in equity in 2010 due to reversal of prior fair value losses.

For all reclassifications, the reason for applying the amendment to IAS 39 and IFRS 7 is alignment to best market practice. For more details, see notes 2, 5, 11, 16, 17 and 20.

Revaluation reserve - property, plant and equipment

This reserve comprises changes in fair value of land and buildings (net of tax).

Retained earnings

Retained earnings reflect accumulated earnings less dividends accrued and paid to shareholders and transfers from other reserves. The cumulative effect of changes in accounting policy and the correction of errors is also reflected as an adjustment in retained earnings (if applicable).

46 Fair value of financial instruments

IFRS 7 requires specific disclosures for financial instruments that are measured at fair value in the balance sheet. The disclosure of each class of financial assets and liabilities within a three-level hierarchy, referring the respective basis of fair value measurement is as follows:

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

For an explanation of the fair value measurement hierarchy, reference is made to the accounting policies section on fair value estimation.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 within the fair value hierarchy based on the degree to which the fair value is observable:

Fair value of financial instruments at 31 December 2010

IN EUR MILLIONS	Level 1	Level 2	Level 3	2010
FINANCIAL ASSETS AVAILABLE FOR SALE				
Equity investments				
Listed	-	-	-	-
Unlisted	-	-	72	72
Debt investments	-	1,187	3	1,190
	-	**1,187**	**75**	**1,262**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Loans	-	1,074	-	1,074
Residential mortgages own book	-	4,429	-	4,429
Securitised residential mortgages	-	5,338	-	5,338
Debt investments	-	572	-	572
Enhanced investments	-	5	-	5
Equity investments (including investments in associates)	1	-	268	269
Derivative financial assets held for trading	-	3,113	-	3,113
Derivative financial assets used for hedging	-	360	-	360
	1	**14,891**	**268**	**15,160**
	1	**16,078**	**343**	**16,422**

IN EUR MILLIONS	Level 1	Level 2	Level 3	2010
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Own debt securities in issue	-	46	-	46
Debt securities in issue structured	-	2,120	-	2,120
Derivative financial liabilities held for trading	-	3,334	-	3,334
Derivative financial liabilities used for hedging	-	48	-	48
Subordinated liabilities	-	369	-	369
	-	**5,917**	**-**	**5,917**

Fair value of financial instruments at 31 December 2009

IN EUR MILLIONS	Level 1	Level 2	Level 3	2009
FINANCIAL ASSETS AVAILABLE FOR SALE				
Equity investments				
Listed	10	-	-	10
Unlisted	-	-	84	84
Debt investments	-	713	1	714
	10	**713**	**85**	**808**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Loans	-	1,103	-	1,103
Residential mortgages own book	-	5,817	-	5,817
Securitised residential mortgages	-	4,783	-	4,783
Debt investments	-	804	-	804
Enhanced investments	-	53	-	53
Equity investments (including investments in associates)	-	-	215	215
Derivative financial assets held for trading	-	2,816	-	2,816
Derivative financial assets used for hedging	-	242	-	242
	-	**15,618**	**215**	**15,833**
	10	**16,331**	**300**	**16,641**

IN EUR MILLIONS	Level 1	Level 2	Level 3	2009
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Own debt securities in issue	-	85	-	85
Debt securities in issue structured	-	2,453	-	2,453
Derivative financial liabilities held for trading	-	3,133	-	3,133
Derivative financial liabilities used for hedging	-	80	-	80
Subordinated liabilities	-	369	-	369
	-	**6,120**	**-**	**6,120**

Financial instruments are recorded at fair value

The following is a description of the determination of fair value for financial instruments that are recorded at fair value using either quoted prices or valuation techniques. These incorporate NIBC's interpretation of valuation assumptions (qualitative) that a market participant would consider when valuing the instruments.

Financial assets available for sale

Equity investments (listed) - level 1

The fair value of listed equity investments is derived from quoted prices (unadjusted) in active markets.

Equity investments (unlisted) - level 3

The fair value of investments in equity funds is determined based on the net asset value reported by the managers of these funds. These net asset values are analysed for reasonableness, so as to ascertain that the reported net asset value has been appropriately derived using proper fair value principles as part of a robust process. To approximate the fair value at the reporting date, the net asset value is adjusted, where appropriate, for factors such as, amongst others, subsequent capital contributions and fund distributions, movements in exchange rate and subsequent changes in the fair value of the underlying investee companies, where these are known to NIBC.

The fair value of equity investments is established by applying capitalisation multiples to maintainable earnings. Maintainable earnings are estimated based on the normalised last twelve months' *Earnings Before Interest, Taxes, Depreciation and Amortisation* (**EBITDA**). Capitalisation multiples are derived from the enterprise value and the normalised last twelve months EBITDA at the acquisition date. On each reporting date, the capitalisation multiple of each equity investment is compared against those derived from the publicly available enterprise value and earnings information of traded peers, where these can be identified. Peer capitalisation multiples are normalised for factors such as, amongst others, differences in regional and economic environment, time lags in earnings information and one-off gains and losses.

The resulting enterprise value is adjusted for net debt, non-controlling interests, illiquidity and management incentive plans to arrive at the fair value of the equity.

Debt investments - level 2

For the determination of fair value at 31 December 2010, NIBC used market-observable prices (including broker quotes), interest rates and credit spreads derived from market-verifiable data. NIBC has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Debt investments - level 3

For the level 3 debt investments, NIBC uses valuation models that apply discounted cash flow analysis that incorporates both observable and unobservable data. Observable inputs include interest rates and collateral values; unobservable inputs include assumptions regarding credit spreads and market liquidity discounts.

Financial assets fair value through profit or loss

Loans - level 2

In an active market environment, these assets are marked-to-market by applying market bid quotes observed on the secondary market. The quotes received from other banks or brokers and applied in the marked-to-market process are calibrated to actual market trades whenever possible.

In certain instances, where the market is inactive, a discounted cash flow model is used based on various assumptions, including market interest rates, market credit spread levels and assumptions regarding market liquidity, where relevant. Additional pricing reference points have been obtained by collecting spreads using primary transactions that are comparable with the relevant loans.

Residential mortgages (own book and securitised) - level 2

The fair value of residential mortgages (both those NIBC holds in its own warehouse and those NIBC has securitised) is determined by using a valuation model developed by NIBC. To calculate the fair value, NIBC discounts expected cash flows (after expected prepayments) to present value using inter-bank zero-coupon rates, adjusted for a spread that takes into account the credit spread risk of the mortgages and uncertainty relating to prepayment estimates.

On the basis of the available data on *Residential Mortgage-Backed Securities* (**RMBS**) spreads and offered mortgage rates, NIBC concluded that in 2010 the use of offered mortgage rates provides the best estimate of the spread applicable at the balance sheet date. The underlying assumption underpinning the valuations is that professional market parties interested in building exposures in the residential mortgage market would be indifferent between originating the loans themselves and acquiring existing portfolios.

The offered mortgage rate is determined by collecting mortgage rates from other professional lenders sorted by product, loan to value class and the fixed rate period. The discount spread is derived by comparing the mortgage offer rate to the market interest rates taking into account the upfront mortgage offering costs embedded in the mortgage offered rate.

Sensitivity analysis carrried out on the prepayment rates used in the valuation model of the residential mortgages showed that the variability in these rates does not have a significant impact on the total value of the Residential Mortgage portfolio.

Debt investments - level 2

For the determination of fair value at 31 December 2010, NIBC incorporated market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Enhanced investments - level 2

The Enhanced Investment portfolio consists of investments in tax-efficient funds and credit-fixed income funds.

The fund investments are valued based on observed transaction values for structures that are set up for third parties. The positions in credit-fixed income funds are valued using the valuation statements of the administrators. These valuations form the basis for arm's-length market transactions in these funds and therefore serve as a reliable basis for valuation.

Equity investments (including investments in associates) - level 3

For the valuation method, reference is made to the section on equity investments (unlisted) at available for sale.

Derivatives financial assets and liabilities (held for trading and used for hedging) - level 2

Derivative products valued using a valuation technique with market-observable inputs are mainly interest rate swaps, currency swaps, credit default swaps and foreign exchange contracts. The most frequently applied valuation techniques include swap models using present value calculations.

The models incorporate various inputs including foreign exchange rates, credit spread levels and interest rate curves. Credit derivative valuation models also require input as to the estimated probability of default and recovery value.

There were no transfers between the levels during 2010.

Financial liabilities at fair value through profit or loss (including trading)

Own liabilities designated at fair value through profit or loss - level 2

This portfolio was designated at fair value through profit or loss and is reported on the face of the balance sheet under the following headings:

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

Debt securities in issue structured consist of notes issued with embedded derivatives that are tailored to specific investors' needs. The return on these notes is dependent upon the level of certain underlying equity, interest rate, currency, credit, commodity or inflation-linked indices. The embedded derivative within each note issued is fully hedged on a back-to-back basis, such that effectively synthetic floating rate funding is created. Because of this economic hedge, the income statement is not sensitive to fluctuations in the price of these indices.

In the case of debt securities in issue structured and subordinated liabilities, the fair value of the notes issued and the back-to-back hedging swaps is determined using valuation models developed by a third party employing Monte Carlo simulation, lattice valuations or closed formulas, depending on the type of embedded derivative. These models use market-observable inputs (e.g. interest rates, equity prices) for valuation of these structures.

For each class of own financial liabilities at fair value through profit or loss, the expected cash flows are discounted to present value using interbank zero-coupon rates. The resulting fair value is adjusted for movements in the credit spread applicable to NIBC issued funding.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets and liabilities which are recorded at fair value:

IN EUR MILLIONS	At 1 January 2009	Total gains/ (losses) recorded in the income statement	Total gains/ (losses) recorded in equity	Purchases	Sales	Transfers from level 1 and level 2	At 31 December 2009
AVAILABLE FOR SALE FINANCIAL ASSETS							
Equity investments	99	(7)	(13)	7	(2)	-	84
Debt investments	9	(18)	10	-	-	-	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)							
Equity investments (including investments in associates)	188	(9)	-	40	(4)	-	215
	296	(34)	(3)	47	(6)	-	300

IN EUR MILLIONS	At 1 January 2010	Total gains/ (losses) recorded in the income statement	Total gains/ (losses) recorded in equity	Purchases	Sales	Transfers from level 1 and level 2	At 31 December 2010
AVAILABLE FOR SALE FINANCIAL ASSETS							
Equity investments	84	2	5	7	(26)	-	72
Debt investments	1	2	-	-	-	-	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)							
Equity investments (including investments in associates)	215	37	-	29	(13)	-	268
	300	41	5	36	(39)	-	343

The total impact on level 3 financial instruments included in the income statement for the period are:

IN EUR MILLIONS	Realised gains	Unrealised gains	2010
Total gains/(losses) included in the income statement	5	43	48

IN EUR MILLIONS	Realised gains	Unrealised (losses)	2009
Total gains/(losses) included in the income statement	6	(40)	(34)

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

	For the period ended 31 December			
	2010		2009	
IN EUR MILLIONS	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
AVAILABLE FOR SALE FINANCIAL ASSETS				
Equity investments (unlisted)	72	-	84	2
Debt investments	3	1	1	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)				
Equity investments (including investments in associates)	268	24	215	24

In order to determine the reasonably possible alternative assumptions, NIBC adjusted key unobservable valuation technique inputs as follows:

- For equity investments, the material unobservable input parameter is the capitalisation multiple that is applied to the maintainable earnings to determine fair value. NIBC adjusted the capitalisation multiples by increasing and decreasing the capitalisation multiples by 10 per cent, which is considered by NIBC to be within a range of reasonably possible alternatives based on capitalisation multiples of companies with similar industry and risk profiles; and
- For the debt investments, NIBC adjusted the weighted average calculated model price by 100 basis points as a reasonably possible alternative outcome. The primary unobservable input in the calculated model price is the applicable credit spread.

47 Repurchase and resale agreements

NIBC transacted several repurchase transactions with third parties, in which notes amounting to a notional of EUR 543 million (with a fair value at 31 December 2010 of EUR 533 million) were transferred from NIBC to third parties at 31 December 2010 in exchange for EUR 481 million in deposit at 31 December 2010 for periods ranging from three months up to three years.

During 2010, NIBC undertook several repo transactions with third parties totalling to a notional amount of EUR 59 million.

NIBC transacted several reverse repurchase transactions with third parties, in which notes amounting to a notional of EUR 110 million (with a fair value at 31 December 2010 of EUR 110 million) were transferred to NIBC from third parties at 31 December 2010 in exchange for EUR 96 million in deposit at 31 December 2010 for periods ranging from two years up to three and a half years.

During 2010, NIBC transacted several reverse repo transactions with third parties, in a total notional amount of EUR 227 million.

NIBC conducts these transactions under terms agreed in Global Master Repurchase Agreements.

48 Commitments and contingent assets and liabilities

At any time, NIBC has outstanding commitments to extend credit. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months. Commitments extended to customers related to mortgages at fixed interest rates or fixed spreads are hedged with interest rate swaps recorded at fair value. These commitments are designated upon initial recognition at fair value through profit or loss.

NIBC provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. Expirations are not concentrated in any period.

The contractual amounts of commitments (excluding residential mortgage commitments of EUR 8 million at 31 December 2010 (2009: EUR 19 million), which in these financial statements are measured at fair value through profit or loss) and contingent liabilities are set out in the following table by category. In the table, it is assumed that amounts are fully advanced.

The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

IN EUR MILLIONS	2010	2009
CONTRACT AMOUNT		
Committed facilities with respect to corporate loan financing (including investment management loans)	1,713	1,088
Capital commitments with respect to equity investments	71	103
Guarantees granted	285	200
Irrevocable letters of credit	70	67
	2,139	**1,458**

These commitments and contingent liabilities have off-balance sheet credit risk because only commitment/origination fees and accruals for probable losses are recognised in the balance sheet until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

Details of concentrations of credit risk including concentrations of credit risk arising from commitments and contingent liabilities as well as NIBC's policies for collateral for loans are set out in note 55.

Legal proceedings

There were a number of legal proceedings outstanding against NIBC at 31 December 2010. No provision has been made, as legal advice indicates that it is unlikely that any significant loss will arise.

49 Business combinations

Acquisition of subsidiaries (non-financial companies)

On 28 April 2010, NIBC obtained control of Olympia Nederland Holding B.V., a temporay employment agency, by acquiring 100% of the shares and voting interests in the company. On 1 July 2010, NIBC obtained control of Cyclomedia Technology B.V., specialist in large-scale systematic visualization of the environment using 360° panoramic and aerial images, by acquiring an additional 18.8% of the shares and voting interests in the company. As a result, NIBC's equity interest in Cyclomedia increased from 45.6% to 64.4%.

NIBC elected to measure the non-controlling interest in the acquirees at the non-controlling interest's proportionate share of the acquiree's net assets.

IN EUR MILLIONS	2010
MAJOR CLASSES OF CONSIDERATION TRANSFERRED FOR ACQUIRED BUSINESSES	
Cash paid	9
Debt for equity swap	24
Contingent consideration	-
TOTAL CONSIDERATION TRANSFERRED ACQUIRED BUSINESSES	33
Fair value of equity interest held before the business combination	7
TOTAL CONSIDERATION	**40**

IN EUR MILLIONS	2010
Acquisition related costs (included in other operating expenses in the consolidated income statement for the period ended 31 December 2010)	-

IN EUR MILLIONS	2010
RECOGNISED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED [1]	
Due from other banks	2
Intangible assets (see note 29)	
Trademarks and licences (including Technology)	28
Customer relationships	14
Other	3
Property, plant and equipment (see note 30)	5
Current tax	5
Deferred tax	-
Other assets	41
Due to other banks	(49)
Other liabilities	(48)
Employee benefits (see note 42)	(1)
TOTAL IDENTIFIABLE NET ASSETS	**-**
Non-controlling interests, based on their proportionate share in the recognised amounts of the assets and liabilities of the acquiree	1
Goodwill recognised	39
	40

1. Preliminary, subject to completion of the purchase price allocation process.

The goodwill is attributed mainly to future economic benefits.

Debt for equity swap

A major part of the consideration transferred for the acquired businesses relates to the conversion of (convertible) debt into equity.

Contingent consideration

NIBC did not agree to pay the selling shareholders additional consideration.

Fair value of the non-controlling interest

The remeasurement to fair value of NIBC's existing 45.6% interest in Cyclomedia Technologies B.V. resulted in a gain of EUR 4 million, which was recognised in gains less losses from financial assets in the consolidated income statement 2010 (see note 6).

From the respectives dates of acquisition to 31 December 2010, Olympia Nederland Holding B.V. and Cyclomedia Technology B.V. together contributed net sales of EUR 177 million and net profit after tax of EUR 3 million to NIBC Holding's results. If these acquisitions had occured on 1 January 2010, management estimates that the net sales from these non-financial companies included in the consolidation would have been EUR 245 million, and profit for the year from these non-financial companies included in the consolidation would have been nil.

In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the respective dates of acquisition would have been the same if the acquisition had occured on 1 January 2010.

These amounts were calculated using NIBC's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2010, together with consequental tax effects.

There were no business acquisitions completed in the year ended 31 December 2009.

At 31 December 2010, NIBC has the obligation to sell a minority stake (less than 10 per cent) in Olympia Nederland Holding B.V. to a third party. No material gain or loss is expected on this disposal. Gains or losses on disposals to non-controlling interests will be recorded in equity.

50 Assets transferred or pledged as security

IN EUR MILLIONS	2010	2009
ASSETS HAVE BEEN PLEDGED AS SECURITY IN RESPECT OF THE FOLLOWING LIABILITIES AND CONTINGENT LIABILITIES:		
LIABILITIES		
Due to other banks	1,231	1,438
Debt securities in issue related to securitised loans and mortgages	5,562	5,231
Derivative financial liabilities	953	1,051
	7,746	**7,720**

IN EUR MILLIONS	2010	2009
DETAILS OF THE CARRYING AMOUNTS OF ASSETS PLEDGED AS COLLATERAL ARE AS FOLLOWS:		
ASSETS PLEDGED		
Assets utilised as collateral	2,042	2,001
Securitised loans and mortgages	5,952	5,399
Cash	953	1,051
	8,947	**8,451**

As part of NIBC's funding and credit risk mitigation activities, the cash flows of selected financial assets are transferred or pledged to third parties. Furthermore, NIBC pledges assets as collateral for derivative transactions. Substantially all financial assets included in these transactions are residential mortgages, other loan portfolios, debt investments and cash collateral. The extent of NIBC's continuing involvement in these financial assets varies by transaction.

With respect to assets utilised as collateral, the total portfolio eligible for use to collateralise funding amounts to EUR 6.5 billion (2009: EUR 7.0 billion) including assets already utilised as collateral.

As of 31 December 2010, the excess cash liquidity of NIBC was EUR 1.3 billion (2009: EUR 2.6 billion), consisting of EUR 0.5 billion (2009: EUR 1.4 billion) cash placed with the DNB, EUR 0.8 billion (2009: nil) placed overnight with the Dutch Government and nil (2009: EUR 1.2 billion) with banks.

51 Assets under management

NIBC provides collateral management services, whereby it holds and manages assets or invests funds received in various financial instruments on behalf of the customer. NIBC receives fee income for providing these services. Assets under management are not recognised in the consolidated balance sheet. NIBC is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

At 31 December 2010, total assets held and managed by NIBC on behalf of customers were EUR 1,725 million (2009: EUR 2,668 million).

52 Related party transactions

Transactions related to employees

All transactions with employees are reported in the tables in note 54 Remuneration of Statutory Board members and Supervisory Board members.

Transactions related to associates

As at 31 December 2010, NIBC had EUR 106 million of loans advanced to its associates (2009: EUR 222 million). Besides interest income on these loans, fees earned by NIBC from these associates amounted to nil (2009: EUR 5 million).

In June 2007, NIBC launched the NIBC European Infrastructure Fund I, (which was NIBC's first third-party equity fund) with a final close in August 2008. Total commitments to the fund amount to EUR 347 million, of which EUR 247 million is committed by four third-party investors and EUR 100 million by NIBC. The fund invests in infrastructure projects in Western Europe. NIBC realised a loss from its investment in the fund in 2010 of EUR 2 million (2009: nil) and earned fees of EUR 4 million (2009: EUR 4 million). In NIBC's financial statements, this fund is classified as an associate at fair value through profit or loss.

In September 2008, NIBC launched the NIBC European CMBS Opportunity Fund. Of the total committed fund size of EUR 64 million, EUR 49 million is committed by third-party investors and EUR 15 million by NIBC. The fund invests in structured commercial real estate in Western Europe. NIBC's income from this fund in 2010 was EUR 3 million (2009: EUR 2 million), which included fee income of EUR 1 million (2009: nil). In NIBC's financial statements, this fund is classified as an associate at fair value through profit of loss.

In 2010, NIBC paid fees relating to the servicing of its online retail savings programme NIBC Direct to Welke Beheer B.V. of EUR 2 million (2009: EUR 3 million). In July 2009, NIBC's equity stake in

Welke Beheer B.V. diluted from 25% to 15%. In NIBC's financial statements, this entity is classified as an associate (equity method), as NIBC still has significant influence.

Transactions involving NIBC's shareholders

Significant related party transactions executed in 2010 and 2009 concern the following:

At 31 December 2010, NIBC had EUR 419 million of net exposure (assets minus liabilities) to its parent and to entities controlled by its parent entity (2009: EUR 398 million). The interest received and paid on this exposure was at arm's length.

In June 2006, the general partner of J.C. Flowers II LP (together with its sister vehicle, 'Flowers Fund II'), an investment fund managed by an affiliate of J.C. Flowers & Co., accepted a USD 100 million capital commitment from NIBC. The management fee and the profits interest otherwise payable by limited partners in such fund were waived with respect to the investment by NIBC. In addition, NIBC will receive a portion of (i) the profits interest payable to an affiliate of J.C. Flowers & Co. by investors in Flowers Fund II, and (ii) the management fee payable to J.C. Flowers & Co. by Flowers Fund II, in each case, based on the percentage of aggregate capital commitments to Flowers Fund II represented by the capital commitment of NIBC. During both 2010 and 2009, NIBC's commitment was fully drawn. In 2010, NIBC earned fees of EUR 1 million (2009: EUR 1 million) relating to this transaction.

In June 2009, NIBC made a commitment of USD 10 million to 'Flowers Fund III' an investment fund managed by an affiliate of J.C. Flowers & Co.

Fees paid to NIBC Holding related to asset management activities are nil for both 2010 and 2009.

Loan from NIBC to the Pension Fund

At the balance sheet date, NIBC has advanced a subordinated loan (interest charge: 0%) for an amount of EUR 3 million (2009: EUR 3 million) to the trustee-administered fund (NIBC's Pension Fund). There will be no repayment of this loan until the fund has reached a solvency ratio of 150%.

53 Principal subsidiaries, joint ventures and associates

	IN %	Country
SUBSIDIARIES OF NIBC BANK N.V.		
NIBC Bank Ltd	100	Singapore
Parnib Holding N.V.	100	The Netherlands
Counting House B.V.	100	The Netherlands
B.V. NIBC Mortgage-Backed Assets	100	The Netherlands
NIBC Principal Investments B.V.	100	The Netherlands
GRW Bearing GmbH	93.4	Germany
NIBusker Holding B.V.	75.0	The Netherlands
Olympia Nederland Holding B.V.	100.0	The Netherlands
Cyclomedia Technology B.V.	64.4	The Netherlands

			IN EUR MILLIONS			
	IN %	Country	Assets	Liabilities	Operating Income	Net result
ASSOCIATES (NET ASSET VALUE)						
PE express I B.V.	37.5	The Netherlands	15	-	4	1
PE express II B.V.	37.5	The Netherlands	15	-	5	1
PE express III B.V.	35	The Netherlands	19	-	5	-
PE express IV B.V.	35	The Netherlands	20	1	4	-
ASSOCIATES (DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS)	20 - 50	The Netherlands	1,150	575	2,322	60

In view of the control exercised by the government over the policy of NIBC's wholly-owned associate De Nederlandse Participatie Maatschappij voor de Nederlandse Antillen N.V., this company has not been treated as a subsidiary.

The list of participating interests and companies under which statements of liability have been issued, has been filed at the Chamber of Commerce in The Hague.

54 Remuneration of the Statutory Board members and Supervisory Board members

Remuneration of the Statutory Board members

Towards the end of 2010, the Supervisory Board reviewed the remuneration policy 2010 and agreed a new remuneration policy for 2011 and beyond, taking into account relevant regulations, most notably (i) the Dutch Corporate Governance Code of 10 December 2008, (ii) the Dutch Banking Code of 9 September 2009 and (iii) Guidelines on Remuneration Policies and Practices of the *Committee of European Banking Supervisors* **(CEBS)** of 10 December 2010 (iii) the DNB Principles for Controlled Remuneration Policies Wft 2011 of 16 December 2010.

Regular annual remuneration

In 2010, the composition of the Statutory Board remained unchanged. In the year under review, the average number of members of the Statutory Board appointed under the articles of association was 5.0 (2009: 4.6). For the total regular annual remuneration costs (including pension costs) for members and former members of the Statutory Board, appointed under the articles of association reference is made to note 8 Personnel expenses and share-based payments.

Base salary and short-term incentive compensation (Cash bonus)

The short-term compensation awards in cash of (former) members of the Statutory Board consist of base salary and short-term cash bonus.

The STI consists of a cash bonus (included in table 1) and a deferred cash bonus (included in table 2) and a compensation in PSUs (included in table 3) and/or RPSUs and is subject to the achievement of short-term (annual) performance targets. Based on an objective assessment of the Managing Board's performance, the RNC believed that short-term variable compensation for the performance year 2010 would have been warranted. In light of developments in society about executive remuneration in financial services firms, the RNC recommended to the Supervisory Board that no short-term variable compensation be awarded for the performance year 2010 for any of the Managing Board members, for the third year running. The Supervisory Board accepted the recommendations made by the RNC and decided accordingly.

Table 1

IN EUR	2010	2009
THE BREAKDOWN OF THE AMOUNTS OF COMPENSATION AWARDS IN CASH PER MEMBER AND FORMER MEMBER OF THE STATUTORY BOARD IS AS FOLLOWS:		
MR. JEROEN DROST, CHIEF EXECUTIVE OFFICER, CHAIRMAN		
Base salary	700,000	700,000
Short-term incentive compensation (cash bonus)	-	-
TOTAL CASH COMPENSATION	700,000	700,000
MR. KEES VAN DIJKHUIZEN, CHIEF FINANCIAL OFFICER, VICE-CHAIRMAN		
Base salary	400,000	400,000
Short-term incentive compensation (cash bonus)	-	-
TOTAL CASH COMPENSATION	400,000	400,000
MR. JAN SIJBRAND, CHIEF RISK OFFICER, MEMBER		
Base salary	400,000	400,000
Short-term incentive compensation (cash bonus)	-	-
TOTAL CASH COMPENSATION	400,000	400,000
MR. ROB TEN HEGGELER, MEMBER [1]		
Base salary	400,000	150,000
Short-term incentive compensation (cash bonus)	-	-
TOTAL CASH COMPENSATION	400,000	150,000
MR. JEROEN VAN HESSEN, MEMBER [2]		
Base salary	400,000	125,000
Short-term incentive compensation (cash bonus)	-	-
TOTAL CASH COMPENSATION	400,000	125,000
MR. JAN VAN NIEUWENHUIZEN, FORMER MEMBER [3]		
Base salary	-	315,151
Short-term incentive compensation (cash bonus)	-	-
TOTAL CASH COMPENSATION	-	315,151

1. Joined NIBC on 17 August 2009: appointed as a member of the Statutory Board on 17 August 2009.
2. Appointed as a member of the Statutory Board on 10 September 2009. The remuneration disclosed refers to the remuneration earned in his capacity as Statutory Board member.
3. Stepped down as a member of the Statutory Board as from 17 August 2009 and employment ended with effect from 15 October 2009. Base salary payment 2009 relates to the period up to the end of employment.

Short-term incentive compensation (Deferred cash bonus)

The deferred cash bonus part of the STI is subject to three-year pro-rated vesting and is eligible for interest equal to the one-year NIBC Direct deposit rate.

Table 2

IN EUR	2010	2009
THE BREAKDOWN OF THE AMOUNTS OF DEFERRED SHORT-TERM INCENTIVE COMPENSATION AWARDS IN CASH PER MEMBER OF THE STATUTORY BOARD IS AS FOLLOWS:		
Mr. Jeroen Drost	-	-
Mr. Kees van Dijkhuizen	-	-
Mr. Jan Sijbrand	-	-
Mr. Rob ten Heggeler	-	-
Mr. Jeroen van Hessen	-	-

Short-term incentive compensation (Phantom Share Units)

The short-term compensation in share-related awards of members of the Statutory Board consists of PSUs and RPSUs. RPSU awards are subject to a three-year pro-rated vesting. All PSUs awarded to the Statutory Board, whether vested or restricted are subject to a five-year retention period effective from the date of grant. This short-term compensation can be converted into cash immediately after the retention period and therefore is recognised as cash-settled.

The (R)PSU has similar characteristics as the CRDR used for the LTI, such as eligibility for dividend and a value which is tied to variations in the net asset value of NIBC Holding.

Table 3

IN EUR	2010	2009
THE BREAKDOWN OF THE AMOUNTS OF SHORT-TERM COMPENSATION SHARE-RELATED AWARDS (PHANTOM SHARE UNITS) PER MEMBER OF THE STATUTORY BOARD IS AS FOLLOWS:		
MR. JEROEN DROST		
Number of phantom share units	-	-
Fair value of short-term incentive at date of grant (in EUR)	-	-
MR. KEES VAN DIJKHUIZEN		
Number of phantom share units	-	-
Fair value of short-term incentive at date of grant (in EUR)	-	-
MR. JAN SIJBRAND		
Number of phantom share units	-	-
Fair value of short-term incentive at date of grant (in EUR)	-	-
MR. ROB TEN HEGGELER		
Number of phantom share units	-	-
Fair value of short-term incentive at date of grant (in EUR)	-	-
MR. JEROEN VAN HESSEN		
Number of phantom share units	-	-
Fair value of short-term incentive at date of grant (in EUR)	-	-

Other remuneration elements

The other remuneration elements of the Statutory Board members consist of expense allowances, mortgage subsidy, expenses related to moving from international offices and other emoluments.

Table 4

IN EUR	2010	2009
THE BREAKDOWN OF THE AMOUNTS OF OTHER REMUNERATION ELEMENTS PER MEMBER AND FORMER MEMBER OF THE STATUTORY BOARD IS AS FOLLOWS:		
Mr. Jeroen Drost	76,929	44,530
Mr. Kees van Dijkhuizen	52,344	42,136
Mr. Jan Sijbrand	28,068	36,802
Mr. Rob ten Heggeler	81,163	313,794
Mr. Jeroen van Hessen	228,375	97,721
Mr. Jan van Nieuwenhuizen	-	72,706

Long-term incentive compensation (Conditional Restricted Depositary Receipts)

The remuneration policy also includes annual variable LTI compensation. Each member of the Statutory Board is entitled to an annual long-term incentive grant with a value of 25% of base salary at grant, in the form of CRDRs. This grant is subject to three-year cliff vesting and the realisation of certain financial and non-financial performance targets. The LTI relates to future performance only.

Table 5

IN EUR	2010	2009
THE LONG-TERM INCENTIVE AWARDS PER MEMBER OF THE STATUTORY BOARD ARE AS FOLLOWS [1]:		
MR. JEROEN DROST		
Number of conditional restricted depositary receipts	9,081	9,081
Fair value of long-term incentive at date of grant (in EUR)	84,000	84,000
MR. KEES VAN DIJKHUIZEN		
Number of conditional restricted depositary receipts	5,189	5,189
Fair value of long-term incentive at date of grant (in EUR)	48,000	48,000
MR. JAN SIJBRAND		
Number of conditional restricted depositary receipts	5,189	5,189
Fair value of long-term incentive at date of grant (in EUR)	48,000	48,000
MR. ROB TEN HEGGELER		
Number of conditional restricted depositary receipts	5,189	5,189
Fair value of long-term incentive at date of grant (in EUR)	48,000	48,000
MR. JEROEN VAN HESSEN		
Number of conditional restricted depositary receipts	5,189	5,189
Fair value of long-term incentive at date of grant (in EUR)	48,000	48,000

1. The above-mentioned numbers and amounts are presented on an after tax basis at the date of grant. The date of grant for both the 2010 and the 2009 instruments was 17 December 2009.

Pension costs

Table 6

IN EUR	2010	2009
THE AMOUNTS OF PENSION COSTS PER MEMBER AND FORMER MEMBER OF THE STATUTORY BOARD ARE AS FOLLOWS:		
Mr. Jeroen Drost	106,182	99,341
Mr. Kees van Dijkhuizen	88,394	86,924
Mr. Jan Sijbrand	64,185	60,036
Mr. Rob ten Heggeler	59,172	22,541
Mr. Jeroen van Hessen	85,716	23,539
Mr. Jan van Nieuwenhuizen	-	68,512

As at 31 December 2010 and 31 December 2009, no loans, advance payments or guarantees have been provided to Statutory Board members.

Remuneration of the Supervisory Board members

The remuneration of the Supervisory Board members relates to their position within NIBC Holding and NIBC Bank.

Table 7

IN EUR	2010	2009
MEMBERS		
Mr. J.H.M. Lindenbergh [1/2]	40,208	102,250
Mr. W.M. van den Goorbergh [1/3]	88,165	72,250
Mr. D.R. Morgan [4]	56,000	-
Mr. A.A.G. Bergen [5]	39,917	-
Mr. C.H. van Dalen	55,000	55,000
Mr. N.W. Hoek	50,000	50,000
Mr. A. de Jong	45,750	40,000
Mrs. S.A. Rocker [1/6]	50,000	41,667
Mr. D.K.M. Rümker [1]	59,000	51,500
Mr. A.H.A. Veenhof	45,000	40,000
Mr. J.C. Flowers [7]	-	13,833
Mr. R.S. Sinha [8]	-	33,250

1. In line with Dutch tax regulations, an increase of 19% VAT is payable on the total remuneration payable to the relevant Supervisory Board member.
2. Mr. J.H.M. Lindenbergh stepped down as Chairman of the Supervisory Board on 18 May 2010.
3. Mr. W.M. van den Goorbergh was appointed as Chairman of the Supervisory Board on 23 August 2010.
4. Mr. D.R. Morgan's nomination was adopted in the Annual General Meeting of Shareholders on 17 May 2010.
5. Mr. A.A.G. Bergen's nomination was adopted in the Annual General Meeting of Shareholders on 17 May 2010.
6. Mrs. S.A. Rocker's nomination was adopted in the Annual General Meeting of Shareholders on 29 April 2009.
7. Mr. J.C. Flowers stepped down as a member of the Supervisory Board on 19 February 2009.
8. Mr. R.S. Sinha stepped down as a member of the Supervisory Board on 17 December 2009.

The remuneration amounts of the Supervisory Board members consist of annual fixed fees and committee fees.

As at 31 December 2010 and 31 December 2009, no loans, advance payments or guarantees have been provided to Supervisory Board members.

Depositary receipts

Common Depositary Receipts

The following tables show the holdings by members of the Statutory Board:

NUMBER OF COMMON DEPOSITARY RECEIPTS (GRANTED)	2010	2009
Mr. Kees van Dijkhuizen	8,853	5,251
Mr. Jeroen van Hessen	48,636	39,008

NUMBER OF COMMON DEPOSITARY RECEIPTS (INVESTMENT FROM OWN FUNDS)	2010	2009
Mr. Jeroen Drost	75,676	75,676
Mr. Kees van Dijkhuizen	42,433	42,433
Mr. Jan Sijbrand	21,622	21,622
Mr. Rob ten Heggeler	43,244	43,244
Mr. Jeroen van Hessen	41,510	41,510

Restricted Depositary Receipts

The following table shows the holdings by members of the Statutory Board:

NUMBER OF RESTRICTED DEPOSITARY RECEIPTS	2010	2009
Mr. Kees van Dijkhuizen	4,210	7,812
Mr. Jeroen van Hessen	11,335	20,963

Conditional Common Depositary Receipts

The following table shows the holdings by members of the Statutory Board:

NUMBER OF CONDITIONAL COMMON DEPOSITARY RECEIPTS (VESTED ONE-OFF MATCHING SHARES)	2010	2009
Mr. Jeroen Drost	18,919	-
Mr. Kees van Dijkhuizen	8,109	-
Mr. Jan Sijbrand	5,406	-
Mr. Rob ten Heggeler	10,811	-
Mr. Jeroen van Hessen	2,703	-

Conditional Restricted Depositary Receipts (LTI)

The following table shows the holdings by members of the Statutory Board:

NUMBER OF CONDITIONAL RESTRICTED DEPOSITARY RECEIPTS (LTI)	2010	2009
Mr. Jeroen Drost	18,162	9,081
Mr. Kees van Dijkhuizen	10,378	5,189
Mr. Jan Sijbrand	10,378	5,189
Mr. Rob ten Heggeler	10,378	5,189
Mr. Jeroen van Hessen	10,378	5,189

Conditional Restricted Depositary Receipts

One-off co-investment

As a result of personal investments by the Statutory Board members in 2009, matching shares were granted to the Statutory Board members in 2009 in the form of CRDRs with an after-tax value equal to the value of the personal investment made. In addition to the matching shares, the Statutory Board members can earn performance shares (CRDRs), subject to a service condition (continuous employment) and the realisation of predetermined performance conditions. For the number of CRDRs reference is made to the following tables.

The following table shows the holdings by members of the Statutory Board:

NUMBER OF CONDITIONAL RESTRICTED DEPOSITARY RECEIPTS (ONE-OFF MATCHING SHARES)	2010	2009
Mr. Jeroen Drost	56,757	75,676
Mr. Kees van Dijkhuizen	24,324	32,433
Mr. Jan Sijbrand	16,216	21,622
Mr. Rob ten Heggeler	32,433	43,244
Mr. Jeroen van Hessen	8,108	10,811

The matching shares are subject to four-year vesting with 1/4 vesting each year, the first such vesting having occured on 1 January 2010, but they will immediately vest upon a change of control of NIBC Holding, in which case they (i) will become fully unconditional and (ii) be legally transferred.

The following table shows the holdings by members of the Statutory Board:

NUMBER OF CONDITIONAL RESTRICTED DEPOSITARY RECEIPTS (PERFORMANCE SHARES)	2010	2009
Mr. Jeroen Drost	15,970	11,471
Mr. Kees van Dijkhuizen	9,126	6,555
Mr. Jan Sijbrand	9,126	6,555
Mr. Rob ten Heggeler	9,126	6,555
Mr. Jeroen van Hessen	9,126	6,555

The performance shares will only vest upon a change of control of NIBC Holding and the attainment of an annual compounded hurdle rate. The number of performance shares that vest is based on a predetermined formula, however the Supervisory Board has the discretion to adjust the number of performance shares that will vest in the case of unfair or unintended effects.

The number of performance shares is estimated and can vary over time depending on the assumptions applied.

Options

Information on the options outstanding and the movements during the financial year of options held by members of the Statutory Board as at 31 December 2010:

NUMBER OF VESTED OPTIONS	Outstanding as at 31 December 2009	Transferred from unvested options in 2010	Forfeited in 2010	Outstanding as at 31 December 2010	Average exercise price	Average fair value option at grant date	Expiry date
Mr. Kees van Dijkhuizen	30,000	30,000	-	60,000	15.00	6.00	2012
Mr. Jeroen van Hessen	78,528	78,258	-	157,056	15.00	6.00	2012

NUMBER OF UNVESTED OPTIONS	Outstanding as at 31 December 2009	Vested in 2010	Forfeited in 2010	Outstanding as at 31 December 2010	Average exercise price	Average fair value option at grant date	Expiry date
Mr. Kees van Dijkhuizen	30,000	30,000	-	-	15.00	6.00	2012
Mr. Jeroen van Hessen	128,528	78,258	-	50,000	8.91	3.65	2012

At expiry date of the options (14 December 2012), the maturity of the vested options can be extended once with three years.

55 Credit risk

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

At NIBC, almost every activity is related to credit risk, which is present in many portfolios. The following portfolios that contain credit risk are distinguished:

- Corporate Loans;
- Investment Management Loans;
- Residential Mortgages;
- Debt Investments;
- Cash Management; and
- Derivatives.

The Debt Investments portfolio is further subdivided into:

- Debt from financial institutions, corporate and sovereign entities; and
- Securitisations.

NIBC defines the credit risk contained in the Debt Investments portfolio as issuer risk, which is the credit risk of losing the principal amount on products like bonds and *Credit Default Swap* **(CDS)** positions (where it concerns sold protection). It is calculated based on the book value.

At the beginning of 2010, NIBC introduced a new industry classification which is better aligned to international standards and to the internal organisational structure. The new industry classification distinguishes 11 industry sectors, which are based on an EU industry standard classification system, commonly known as NACE. More information about this change can be found in the section on corporate loans.

Furthermore, NIBC introduced a threshold for determining whether a loan or derivative carries an insignificant amount in arrear. If the total amount in arrear on facility level is lower than EUR 25 thousand per facility, and the age of the payment in arrear is below 30 days, and the counterparty is not defaulted, then the amount in arrear is considered insignificant; the exposure is therefore regarded as not having an amount in arrear. This threshold has an impact on the amounts in arrear for corporate loans, *Investment Management* **(IM)** loans and derivatives. More details about the threshold and the impact it has can be found in the section on amounts in arrear for these respective portfolios.

An additional change compared to the 2009 Annual Report relates to the portfolios of Enhanced Investments and Credit Fixed Income Funds. At 31 December 2010, the exposure on both portfolios stood at merely EUR 5 million. These portfolios are, therefore, no longer reported separately but have been merged with the debt from financial institutions, corporate and sovereign entities. More information about this change can be found in the section on debt investments.

Finally, changes compared to the 2009 Annual Report can also be found in the securitisations section. In the course of 2010, a new sub-portfolio within the Securitisations portfolio was distinguished, named Investments in Own Securitisations. The section on securitisations provides more information on this topic.

The comparative numbers of 2009 are therefore adjusted in order to reflect the above four changes.

The exposure amounts shown in table 55-1 are broadly aligned with the regulatory capital view of Basel II capital calculations (except for derivatives, which show the positive replacement values only, without netting and without any potential future exposure add-on). More specifically, table 55-1 shows the maximum credit risk exposures, without taking collateral or any other credit risk reduction into consideration. The credit risk analysis includes all financial assets subject to credit risk. Non-credit obligations and equity are not included. Off-balance sheet exposures are included where relevant: loan commitments and guarantees to corporate entities, IM loan commitments and CDS where NIBC is a protection seller. Sold protection creates an off-balance sheet exposure to the reference entity, in addition to the counterparty risk on the CDS counterparty for the CDS premium payments.

The numbers in table 55-1 are not directly comparable to the numbers on the balance sheet.

Corporate loans and IM loans are recognised on the balance sheet under loans and securitised loans. The main difference is that the figures stated in table 55-1 also incorporate the off-balance sheet commitments. Furthermore, the figures in table 55-1 do not include exposure from NIBC Bank to NIBC Holding, which at 31 December 2010 amounted to EUR 445 million (2009: EUR 414 million).

Residential mortgages are recognised on the balance sheet under residential mortgages own book and securitised residential mortgages.

The maximum credit risk exposure on debt investments is lower than the total of debt investments on the balance sheet due to two opposite effects. On the one hand, risk figures include off-balance sheet exposures, which, on the other hand, are more than compensated by the partial offsetting of a risk exposure with a liability under the same counterparty.

The cash management exposure should be compared to cash and balances with central banks and due from other banks on the balance sheet. The major difference is caused by cash from collateral postings due to credit risk on derivatives not being included in the risk figures. An additional difference is the inclusion in cash management of a tax receivable on the balance sheet.

Credit risk on derivatives should be compared to derivative financial assets held for trading and hedging on the balance sheet. The main difference comes from the exclusion of a swap from the maximum credit risk exposures due to its risk offsetting nature.

Table 55-1 Credit risk exposure breakdown per portfolio

IN EUR MILLIONS	2010	2009
Corporate loans	9,674	8,572
Investment Management loans	205	245
Residential mortgages	9,767	10,601
DEBT INVESTMENTS PORTFOLIO		
Debt from financial institutions, corporate and sovereign entities	1,365	1,557
Securitisations	952	738
SUBTOTAL DEBT INVESTMENTS PORTFOLIO	**2,317**	**2,295**
CASH MANAGEMENT		
Cash	1,879	2,183
Repo	-	1,228
SUBTOTAL CASH MANAGEMENT	**1,879**	**3,411**
Derivatives [1]	3,318	2,825

1. Positive replacement values.

Corporate loans

Credit approval process

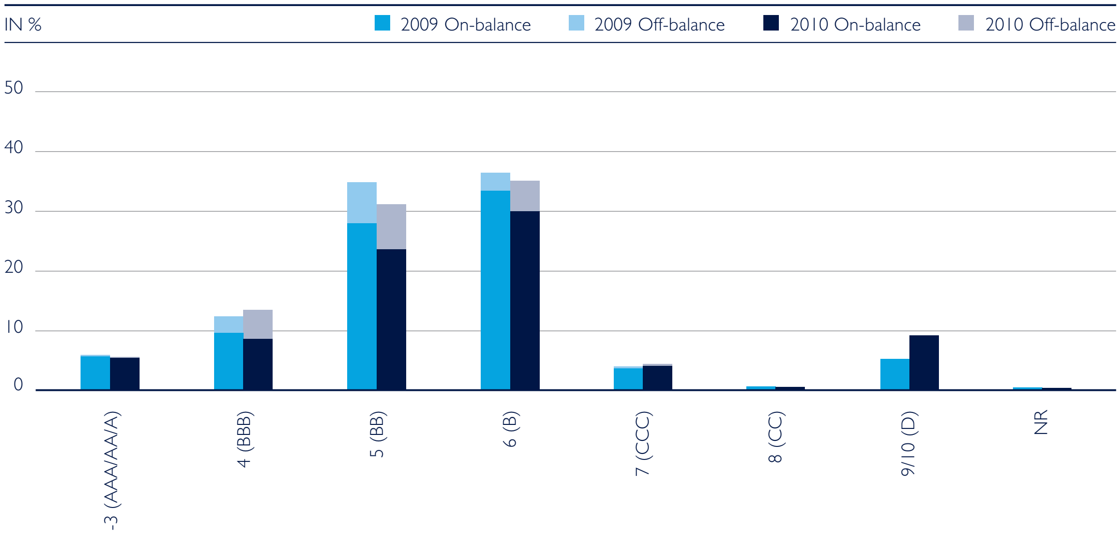
In principle, all individual credit and transaction proposals are approved in the *Transaction Committee* **(TC)**. Proposals, credit reviews and amendments of smaller scale can be approved by the *Credit Risk Management* department (**CRM**). All approvals of individual credit proposals are granted only after CRM has made a credit risk assessment and has analysed proposals by taking into consideration, among other, aggregate limits set per country, per industry segment, and per individual counterparty. The total *One Obligor Exposure* (**OOE**) and *Related Exposure* **(ReE)** are also taken into account. NIBC has already implemented the new regulatory requirements for the reporting of large exposures, as these are expressed through the OOE and ReE measures.

CRM assesses counterparty risk and validates independently *counterparty credit ratings* (**CCR**) and *loss given default* (**LGD**) ratings based on an internally-developed rating system. Both parameters are determined by internally developed Basel II *Advanced Internal Ratings Based* **(AIRB)** models. More information on LGDs is included in the section about collateral.

NIBC has been applying an internally-developed credit rating methodology since 2000. This methodology consists of two elements: a CCR that reflects the probability of default of the borrower, and an anticipated loss element that expresses the potential LGD. All counterparties and, subsequently, their facilities, are reviewed at least once a year. The internal CCRs are generated on a scale from 1 to 10 and are mapped and benchmarked periodically to the corresponding credit ratings of Standard & Poor's, labelled from AAA to D.

Graph 55-2 shows the distribution of on- and off-balance sheet corporate loan exposures per CCR. The numbers on the horizontal axis refer to NIBC's internal rating scale, whereas the letters inside the parentheses refer to the equivalent rating scale of Standard & Poor's. NR stands for not rateable, which was a negligible portion (0.4% of corporate loans at 31 December 2010; 0.5% of corporate loans at 31 December 2009). NR is assigned to entities to which NIBC's corporate rating tools were not applicable at the time of rating. All figures presented in this section are based on both on- and off-balance sheet items, unless otherwise stated.

Graph 55-2 On- and off-balance corporate loan exposure per CCR, 31 December 2010 and 31 December 2009



Tables 55-3 and 55-4 show a breakdown in percentages of the Corporate Loan portfolio among regions and industry sectors, at 31 December 2010 and 31 December 2009. The commercial real estate figures include an amount of EUR 614 million in securitised loans. This concerns the Mesdag Delta securitisation; NIBC has retained notes amounting to EUR 144 million, whereas EUR 470 million has been sold. Furthermore, the industry sector Financial Services includes a collateralised loan of EUR 400 million (the collateral is a pool of prime Dutch residential mortgages) to an investment-grade financial institution.

At the beginning of 2010, NIBC introduced a new industry classification which is better aligned to international standards and to the internal organisational structure. The new industry classification, called *The Statistical Classification of Economic Activities in the European Community* (in French: *Nomenclature Statistique des Activités Économiques dans la Communauté Européenne*), and commonly referred to as **NACE**, is an EU industry standard classification system.

The industry sectors provided in tables 55-3 and 55-4 contain the following:

The sector infrastructure contains all the infrastructure projects regardless of whether these are roads, railways, energy plants, schools or hospitals. The sector contains 20% of NIBC's Corporate Loan portfolio at 31 December 2010 (31 December 2009: 19%).

The newly introduced sector oil & gas contains asset and project finance activities related to the oil & gas industry, e.g. financing of oil rigs and platforms. It contains 9% of NIBC's Corporate Loan portfolio at 31 December 2010 (31 December 2009: 8%).

The newly introduced sector services combines transportation services, healthcare services and other private services. The sector TMT stands for Telecommunication, Media and Technology and incorporates all service-related companies in these areas. Both sectors combined comprise 6% of NIBC's Corporate Loan portfolio at 31 December 2010 (31 December 2009: 5%).

All other sectors remained the same compared to the 2009 Annual Report and no substantial fluctuations in their size were noted between year-end 2009 and year-end 2010. The growth of the portfolio that took place in 2010 was quite evenly distributed over the various industry sectors.

The geographical distribution of corporate loans in 2010 is also quite similar to that in 2009, although the relative weight of the Netherlands and the UK has slightly diminished, mainly in favour of Germany, one of the core growth markets of NIBC.

Table 55-3 Corporate loan exposure per industry sector and region, 31 December 2010 [1]

IN %	Commercial Real Estate	Infrastructure	Shipping	Financial Services	Oil & Gas	Wholesale/ Retail/ Leisure	Manufacturing	Services	Agriculture & Food	TMT	Other	Total (in %)	Total (in EUR millions)
The Netherlands	16	2	1	6	-	5	2	2	2	1	-	37	3,622
United Kingdom	-	13	1	-	1	1	-	1	-	-	-	17	1,658
Germany	8	2	-	3	-	1	1	1	-	-	-	17	1,624
Rest of Europe	1	2	4	-	3	1	1	-	-	-	-	12	1,169
Asia/Pacific	-	-	7	-	3	-	-	-	-	-	-	9	890
North America	-	-	2	-	1	-	-	-	-	-	-	4	360
Other	-	-	2	-	2	-	-	-	-	-	-	4	351
TOTAL (in %)	**25**	**20**	**16**	**9**	**9**	**7**	**5**	**4**	**2**	**2**	**-**	**100**	**9,674**
TOTAL (in EUR millions)	**2,436**	**1,933**	**1,540**	**864**	**846**	**696**	**530**	**422**	**224**	**163**	**20**		**9,674**

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

Table 55-4 Corporate loan exposure per industry sector and region, 31 December 2009 [1]

IN %	Commercial Real Estate	Infrastructure	Shipping	Financial Services	Oil & Gas	Wholesale/ Retail/ Leisure	Manufacturing	Services	Agriculture & Food	TMT	Other	Total (in %)	Total (in EUR millions)
The Netherlands	21	2	1	6	-	5	3	1	1	1	-	43	3,689
United Kingdom	-	14	1	-	1	1	1	1	-	-	-	20	1,692
Germany	7	1	-	1	-	1	2	-	-	-	-	12	1,055
Rest of Europe	1	2	2	-	2	1	1	-	-	-	-	10	857
Asia/Pacific	-	-	6	-	2	-	-	-	-	-	-	8	657
North America	-	-	2	-	1	-	-	-	-	-	-	4	343
Other	-	-	2	-	2	-	-	-	-	-	-	3	278
TOTAL (in %)	**29**	**19**	**14**	**7**	**8**	**8**	**7**	**3**	**2**	**2**	**1**	**100**	**8,572**
TOTAL (in EUR millions)	**2,518**	**1,637**	**1,186**	**613**	**660**	**670**	**610**	**274**	**183**	**175**	**46**		**8,572**

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

Country risk

Country risk is potentially an important cause of increased counterparty default risk since a large number of individual debtors could default at the same time. NIBC did not experience any increased counterparty defaults in 2010 due to country risk.

NIBC's policy is to attempt to minimise country risk by monitoring the following elements:

- Gross country exposure: As a rule, NIBC allocates exposure to the country in which the borrower's cash flows are generated. Gross country exposure is defined as the aggregate maximum exposure (both drawn and undrawn) to all borrowers or guarantors in a given country. NIBC also monitors future gross country exposure, in case e.g. assets are contractually relocated to another country in the future;
- Net country exposure: Net country exposure is the gross country exposure modified to take into account the value of certain moveable assets, such as ships and aircraft that secure loans to borrowers in a given country, besides corporate guarantees. After applying a valuation formula, the fair market value of such collateral is deducted facility by facility from the gross exposure under all lending facilities in a given country, in order to generate the net country exposure; and
- Country limits: A country limit system is maintained to manage country risks by net country exposure for certain countries. In general, NIBC does not apply a country limit to the member countries of *the Organisation for Economic Co-operation and Development* **(OECD)**. Some notable exceptions to this include Italy, Spain, Portugal, Ireland and Greece, to which specific limits apply. For other non-OECD countries, an assessment is made to advise the TC regarding the size of a country limit.

Collateral and LGD

An important element in NIBC's credit approval process is the assessment of collateral. Almost all loans, derivative exposures and guarantees have some form of collateralisation. Loans and derivatives can be collateralised by mortgages on real estate and ships, by (lease) receivables or liens on machinery and equipments, or by third-party guarantees and other similar agreements. A loan or derivative exposure is deemed to be collateralised, fully or partly, if such assets are legally pledged in support of the loan and the derivative exposure.

In general, NIBC requests collateral to protect its interests. NIBC ascribes value to collateral accepted for loans and guarantees, based on the condition that the collateral is sufficiently liquid, that documentation is effective and that enforcing NIBC's legal rights to the collateral will be successful. The type and quantity of the collateral depends on the type of transaction, the counterparty and the risks involved. The most significant types of collateral securing the loan and derivatives portfolios are tangible assets, such as real estate, ships, rigs, *floating production, storage and offloading* **(FPSO)** units and equipment.

NIBC initially values collateral based on fair market value when structuring the transaction, and evaluates the collateral and its value (semi-) annually during the lifetime of the loan. NIBC typically seeks confirmation from independent third-party experts that its interests are legally enforceable. Exposures in the shipping and oil & gas sectors are secured by moveable assets such as ships and drilling vessels. The Commercial Real Estate portfolio is primarily collateralised by mortgages on financed properties. Collateral value is estimated using third-party appraisers, whenever possible, or valuation techniques based on common market practice. For example, loan-to-value ratios are regularly tested and ships are semi-annually appraised by external parties. Other commercial exposures are, to a large extent, collateralised by assets such as inventory, debtors, and third-party credit protection (e.g. guarantees).

It is impracticable for NIBC to estimate the remeasurement of the total fair market value of collateral. NIBC, therefore, does not disclose this fair market value. Furthermore, NIBC recognises that the fair market values of collateral in a diverse portfolio may not present a correct indication of the recovery prospects. Some asset types are more liquid than others and may thus require a smaller haircut in case of a quick sale. In addition, different asset types can be subject to very different asset price volatilities.

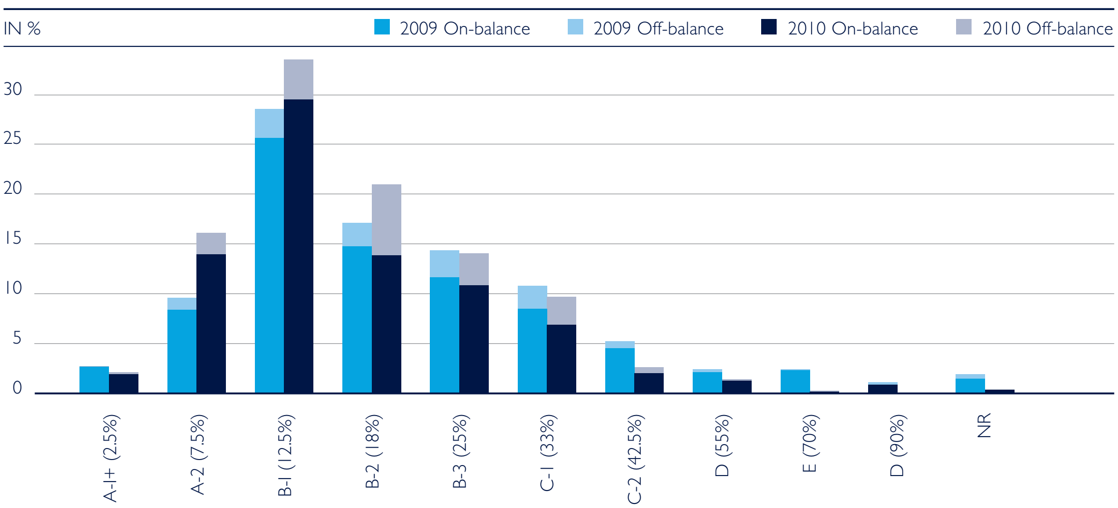
NIBC has chosen to disclose the distribution of on- and off-balance sheet corporate loan exposures per internal LGD rating, as shown in graph 55-5. Note that the corporate loan exposures of graph 55-5 refer to non-defaulted exposures, given that the LGD is a measure of anticipated loss from the facilities of a non-defaulted counterparty. Once a counterparty enters default, then the impairment amount is a more meaningful measure of the loss. Tables 55-9 and 55-10 provide more information on impairment amounts.

LGD ratings are facility-specific. An LGD rating reflects the loss that can be expected in a downward scenario on a facility, if a counterparty defaults. NIBC's internal LGD scale consists of 7 grades (A-F) and 10 notches, each of which represents a different degree of recovery prospects and loss expectations. In graph 55-5, the letters on the horizontal axis refer to NIBC's LGD grades and notches, whereas the numbers inside the parentheses refer to the loss percentage assigned to each LGD rating. NR stands for not rateable, which was a negligible portion (0.4% of corporate loans at 31 December 2010; 1.7% of corporate loans at 31 December 2009). NR is assigned to entities to which NIBC's corporate rating tools were not applicable at the time of rating.

The LGD methodology is based on a combination of qualitative and quantitative rating indicators that include, among others, the assessment of the realisable collateral value, guarantees, the seniority of the loan, the applicable jurisdiction, and the quality of the counterparty's assets. Once the various LGD drivers have been assessed, the final LGD rating is based upon expert judgement.

The assessment of the available collateral for a facility is the basis for NIBC's LGD analysis. In determining the realisable collateral value, which is based upon recent appraisals, NIBC applies a number of haircuts on the collateral's fair market value. These haircuts are mainly driven by the type of collateral, how liquid it is, the business cycle of the industry, the work-out costs and the costs for forced collateral sales.

Graph 55-5 On- and off-balance non-defaulted corporate loan exposure per LGD rating, 31 December 2010 and 31 December 2009



Amounts in arrear

Amounts in arrear are reported to the TC every two months. Payments may be past due for various reasons. However, late payments that are not yet received are not automatically assumed to be uncollectible.

An overview of the amounts in arrear of all corporate loan exposures is provided in tables 55-6 and 55-7. The exposure amounts refer to both on- and off-balance sheet amounts of those facilities with an arrear, whereas the outstanding amounts refer to the on-balance sheet amounts only. The amounts in arrear are the actual amounts past due at 31 December 2010 and 31 December 2009 respectively. The column labelled 'Impairment Amount' includes on-balance sheet impairment amounts only (31 December 2010: 128 million; 31 December 2009: EUR 110 million). The inclusion of *Incurred but not Reported* **(IBNR)** impairment amounts on the line with no payments in arrear brings the total impairment amount for 2010 to EUR 131 million (2009: 113 million). Tables 55-9 and 55-10 provide more information on impairment amounts.

It is impracticable for NIBC to estimate the remeasurement of the total fair market value of collateral. NIBC, therefore, does not disclose collateral information on the loans carrying an amount in arrear in tables 55-6 and 55-7.

Table 55-6 Corporate loan amounts in arrear, 31 December 2010

IN EUR MILLIONS	Exposure		Outstanding		Amount in arrear		
	Total	Exposure (in %)	Total	On-balance (in %)	Total	On-balance (in %)	Impairment amount
AGE OF PAYMENT IN ARREAR							
1 - 5 days	194	2.0	189	2.4	31	0.4	25
6 - 30 days	10	0.1	10	0.1	-	0.0	-
31 - 60 days	17	0.2	17	0.2	-	0.0	1
61 - 90 days	19	0.2	19	0.3	1	0.0	-
SUBTOTAL LESS THAN 90 DAYS	**240**	**2.5**	**235**	**3.0**	**32**	**0.4**	**26**
Over 90 days	426	4.4	426	5.4	31	0.4	15
No payment in arrear	9,008	93.1	7,264	91.6	-	0.0	90
TOTAL	**9,674**	**100**	**7,925**	**100**	**63**	**0.8**	**131**

Table 55-7 Corporate loan amounts in arrear, 31 December 2009

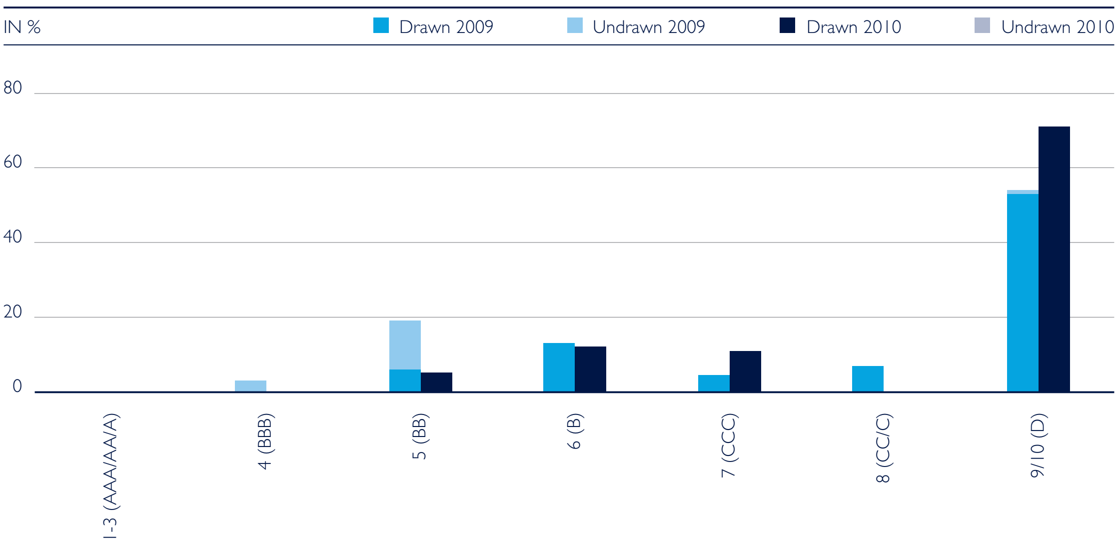
IN EUR MILLIONS	Exposure		Outstanding		Amount in arrear		
	Total	Exposure (in %)	Total	On-balance (in %)	Total	On-balance (in %)	Impairment amount
AGE OF PAYMENT IN ARREAR							
1 - 5 days	92	1.1	61	0.8	2	0.0	8
6 - 30 days	91	1.1	83	1.1	3	0.0	-
31 - 60 days	8	0.1	7	0.1	8	0.1	1
61 - 90 days	15	0.2	9	0.1	2	0.0	7
SUBTOTAL LESS THAN 90 DAYS	**206**	**2.4**	**160**	**2.2**	**15**	**0.2**	**16**
Over 90 days	72	0.8	71	1.0	30	0.4	18
No payment in arrear	8,294	96.8	7,210	96.9	-	0.0	79
TOTAL	**8,572**	**100**	**7,441**	**100**	**45**	**0.6**	**113**

NIBC applies a threshold for determining whether a loan carries an insignificant amount in arrear. The criteria for this threshold are explained in the introduction of note 55. If amounts in arrear fall below the threshold, then the exposure is placed on the 'no payment in arrear' line of tables 55-6 and 55-7. The application of this threshold does not influence the total amount in arrear, which amounted to EUR 63 million at 31 December 2010. Extending the threshold to the 2009 comparative numbers does not have any impact either on the total amount in arrear at 31 December 2009 (EUR 45 million), as also reported in the 2009 Annual Report. For both years, the total amount in arrear that is considered insignificant is below EUR 80 thousand.

Graph 55-8 shows the rating distribution of the exposure amounts (expressed as the sum of drawn and undrawn amounts) of all loans with an amount in arrear. The total exposure amount at 31 December 2010 is EUR 666 million (2009: EUR 278 million) and the total drawn amount at 31 December 2010 is

EUR 661 million (2009: EUR 231 million). The numbers on the horizontal axis refer to NIBC's internal rating scale, whereas the letters inside the parentheses refer to the equivalent rating scale of Standard & Poor's. The outstanding amount of EUR 426 million that appears at 31 December 2010 as having an amount of EUR 31 million in arrear for above 90 days is collateralised by granular multi-family residential real estate.

Graph 55-8 Distribution of drawn and undrawn amounts with an amount in arrear per rating category, 31 December 2010 and 31 December 2009



Impairment amounts

Credit officers and CRM monitor the quality of counterparties in the Corporate Loan portfolio on a regular basis. On a quarterly basis, the entire portfolio is assessed for impairment. All existing impairments are reviewed as well.

NIBC calculates an impairment amount by taking certain factors into account, particularly the available collateral securing the loan and the corporate derivative exposure, if present. The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future losses that have not been incurred). If collateral is present, then the present value of the future cash flows reflects the foreclosure of collateral. More information on the way impairments are calculated is included in the section Accounting Policies.

NIBC considers a default occurring at a counterparty level, whereas an impairment amount is taken at the facility level. When a default occurs (in line with the Basel II definition[1]) then the entire exposure and outstanding amount of the borrower are classified as defaulted. On the contrary, if an impairment amount is taken against a facility, only the outstanding amount of that particular facility is classified as impaired.

1. According to the Basel II definition, a default is determined on borrower level. A default is indicated by using a 9 or 10 rating in NIBC's internal rating scale. A default is considered to have occurred with respect to a particular obligor when either or both of the two following events have taken place: i. The bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the bank to actions such as realising security (if held). ii. The obligor is past due more than 90 days on any material credit obligation to the banking group.

Tables 55-9 and 55-10 show an overview of impairments at 31 December 2010 and 31 December 2009, subdivided in regions and industry sectors, respectively. The column labelled 'Exposure' includes both on- and off-balance sheet amounts, and the column labelled 'Impairment Amount' refers to the on-balance sheet amounts of impaired facilities.

Table 55-9 Impairment per region

	2010				2009			
IN EUR MILLIONS	Exposure	Impaired exposure	Impairment amount	Write-offs	Exposure	Impaired exposure	Impairment amount	Write-offs
The Netherlands	3,622	267	97	9	3,689	124	54	1
United Kingdom	1,658	37	15	19	1,692	20	17	15
Germany	1,624	25	16	11	1,055	56	30	-
Rest of Europe	1,169	-	-	-	857	-	-	9
Asia/Pacific	890	-	-	-	657	4	1	-
North America	360	-	-	8	343	14	9	-
Other	351	-	-	-	278	-	-	-
IBNR Corporate Loans	-	-	3	-	-	-	3	-
TOTAL	**9,674**	**329**	**131**	**47**	**8,572**	**218**	**113**	**25**

Table 55-10 Impairment per industry sector

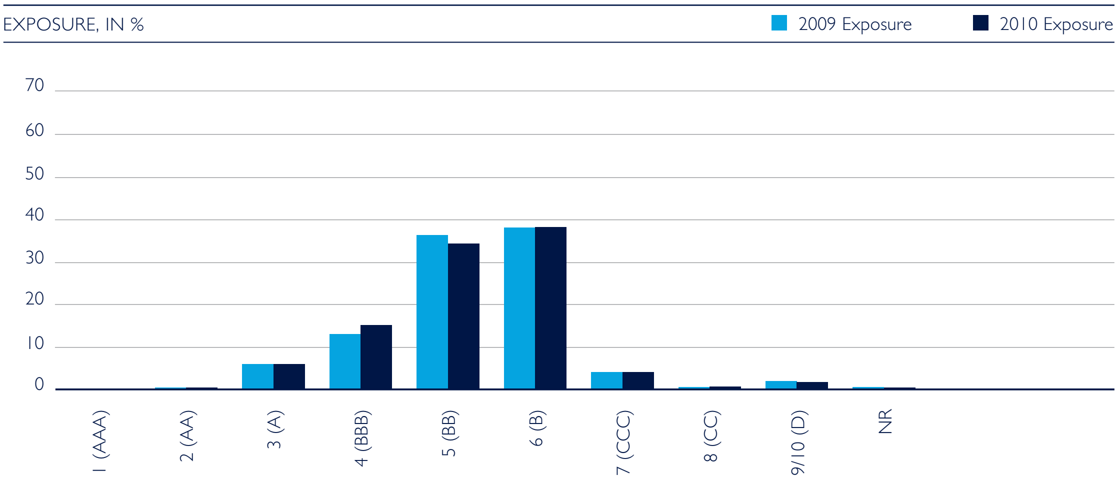
	2010				2009			
IN EUR MILLIONS	Exposure	Impaired exposure	Impairment amount	Write-offs	Exposure	Impaired exposure	Impairment amount	Write-offs
Commercial Real Estate	2,436	149	27	-	2,518	7	2	-
Infrastructure	1,933	7	3	-	1,637	7	4	-
Shipping	1,540	3	-	-	1,186	3	-	1
Financial Services	864	74	39	-	613	78	28	-
Oil & Gas	846	-	-	-	660	-	-	-
Wholesale/Retail/Leisure	696	36	24	-	670	11	9	-
Manufacturing	530	16	12	16	610	31	27	15
Services	422	43	23	31	274	75	40	-
Agriculture & Food	224	1	-	-	183	1	-	-
TMT	163	-	-	-	175	5	-	-
Other	20	-	-	-	46	-	-	9
IBNR Corporate Loans	-	-	3	-	-	-	3	-
TOTAL	**9,674**	**329**	**131**	**47**	**8,572**	**218**	**113**	**25**

Corporate loans without impairments and amounts in arrear

At 31 December 2010, the size of the corporate loan exposure that carried neither impairments nor amounts in arrear equalled EUR 8,735 million (2009: EUR 8,136 million).

Graph 55-11 shows the distribution of exposure amounts without impairments and amounts in arrear, at 31 December 2010 and 31 December 2009. NR stands for not rateable, which represents a negligible part of the portfolio (31 December 2010: 0.4% of all loans without impairments and amounts in arrear; 31 December 2009: 0.5%). Furthermore, a small portion of this portfolio segment (1.7% at 31 December 2010; 1.8% at 31 December 2009) carried a default rating of either 9 or 10. No impairment amounts have been taken on these exposures as NIBC does not expect any losses but full repayment due to e.g. over-collateralisation or seniority in the capital structure. Furthermore, despite their defaulted status, these exposures showed no amounts in arrear.

Graph 55-11 Distribution of exposure amount without impairments and amounts in arrear per rating category, 31 December 2010 and 31 December 2009



Investment Management loans

IM loans are originated and monitored by the Investment Management Business Unit (part of Merchant Banking) and are separated from the Corporate Loan portfolio. IM loans are typically unsecured, subordinated loans that may contain equity characteristics such as attached warrants or conversion features. As such, IM loans typically carry a higher risk profile than corporate loans, which is compensated by higher expected returns. Examples of these loans include mezzanine loans, convertible loans and shareholder loans.

The IM loan investments can be divided in indirect investments and direct investments. Indirect investments are investments made through *funds set up and managed by NIBC* **(NIBC Funds)** that are controlled by NIBC and thus consolidated into the financial statements of NIBC. Direct investments are all other investments.

The responsibility for the management of both the direct and the indirect investment exposures rests with Merchant Banking. Direct investment transactions with respect to IM loans are approved by the *Investment Committee* **(IC)** of NIBC. Indirect investment transactions are approved by the investment committees of the NIBC Funds, subject to the investment guidelines stipulated in the fund agreements between the manager of the NIBC Fund and the investors.

Investment officers monitor the quality of counterparties in the portfolio on a regular basis. On a quarterly basis, the entire IM Loan portfolio is assessed for impairment. All existing impairments are reviewed as well. Impairments of indirect investment exposures are determined by the manager of the NIBC Fund. All impairments are reviewed and approved by the IC.

The total size of the IM Loan portfolio at 31 December 2010 was EUR 205 million (2009: EUR 245 million), of which 91% was drawn (2009: 86%). In line with the special nature of the asset class, the IM loans typically carry riskier internal CCRs and often a higher LGD than corporate loans. At 31 December 2010, the weighted average counterparty credit rating of IM loans assets, was 6- (2009: 7+) in NIBC's internal rating scale (equivalent to B- in 2010 and CCC+ in 2009 in external rating agencies' scales).

Tables 55-12 and 55-13 show a breakdown of IM loans per region and industry sector, respectively, at 31 December 2010 and 31 December 2009.

Table 55-12 Breakdown of IM loans per region

	2010		2009	
IN EUR MILLIONS	Exposure	In %	Exposure	In %
The Netherlands	114	56	147	60
United Kingdom	55	27	63	26
Germany	34	16	29	12
Rest of Europe	2	1	-	-
Asia/Pacific	-	-	6	3
TOTAL	**205**	**100**	**245**	**100**

Table 55-13 Breakdown of IM loans per industry sector

	2010		2009	
IN EUR MILLIONS	Exposure	In %	Exposure	In %
Manufacturing	71	35	64	26
Wholesale/Retail/Leisure	48	23	79	32
Commercial Real Estate	19	9	17	7
Services	5	2	5	2
TMT	-	-	17	7
Other	62	30	63	26
TOTAL	**205**	**100**	**245**	**100**

Amounts in arrear

NIBC applies a threshold for determining whether a loan carries an insignificant amount in arrear. The criteria for this threshold are explained in the introduction of note 55. If amounts in arrear fall below the threshold, then they are considered insignificant and are therefore excluded.

It is impracticable for NIBC to estimate the remeasurement of the total fair market value of collateral. NIBC, therefore, does not disclose collateral information on the IM loans carrying an amount in arrear.

At 31 December 2010, a drawn amount of EUR 7 million showed an amount in arrear of EUR 7 million for above 90 days. This amount was also impaired.

In 2009, a drawn amount of EUR 31 million showed a past-due (for 31-60 days), non-impaired amount of EUR 2 million, of which EUR 1 million was collateralised and EUR 1 million was not collateralised.

The application of the threshold does not influence the total amounts in arrear for either 2010 or 2009. For both years, the total amount in arrear that is considered insignificant is below EUR 7 thousand.

Impairment amounts

At 31 December 2010, impairment amounts on IM loans amounted to EUR 22 million (2009: EUR 30 million). Table 54-14 shows the breakdown of impairments and write-offs in industry sectors at 31 December 2010 and 31 December 2009. The column labelled 'Exposure' includes both on- and off-balance sheet amounts, and the column labelled 'Impairment Amount' refers to the on-balance sheet amounts of impaired facilities. All impairments and write-offs were in the Netherlands.

Table 55-14 Impairment per industry sector

	31 December 2010				31 December 2009			
IN EUR MILLIONS	Exposure	Impaired exposure	Impairment amount	Write-offs	Exposure	Impaired exposure	Impairment amount	Write-offs
Manufacturing	71	8	8	-	64	-	-	32
Wholesale/Retail/Leisure	49	6	6	18	79	20	20	-
Commercial Real Estate	19	8	8	-	17	2	5	-
Services	4	-	-	-	5	-	-	-
TMT	-	-	-	2	17	2	3	-
Other	62	-	-	-	63	62	2	1
TOTAL	**205**	**22**	**22**	**20**	**245**	**86**	**30**	**33**

At 31 December 2010, the size of the IM loan exposure that carried neither impairments nor past-due amounts equalled EUR 182 million (2009: EUR 92 million). The weighted average CCR on this portion of this portfolio was 6- in NIBC's internal rating scale (B- in external rating agencies' scales). In 2009, the weighted average CCR was 7+ in NIBC's internal rating scale (CCC+ in external rating agencies' scales).

Residential mortgages

At 31 December 2010, the composition of the Residential Mortgage portfolio (EUR 9,767 million) was as shown in Table 55-15:

Table 55-15 Breakdown of Residential Mortgage portfolio

IN EUR MILLIONS	2010	2009
Dutch Own Book portfolio	3,907	5,223
Dutch Securitised portfolio	5,338	4,784
German Own Book portfolio	522	594
TOTAL	9,767	10,601

Dutch Residential Mortgage portfolio

The Dutch Residential Mortgage portfolio contains loans that have been distributed by business partners (insurance companies, mortgage chains and service providers) following a set of underwriting criteria. The servicing and administration of the mortgage portfolio is outsourced to third-party servicers. 28% of the Mortgage Loan portfolio at 31 December 2010 has a *Dutch government guarantee* (**NHG guarantee**) in accordance with the general terms and conditions set by the Stichting *Waarborgfonds Eigen Woningen* (**WEW**, Social Housing Guarantee Fund).

A large part of the Dutch Residential Mortgage portfolio has been securitised. In most cases, NIBC has retained junior notes and other positions related to these securitisation programmes. These securitisation programmes are consolidated on NIBC's balance sheet. The notional amount of the retained positions is EUR 298 million.

Risk governance

In order to control the credit risk in the origination of residential mortgages, an acceptance policy framework has been formulated to screen residential mortgage applications. Acceptance depends on the following underwriting criteria:

- Conformity with the Code of Conduct on Mortgage Credits of the Dutch Bankers Association;
- A check of an applicant's credit history with the Dutch National Credit Register (*Bureau Krediet Registratie* or **BKR**), a central credit agency used by financial institutions in the Netherlands, which records five years of financial commitments and negative credit events;
- Mortgage loans are secured by first ranking mortgage rights;
- Properties are occupied by the owner;
- Other criteria such as type of property, maximum *Loan-To-Market Value* (**LTV**), maximum *Loan-to-Income* (**LTI**); and
- Underwriting criteria for mortgages with a NHG guarantee are set in accordance with the general terms and conditions set by the WEW. The WEW finances itself by a one-off up-front charge to the borrower as a percentage of the principal amount of the mortgage loan. The NHG guarantee covers losses on the outstanding principal, accrued unpaid interest, and disposal costs, caused by foreclosure.

Arrears management

In order to control the credit risk of the Dutch Residential Mortgage portfolio, NIBC has established standardised procedures to manage all loan amounts in arrear. To improve further results, all arrears are managed in-house. This ensures a dedicated team focused on minimising losses. The Arrears Management team is also responsible for collecting remaining debts, managing fraud cases and visiting clients and properties that serve as collateral.

When amounts in arrear occur, the borrower receives four letters in the first month and is contacted four times by phone. Depending on the outcome of these contacts, a customer-specific approach is used per borrower. The Arrears Management team has to submit all loans in default to the Arrears Management Committee, for approval by further management. The Arrears Management Committee contains members from Risk Management, Operations, Retail Markets and the Arrears Management team. Table 55-16 shows the arrears overview of the total Dutch Residential mortgage portfolio at 31 December 2010 and 31 December 2009.

Table 55-16 Arrears overview, Dutch Residential Mortgage portfolio

IN %	2010	2009
No arrears	97.2	97.7
0< ≤30 days	1.7	1.4
30< ≤60 days	0.4	0.3
60< ≤90 days	0.2	0.1
>90 days	0.5	0.4
TOTAL (in %)	**100**	**100**
TOTAL (in EUR millions)	**9,245**	**10,006**

Risk measurement

Risk of loss is measured by assigning PD and LGD estimates for every loan. The PD expresses the probability of any borrower going into default, whereas the LGD measures the potential loss when a default has taken place. These parameters are determined by an internally developed Basel II AIRB model that has been in use since 2006. This model is used for solvency reporting to the DNB. The PD estimates are dependent on a variety of factors, of which the key factors are debt-to-income and loan-to-foreclosure-value ratios. Table 55-17 shows the PD distribution of the Dutch Residential Mortgage portfolio at 31 December 2010 and 31 December 2009. A PD of 100% means that a borrower is more than 90 days in arrears.

Table 55-17 Rating class allocation of Dutch Residential mortgages

	Own book Dutch mortgages		Securitised Dutch mortgages	
IN %	2010	2009	2010	2009
PROBABILITY OF DEFAULT				
≤ 1%	93.2	95.8	97.6	98.2
1 - 2%	2.8	0.8	0.1	0.1
2 - 5%	0.9	1.0	1.2	0.7
5 - 99%	1.6	1.3	0.9	0.7
100%	0.9	0.6	0.2	0.3
Not rated	0.6	0.4	0.0	0.0
TOTAL (in %)	**100**	100	**100**	100
TOTAL (in EUR millions)	**3,907**	5,223	**5,338**	4,784

Risk mitigation and collateral management

Credit losses are mitigated in a number of ways:

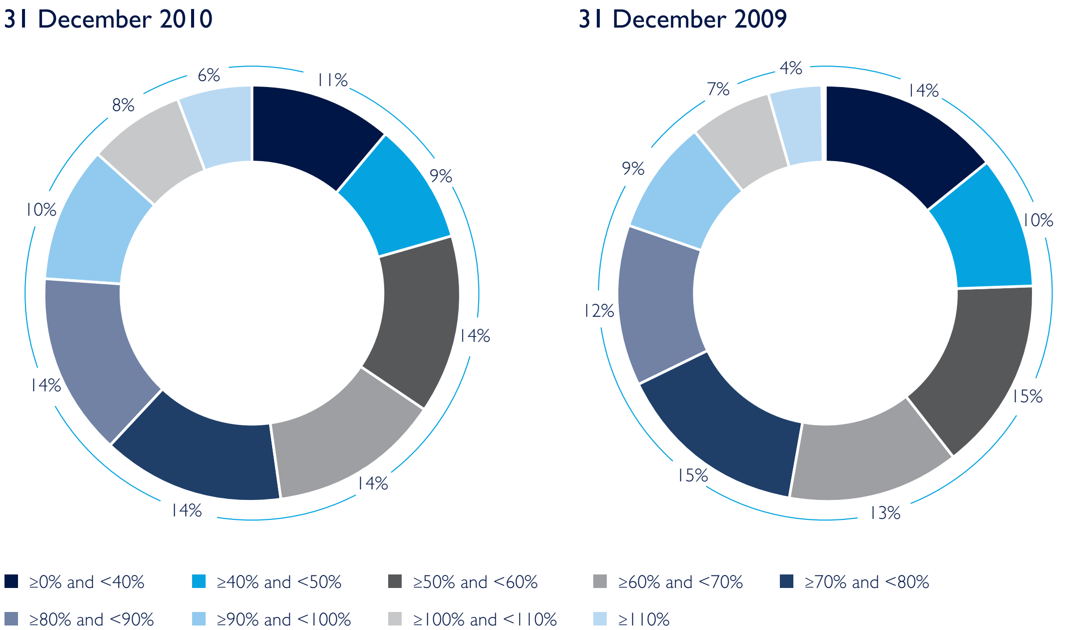
- The underlying property is pledged as collateral;
- 19% of the Dutch Own Book portfolio and 36% of the Securitised portfolio are covered by the NHG programme; and
- For the part of the Dutch portfolio that has been securitised, credit losses higher than the retained positions are attributable to investors in the securitisation programmes.

At 31 December 2009, EUR 711 million of credit protection by means of a CDS guarantee structure in a synthetic securitisation was in place, in connection with NIBC's residential mortgages own book. This structure expired in December 2010.

For the portfolio not covered by the NHG programme, the underlying property is the primary collateral for any mortgage loan granted, though savings and investment deposits may also serve as additional collateral.

An indicator for potential losses, taking into account indexation of house prices and seasoning, is achieved by calculating the *Loan-to-Indexed-Market-Value* (**LTiMV**). The indexation is made by using the Kadaster index, which is based on market observables. The Kadaster (national property register) is a public government register of real estate and their vested rights (e.g. ownership and mortgages). This register contains transaction data as well as CBS (Statistics Netherlands) data, which are used to construct a pricing index. Graphs 55-18 and 55-19 show a breakdown of the LTiMV for the portfolio not covered by the CDS or the NHG programme at 31 December 2010 and 31 December 2009. Only 14% of the total portfolio has an LTiMV above 100%. For the remainder of the portfolio, the indexed collateral value is sufficient to cover the entire loan balance outstanding.

Graph 55-18/19 Loan-to-indexed-market-value of portfolio not covered by CDS/NHG programme



German Residential Mortgage portfolio

The German Residential Mortgage portfolio amounted to EUR 522 million at 31 December 2010 (31 December 2009: EUR 594 million). The majority of this portfolio was acquired from third parties via two portfolio purchases. The purchased portfolios contain highly seasoned loans with low LTV. Due to data protection regulations, the German Residential Mortgage portfolio is divided into so-called 'consent' and 'non-consent' borrowers, depending on whether the borrower has agreed to disclose his personal data. The servicing and administration of the 'consent' portfolio of German Residential Mortgages is fully in-sourced, including arrears management, while the 'non-consent' portfolio is outsourced to third-party servicers; foreclosure management is fully outsourced to the latter.

In order to control the credit risk in the origination of residential mortgages, an acceptance policy and underwriting criteria have been formulated to screen residential mortgage applications. Acceptance of newly originated mortgages depends on the following criteria:

- All applicants are checked by SCHUFA (similar to the BKR) and other private credit bureaus, such as Infoscore;
- First-ranking rights on mortgage loans;
- A maximum of 111% of the purchase price for owner-occupied properties and up to 100% for buy-to-let properties. For additional risk factors, NIBC limits the LTV to 60%; and
- In addition to desk valuations, NIBC conducts on-site inspections of the properties.

In order to control the credit risk of the German Residential Mortgage portfolio, NIBC has established standardised procedures to manage all loan amounts in arrear. The arrear process starts directly by means of countered direct debits, i.e. when a direct withdrawal from the borrower's account fails. The Arrears Management team contacts the customer to get insight into the reason for being in arrear.

They claim the outstanding amount with a letter sent every two weeks. In case of private insolvency or payment in arrear beyond 90 days, responsibility is taken over by the special servicer.

Table 55-20 shows an overview of the payments in arrear at 31 December 2010 and 31 December 2009 for the German Residential Mortgage portfolio. As it is market practice in Germany to start the foreclosure procedure after being six months in arrear (180 days), the past-due payments above 90 days for the German portfolio are higher in comparison to the Dutch portfolio. Furthermore, the foreclosure procedure takes, on average, 18 months to complete, which is substantially longer than in the Netherlands, where it takes, on average, six to nine months.

Table 55-20 Arrears overview, German Residential Mortgage portfolio

IN %	2010	2009
No arrears	95.0	96.3
0< ≤30 days	1.4	1.2
30< ≤60 days	1.9	1.1
60< ≤180 days	1.4	1.0
>180 days	0.3	0.5
TOTAL (in %)	**100**	**100**
TOTAL (in EUR millions)	**522**	**594**

As is the case in the Netherlands, the underlying property is the primary collateral for any mortgage loan granted. The majority of mortgage loans in Germany contain an annuity debt profile, leading to a lower outstanding balance during the lifetime of the loan. The majority of the underlying collateral for the German portfolio is located in former West Germany.

Debt investments

NIBC defines the credit risk contained in the Debt Investments portfolio as issuer risk, which is the credit risk of losing the principal amount on products like bonds and CDS positions (where it concerns sold protection). It is calculated based on the book value.

Risk monitoring and measurement

The risk is controlled by setting single issuer limits and in some cases programme limits. All single issuer limits are approved by the TC or by delegated authority to *Financial Markets Credit Risk/Market Risk* (**FMCR/MR**).

Apart from the single issuer limits, risk is also monitored by assessing credit spread risk. Both sensitivity analysis (basis point values) and Value-at-Risk numbers are used. Note 56 on Market Risk contains more information on these variables.

In the remainder of this section, the exposure has been divided into the following two categories:

- Debt from financial institutions, corporate and sovereign entities; and
- Securitisations.

Debt from financial institutions, corporate and sovereign entities

NIBC invests in debt issued by financial institutions, corporate and sovereign entities, partly in the form of sold CDS protection. Tables 55-21 and 55-22 present the exposures including off-balance positions, at 31 December 2010 and 31 December 2009. Off-balance positions refer to the CDS protection sold by NIBC to third parties.

At 31 December 2010, the portfolio of debt investments in financial institutions, corporate and sovereign entities did not include any sovereign risk exposures.

In table 55-22 the total amount of EUR 1,557 million is different than the number published in the 2009 Annual Report. In the 2009 Annual Report, debt from financial institutions, corporate and sovereign entities (EUR 1,509 million) was reported separately from the Enhanced Investments and Credit Fixed Income Funds portfolio (EUR 48 million at 31 December 2009). Because at 31 December 2010 the exposure on both portfolios stood at less than EUR 5 million, this year's Annual Report combines these portfolios in one aggregated overview.

Table 55-21 Debt from financial institutions, corporate and sovereign entities, 31 December 2010 (including off-balance positions)

IN EUR MILLIONS	AAA	AA	A	BBB	BB	≤B	NR	Total
Financial institutions	500	294	497	23	-	10	3	1,327
Corporate entities	-	-	10	16	-	-	12	38
Sovereign entities	-	-	-	-	-	-	-	-
TOTAL	**500**	**294**	**507**	**39**	**-**	**10**	**15**	**1,365**

Table 55-22 Debt from financial institutions, corporate and sovereign entities, 31 December 2009 (including off-balance positions)

IN EUR MILLIONS	AAA	AA	A	BBB	BB	≤B	NR	Total
Financial institutions	586	313	584	3	9	-	62	1,557
Corporate entities	-	-	-	-	-	-	-	-
Sovereign entities	-	-	-	-	-	-	-	-
TOTAL	**586**	**313**	**584**	**3**	**9**	**-**	**62**	**1,557**

At 31 December 2010, the portfolio of debt from financial institutions, corporate and sovereign entities carried zero impairments.

Securitisations

NIBC has been an active participant of the securitisation market in the past decade, both as an originator of as well as investor in securitisations. In 2007, NIBC's perspective on the securitisation market changed and a policy of active de-risking was implemented for both the Western European and North American portfolios. As part of this policy, the complete North American *Residential Mortgage-Backed Securities* (**RMBS**) portfolio was closed and the remaining North American exposures (*Commercal Mortgage-Backed Securities* (**CMBS**) and *Commercial Real Estate – Collateralised Debt Obligation* **(CRE-CDO)**) were transferred from NIBC Bank to NIBC Holding. The Western European portfolio was also significantly reduced in size but remained within NIBC Bank.

Tables 55-23 and 55-24 present an overview of NIBC's total securitisation exposure resulting from its activities as an originator of and investor in securitisations. The exposure relating to NIBC's activities as an originator can be split into exposures related to consolidated and non-consolidated securitisations. In case a securitisation programme is consolidated on NIBC's balance sheet, the exposure to the collateral is excluded from the securitisation exposure and included in the total exposures presented in Note 55 on credit risk in the corporate loans or residential mortgages sections. NIBC's total exposure as an originator to consolidated securitisations equalled EUR 344 million at 31 December 2010 compared to EUR 210 million at 31 December 2009. The increase in consolidated securitisation exposure is the result of retained positions in NIBC's newly issued securitisations and some repurchases of its own securitisations.

NIBC's total securitisation exposure (investor and non-consolidated originator) increased to EUR 952 million at 31 December 2010 from EUR 738 million at 31 December 2009. Next to the Western European portfolio, for which exposure further decreased to EUR 591 million at 31 December 2010 from EUR 646 million at 31 December 2009, NIBC also distinguishes a Liquidity Investments portfolio and an Investments in Own Securitisations portfolio.

The Liquidity Investments portfolio was set up to invest part of NIBC's excess liquidity in the securitisation market. Investments are limited to AAA-rated RMBS transactions backed by Dutch collateral, and are eligible to be pledged as collateral with the *European Central Bank* **(ECB)**. Apart from the strict mandate, each investment is pre-approved by both the Market Risk and the Financial Markets Credit Risk departments. Exposure in this portfolio increased to EUR 289 million at 31 December 2010 from EUR 31 million at 31 December 2009.

The Investments in Own Securitisations portfolio contains all investments in NIBC's non-consolidated securitisations and was set up in 2010. The portfolio includes transactions in which NIBC invested at the time of origination, as well as some new investments to act upon opportunities for creating a market in NIBC's own securitisations. The latter activities concern investments in NIBC's North Westerly *Collateralised Loan Obligation* **(CLO)** programme. All investments in NIBC's own securitisations are subject to approval from Market Risk and Financial Markets Credit Risk, as well as the Finance department. The total amount of investments in this portfolio was EUR 72 million at 31 December 2010, compared to EUR 61 million at 31 December 2009.

Table 55-23 Exposure to securitised products, 31 December 2010 [1]

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Total
EU - ABS	9	3	3	-	1	1	17
EU - CDO	-	11	58	43	25	20	158
EU - CMBS	56	20	39	11	22	7	156
EU - RMBS	55	32	43	57	15	53	255
Other	3	1	-	-	-	-	4
TOTAL WESTERN EUROPEAN SECURITISATIONS	**123**	**68**	**142**	**112**	**64**	**82**	**591**
NL - RMBS AAA	289	-	-	-	-	-	289
TOTAL SECURITISED TREASURY LIQUIDITY INVESTMENTS	**289**	**-**	**-**	**-**	**-**	**-**	**289**
Investments Own CDO securitisations	-	-	41	3	3	5	52
Investments Own CMBS securitisations	9	8	-	4	-	-	20
Investments Own RMBS securitisations	-	-	-	-	-	-	-
TOTAL SECURITISED INVESTMENTS IN OWN SECURITISATIONS	**9**	**8**	**41**	**7**	**3**	**5**	**72**
TOTAL SECURITISATION EXPOSURE	**420**	**76**	**183**	**119**	**67**	**86**	**952**

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

Table 55-24 Exposure to securitised products, 31 December 2009 [1]

BOOK VALUE, IN EUR MILLIONS	AAA	AA	A	BBB	BB	<BB	Total
EU - ABS	10	6	1	1	1	-	19
EU - CDO	-	33	50	37	6	37	163
EU - CMBS	53	20	35	26	9	13	157
EU - RMBS	130	55	48	40	14	12	300
Other	5	1	-	0	-	0	7
TOTAL WESTERN EUROPEAN SECURITISATIONS	**199**	**115**	**135**	**104**	**30**	**62**	**646**
NL - RMBS AAA	31	-	-	-	-	-	31
TOTAL SECURITISED TREASURY LIQUIDITY INVESTMENTS	**31**	**-**	**-**	**-**	**-**	**-**	**31**
Investments Own CDO securitisations	-	-	29	3	2	2	37
Investments Own CMBS securitisations	20	-	2	2	-	-	24
Investments Own RMBS securitisations	-	-	-	-	-	-	-
TOTAL EUROPEAN SECURITISATIONS	**20**	**-**	**32**	**5**	**2**	**2**	**61**
TOTAL SECURITISATION EXPOSURE	**250**	**115**	**167**	**109**	**33**	**65**	**738**

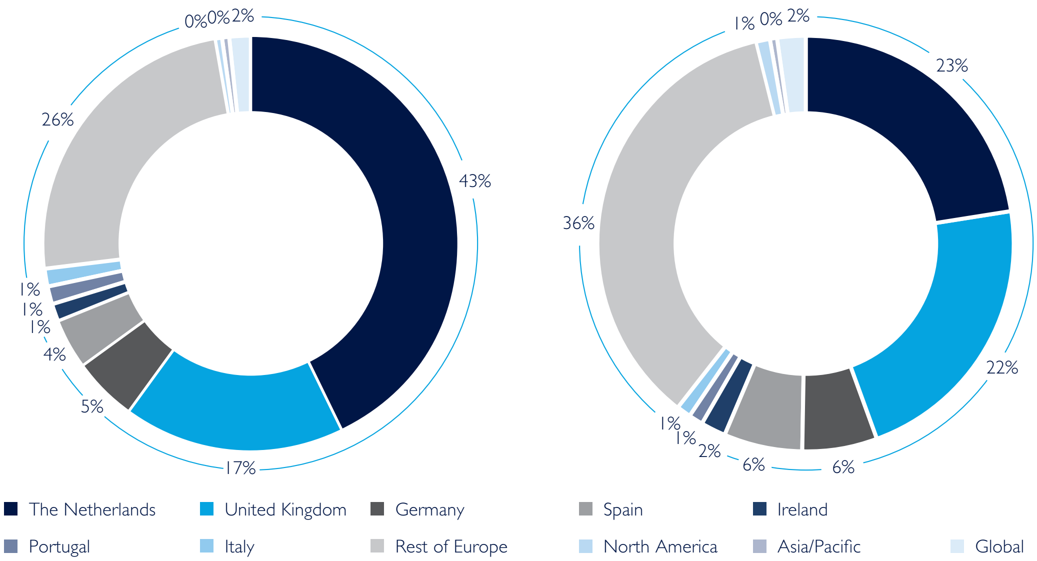
1. Small differences are possible in the table due to rounding.

Geographic distribution of securitisations

Graphs 55-25 and 55-26 present the distribution of the Securitisations portfolio by geographic region, at 31 December 2010 and 31 December 2009. NIBC allocates exposure to a region based on the geographic location in which the cash flows are generated. The geographic distribution illustrates that the majority of these assets is located in Western Europe, mainly in the Netherlands and the United Kingdom. The classification 'Europe' also relates primarily - though not exclusively - to these countries. The chart further shows that NIBC's exposure to Spain, Portugal, Italy, Greece and Ireland is limited, and had decreased to EUR 66 million at 31 December 2010 from EUR 78 million at 31 December 2009. Approximately 89% of this exposure is still investment grade and/or senior-most exposure.

Graph 54-25/26 Distribution of securitisations per region

31 December 2010 (EUR 952 million) | 31 December 2009 (EUR 738 million)



Impairments on securitisations

The majority of the Securitisations portfolio is on accounting classification amortised cost or available for sale, and the respective assets are subject to a quarterly impairment analysis. Total impairments increased by EUR 1 million to EUR 39 million at 31 December 2010.The increase compared to 2009 was the net effect of EUR 4 million in impairment releases and EUR 5 million in new impairments.

Cash management

NIBC is also exposed to credit risk as a result of cash management activities. In 2010, NIBC's risk management framework for cash management continued its conservative attitude that took into account the vulnerable financial markets and concern about various financial entities.

Risk monitoring and measurement

NIBC only places its excess cash with the DNB/Dutch State Treasury Agency and a selected number of investment-grade financial institutions. For the approved financial institutions, a monitoring process is in place within the FMCR department.

Correspondent banking and third-party account providers

Apart from the exposure in cash management, NIBC holds foreign currency accounts at correspondent banks and also utilises third-party account providers for internal securitisations.

Exposures

As shown in table 55-27, at 31 December 2010 NIBC's Treasury department had placed EUR 1,314 million with the DNB and the Dutch State Treasury Agency, and EUR 60 million with two financial institutions. Furthermore, EUR 501 million was placed at third-party account providers, of which EUR 70 million relates to securitisation-related liquidity facilities. The Non-Treasury-Sovereign entities exposure consists entirely of tax receivables.

Table 55-27 Cash, 31 December 2010

IN EUR MILLIONS	AAA	AA	A	BBB	Total
Treasury - Financial institutions	-		60	-	60
Treasury - Dutch Treasury / DNB	1,314	-	-	-	1,314
Non-Treasury - Financial institutions	1	194	306	-	501
Non-Treasury - Sovereign entities	4	-	-	-	4
TOTAL	**1,319**	**194**	**366**	**-**	**1,879**

Table 55-28 Cash, 31 December 2009

IN EUR MILLIONS	AAA	AA	A	BBB	Total
Treasury - Financial institutions	-	1	65	-	66
Treasury - DNB	1,353	-	-	-	1,353
Non-Treasury - Financial institutions	2	377	362	8	749
Non-Treasury - Sovereign entities	14	-	-	-	14
TOTAL	**1,370**	**378**	**427**	**8**	**2,183**

Cash management exposure is recognised on the balance sheet under cash and balances with central banks and due from other banks. EUR 951 million cash collateral has been excluded from the cash management exposure, as this amount can be netted with negative exposures under the credit risk in derivatives. Cash accounts of *Special Purpose Vehicles* (**SPV**) are also excluded, as these amounts are not at risk for NIBC.

At 31 December 2010, NIBC's Treasury department did not make use of reverse repo transactions to place excess cash. Reverse repo transactions amounted to EUR 1,228 million at 31 December 2009 and they were placed with an AA-rated financial institution.

Credit risk in derivatives

Credit risk in derivatives is the risk of having to replace the counterparty in derivative contracts. NIBC's credit risk on derivatives can be split into exposures to financial institutions and corporate entities. NIBC's policy is to minimise this risk. Therefore, NIBC only enters into *Over The Counter* (**OTC**) contracts with financial institutions that are investment grade or with corporate entities where the exposure is secured by some form of collateral.

Risk monitoring and measurement

Credit risk on derivatives is based on the marked-to-market value and add-on of the derivative. The add-on reflects a potential future change in marked-to-market value during the remaining lifetime of the derivative contract. For financial institutions, separate limits for credit risk are in place, based on the external rating and the maturity. For corporate clients, NIBC only enters into a derivative transaction as part of its relationship management. The credit approval process for these derivatives is closely linked with the credit approval process of the loan. These proposals are reviewed in the TC and both the loan and the derivative are treated as a single package whereby the derivative often benefits from the security/ collateral supporting the loan exposure.

Exposures

Tables 55-29 and 55-30 show NIBC's exposures from credit risk on derivatives allocated across the rating class of the underlying counterparty, at 31 December 2010 and 31 December 2009. The exposure shown is the sum of the positive marked-to-market value of derivative contracts excluding the effect of netting and collateral exchange, with the exception of certain swaps which have been excluded at 31 December 2010 due to their risk off-setting nature.

Table 55-29 Derivative exposure excluding netting and collateral, 31 December 2010

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	51	2,018	638	-	-	-	-	-	-	1	**2,708**
Corporate entities	-	-	19	115	173	165	21	12	104	1	**610**
TOTAL	**51**	**2,018**	**657**	**115**	**173**	**165**	**21**	**12**	**104**	**2**	**3,318**

Table 55-30 Derivative exposure excluding netting and collateral, 31 December 2009

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	36	1,722	568	3	-	-	-	-	-	3	**2,332**
Corporate entities	-	1	5	87	136	237	10	1	15	1	**493**
TOTAL	**36**	**1,723**	**573**	**90**	**136**	**237**	**10**	**1**	**15**	**4**	**2,825**

Collateral

To the extent possible, NIBC attempts to limit credit risk from derivatives. Therefore, NIBC enters into bilateral collateral agreements with financial institutions to mitigate credit risk on OTC derivatives by means of *Credit Support Annexes* (**CSA**). Positive marked-to-market values can be netted with negative marked-to-market values and the remaining exposure is mitigated through bilateral collateral settlements. Accepted collateral is mainly cash collateral. The primary counterparties in these CSAs are large international banks with ratings of A or higher. NIBC generally carries out daily cash collateral exchange to account for changes in the market value of the contracts included in the CSA.

The terms and conditions of these CSAs are in line with general International Swaps and Derivatives Association credit support documents. The collateral from CSAs significantly decreases the credit exposure on derivatives, as presented in table 55-31 at 31 December 2010 and in table 55-32 at December 2009.

Table 55-31 Derivative exposure including netting and collateral, 31 December 2010

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	25	119	44	-	-	-	-	-	-	-	**188**
Corporate entities	-	-	10	115	172	163	21	12	104	1	**598**
TOTAL	**25**	**119**	**54**	**115**	**172**	**163**	**21**	**12**	**104**	**1**	**786**

Table 55-32 Derivative exposure including netting and collateral, 31 December 2009

IN EUR MILLIONS	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	Total
Financial institutions	15	238	76	2	-	-	-	-	-	1	**333**
Corporate entities	-	1	5	87	133	236	9	1	11	-	**482**
TOTAL	**15**	**239**	**81**	**90**	**133**	**236**	**9**	**1**	**11**	**1**	**815**

Valuation of corporate derivatives (credit value adjustment)

Credit Value Adjustments (**CVA**) are incorporated into derivative valuations to reflect the risk of default of the counterparty. In essence, CVA represents an estimate of the discounted expected loss on an OTC derivative during the lifetime of a contract. It is applied to all OTC derivative contracts, except for those that benefit from a strong collateral agreement where cash collateral is regularly exchanged, mitigating credit risk. In practice, this means that CVAs are only applied to OTC derivative contracts that generate credit risk on corporate (i.e. non-financial) counterparties.

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

The CVA is sensitive to changes in credit quality of the counterparties, as well as to changes in interest rates affecting current exposure. Based on the current composition of the portfolio, the CVA, in general, reduces when interest rates rise.

Amounts in arrear

NIBC applies a threshold for determining whether a derivative carries an insignificant amount in arrear. The criteria for this threshold are explained in the introduction of note 55. If amounts in arrear fall below the threshold, then they are considered insignificant and are therefore excluded.

At 31 December 2010, in the Corporate Derivative portfolio (EUR 610 million), a total marked-to-market value of EUR 21 million showed an amount in arrear of EUR 1 million for 1-5 days, and of 5 million for above 90 days. At 31 December 2009, in this portfolio (EUR 493 million) a total marked-to-market value of EUR 12 million showed an amount in arrear of EUR 1 million for 1-5 days and of 1 million for above 90 days.

The application of the threshold does not influence the total amounts in arrear for either 2010 or 2009. For both years, the total amount in arrear that is considered insignificant is below EUR 40 thousand.

56 Market risk

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

Risk monitoring and measurement

Interest *Basis Point Value* (**BPV**), credit BPV, interest *Value at Risk* (**VaR**), credit VaR and total VaR measures are calculated on a daily basis for the major currencies and reviewed by the Market Risk department:

- Interest and credit BPV measure the sensitivity of the market value for a change of one basis point in each time bucket of the interest rate and credit spread, respectively. BPV as displayed in the tables below represents the sensitivity of the market value for a one-basis-point, parallel upward shift of the underlying curve. A negative amount represents a loss, a positive amount represents a gain;
- The interest VaR, credit spread VaR and total VaR measure the threshold value, which daily marked-to-market losses with a confidence level of 99% will not exceed, based upon four years of historical data for weekly changes in interest rates, credit spreads and both simultaneously. For the

Trading portfolio, additional VaR scenarios based upon daily historical market data and a 10-day holding period are used, both for limit-setting as well as for the calculation of the capital requirement. VaR as displayed in the tables below is always represented as a positive number, indicating a potential loss; and

- As future market price developments may differ from those that are contained by the four-year history, the risk analysis is complemented by a wide set of scenarios, including scenarios intended as stress testing and vulnerability identification, both based on historical events and on possible future events.

Limits are set on all the indicators (BPV and VaR, interest, credit and total). The limits and utilisation are reported to the ALCO once every two weeks. Any significant breach of market risk limits is reported to the *Chief Risk Officer* **(CRO)** on a daily basis. The income statement for the Trading portfolio is also monitored daily.

In the third quarter of 2010, a new set of yield curves was introduced, in order to accommodate the elevated levels of basis spreads observed in the market since the financial crisis. In this new set-up, new yield curves for instruments with different repricing frequencies were introduced. As a result, for some portfolios, a sharp increase in the VaR numbers was seen.

Exposures

Interest rate risk in the Trading portfolio

At the beginning of 2010, the books that have a trading-book market risk treatment from a regulatory perspective consisted effectively of interest rate risk trading. The relatively low level of the VaR in 2009 was maintained throughout the first half of 2010. Contribution to higher figures after the third quarter came from the new yield curves, as well as from increased trading intensity and position size.

Table 56-1 Key risk statistics of Trading portfolio, 31 December 2010

	Interest rate	
IN EUR THOUSANDS	BPV	VaR
Max [1]	(126)	1,769
Average	(63)	706
Min [2]	27	219
YEAR-END 2010	**(69)**	**1,210**

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

Table 56-2 Key risk statistics of Trading portfolio, 31 December 2009

	Interest rate	
IN EUR THOUSANDS	BPV	VaR
Max [1]	(248)	1,482
Average	(53)	540
Min [2]	111	138
YEAR-END 2009	**(30)**	**253**

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

The portfolio is used for facilitating derivative transactions with corporate clients. Furthermore, activities comprise short-term (up to two years) interest position taking, money market and bond futures trading and swap spread position taking. The interest rate spread risk between positions in swaps and bond futures is also taken into account in the VaR.

Interest rate risk in the Mismatch portfolio

NIBC concentrates the strategic interest rate risk position of NIBC in the Mismatch portfolio. This portfolio exclusively contains swap positions with which a view on future interest rate developments is taken.

Table 56-3 Key risk statistics of USD Mismatch portfolio, 2010

	Interest rate	
IN EUR THOUSANDS	BPV	VaR
Max [1]	(293)	6,340
Average	(266)	5,445
Min [2]	(230)	4,467
YEAR-END 2010	**(239)**	**4,925**

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

Table 56-4 Key risk statistics of USD Mismatch portfolio, 2009

	Interest rate	
IN EUR THOUSANDS	BPV	VaR
Max [1]	(540)	(7,306)
Average	(299)	(5,738)
Min [2]	(229)	(4,556)
YEAR-END 2009	**(230)**	**(5,388)**

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

Table 56-5 Key risk statistics of EUR Mismatch portfolio, 2010

	Interest rate	
IN EUR THOUSANDS	BPV	VaR
Max [1]	(534)	6,446
Average	(495)	5,391
Min [2]	(415)	5,179
YEAR-END 2010	**(417)**	**5,569**

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

Table 56-6 Key risk statistics EUR Mismatch portfolio, 2009

	Interest rate	
IN EUR THOUSANDS	BPV	VaR
Max [1]	(562)	6,780
Average	(449)	5,322
Min [2]	(257)	2,926
YEAR-END 2009	**(497)**	**6,380**

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

Interest rate risk in other portfolios

Apart from the Trading portfolio and the Mismatch portfolio, interest rate risk is also present, but to a lower extent, in the following portfolios (henceforth collectively referred to as 'Banking book'):

- Debt Investments portfolio;
- Residential Mortgage portfolio; and
- Residual Interest Rate Risk portfolio.

The interest rate risk in the Debt Investments portfolio appears mainly in the Securitisations portfolio. The interest rate risk on the Residential Mortgage portfolio is hedged within small facilitating limits. The Residual Interest Rate Risk portfolio (also known as Corporate Treasury portfolio) contains the funding activities of NIBC and the loans to counterparties.

Tables 56-7 and 56-8 give in EUR the interest rate sensitivity for the EUR, the USD and the GBP in the trading, mismatch and banking books at 31 December 2010 and 31 December 2009. For the other currencies, the interest rate risk is minimal. The most significant change is the interest rate risk in the EUR mismatch position. The mismatch figures are aggregated numbers from the EUR and USD Mismatch portfolios and a small closed mismatch position.

Table 56-7 Interest rate statistics, 31 December 2010

	BPV			
IN EUR THOUSANDS	Trading	Mismatch	Banking	Total
EUR	(8)	(412)	182	**(238)**
USD	(61)	(244)	(50)	**(355)**
GBP	-	-	5	**5**
Other	-	-	6	**6**
TOTAL	**(69)**	**(656)**	143	**(582)**

Table 56-8 Interest rate statistics, 31 December 2009

	BPV			
IN EUR THOUSANDS	Trading	Mismatch	Banking	Total
EUR	(40)	(481)	85	**(435)**
USD	10	(247)	14	**(223)**
GBP	0	-	49	**49**
Other	1	-	3	**3**
TOTAL	**(30)**	**(727)**	**151**	**(606)**

Currency risk

Apart from some investments by NIBC in funds managed by Merchant Banking, all of NIBC's positions in foreign currencies, including those of subsidiaries, are hedged by either funding these investments in the appropriate foreign currency or by hedging the exposures using cross-currency swaps or foreign exchange contracts. The most relevant exposures in foreign currencies for NIBC are USD, GBP and JPY. As a result of this policy, NIBC does not actively maintain open currency positions other than translation exposures arising from future income in foreign currencies. The Finance department determines on a monthly basis NIBC's currency positions and reports to Risk Management. When currency positions exceed NIBC's small facilitating foreign currency exposure limits for that currency, NIBC reduces its positions by FX spot or FX forward transactions. The total foreign currency position, by nominal amount, is generally around EUR 25 million, in accordance with historical figures over the last few years.

57 Liquidity risk

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

Maintaining a sound liquidity and funding profile is one of NIBC's most important risk management objectives. NIBC analyses its funding profile by mapping all assets and liabilities into time buckets that correspond to their maturities. Based on projections prepared by the business units and reviewed by Risk Management, and the current asset and liability maturity profiles, a liquidity stress test is prepared and presented once every two weeks to the ALCO, in order to create continuous monitoring of the liquidity position.

Assumptions

This stress scenario assumes a world-wide liquidity shortage in which no new market funding can be attracted by NIBC. Furthermore, it is assumed that assets cannot be sold, but that they can only be made liquid by making them eligible for collateralised and ECB funding. In addition, the following assumptions are made:

- In order to maintain NIBC's business franchise, it is assumed that new asset production continues at a level where the current books are maintained constant;
- Conservative assumptions for prepayments, callable funding and collateral cash outflows (payments from CSAs) are made; and
- A conservative liquidity buffer is maintained for intraday payments.

The projection of NIBC's liquidity in this way is necessarily a subjective process and requires management to make assumptions about, for example, the fair value of eligible collateral and potential outflow of cash collateral placed by NIBC with derivative counterparties.

In the light of these projections, NIBC is confident that sufficient liquidity is available for it to meet maturing obligations over the next 12 months.

Maturity calendar consolidated balance sheet

The following tables present the cash flows payable by NIBC in respect of non-derivative financial liabilities and assets relevant for liquidity risk by the remaining contractual maturities at 31 December. The amounts disclosed in the tables for the non-derivative financial liabilities are contractual undiscounted cash flows. Financial liabilities at fair value through profit or loss are therefore restated to nominal amounts. The estimated interest cash flows related to the liabilities are reported on a separate line item. The financial assets relevant for managing liquidity risk are based upon the fair value (discounted cash flows) for those assets which are classified at fair value through profit and loss or available for sale.

The differences between the table and the stress scenario are mainly caused by the following items that are included in the stress scenario analysis and not in the maturity calendar of the consolidated balance sheet:

- New asset production;
- Collateralised funding capacity of internal securitisations and individual bonds; and
- Conservative assumptions with respect to possible cash outflows (e.g. CSA collateral, callable funding).

Liquidity maturity calendar at 31 December 2010

IN EUR MILLIONS	Not dated	Payable on demand	Due within three months	Due between three and twelve months	Due between one and five years	Due after five years	Total
Liabilities (undiscounted cash flows)							
FINANCIAL LIABILITIES AT AMORTISED COST							
Due to other banks	-	108	569	62	434	181	1,354
Deposits from customers	-	2,506	507	532	917	319	4,781
Own debt securities in issue	-	-	8	1,417	6,636	148	8,209
Debt securities in issue related to securitised mortgages	-	-	11	-	-	5,551	5,562
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)							
Own debt securities in issue	-	-	-	1	17	30	48
Debt securities in issue structured	-	-	47	123	478	1,418	2,066
OTHER FINANCIAL LIABILITIES							
Other liabilities	-	-	-	225	-	-	225
Current tax	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	34	-	34
Employee benefits	-	-	-	1	4	-	5
SUBORDINATED LIABILITIES							
Amortised cost	-	-	-	-	25	94	119
Fair value through profit or loss	-	-	-	-	20	413	433
TOTAL LIABILITIES (excluding derivatives)	**-**	**2,614**	**1,142**	**2,361**	**8,565**	**8,154**	**22,836**
Estimated contractual interest cash flows	-	-	108	291	1,218	1,717	3,334
TOTAL LIABILITIES (excluding derivatives, including estimated contractual interest rate cash flows)	**-**	**2,614**	**1,250**	**2,652**	**9,783**	**9,871**	**26,170**
TOTAL ASSETS RELEVANT FOR MANAGING LIQUIDITY RISK AT FAIR VALUE (excluding derivatives and interest cash flows)	**1,552**	**1,969**	**906**	**971**	**4,461**	**14,560**	**24,419**

Liquidity maturity calendar at 31 December 2009

IN EUR MILLIONS	Not dated	Payable on demand	Due within three months	Due between three and twelve months	Due between one and five years	Due after five years	Total
Liabilities (undiscounted cash flows)							
FINANCIAL LIABILITIES AT AMORTISED COST							
Due to other banks	-	111	232	1,246	880	132	2,601
Deposits from customers	-	2,314	386	770	633	229	4,332
Own debt securities in issue	-	-	443	470	7,723	200	8,836
Debt securities in issue related to securitised mortgages	-	-	11	-	-	5,220	5,231
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)							
Own debt securities in issue	-	-	28	14	18	25	85
Debt securities in issue structured	-	-	72	268	479	1,634	2,453
OTHER FINANCIAL LIABILITIES							
Other liabilities	-	-	-	214	-	-	214
Current tax	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	22	-	22
Employee benefits	-	-	-	2	3	-	5
SUBORDINATED LIABILITIES							
Amortised cost	-	-	-	-	30	102	132
Fair value through profit or loss	-	-	-	23	67	279	369
TOTAL LIABILITIES (excluding derivatives)	**-**	**2,425**	**1,172**	**3,007**	**9,855**	**7,821**	**24,280**
Estimated contractual interest cash flows	-	-	102	309	1,512	1,232	3,155
TOTAL LIABILITIES (excluding derivatives, including estimated contractual interest rate cash flows)	**-**	**2,425**	**1,274**	**3,316**	**11,367**	**9,053**	**27,435**
TOTAL ASSETS RELEVANT FOR MANAGING LIQUIDITY RISK AT FAIR VALUE (excluding derivatives and interest cash flows)	**1,602**	**2,096**	**2,181**	**858**	**4,474**	**14,880**	**26,091**

Liquidity maturity calendar derivatives

The following tables present the derivative financial instruments that will be settled on a net basis into relevant maturity classes based on the contractual maturity date at 31 December 2010 and 2009. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Derivatives, at 31 December 2010

IN EUR MILLIONS	Less than three months	Between three months and one year	One to five years	Five years or more	Total
DERIVATIVES HELD FOR TRADING					
Interest rate derivatives (net settled)					
Inflow	1,276	833	4,037	2,760	8,906
Outflow	(1,323)	(917)	(4,267)	(2,372)	(8,879)
Credit derivatives					
Inflow	1	3	7	-	11
Outflow	-	(2)	(2)	-	(4)
DERIVATIVES USED FOR HEDGING					
FX forward (gross settled)					
Inflow	942	11	-	-	953
Outflow	(940)	(11)	(1)	-	(952)
Interest rate derivatives (net settled)					
Inflow	64	208	2,179	133	2,584
Outflow	(37)	(155)	(1,911)	(144)	(2,247)
TOTAL INFLOW	**2,283**	**1,055**	**6,223**	**2,893**	**12,454**
TOTAL OUTFLOW	**(2,300)**	**(1,085)**	**(6,181)**	**(2,516)**	**(12,082)**

Derivatives, at 31 December 2009

IN EUR MILLIONS	Less than three months	Between three months and one year	One to five years	Five years or more	Total
DERIVATIVES HELD FOR TRADING					
Interest rate derivatives (net settled)					
Inflow	421	1,604	7,140	3,189	12,354
Outflow	(444)	(1,633)	(7,117)	(2,829)	(12,023)
Credit derivatives					
Inflow	2	4	8	-	14
Outflow	(1)	(3)	(2)	-	(6)
DERIVATIVES USED FOR HEDGING					
FX forward (gross settled)					
Inflow	2,615	40	29	-	2,684
Outflow	(2,634)	(40)	(29)	-	(2,703)
Interest rate derivatives (net settled)					
Inflow	25	326	309	135	795
Outflow	(30)	(306)	(351)	(150)	(837)
TOTAL INFLOW	**3,063**	**1,974**	**7,486**	**3,324**	**15,847**
TOTAL OUTFLOW	**(3,109)**	**(1,982)**	**(7,499)**	**(2,979)**	**(15,569)**

Liquidity maturity calendar off-balance sheet

The following table shows the contractual maturity of NIBC's contingent liabilities and commitments.

Each undrawn loan or capital commitment is included in the time band containing the earliest date it can be drawn down.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Liquidity maturity calendar off-balance sheet at 31 December 2010

IN EUR MILLIONS	Less than three months	Between three months and one year	One to five years	Five years or more	Total
CONTRACT AMOUNT					
Committed facilities with respect to corporate loan financing	1,713	-	-	-	1,713
Capital commitments	71	-	-	-	71
Guarantees granted	285	-	-	-	285
Irrevocable letters of credit	70	-	-	-	70
	2,139	**-**	**-**	**-**	**2,139**

Liquidity maturity calendar off-balance sheet at 31 December 2009

IN EUR MILLIONS	Less than three months	Between three months and one year	One to five years	Five years or more	Total
CONTRACT AMOUNT					
Committed facilities with respect to corporate loan financing	1,088	-	-	-	1,088
Capital commitments	103	-	-	-	103
Guarantees granted	200	-	-	-	200
Irrevocable letters of credit	67	-	-	-	67
	1,458	**-**	**-**	**-**	**1,458**

58 Capital management

Overview

It is NIBC's policy to maintain a strong capital base, to meet regulatory capital requirements at all times and to support the development of its business by allocating capital efficiently. Allocation of capital to the business is based on the *Economic Capital* **(EC)** approach. EC is the amount of capital which NIBC allocates as a buffer against potential losses from business activities, based upon its assessment of risks. The EC that NIBC allocates to each business is based on the assessment of risk of its activities. It differs from Basel II regulatory capital, as in certain cases NIBC assesses the specific risk characteristics of its business activities in a different way than the regulatory method. Total regulatory capital however, in combination with a minimum benchmark Tier 1 ratio does form a limit to the maximum amount of EC that can be allocated to the business.

Combining the risk-based EC of each business to its profit delivers a *Risk-Adjusted Return On Capital* **(RAROC)** for each business. EC and RAROC are key tools in NIBC's capital allocation and usage process, assisting in allocating shareholder's equity as efficiently as possible, based on expectations of both risks and return. Usage of EC is assessed once every two weeks in the ALCO. The ALCO resets the maximum allocation level of EC to and within each business, taking into account business expectations, NIBC's desired risk profile and the regulatory requirements.

Methodology

NIBC uses the business model of each activity as the basis for determining the EC approach. If the business model of an activity is trading, distribution or investing for a limited period, a market risk approach based upon VaR and scaled to a one-year horizon is used to calculate the EC usage. A business model based on 'buy-to-hold' or investing to maturity leads to a credit risk approach being applied, based upon estimations of PD and LGD. Add-ons for operational risk and country risk are also calculated. Furthermore, NIBC allocates EC for business risk, reputation risk and model risk on a group-wide level.

The EC approach differs from the regulatory approach in which only the trading books are assigned a market risk approach. In the regulatory framework, activities that are not trading but have a business model based on distribution or investment for a limited period are often assigned a credit risk approach, following Basel II regulations or regulatory industry practice, whereas in the EC framework NIBC applies a market risk approach similar to that of the trading activities. Risks and EC are monitored accordingly.

The main differences between the EC capital and regulatory framework come from the Residential Mortgage portfolio, the Securitisations portfolio and NIBC's interest rate mismatch position. EC is determined by a market risk approach for these activities, which follows from their business model. The regulatory approach is either a credit risk approach (residential mortgages and securitisations) or is not part of Basel II Pillar 1 at all (mismatch position).

Capital allocation

NIBC allocates EC to all its business activities in the form of limits set by the ALCO, and calculates the amount of EC usage of each business based on the risk of its activities:

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

Basel II regulatory capital

The objective of Basel II is to improve the capital adequacy of the banking industry by making it more responsive to risk. Basel II is structured on three pillars:

- Pillar 1 describes the capital adequacy requirements for three risk types; credit risk, market risk and operational risk;
- Pillar 2 describes the additional *supervisory review process* (**SREP**) where regulators analyse the internal capital adequacy process of the individual banks; and
- In Pillar 3 the required risk reporting standards are displayed, supporting additional market discipline in the international capital markets.

Under Basel II and subject to approval from the regulator, banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from 'standardised' to 'advanced'.

For credit risk, NIBC has adopted the AIRB approach as further specified in Basel II for its corporate and retail exposure classes, and is in the process of including institutions. NIBC started using the AIRB approach at 1 January 2008. A small residue of exposures is measured on the standardised approach.

For market risk, NIBC has adopted an internal model VaR approach.

For measuring operational risk, NIBC has adopted the standardised approach.

The basis for Pillar 2 is NIBC's *Internal Capital Adequacy Assessment Process* (**ICAAP**), which is NIBC's self-assessment of risks not captured by Pillar 1.

Pillar 3 is related to market discipline and complements the operation of Pillars 1 and 2, aiming to make banks more transparent. NIBC will publish its Pillar 3 disclosures as at 31 December 2010 on its website in the course of 2011.

The following table displays the composition of regulatory capital as at 31 December 2010 and 31 December 2009. NIBC complies with the DNB's Basel II capital requirements, which formally require a minimum Tier-1 ratio of 4% and a BIS ratio of 8%.

IN EUR MILLIONS	2010	2009
TIER-1		
Called-up share capital	80	80
Share premium	237	238
Eligible reserves	1,329	1,273
Net profit	32	44
Non-controlling interests	19	18
CORE TIER-1 CAPITAL	1,697	1,653
Deduction of certain securitisation exposures not included in risk-weighted assets	(51)	(18)
Deduction excess of expected losses over impairment allowances	(30)	(31)
Innovative hybrid Tier-1 capital	75	89
Non-innovative hybrid Tier-1 capital	227	221
TOTAL TIER-1 CAPITAL	1,918	1,914
TIER-2		
Reserves arising from revaluation of property and unrealised gains on available for sale equities	35	34
Qualifying subordinated liabilities		
Undated loan capital	35	32
Dated loan capital	185	238
Deduction of certain securitisation exposures not included in risk-weighted assets	(51)	(18)
Deduction excess of expected losses over impairment allowances	(30)	(31)
TOTAL TIER-2 CAPITAL	174	255
	2,092	2,169

59 Subsequent events

There are no subsequent events.

60 Profit appropriation

The profit appropriation is included in the section Other information.

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Company Financial Statements

Company income statement

for the year ended 31 December

IN EUR MILLIONS	NOTE	2010	2009
Results of participating interests after tax	6	130	(22)
Other results after tax		(54)	66
NET PROFIT FOR THE YEAR		**76**	**44**

Company statement of comprehensive income

for the year ended 31 December

IN EUR MILLIONS	2010 Before tax	2010 Tax charge/ (credit)	2010 After tax	2009 Before tax	2009 Tax charge/ (credit)	2009 After tax
PROFIT FOR THE YEAR	**53**	**(23)**	**76**	**55**	**11**	**44**
OTHER COMPREHENSIVE INCOME						
Net result on cash flow hedging instruments	42	15	27	(47)	(12)	(35)
Revaluation loans and receivables	18	5	13	49	12	37
Revaluation equity investments	3	2	1	(11)	(2)	(9)
Revaluation debt investments	(3)	1	(4)	17	3	14
Revaluation property, plant and equipment	-	-	-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME	**60**	**23**	**37**	**8**	**1**	**7**
TOTAL COMPREHENSIVE INCOME	**113**	**-**	**113**	**63**	**12**	**51**

Company balance sheet

before profit appropriation, at 31 December

IN EUR MILLIONS	NOTE	2010	2009
Assets			
Cash and balances with central banks	1	1,314	1,353
Due from other banks	2	1,819	2,949
Loans and receivables			
Guaranteed by public authorities	3	54	14
To the private sector	3	14,828	14,608
Interest bearing securities	4	2,326	2,187
Equity investments	5	10	19
Participating interests in group companies	6	761	850
Other participating interests	7	1	1
Property, plant and equipment	8	14	15
Assets held under financial lease	9	21	21
Derivative financial instruments	10	4,129	3,864
Prepayments and accrued income	11	39	40
TOTAL ASSETS		**25,316**	**25,921**

IN EUR MILLIONS	NOTE	2010	2009
Liabilities			
Due to other banks	12	1,375	1,741
Deposits from customers	13	7,711	7,001
Debt securities	14	10,203	11,321
Other liabilities	15	97	126
Derivative financial instruments	10	3,637	3,536
Provisions	16	30	23
SUBORDINATED LIABILITIES			
Amortised cost	17	113	126
Fair value through profit or loss	18	369	369
TOTAL LIABILITIES		**23,535**	**24,243**
SHAREHOLDER'S EQUITY			
Share capital	19	80	80
OTHER RESERVES			
Share premium	19	238	238
Hedging reserve	19	67	40
Revaluation reserve	19	13	3
Retained earnings		1,329	1,273
Net profit		76	44
Interim dividend paid		(22)	-
TOTAL PARENT SHAREHOLDER'S EQUITY		**1,781**	**1,678**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**25,316**	**25,921**
Contingent liabilities		355	1,267
Irrevocable facilities		1,784	1,191

Company statement of changes in shareholder's equity

IN EUR MILLIONS	Attributable to parent shareholder				
	Share capital	Other Reserves [1]	Retained earnings	Net Profit	Total shareholder's equity
BALANCE AT 1 JANUARY 2009	**80**	**274**	**1,175**	**92**	**1,621**
Transfer net profit 2008 to retained earnings	-	-	92	(92)	-
Total comprehensive income for the year ended 31 December 2009	-	7	-	44	51
Capital contribution share-based payments	-	-	6	-	6
Interim dividend paid [2]	-	-	-	-	-
Net investment hedge foreign entities	-	-	-	-	-
BALANCE AT 31 DECEMBER 2009	**80**	**281**	**1,273**	**44**	**1,678**

IN EUR MILLIONS	Attributable to parent shareholder				
	Share capital	Other Reserves [1]	Retained earnings	Net Profit	Total shareholder's equity
BALANCE AT 1 JANUARY 2010	**80**	**281**	**1,273**	**44**	**1,678**
Transfer net profit 2009 to retained earnings	-	-	44	(44)	-
Total comprehensive income for the year ended 31 December 2010	-	37	-	76	113
Capital contribution share-based payments	-	-	6	-	6
Interim dividend paid [2]	-	-	-	(22)	(22)
Net investment hedge foreign entities	-	-	6	-	6
BALANCE AT 31 DECEMBER 2010	**80**	**318**	**1,329**	**54**	**1,781**

1. Other reserves include share premium, hedging reserve and revaluation reserves.
2. Ordinary interim dividend paid in 2010 to equity holder.

Company Accounting Policies

Basis of preparation

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

The company financial statements have been prepared in accordance with the legal requirements for financial statements contained in Title 9, Book 2, of the Netherlands Civil Code. NIBC applies the provisions in Article 362, paragraph 8, Book 2, of the Netherlands Civil Code that make it possible to prepare the company financial statements in accordance with the accounting policies (including those for the presentation of financial instruments as equity or liability) used in its consolidated financial statements.

The financial statements are presented in euros rounded to the nearest million. The euro is the functional and presentation currency of NIBC. Under Article 402 of Title 9, Book 2 of the Netherlands Civil Code, it is sufficient for the company's income statement to present only the income of group companies and other income and expenses after income tax.

Summary of significant accounting policies

Except as set forth below, the accounting policies applied in the company financial statements are the same as those for the consolidated financial statements.

Investments in subsidiaries

Subsidiaries, as defined in the section summary of significant accounting policies in the basis of consolidation of subsidiaries (in the notes to the consolidated financial statements), are measured at net asset value. Net asset value is determined by measuring the assets, provisions, liabilities and income based on the accounting policies used in the consolidated financial statements. The company's share of its subsidiaries' profits or losses is recognised in the income statement. Its movement in reserves is recognised in reserves.

If losses of group companies that are attributable to the company exceed the carrying value of the interest in the group company (including separately presented goodwill, if any, and including other non-secured receivables), further losses are not recognised unless the company has incurred obligations or made payments on behalf of the group company to satisfy obligations of the group company. In such a situation, NIBC recognises a provision up to the extent of its obligation.

Notes

to the company financial statements

1 Cash and balances with central banks

IN EUR MILLIONS	2010	2009
Cash and balances with central banks	1,314	1,353
	1,314	**1,353**

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

Cash and balances with central banks includes an overnight deposit of EUR 750 million (2009: nil) due from the Dutch Government.

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

2 Due from other banks

IN EUR MILLIONS	2010	2009
Current accounts	207	189
Deposits with other banks	1,043	2,334
Due from group companies	569	426
	1,819	**2,949**

IN EUR MILLIONS	2010	2009
DUE FROM OTHER BANKS CAN BE CATEGORISED AS FOLLOWS:		
Receivable on demand	215	188
Cash collateral placements posted under CSA agreements	953	1,051
Not receivable on demand	651	1,710
	1,819	**2,949**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF DUE FROM OTHER BANKS NOT RECEIVABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
Three months or less	575	1,692
Longer than three months but not longer than one year	16	2
Longer than one year but not longer than five years	56	11
Longer than five years	4	5
	651	**1,710**

There are no subordinated loans outstanding due from other banks in 2010 and 2009.

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

Other than from group companies, NIBC does not have receivables from other participating interests.

No impairments were recorded in 2010 and 2009 on the amounts due from other banks.

An amount of EUR 953 million (2009: EUR 1,051 million) relates to cash collateral given to third parties and is not freely available to NIBC.

NIBC transacted several reverse repurchase transactions with third parties. The related disclosures are included in repurchase and resale agreements (see note 20).

3 Loans and receivables

IN EUR MILLIONS	2010	2009
Loans - amortised cost	6,207	5,902
Loans - fair value through profit or loss	1,596	1,697
Public sector	54	36
Group companies - amortised cost	7,025	6,987
	14,882	**14,622**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF LOANS AND RECEIVABLES IS ANALYSED AS FOLLOWS:		
Three months or less	4,137	3,958
Longer than three months but not longer than one year	549	436
Longer than one year but not longer than five years	4,957	4,118
Longer than five years	5,239	6,110
	14,882	**14,622**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	120	83
Additional allowances	86	69
Write-offs	(47)	(22)
Amounts released	(10)	(10)
Unwinding of discount adjustment	(3)	(1)
Exchange differences	2	1
BALANCE AT 31 DECEMBER	148	120

On 1 July 2008, following the IAS 39 amendments, an amount of EUR 74 million of the impairments related to the available for sale loans were reclassified to the loans category at amortised cost. The total amount of loans in the available for sale category net of impairments has been reclassified to the loans category at amortised cost as at 1 July 2008. The impairments at 31 December 2010, related to the available for sale loans reclassified to the loans category at amortised cost on 1 July 2008, amount to EUR 89 million.

If NIBC had fair valued the loans classified as amortised cost using the valuation methodology applied to loans designated as available for sale as per 31 December 2010, then the carrying amount would decrease at the balance sheet date by EUR 194 million (2009: EUR 304 million) excluding group companies. This decrease would reflect both changes due to interest rates and credit spreads. NIBC hedges its interest rate risk from these assets.

The maximum credit risk exposure including undrawn credit facilities arising on loans at amortised cost amounts to EUR 7,200 million (2009: EUR 7,710 million), excluding the group companies.

The total amount of subordinated loans in this item amounts to EUR 112 million in 2010 (2009: EUR 123 million), of which EUR 9 million (2009: EUR 14 million) has been guaranteed by the Dutch State. No subordinated loans are included with respect to group companies.

As per 31 December 2010, EUR 54 million (2009: EUR 36 million) is guaranteed by the Dutch State.

For the impact of the reclassifications following IASB amendments 'IAS 39 Financial Instruments: Recognition and Measurements' on the income statement and on shareholder's equity, see notes to the consolidated financial statements 2010 of NIBC.

Impairment losses of loans at available for sale are defined as the difference between the fair value of loans that exhibit indicators of impairment and original cost.

Impairment losses of loans at amortised cost are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

As a policy, NIBC does not provide loans to its executives.

4 Interest bearing securities

IN EUR MILLIONS	2010	2009
Amortised cost	621	597
Available for sale	1,190	714
Fair value through profit or loss	415	797
Held for trading	100	79
	2,326	**2,187**

The previous table displays the IFRS accounting treatment of interest bearing securities.

All interest bearing securities are non-government.

All held for trading interest bearing securities are listed.

IN EUR MILLIONS	2010	2009
INTEREST BEARING SECURITIES AT AMORTISED COST, AVAILABLE FOR SALE AND DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS CAN BE CATEGORISED AS FOLLOWS:		
Listed	2,020	1,260
Unlisted	206	848
	2,226	**2,108**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF INTEREST BEARING SECURITIES AT AMORTISED COST, AT AVAILABLE FOR SALE AND DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS IS ANALYSED AS FOLLOWS:		
Three months or less	31	116
Longer than three months but not longer than one year	289	472
Longer than one year but not longer than five years	847	1,159
Longer than five years	1,059	361
	2,226	**2,108**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN INTEREST BEARING SECURITIES AT AMORTISED COST, AT AVAILABLE FOR SALE AND DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	2,108	2,334
Additions	887	1,106
Disposals (sale and/or redemption)	(791)	(1,291)
Impairments and changes in fair value	3	(42)
Exchange differences	19	1
BALANCE AT 31 DECEMBER	2,226	2,108

Subordinated assets included in interest bearing securities amount to EUR 7 million (2009: EUR 4 million).

Interest bearing securities do not include assets issued and bought by NIBC for market making purposes. Any such assets are eliminated from the balance sheet.

Interest income from interest bearing securities and other fixed-income instruments is recognised in interest and similar income at the effective interest rate. Fair value movements (excluding interest) are recognised in net trading income.

The portion of fair value changes in 2010 included in the balance sheet amount (designated at fair value through profit or loss) at 31 December 2010 relating to the movement in credit spreads amounts to EUR 1 million debit, being an increase in the carrying value of the asset (2009: EUR 1 million debit).

For the interest bearing securities at amortised cost, the maximum credit exposure amounts to EUR 621 million (2009: EUR 597 million). The other interest bearing securities are reported at fair value, which represents the maximum credit exposure for these assets.

If NIBC had fair valued the interest bearing securities classified as amortised cost, then the balance sheet amount would decrease at the balance sheet date by EUR 93 million (2009: EUR 154 million). This decrease reflects both changes due to interest rates and credit spreads.

In 2010, EUR 3 million (2009: EUR 13 million) was recorded as impairments on interest bearing assets as amortised cost.

As at 1 July 2008, debt investments from the available for sale and held for trading category were reclassified to debt investments at amortised costs.

For the impact of the implementation of IASB amendments ‘IAS 39 Financial Instruments: Recognition and Measurements’ on the income statement and on shareholder’s equity, see notes to the consolidated financial statements 2010 of NIBC.

5 Equity investments

IN EUR MILLIONS	2010	2009
Available for sale	7	17
Fair value through profit or loss	3	2
	10	19

IN EUR MILLIONS	2010	2009
EQUITY INVESTMENTS CAN BE CATEGORISED AS FOLLOWS:		
Listed	1	8
Unlisted	9	11
	10	19

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN EQUITY INVESTMENTS AT AVAILABLE FOR SALE MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	17	17
Disposals (sale and/or capital repayments)	(8)	-
Gains/(losses) from changes in fair value	(2)	-
BALANCE AT 31 DECEMBER	7	17

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN IMPAIRMENT LOSSES ON EQUITY INVESTMENTS AT AVAILABLE FOR SALE MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	8	8
Additional allowances	-	-
BALANCE AT 31 DECEMBER	8	8

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	2	-
Additions	-	1
Gains/(losses) from changes in fair value	1	1
BALANCE AT 31 DECEMBER	3	2

Impairment losses for equity investments at available for sale are defined as the difference between the fair value of equity investments that exhibit indicators of impairment and original cost.

6 Participating interests in group companies

IN EUR MILLIONS	2010	2009
Participating interests in group companies	761	850
	761	**850**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN PARTICIPATING INTERESTS IN GROUP COMPANIES MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	850	887
Purchases and investments	4	-
Disposals	(237)	(3)
Revaluation	5	(9)
Dividend received	(1)	-
Results of group companies	130	(22)
Exchange differences	10	(3)
BALANCE AT 31 DECEMBER	**761**	**850**

The group companies are unlisted.

Participating interests in group companies are accounted for at net asset value.

NIBC Bank Ltd included in group companies is a registered credit institution in Singapore.

7 Other participating interests

IN EUR MILLIONS	2010	2009
Other participating interests	1	1
	1	**1**

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN OTHER PARTICIPATING INTERESTS MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	1	2
Disposals	-	(1)
BALANCE AT 31 DECEMBER	**1**	**1**

Other participating interests are accounted for at net asset value.

On the balance sheet dates at the end of 2010 and 2009, all other participating interests were unlisted.

The other participating interests are not registered as credit institutions.

There are no significant restrictions on the ability of other participating interests to transfer funds to the investor in the form of cash dividends, or repayment of loans.

There is no unrecognised share of losses of other participating interests, both for the period and cumulatively.

8 Property, plant and equipment

IN EUR MILLIONS	2010	2009
Land and buildings (in own use)/lease hold improvements	8	9
Other fixed assets	6	6
	14	15

IN EUR MILLIONS	2010	2009
THE MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	15	15
Additions	4	5
Depreciation	(5)	(5)
BALANCE AT 31 DECEMBER	14	15

IN EUR MILLIONS	2010	2009
THE ACCUMULATED DEPRECATION IN PROPERTY, PLANT AND EQUIPMENT CAN BE CATEGORISED AS FOLLOWS:		
Land and buildings (in own use)/lease hold improvements	11	9
Other fixed assets	9	15
	20	24

For information about insurance of property, plant and equipment please refer to note 30 of the consolidated financial statements.

There is no property, plant and equipment pledged as security for liabilities.

There are no expenditures recognised in the carrying amount of property, plant and equipment in the course of its construction at 31 December 2010 and 31 December 2009.

There are no contractual commitments for the acquisition of property, plant and equipment at 31 December 2010 and 31 December 2009.

The fair value of land and buildings (in own use) does not materially deviate from its carrying value.

9 Assets held under financial lease

IN EUR MILLIONS	2010	2009
Assets held under financial lease	21	21
	21	**21**

IN EUR MILLIONS	2010	2009
THE MOVEMENTS IN ASSETS HELD UNDER FINANCIAL LEASE MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	21	22
Depreciation	-	(1)
BALANCE AT 31 DECEMBER	**21**	**21**

Assets held under financial lease are pledged as security for liabilities to group companies.

There are no expenditures recognised in the carrying amount of assets held under financial lease in the course of its construction at 31 December 2010 and 31 December 2009.

There are no contractual commitments for the acquisition of assets held under financial lease at 31 December 2010 and 31 December 2009.

No impairments were recorded in 2010 and 2009 on the amounts assets held under financial lease.

The fair value of land and buildings (in own use) does not materially deviate from its carrying value. NIBC's land and buildings in own use were last revalued as of 31 December 2006 based on an external appraisal carried out in January 2007.

10 Derivative financial instruments

IN EUR MILLIONS	2010	2009
DERIVATIVE FINANCIAL ASSETS		
Derivative financial assets held for trading (trading portfolios)	3,050	3,109
Derivative financial assets held for trading (other portfolios)	720	513
Derivative financial assets used for hedging	359	242
	4,129	**3,864**

IN EUR MILLIONS	2010	2009
DERIVATIVE FINANCIAL LIABILITIES		
Derivative financial liabilities held for trading (trading portfolios)	3,205	2,970
Derivative financial liabilities held for trading (other portfolios)	384	486
Derivative financial liabilities used for hedging	48	80
	3,637	**3,536**

Derivative financial instruments - held for trading (trading portfolios) at 31 December 2010

	Notional amount with remaining life of					
IN EUR MILLIONS	Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
Forward rate agreements	35	-	-	35	-	-
Interest rate swaps	7,707	12,003	67,336	87,046	2,849	2,955
Interest rate options (purchase)	5	102	729	836	15	-
Interest rate options (sale)	-	31	656	687	-	11
	7,747	**12,136**	**68,721**	**88,604**	**2,864**	**2,966**
CURRENCY DERIVATIVES						
OTC-PRODUCTS:						
Currency/cross-currency swaps	920	-	261	1,181	178	230
	920	**-**	**261**	**1,181**	**178**	**230**
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
OTC-PRODUCTS:						
Other swaps	166	96	10	272	5	5
Other options (purchase)	-	-	44	44	3	-
Other options (sale)	-	-	44	44	-	4
	166	**96**	**98**	**360**	**8**	**9**
TOTAL DERIVATIVES HELD FOR TRADING (trading portfolios)	**8,833**	**12,232**	**69,080**	**90,145**	**3,050**	**3,205**

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

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
Forward rate agreements	-	-	-	-	-	-
Interest rate swaps	12,513	9,288	77,557	99,358	2,471	2,530
Interest rate options (purchase)	-	130	955	1,085	21	-
Interest rate options (sale)	4	125	922	1,051	-	14
	12,517	**9,543**	**79,434**	**101,494**	**2,492**	**2,544**
CURRENCY DERIVATIVES						
OTC-PRODUCTS:						
Currency/cross currency swaps	-	951	1,356	2,307	596	398
	-	**951**	**1,356**	**2,307**	**596**	**398**
OTHER DERIVATIVES (INCLUDING CREDIT DERIVATIVES)						
OTC-PRODUCTS:						
Other swaps	-	2,000	169	2,169	4	17
Other options (purchase)	24	54	74	152	17	-
Other options (sale)	24	54	74	152	-	11
	48	**2,108**	**317**	**2,473**	**21**	**28**
TOTAL DERIVATIVES HELD FOR TRADING (trading portfolios)	**12,565**	**12,602**	**81,107**	**106,274**	**3,109**	**2,970**

Derivative financial instruments - held for trading (other portfolios) at 31 December 2010

IN EUR MILLIONS	Notional amount with remaining life of: Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
Interest rate swaps	425	8,307	19,582	28,314	387	371
	425	**8,307**	**19,582**	**28,314**	**387**	**371**
CURRENCY DERIVATIVES						
OTC-PRODUCTS:						
Forward rate agreements	19	-	-	19	-	-
Interest currency rate swaps	31	39	2,163	2,233	320	1
Other currency contracts	738	-	-	738	3	-
	788	**39**	**2,163**	**2,990**	**323**	**1**
OTC-PRODUCTS:						
Credit default swaps (guarantees given)	-	34	87	121	2	8
Credit default swaps (guarantees received)	-	4	25	29	1	-
Other OTC products	-	-	-	-	7	4
	-	**38**	**112**	**150**	**10**	**12**
TOTAL DERIVATIVES HELD FOR TRADING (other portfolios)	**1,213**	**8,384**	**21,857**	**31,454**	**720**	**384**

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

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES						
OTC-PRODUCTS:						
Interest rate swaps	341	697	14,023	15,061	438	435
	341	**697**	**14,023**	**15,061**	**438**	**435**
CURRENCY DERIVATIVES						
OTC-PRODUCTS:						
Forward rate agreements	74	42	29	145	5	5
Interest currency rate swaps	2,571	284	1,863	4,718	68	44
Other currency contracts	33	39	30	102	-	1
	2,678	**365**	**1,922**	**4,965**	**73**	**50**
OTC-PRODUCTS:						
Credit default swaps (guarantees given)	-	23	99	122	2	1
Credit default swaps (guarantees received)	3	-	-	3	-	-
Other options (purchase)	-	-	77	77	-	-
	3	**23**	**176**	**202**	**2**	**1**
TOTAL DERIVATIVES HELD FOR TRADING (other portfolios)	**3,022**	**1,085**	**16,121**	**20,228**	**513**	**486**

Derivative financial instruments - used for hedging at 31 December 2010

IN EUR MILLIONS	Notional amount with remaining life of Less than three months	Between three months and one year	More than one year	Total	Assets	Liabilities
DERIVATIVES ACCOUNTED FOR AS FAIR VALUE HEDGES OF INTEREST RATE RISK						
OTC-PRODUCTS:						
Interest rate swaps	60	1,256	6,137	7,453	224	47
Interest currency rate swaps	8	27	26	61	10	-
	68	**1,283**	**6,163**	**7,514**	**234**	**47**
DERIVATIVES ACCOUNTED FOR AS CASH FLOW HEDGES OF INTEREST RATE RISK						
OTC-PRODUCTS:						
Interest rate swaps	-	-	1,566	1,566	125	1
	-	**-**	**1,566**	**1,566**	**125**	**1**
TOTAL DERIVATIVES USED FOR HEDGING	**68**	**1,283**	**7,729**	**9,080**	**359**	**48**

Derivative financial instruments - used for hedging at 31 December 2009

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

Fair value hedges of interest rate risk

The interest rate risk of financial assets with a fixed interest rate classified at available for sale or at amortised costs are hedged with interest rate swaps under which NIBC pays a fixed rate and receives floating rates. Fair value hedge accounting is applied to these so-called hedge relationships.

Interest rate swaps under which NIBC pays a floating rate and receives a fixed rate, are used in fair value hedges of fixed interest rate liabilities (as far as not held for trading purposes or designated at fair value through profit or loss).

The following table discloses the fair value of the swaps designated in fair value hedging relationships:

IN EUR MILLIONS		2010	2009
Fair value pay - fixed swaps (hedging assets)	**assets**	2	-
Fair value pay - fixed swaps (hedging assets)	**liabilities**	(38)	(38)
		(38)	**(38)**

IN EUR MILLIONS		2010	2009
Fair value pay - floating swaps (hedging liabilities)	**assets**	232	162
Fair value pay - floating swaps (hedging liabilities)	**liabilities**	(9)	(41)
		223	**121**

Cash flow hedges of interest rate risk

The following table discloses the fair value of the swaps designated in cash flow hedging relationships.

IN EUR MILLIONS		2010	2009
Fair value receive - fixed swaps	assets	125	79
Fair value receive - fixed swaps	liabilities	-	(1)
		125	**78**

IN EUR MILLIONS		2010	2009
Fair value receive - floating swaps	assets	-	1
Fair value receive - floating swaps	liabilities	(1)	-
		(1)	**1**

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

IN EUR MILLIONS		2010	2009
Fair value pay swaps	assets	234	162
Fair value receive swaps	assets	125	80
		359	**242**

IN EUR MILLIONS		2010	2009
Fair value pay swaps	liabilities	(47)	(79)
Fair value receive swaps	liabilities	(1)	-
		(48)	**(80)**

The average remaining maturity (in which the related cash flows are expected to enter into the determination of profit and loss) is four years (2009: three years).

11 Prepayments and accrued income

IN EUR MILLIONS	2010	2009
Interest	-	-
Current tax	1	19
Accrued income and prepayments	38	21
	39	**40**

12 Due to other banks

IN EUR MILLIONS	2010	2009
Due to other banks	1,375	1,741
	1,375	**1,741**

IN EUR MILLIONS	2010	2009
DUE TO OTHER BANKS CAN BE CATEGORISED AS FOLLOWS:		
Payable on demand	164	62
Not payable on demand	1,211	1,679
	1,375	**1,741**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF DUE TO OTHER BANKS NOT PAYABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
Three months or less	987	231
Longer than three months but not longer than one year	-	603
Longer than one year but not longer than five years	224	818
Longer than five years	-	27
	1,211	**1,679**

Interest is recognised in interest expense and similar charges on an effective interest basis.

NIBC transacted several repurchase transactions with third parties. The related disclosures are included in repurchase and resale agreements (see note 20).

13 Deposits from customers

IN EUR MILLIONS	2010	2009
Deposits from customers	7,711	7,001
	7,711	**7,001**

IN EUR MILLIONS	2010	2009
DEPOSITS FROM CUSTOMERS CAN BE CATEGORISED AS FOLLOWS:		
Certificates of deposits	-	608
Due to customers	7,711	6,393
	7,711	**7,001**

IN EUR MILLIONS	2010	2009
DEPOSITS FROM CUSTOMERS CAN BE CATEGORISED AS FOLLOWS:		
Payable on demand	2,506	2,717
Not payable on demand	5,205	4,284
	7,711	**7,001**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF DEPOSITS FROM CUSTOMERS NOT PAYABLE ON DEMAND IS ANALYSED AS FOLLOWS:		
Three months or less	3,340	3,024
Longer than three months but not longer than one year	534	660
Longer than one year but not longer than five years	1,008	523
Longer than five years	323	77
	5,205	**4,284**

Interest is recognised in interest expense and similar charges on an effective interest basis.

The balance sheet item includes EUR 3,153 million (2009: EUR 2,581 million) in respect of deposits from customers to group companies.

The balance sheet item includes all non-subordinated liabilities other than debt securities and amounts owed to credit institutions.

14 Debt securities

IN EUR MILLIONS	2010	2009
Bonds and notes issued - amortised costs	8,580	9,395
Bonds and notes issued - fair value through profit or loss	1,476	1,896
Fair value hedge adjustment on amortised cost bonds and notes issued	147	30
	10,203	**11,321**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF DEBT SECURITIES IS ANALYSED AS FOLLOWS:		
Three months or less	57	544
Longer than three months but not longer than one year	1,547	753
Longer than one year but not longer than five years	7,130	8,219
Longer than five years	1,469	1,805
	10,203	**11,321**

For an amount of EUR 6,846 million (2009: EUR 6,497 million) of the issued notes, the Dutch State has unconditionally and irrevocably guaranteed the due payment of all amounts of principal and interest due by NIBC under these notes according and subject to (i) the Rules governing the 2008 Dutch State's Credit Guarantee Scheme and (ii) the Guarantee Certificate issued under those Rules in respect of these notes. These Rules and that Guarantee Certificate are available at www.dutchstate.nl.

The balance sheet item includes debentures and other negotiable fixed-income debt investments, other than subordinated items.

15 Other liabilities

IN EUR MILLIONS	2010	2009
Interest	-	15
Accruals	56	71
Payables	20	19
Finance lease liabilities	21	21
	97	**126**

Finance lease liabilities

The lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in event of default.

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF THE GROSS FINANCE LEASE LIABILITIES - MINIMUM LEASE PAYMENTS - IS ANALYSED AS FOLLOWS:		
One year or less	2	2
Longer than one year but not longer than five years	8	8
Longer than five years	20	22
	30	**32**

IN EUR MILLIONS	2010	2009
THE PRESENT VALUE OF THE FINANCIAL LEASE LIABILITIES CAN BE CATEGORISED AS FOLLOWS:		
Gross financial lease liability	30	32
Future finance charge of finance leases	(9)	(11)
	21	**21**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF THE PRESENT VALUE OF FINANCE LEASE LIABILITIES IS ANALYSED AS FOLLOWS:		
One year or less	2	2
Longer than one year but not longer than five years	6	6
Longer than five years	13	13
	21	**21**

At the end of 2010, NIBC has leased land and buildings. The annual lease payments (related to the financial lease) are EUR 4,5 million (2009: EUR 2 million).

The remaining contractual term of the finance lease contract(s) is eight years.

16 Provisions

IN EUR MILLIONS	2010	2009
Deferred tax liability	26	17
Employee benefits	4	6
	30	**23**

For a specification of the employee benefits please refer to note 42 of the consolidated financial statements.

IN EUR MILLIONS	2010	2009
THE AMOUNTS OF DEFERRED INCOME TAX ASSETS, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, ARE AS FOLLOWS:		
Loans to customers	4	9
Debt securities	3	3
Tax losses carried forward	9	3
	16	**15**
THE AMOUNTS OF DEFERRED INCOME TAX LIABILITIES, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES WITHIN THE SAME JURISDICTION, ARE AS FOLLOWS:		
Equity investments	-	-
Cash flow hedges	24	14
Property	5	5
Temporary differences as a result of internal securitisations	13	13
	42	**32**
	26	**17**

IN EUR MILLIONS	2010	2009
THE GROSS MOVEMENT ON THE DEFERRED TAX ACCOUNT MAY BE SUMMARISED AS FOLLOWS:		
BALANCE AT 1 JANUARY	17	51
LOANS (REPORTED AS AVAILABLE FOR SALE):		
Fair value remeasurement charged/(credited) to revaluation reserve	5	(2)
DEBT INVESTMENTS (REPORTED AS AVAILABLE FOR SALE):		
Fair value remeasurement charged/(credited) to revaluation reserve	1	2
PROPERTY (REPORTED AT FAIR VALUE):		
Charged/(credited) to the income statement	-	(3)
EQUITY INVESTMENTS (REPORTED AS AVAILABLE FOR SALE):		
Fair value remeasurement charged/(credited) to revaluation reserve	-	(1)
CASH FLOW HEDGES:		
Fair value remeasurement charged/(credited) to hedging reserve	10	(12)
Temporary differences as a result of internal securitisations	-	(15)
Tax losses carried forward	(7)	(3)
BALANCE AT 31 DECEMBER	26	17

17 Subordinated liabilities - amortised cost

IN EUR MILLIONS	2010	2009
Subordinated loans qualifying as Tier-1 capital	76	89
Other subordinated loans	37	37
	113	126

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS ANALYSED AS FOLLOWS:		
One year or less	-	-
Longer than one year but not longer than five years	25	24
Longer than five years but not longer than ten years	1	1
Longer than ten years	87	101
	113	126

All of the above loans are subordinated to the other liabilities of NIBC. EUR 76 million (2009: EUR 89 million) qualifying as Tier-1 capital is subordinated to other subordinated loans that rank pari passu. These securities are perpetual securities and may be redeemed by NIBC at its option after ten years with the prior approval of the DNB. Interest expense of EUR 6 million was recognised on these subordinated liabilities during the year 2010 (2009: EUR 8 million).

The subordinated liabilities reflect seven transactions (2009: seven transactions), of which the largest three have a size of EUR 96 million (2009: EUR 109 million).

18 Subordinated liabilities - designated at fair value through profit or loss

IN EUR MILLIONS	2010	2009
Subordinated loans qualifying as Tier-1 capital	197	174
Other subordinated loans	172	195
	369	**369**

IN EUR MILLIONS	2010	2009
THE LEGAL MATURITY ANALYSIS OF SUBORDINATED LIABILITIES IS ANALYSED AS FOLLOWS:		
One year or less	-	-
Longer than one year but not longer than five years	23	23
Longer than five years but not longer than ten years	35	67
Longer than ten years	311	279
	369	**369**

All of the above loans are subordinated to the other liabilities of NIBC. EUR 197 million (2009: EUR 174 million) qualifying as Tier-1 capital is subordinated to other subordinated loans that rank pari passu. These securities are perpetual securities and may be redeemed by NIBC at its option after ten years with the prior approval of the DNB. Interest expense of EUR 18 million was recognised on these subordinated liabilities during the year 2010 (2009: EUR 25 million).

The subordinated liabilities reflect ten transactions (2009: ten transactions), of which the largest three have a size of EUR 275 million (2009: EUR 270 million).

19 Shareholder's equity

The ultimate controlling company is New NIB Limited, a company incorporated in Ireland.

Share capital

IN EUR MILLIONS	2010	2009
Paid-up capital	80	80
	80	**80**

	2010	2009
THE NUMBER OF AUTHORISED SHARES IS SPECIFIED AS FOLLOWS:		
Number of authorised shares [1]	218,937,500	218,937,500
Number of shares issued and fully paid [2]	62,586,794	62,586,794
Par value per A-share	1.28	1.28
Par value per preferent share	1.00	1.00

1. The authorised capital amounts to EUR 250 million and is divided into 110,937,500 A-shares of EUR 1.28 nominal value and 108,000,000 preference shares of EUR 1.00 nominal value.
2. The shares issued and fully paid consists of A-shares.

Other reserves

IN EUR MILLIONS	2010	2009
OTHER RESERVES ARE COMPRISED OF:		
Share premium	238	238
Hedging reserve - cash flow hedges	67	40
Revaluation reserve - loans (available for sale)	(15)	(28)
Revaluation reserve - equity investments (available for sale)	8	7
Revaluation reserve - debt securities (available for sale)	(8)	(4)
Revaluation reserve - property, plant and equipment	28	28
	318	**281**

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserve	Total
BALANCE AT 1 JANUARY 2009	**238**	**75**	**(39)**	**274**
Net result on cash flow hedging instruments	-	(35)	-	(35)
Revaluation loans and receivables (net of tax)	-	-	36	36
Revaluation equity investments (net of tax)	-	-	(8)	(8)
Revaluation debt securities (net of tax)	-	-	14	14
Revaluation property, plant and equipment (net of tax)	-	-	-	-
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	**-**	**(35)**	**42**	**7**
BALANCE AT 31 DECEMBER 2009	**238**	**40**	**3**	**281**

IN EUR MILLIONS	Share premium	Hedging reserve	Revaluation reserve	Total
BALANCE AT 1 JANUARY 2010	**238**	**40**	**3**	**281**
Net result on cash flow hedging instruments	-	27	-	27
Revaluation loans and receivables (net of tax)	-	-	13	13
Revaluation equity investments (net of tax)	-	-	1	1
Revaluation debt securities (net of tax)	-	-	(4)	(4)
Revaluation property, plant and equipment (net of tax)	-	-	-	-
TOTAL RECOGNISED DIRECTLY THROUGH OTHER COMPREHENSIVE INCOME IN EQUITY	**-**	**27**	**10**	**37**
BALANCE AT 31 DECEMBER 2010	**238**	**67**	**13**	**318**

If NIBC had not reclassified financial assets in 2008, additional fair value gains recognised for the year 2010 in the income statement, and additional gains recognised in the revaluation reserve in shareholder's equity would have amounted to a net of tax gain of EUR 49 million (2009: nil) and a net tax gain of EUR 80 million (2009: gain of EUR 40 million) respectively. Impairment charges would have amounted to nil for these assets that were classified out of available for sale into loans and receivables. For more information, see note 45 of the consolidated financial statements.

Information on NIBC's solvency ratios is included in the risk management section of this annual report.

At 31 December 2010, retained earnings and net profit attributable to the parent shareholder includes unrealised fair value changes on residential mortgages (own book and securitised), on certain non-listed trading assets, on derivatives related to residential mortgages (own book and securitised) and to these non-listed trading assets, on associates designated at fair value through profit or loss and on liabilities designated at fair value through profit or loss. With respect to unrealised fair value gains arising on these instruments, a legal reserve has been established of EUR 269 million (2009: EUR 266 million), that is included in other reserves. At the balance sheet date, for associates accounted for based on net equity method, no further legal reserve has been established for both 2010 and 2009. At the balance sheet date, the legal reserve for currency translation differences is nil for both 2010 and 2009.

Including the revaluation and hedging reserves displayed in note 45 of the consolidated financial statements, total legal reserves at 31 December 2010 amount to EUR 305 million (2009: EUR 301 million).

20 Repurchase and resale agreements

NIBC transacted several reverse repurchase transactions with third parties, in which notes amounting to a notional of EUR 110 million (with a fair value at 31 December 2010 of EUR 110 million) were transferred to NIBC from third parties at 31 December 2010 in exchange for EUR 97 million in deposits at 31 December 2010 for periods ranging from two years up to three and a half years.

NIBC transacted several repurchase transactions with third parties, in which notes amounting to a notional of EUR 543 million (with a fair value at 31 December 2010 of EUR 533 million) were transferred from NIBC to third parties at 31 December 2010 in exchange for EUR 481 million in deposits at 31 December 2010 for periods ranging from three months up to three years.

NIBC conducts these transactions under terms agreed in Global Master Repurchase Agreements.

21 Commitments and contingent assets and liabilities

At any time, NIBC has outstanding commitments to extend credit. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months. Commitments extended to customers related to mortgages at fixed interest rates or fixed spreads are hedged with interest rate swaps recorded at fair value. These commitments are designated upon initial recognition at fair value through profit or loss.

NIBC provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period up to five years. Expirations are not concentrated in any period.

The contractual amounts of commitments (excluding residential mortgages commitments which are measured at fair value through profit or loss) and contingent liabilities are set out in the following table by category. In the table, it is assumed that amounts are fully advanced. The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

IN EUR MILLIONS	2010	2009
CONTRACT AMOUNT:		
Undrawn facilities and capital commitments	1,784	1,191
Guarantees and letters of credit	355	1,267
	2,139	**2,458**

In 2010, guarantees to group companies amounted to nil (2009: EUR 1,000 million).

These commitments and contingent liabilities have off-balance sheet credit risk because only commitment/origination fees and accruals for probable losses are recognised in the balance sheet until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

Details of concentrations of credit risk including concentrations of credit risk arising from commitments and contingent liabilities as well as NIBC's policies for collateral for loans are set out in note 55 of the consolidated financial statements.

Guarantees within the meaning of Section 403, Book 2, of the Netherlands Civil Code have been given on behalf of De Nationale Maatschappij voor Industriële Financieringen B.V., PARNIB Holding N.V. and B.V. NIBC Mortgage Backed Assets. A complete list of the companies on behalf of which NIBC has given guarantees within the meaning of Section 403, Book 2, of the Netherlands Civil Code has been filed with the Chamber of Commerce in The Hague. Declaration of joint and several liability has also been made to the respective monetary authorities of DNI Inter Asset Bank N.V. and NIBC Bank Ltd.

NIBC is, together with other group companies and participating interests, a member of one fiscal entity NIBC Holding N.V. Besides NIBC Bank N.V. and NIBC Holding N.V., the principal other members are B.V. NIBC Mortgage Backed Assets, Parnib Holding N.V., Vredezicht 's-Gravenhage 110 B.V. and NIBC Principal Investments Mezzanine B.V.

22 Assets pledged as security

IN EUR MILLIONS	2010	2009
ASSETS HAVE BEEN PLEDGED AS SECURITY IN RESPECT OF THE FOLLOWING LIABILITIES AND CONTINGENT LIABILITIES:		
LIABILITIES		
Due to other banks	1,231	1,438
Debt securities in issue related to securitised loans and mortgages	5,562	5,231
Derivative financial liabilities	953	1,051
	7,746	**7,720**

IN EUR MILLIONS	2010	2009
DETAILS OF THE CARRYING AMOUNTS OF ASSETS PLEDGED AS COLLATERAL ARE AS FOLLOWS:		
ASSETS PLEDGED		
Assets utilised as collateral	2,042	2,001
Securitised loans and mortgages	5,952	5,399
Cash	953	1,051
	8,947	**8,451**

As part of NIBC's funding and credit risk mitigation activities, the cash flows of selected financial assets are transferred or pledged to third parties. Furthermore, NIBC pledges assets as collateral for derivative transactions. Substantially all financial assets included in these transactions are residential mortgages, other loan portfolios, debt investments and cash collateral. The extent of NIBC's continuing involvement in these financial assets varies by transaction.

With respect to assets utilised as collateral, the total portolio eligible for use to collateralise funding amounts to EUR 6.5 billion. (2009: EUR 7.0 billion), including assets already utilised as collateral.

As of 31 December 2010, the excess cash liquidity of NIBC was EUR 1.3 billion (2009: EUR 2.6 billion), consisting of EUR 0.5 billion (2009: EUR 1.4 billion) cash placed with the DNB and EUR 0.8 billion placed overnight with the Dutch Government (2009: EUR 1.2 billion placed with other banks).

23 Assets under management

NIBC provides collateral management services, whereby it holds and manages assets or invests funds received in various financial instruments on behalf of the customer. NIBC receives fee income for providing these services. Assets under management are not recognised in the consolidated balance sheet. NIBC is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

At 31 December 2010, the total assets held by NIBC on behalf of customers were EUR 1,725 million (2009: EUR 2,668 million).

24 Related party transactions

For a specification of the related party transactions, we refer to note 52 of the consolidated financial statements.

25 Principal subsidiaries, joint ventures and associates

For a specification of the principal subsidiaries, joint ventures and associates, we refer to note 53 of the consolidated financial statements.

26 Financial risk management

Please refer to notes 55 to 58 of the consolidated financial statements, for NIBC's risk management policies.

27 Number of employees

The number of FTEs increased from 631 at 31 December 2009 to 653 at 31 December 2010.

28 Remuneration

For the remuneration of the Statutory Board members and Supervisory Board members, we refer to note 8 and 54 of the consolidated financial statements.

At 31 December 2010 and 31 December 2009, there are no receivables outstanding with members of the Statutory Board and Supervisory board.

29 Profit appropriation

The profit appropriation is included in Other information.

The Hague, 21 April 2011

Managing Board

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

Supervisory Board

Mr. W.M. van den Goorbergh, *Chairman*
Mr. D.R. Morgan, *Vice-Chairman*
Mr. A.A.G. Bergen
Mr. C.H. van Dalen
Mr. N.W. Hoek
Mr. A. de Jong
Mrs. S.A. Rocker
Mr. D. Rümker
Mr. A.H.A. Veenhof
Sir M.C. Mc Carthy [1]
Mr. M. Christner [1]

1. Member of the Supervisory Board as per January 14, 2011

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Other Information

Auditor's Report

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Independent auditor's report

To: the General Meeting of Shareholders of NIBC Bank N.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 as set out on pages 82 to 294 of NIBC Bank N.V., The Hague. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2010, the company profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Managing board's responsibility

The managing board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Managing Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the management board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management board, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, The Netherlands
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of NIBC Bank N.V. as at 31 December 2010, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of NIBC Bank N.V. as at 31 December 2010, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Managing Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 21 April 2011
PricewaterhouseCoopers Accountants N.V.

Original signed by J.A.M. Stael RA

Page 2 of 2

Profit Appropriation

List of principal participating interests of NIBC

NIBC Bank Ltd, Singapore	100%
Parnib Holding N.V., The Hague	100%
Counting House B.V., The Hague	100%
B.V. NIBC Mortgage Backed Assets, The Hague	100%
NIBC Principal Investments B.V., The Hague	100%
GRW Bearing GmbH, Frankfurt	93.4%
NIBusker Holding B.V., Zaltbommel	75%
Olympia Nederland Holding B.V., The Hague	100%
Cyclomedia Technology B.V., Neerrijnen	64.4%

Profit appropriation

IN EUR MILLIONS	**2010**
Result available for shareholder's distribution	76
	76

IN EUR MILLIONS	**2010**
Interim divided paid 2010	22
Proposed final dividend 2010	22
Transferred to retained earnings	32
	76

Subsequent events

There are no subsequent events.

Articles of Association

Profit Distribution - Article 45

1 Distribution of profits pursuant to this Article shall be made following the adoption of the annual accounts evidencing that such distribution is allowed.

2 The General Meeting resolves whether dividends shall be paid on the preference shares of the series B through E. If the General Meeting resolves to pay dividends on the preference shares of the series B through E then, to the extent possible, the dividend due to each of them shall be paid to the holders of preference shares series B through E.

3a The dividend - expressed as a percentage of the nominal amount paid up on each share of the series of preference shares B1 through B12, C1 through C12 and D1 through D12, increased with the share premium paid on each share of this series - to which each holder of preference shares of a series is entitled is equal to the percentage meant in sub b. hereof.

3b The percentage of the dividend for the preference shares B, C and D of a particular series is, as determined by the Board of Managing Directors for such particular series, equal to:

I a fixed percentage which may be linked to a specific fixed interest rate (or an average thereof) with or without an increase or reduction;

II a floating percentage linked to a specific floating interest rate (benchmark) with or without an increase or reduction; or

III a combination of (i) and (ii), which percentage, including the applicable increase or reduction, if any, at the moment of the determination thereof, for the series preference shares B, C, and D set out below, between:

B1: three and four percent (3 - 4%);
B2: three and a half to four and a half percent (3.5 - 4.5%);
B3: four and five percent (4 - 5%);
B4: four and a half to five and a half percent (4.5 - 5.5%);
B5: five and six percent (5 - 6%);
B6: five and a half to six and a half percent (5.5 - 6.5%);
B7: six and seven percent (6 - 7%);
B8: six and a half to seven and a half percent (6.5 - 7.5%);
B9: seven and eight percent (7 - 8%);
B10: seven and a half to eight and a half percent (7.5 - 8.5%);
B11: eight to nine percent (8 - 9%);
B12: eight and a half-to nine and a half percent (8.5 - 9.5%);
C1: three and four percent (3 - 4%);
C2: three and a half to four and a half percent (3.5 - 4.5%);
C3: four and five percent (4 - 5%);
C4: four and a half to five and a half percent (4.5 - 5.5%);
C5: five and six percent (5 - 6%);
C6: five and a half to six and a half percent (5.5 - 6.5%);
C7: six and seven percent (6 - 7%);
C8: six and a half to seven and a half percent (6.5 - 7.5%);
C9: seven and eight percent (7 - 8%);
C10: seven and a half to eight and a half percent (7.5 - .8.5%);
C11: eight and nine percent (8 - 9%);
C12: eight and a half to nine and a half percent (8.5 - 9.5%);

D1: three and four percent (3 - 4%);
D2: three and a half to four and a half percent (3.5 - 4.5%);
D3: four and five percent (4 - 5%);
D4: four and a half to five and a half percent (4.5 - 5.5%);
D5: five and six percent (5 - 6%);
D6: five and a half to six and a half percent (5.5 - 6.5%);
D7: six and seven percent (6 - 7%);
D8: six and a half to seven and a half percent (6.5 - 7.5%);
D9: seven and eight percent (7 - 8%);
D10: seven and a half to eight and a half percent (7.5 - 8.5%);
D11: eight and nine percent (8 - 9%); and
D12: eight and a half to nine and a half percent (8.5% - 9.5%).

3c The fixed or floating interest rate as well as the increase or reduction meant in b. are determined by the Board of Managing Directors in relation to prevailing market conditions. The fixed or floating interest rate, as applicable, must be an interest rate which is commonly used in the market, determined every working day and published on Reuters, Bloomberg and/or Telerate or otherwise easily verifiable for shareholders of the Company, The interest rate and the increase or reduction may differ per series of preference shares B, C and D.

4a The dividend - expressed as a percentage of the nominal amount paid up on each share of preference shares E in United States Dollars increased by the share premium paid on each share E in United States Dollars - which accrues to each holder of preference shares of series E is a percentage related to the United States Dollar interest swap for a period as described hereafter (the 'Fixed Dividend Period') in this sub clause, calculated and established in the manner as described hereafter in this sub clause, without prejudice to the provisions of E below.

4b For each of the series of preference shares E below the Fixed Dividend Period is the period as: mentioned next to the relevant series:

I Series E1 and E7: ten years;
II Series E2and E8: eleven years;
III Series E3and E9: twelve years;
IV Series E4 and El0: thirteen years;
V Series E5 and Ell: fourteen years; and
VI Series E6 and E12: fifteen years,

whereby the Fixed Dividend Period for the preference shares of a series E ('Tier-1 Preference Shares E') shall be reduced if such preference shares are issued upon conversion of notes which the Dutch Central Bank regards as forming part of the Tier-1 capital of the Company ('Tier-1 Notes') - in that case the Fixed Dividend Period shall be the period remaining after deduction of

a the period during which the Tier-1 Notes, failing conversion or redemption or a similar event, would have carried a fixed rate interest according to their terms;
b the period from date of issue of the Tier-1 Notes until date of conversion of the Tier-1 Notes into Tier-1 PreferenceShares E.

4c The calculation of the dividend percentage for preference shares E (other than Tier-1 Preference Shares E) of a series is done by taking the rate of the dollar denominated interest swap as published on Bloomberg page(s) IRSB «GO», 18«GO», page 1, under column ASK (the 'Bloomberg Rate'), for the relevant period, at eleven hundred hours (11.00 am) London time, two London banking days (as described hereafter) before the day of first issuance of the preference shares E of the relevant series or the day when the dividend percentage is adapted or the latest time preceding the time of eleven hundred hours (11.00 am), or the Bloomberg page(s) replacing the page(s) mentioned and whereby the dividend percentage shall be equal to this relevant rate, increased or decreased by an adjustment amount of not more than three hundred (300) basis points (3%), depending on the then current market situation, by means of a resolution of the Board of Managing Directors with the approval of the Board of Supervisory Directors, whereby the adjustment amount may differ from one series to another. The calculation of the dividend percentage for Tier-1 Preference Shares E of a series is done by taking the Bloomberg Rate, for the relevant period, at eleven hundred hours (11.00 am) London time, two London banking days (as described hereafter) before the day of issuance of the relevant Tier-1 Notes (which are converted into the relevant Tier-1 Preference Shares E) or the day when the dividend percentage is adapted or the latest time preceding the time of eleven hundred hours (11.00 am), or the Bloomberg page(s) replacing the page(s) mentioned, and whereby the dividend percentage shall be equal to this relevant rate, increased or decreased by an adjustment amount of not more than three hundred (300) basis points (3%), depending on the then current market situation, by means of a resolution of the Board of Managing Directors with the approval of the Board of Supervisory Directors, whereby the adjustment amount may differ from one series to another.

For the application of the above a London banking day is each day on which transactions are cleared in United States Dollars in the interbank London market. For the calculation of the dividend to be paid in respect of a certain period of time the annual dividend basis shall be multiplied by a fraction of which the numerator is the number of days in the relevant period (whereby every past month is counted as thirty (30) days) and the denominator is three hundred sixty (360).

4d For the first time on the last day of the Fixed Dividend Period, for preference shares E other than Tier-1 Preference Shares E, respectively, for Tier-1 Preference Shares E, for the first time on the latest date on which the interest rate was amended pursuant to the terms and conditions of the relevant Tier-1 Notes (which are converted into the relevant Tier-1 Preference Shares E), and thereafter (for all preference shares E) each three months thereafter (a ‘Dividend Reset Date’), the dividend percentage of all preference shares E of the relevant series will be adapted to the rate for United States Dollar deposits with a three month maturity, as published on the DOW Jones Money line Telerate Service page 3750 (the ‘Telerate LIBOR Page’) at eleven hundred hours (11.00 am) London time, two London banking days before a Dividend Reset Date, and whereby the rate may be increased or decreased by an adjustment amount of not more than three hundred (300) basis points (3%), depending on the then current market situation, by means of a resolution of the Board of Managing Directors with the approval of the Board of Supervisory Directors, whereby the adjustment amount may differ from one series to another. LIBOR means London Interbank Offered Rate. If as a result of the rate not being available on this page of the Telerate LIBOR page no dividend percentage can be set in accordance with the preceding sentences, the rate will be established on the basis of the rate for deposits in United States Dollars as offered by Merrill Lynch International, Goldman Sachs International, Deutsche Bank AG London and J.P. Morgan Securities Ltd, (the ‘Reference Banks’) at eleven hundred hours (11.00 am) London time, two London banking days before a Dividend Reset Date and for an amount equal to the nominal amount of the relevant series of preference shares E increased with the amount paid up on these shares as share premium. A request will be made to the main office of the Reference Banks to indicate the rate. If at least two of such rates are being provided, the rate for the relevant Dividend Reset Date shall be the arithmetic mean of those rates. If less than two such rates are being provided, the rate for the relevant Dividend Reset Date will be the arithmetic mean of the rates provided by Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co, Deutsche Bank Securities Inc and JP Morgan Securities Inc, at eleven hundred hours (11.00 am) New York City time, United States of America, at the relevant Dividend Reset Date for United States Dollar loans to prominent European banks for a period of three months starting on the day of the relevant Dividend Reset Date and for an amount equal to the nominal value of the relevant series of preference shares E increased by the share premium amount paid on the shares. In case one or more of the Reference Banks has:

I transferred offering of such rates to another financial institution then this financial institution will take the place of the bank which has transferred these activities; or

II stopped providing such rates, then one of the following banks will take the place of this bank which has stopped these activities, in the following order:

1 ABN Amro Bank. N.V.;
2 Lehman Brothers International (Europe);
3 Bear, Stearns International Limited;
4 Citigroup Global Markets Limited;
5 Barclays Bank Plc;
6 UBS Limited;
7 Morgan Stanley & Co International Limited;
8 Nomura International Plc;
9 BNP Paris; and
10 Credit Suisse First Boston (Europe) Limited.

The rate referenced in the preceding sentences may be increased or decreased as referenced at the end of the first sentence of this paragraph d. For the calculation of the dividend to be paid in respect of a certain period of time the annual dividend basis shall be multiplied by a fraction of which the numerator is the number of days in the relevant financial year and the denominator is three hundred sixty (360).

4e All payment of dividends on preference shares in series E1 through E6 shall be made without withholding tax or other levies, which are imposed by any part of Dutch authorities, unless such withholding is required by statute. In case such withholding is required by statute, the Company will make additional payments so that the holders of the preference shares of series E1 through E6 shall receive net amounts which are equal to the amounts they would have received if no taxes or levies had been withheld, taking into account the next sentence. The Board of Managing Directors may with the approval of the Board of Supervisory Directors resolve upon further conditions for making these additional payments.

5 The dividend to which each holder of preference shares of the series B through E is entitled is calculated on the basis of the number of days in respect of which the distribution is made.

6 If in any year the General Meeting determines that dividends will be distributed on the preference shares of the series B through E, but the profits do not or not completely permit the distributions as referred to in the preceding paragraphs, the amount permitted for the distribution shall be distributed to the holders of preference shares of the series B through E, in proportion to the amounts to which they are then entitled.

7 Of any amount which remains after application of the preceding provisions of this Article, the Board of Managing Directors will, with the approval of the Board of Supervisory Directors, reserve as much as it deems necessary into the company reserves (statutair reservefonds) or the free reserves, on the understanding that the Board of Managing Directors cannot in any year reserve into the company reserves, if in that year the General Meeting does not resolve to distribute or cannot distribute dividends on the preference shares of the series B through E. No distributions to shareholders can be made from the company reserves. To the extent profits are not being reserved in application of the preceding sub-clause, profits are at the disposal of the General Meeting for reservation into the free reserves or for distribution, on the understanding that:

for reservation into the free reserves or for distribution, on the understanding that:

I distributions on shares not fully paid up shall be determined by having regard to the nominal amount paid up on such shares; and

II the General Meeting cannot in any year resolve to distribute dividends on ordinary shares, if in that year it does not resolve to distribute or cannot distribute the full amount of dividends on the preference shares of the series B through E.

8 The Company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued and called up share capital and the reserves to be maintained pursuant to the law.

9 A loss may only be discharged against reserves to be maintained by law, to the extent the law allows such discharge.

Investor Relations

CORPORATE CALENDAR	2011
Publication HY results 2011	24 August

Contact details

To receive press releases and other NIBC news, please subscribe to the email service by sending an email to info@nibc.com.

Corporate Communications

Address	PO Box 380, 2501 BH The Hague
Telephone	+31 70 342 56 25
Fax	+31 70 345 91 29
Email	info@nibc.com
Internet	www.nibc.com

Debt Investor Relations

Address	PO Box 380, 2501 BH The Hague
Telephone	+31 70 342 98 36
Fax	+31 70 342 52 05
Email	info@nibc.com
Internet	www.nibc.com

Sources of information

You can find out more about NIBC from the sources shown below:

Annual Reports	These reports are available in English
Half and Full Year Results	These releases are available in English

The above-mentioned publications can be downloaded from www.nibc.com.

Information tools for investors and analysts

Website	Our website at www.nibc.com offers a wide range of information about NIBC, financial information, corporate information, corporate calendar and press releases. The information on the website is available in English, Dutch and German.
Results presentations	Senior management presents NIBC's annual and half-year results. These presentations can be downloaded from www.nibc.com.

Principal Subsidiaries and Offices

At the end of 2010, NIBC had 669 FTEs and NIBC Holding 685 FTEs, of whom 139 worked at its international offices.

The Netherlands

NIBC Holding N.V.
Carnegieplein 4
2517 KJ The Hague, the Netherlands
P.O. Box 380
2501 BH The Hague, the Netherlands
Telephone + 31 70 342 54 25
Fax + 31 70 365 10 71

The Netherlands

NIBC Bank N.V.
Carnegieplein 4
2517 KJ The Hague, the Netherlands
P.O. Box 380
2501 BH The Hague, the Netherlands
Telephone + 31 70 342 54 25
Fax + 31 70 365 10 71

Belgium

NIBC Bank N.V.
Wetenschapsstraat 41
1040 Brussels, Belgium
Telephone + 32 2 235 88 00
Fax + 32 2 235 88 09

United Kingdom

NIBC Bank N.V.
125 Old Broad Street, 11th Floor
London EC2N 1AR, United Kingdom
Telephone + 44 207 375 77 77
Fax + 44 207 588 64 83

Singapore

NIBC Bank Ltd
1 Finlayson Green # 15-01
Singapore 049246
Republic of Singapore
Telephone + 65 6 538 07 36
Fax + 65 6 538 25 10

Germany

NIBC Bank N.V.
Main Tower, Neue Mainzer Strasse 52
D-60311 Frankfurt am Main, Germany
Telephone + 49 69 5050 65 50
Fax + 49 69 5050 21 83

USA

NIBC Credit Management, Inc.[1]
1095 Avenue of the Americas,
26th floor
New York, NY 10036
USA
Fax +1 212 461 6498
Telephone +1 212 461 6400

1. Subsidiary of NIBC Holding

Key Figures

IN EUR MILLIONS	2010	2009	2008
CONSOLIDATED BALANCE SHEET			
Shareholder's equity	1,803	1,696	1,638
Group capital base	2,291	2,197	2,334
Loans to customers	8,693	8,352	8,069
Residential mortgages	9,767	10,600	11,451
Balance sheet total	28,009	29,189	28,937
CONSOLIDATED INCOME STATEMENT			
Operating income	323	321	337
Operating expenses	163	154	181
Net profit attributable to parent shareholder	76	44	92
SOLVENCY INFORMATION			
Risk weighted assets (EUR billions)	13.2	11.8	11.5
Tier-1 ratio	14.5%	16.2%	16.6%
BIS ratio	15.8%	18.4%	18.9%
Leverage ratio (debt/equity)	14.5	16.2	16.7
EARNINGS RATIOS			
Return on net asset value	5%	3%	6%
Cost to income ratio	50%	48%	54%
Dividend pay-out ratio	58%	0%	0%
OTHER INFORMATION			
Assets under management for third parties (EUR billions)	1.7	2.7	2.5
Number of FTEs end of year	669	644	625

Abbreviations

ABC	Accelerating Business & Clients
ACC	Audit and Compliance Committee
AFM	Authority for the Financial Markets
AIRB	Advanced Internal Ratings Based
ALCO	Asset & Liability Committee
ALM	Asset & Liability Management
Banking Code	Dutch Banking Code
BIS	Bank for International Settlements
BKR	Bureau Krediet Registratie (Dutch National Credit Register)
BPV	Basis Point Value
CCDR	Conditional Common Depositary Receipt
CCR	Counterparty credit rating
CDO	Collateralised Debt Obligation
CDRs	Common Depositary Receipts
CDS	Credit Default Swaps
CEBS	Committee of European Banking Supervisors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating units
CLO	Collateralised loan obligation
CMBS	Commercial Mortgage-Backed Securities
Code	Dutch Corporate Governance Code
Council/EC	Employees' Council
CRD	Capital Requirements Directive
CRDRs	Conditional Restricted Depositary Receipts
CRE-CDO	Commercial Real Estate-Collateralised Debt Obligations
CRM	Credit Risk Management
CRO	Chief Risk Officer
CSA	Credit Support Annex
CSR	Corporate Social Responsibility
CVA	Credit Valuation Adjustment
DA	Distressed Assets department
DNB	Dutch Central Bank
DNB/AFM Principles	Principles for Controlled Remuneration Policies as issued by the Dutch Central Bank and the Dutch Authority for the Financial Markets
DRs	Depositary Receipts
EAD	Exposure at default
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EC	Economic capital
ECB	European Central Bank
ECC	Engagement and Compliance Committee
EL	Expected loss
EP	Equator Principles
EU	European Union
FMCR	Financial Markets Credit Risk
Foundation	Stichting Administratiekantoor NIBC Holding
FPSO	Floating production, storage & offloading
FTEs	Full-time equivalents
Governance Code	Dutch Corporate Governance Code
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred but not Reported
IC	Investment Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IM	Investment Management
IMA	Internal Model Approach
KPI	Key performance indicator
LGD	Loss given default
Lti	Long-term incentive

LTI	Loan-to-Income
LTIMV	Loan-to-Indexed-Market-Value
LTV	Loan-to-market values
MiFID	Markets in Financial Instruments Directive
MR	Market Risk
NACE	Nomenclature Statistique des Activités Économiques dans la Communauté Européenne
NHG guarantee	Dutch government guarantee
NIBC	NIBC Bank N.V.
NIBC Funds	Funds set up and managed by NIBC
NIBC Holding	NIBC Holding N.V.
NPAP	New Product Approval Process
OECD	Organisation for Economic Co-operation and Development
OOE	One Obligor Exposure
ORM	Operational Risk Management department
OTC	Over The Counter
PD	Probability of default
PECDC	Pan-European Credit Data Consortium
PFI	Private Finance Initiative
PPIT	Procedures on Personal Investment Transactions
PSUs	Phantom Shares Units
RAROC	Risk-adjusted return on capital
RC	Regulatory capital
RDRs	Restricted Depositary Receipts
ReE	Related Exposure
Repos	Repurchase agreements
Reverse repos	Securities purchased under agreements to resell
RMBS	Residential Mortgage-Backed Securities
RMC	Risk Management Committee
RNC	Remuneration and Nominating Committee
RPC	Risk Policy Committee
RP&R	Risk Policy & Reporting department
RPSU	Restricted Phantom Share Unit
RWA	Risk weighted assets
SPE	Special Purpose Entity
SPV	Special Purpose Vehicle
SREP	Supervisory Review and Evaluation Process
STI	Short-term incentive
TC	Transaction Committee
VaR	Value at Risk
WEW	Social Housing Guarantee Fund (Stichting Waarborgfonds Eigen Woningen)
Wft	Wet op het financiële toezicht

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NIBC Bank N.V.
Carnegieplein 4
2517 KJ The Hague
The Netherlands

www.nibc.com

Presentation of information
This annual report (Annual Report) of NIBC Bank N.V. (NIBC) is prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

Cautionary statement regarding forward-looking statements
Certain statements in this Annual Report are not historical facts and are 'forward-looking' statements that relate to, among other things, NIBC's business, result of operation, financial condition, plans, objectives, goals, strategies, future events, future revenues and/or performance, capital expenditures, financing needs, plans or intentions, as well as assumptions thereof. These statements are based on NIBC's current view with respect to future events and financial performance. Words such as 'believe', 'anticipate', 'estimate', 'expect', 'intend', 'predict', 'project', 'could', 'may', 'will', 'plan' and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve uncertainties and are subject to certain risks, including, but not limited to (i) general economic conditions, in particular in NIBC's core and niche markets, (ii) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness (iii) performance of financial markets, including developing markets, (iv) interest rate levels, (v) credit spread levels, (vi) currency exchange rates, (vii) general competitive factors, (viii) general changes in the valuation of assets (ix) changes in law and regulations, including taxes (x) changes in policies of governments and/or regulatory authorities, (xi) the results of our strategy and investment policies and objectives and (xii) the risks and uncertainties as addressed in this Annual Report, the occurrence of which could cause NIBC's actual results and/or performance to differ from those predicted in such forward-looking statements and from past results. The forward-looking statements speak only as of the date hereof. NIBC does not undertake any obligation to update or revise forward-looking statements contained in the Annual Repor t, whether as a result of new information, future events or otherwise. Neither do NIBC nor any of its directors, officers, employees make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

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www.nibc.com

Carnegieplein 4
2517 KJ The Hague
The Netherlands
Phone: +31 70 342 5425
Fax: +31 70 365 1071