NIBC

CONDENSED YEAR REPORT 2016

NIBC BANK N.V.

The Hague, 8 March 2017

CONTENTS

INTRODUCTION

The financial information contained in this Condensed Year Report 2016 has been prepared according to the same accounting policies as our Financial Statements 2016, which were prepared in accordance with IFRS EU and drawn up and signed by the Managing Board on 7 March 2017. The Financial Statements 2016 will be published on 23 March 2017. The General Meeting of Shareholders will be held on 31 March 2017.

The figures contained in this Condensed Year Report 2016 have not been audited or reviewed by our external auditor. Our external auditor has issued an unqualified report on the Financial statements for 2016.

To provide a better understanding of the underlying results, the income statement presented in the 'Financial Performance' section of this Report differs from the one presented in the 'Consolidated Financial Information' section. The differences relate to the treatment of non-financial companies controlled by NIBC and the treatment of 'special items' in 2016. These differences only affect the presentation of the income statement and not the bottom-line net profit figures. A reconciliation of the two presentations is provided in the segment report in the Consolidated Financial Information section and a further explanation of the special items is included in the Financial Performance section of this Report.

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

As of 1 January 2016, we early applied the own credit requirements introduced by IFRS 9 in isolation, without applying the other requirements of IFRS 9. Early application of the own credit requirements provides more relevant information, as effects of changes in credit risk on certain mark-to-market liabilities are presented in 'other comprehensive income' instead of in the income statement. The positive impact of early application of own credit requirements on net trading income within the consolidated income statement for the year 2016 amounts to EUR 16.6 million and on net profit EUR 12.5 million. Changes in own credit presented in prior periods have not been restated and remain within net trading income.

In 2016 savings mortgages are presented gross as per year-end 2016, as opposed to netting with the related clients' savings balances. This resulted in an increase of EUR 0.2 billion of our residential mortgage assets in the balance sheet. The comparable figures 2015 have also been adjusted. The adjustment for 2015 was an increase of EUR 0.2 billion.

For a download of this report or more information, we refer to:

Press Relations
T: +31 70 342 5625

Debt Investor Relations
T: +31 70 342 9836

E: info@nibc.com
www.nibc.com

AT A GLANCE

WHO WE ARE

OUR HERITAGE

NIBC was founded in 1945 to finance the visionary entrepreneurs who helped rebuild the Netherlands after World War Two. Over time, we evolved from being a long-term lending bank to an enterprising bank offering advisory, financing and co-investing to our clients.

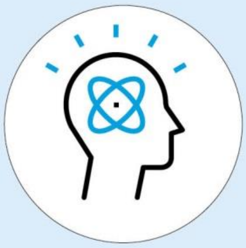
OUR PURPOSE

Making a difference
at decisive moments

OUR VALUES

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

Entrepeneurial
We are a sound, enterprising bank focused on decisive moments in our clients' business and in life.



Inventive
We provide bespoke solutions and encourage our people to think creatively to meet clients' financial needs.

OUR BUSINESS MODEL

WHAT WE DO

CORPORATE BANKING

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

RETAIL BANKING

We offer residential mortgages, online savings and investment brokerage products. The mortgage offering includes value added products like buy-to-let and products tailored for self-employed entrepreneurs.

OUR STRATEGY

Through our strategy we aim to create a sustainable franchise for the future by focusing on our greatest strengths. Our strategy is based on three pillars:

FOCUS

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

ENTREPRENEURIAL CULTURE

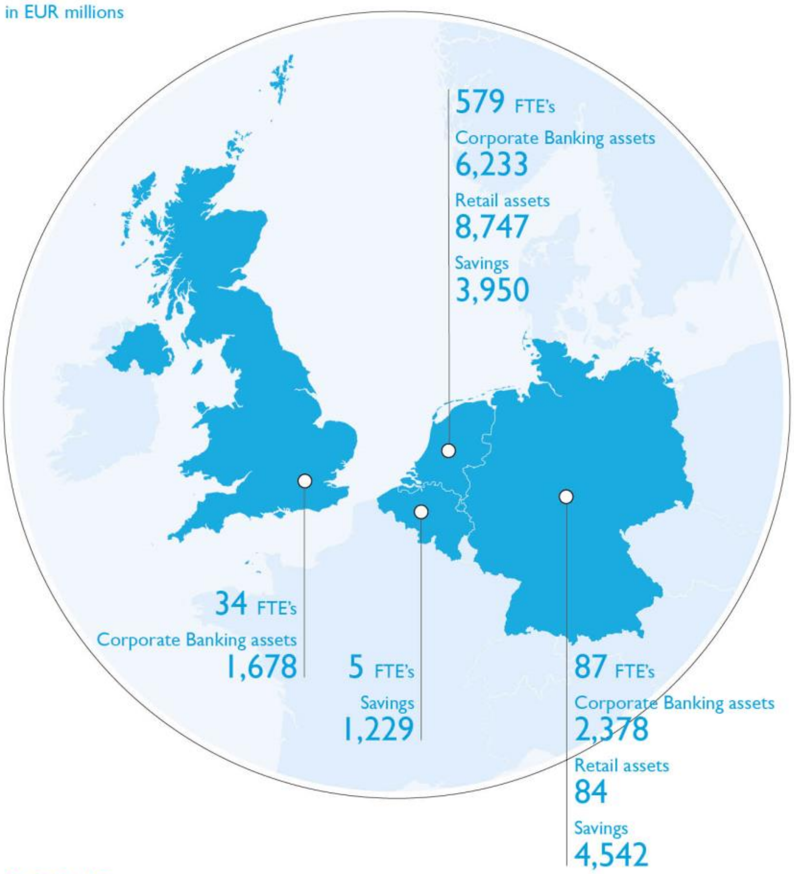
We nurture a culture that is professional, entrepreneurial and inventive, in which employees can develop mostly tailored products and services for our clients. We also cultivate what we call a 'Think YES' mentality, by actively stimulating our people's energy and creativity. It also means we look to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

FLEXIBILITY

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

OUR MARKETS

in EUR millions



NET PROFIT

in EUR millions

102

COMMERCIAL ASSETS

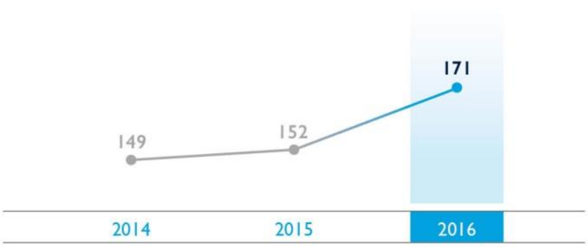
in EUR millions

RATING

SUSTAINABILITY

TRANSPARENCY BENCHMARK

total out of 200 points



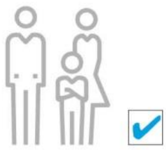
CORPORATE LENDING NPS SCORE

+37%

2015: +40% 2014: +27%

NIBC DIRECT CUSTOMER SURVEY SCORE

7.6



2015: 7.7 2014: 7.5

% NEW CORP LOANS SCREENED

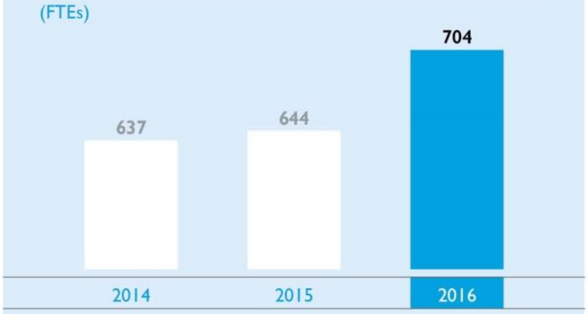
against sustainability framework

100%

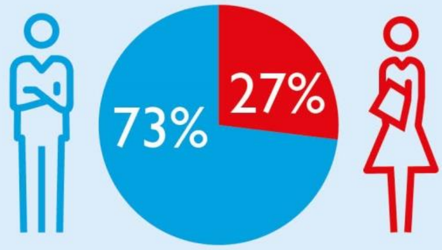
2015: 100% 2014: 100%

NUMBER OF EMPLOYEES

(FTEs)



MALE FEMALE RATIO



2015: 70/30 2014: 71/29

EMPLOYEE ENGAGEMENT

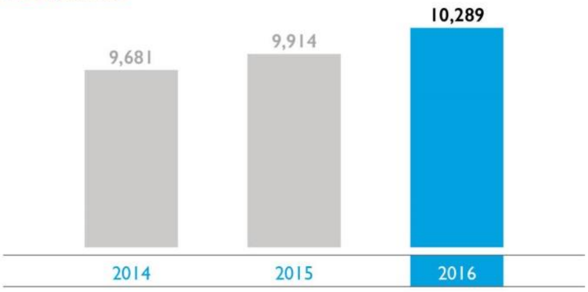
80%

2015: 84% 2014: 85%

FINANCIAL HIGHLIGHTS

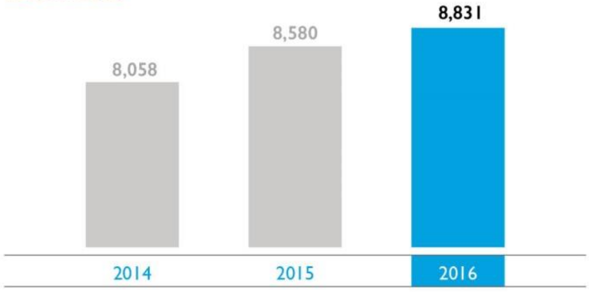
CORPORATE BANKING ASSETS

in EUR millions



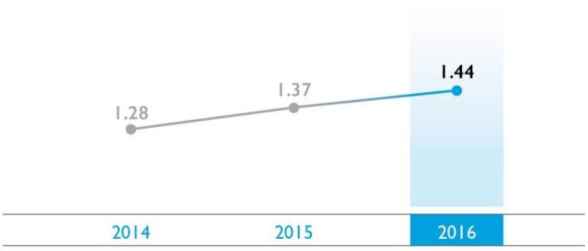
MORTGAGES

in EUR millions



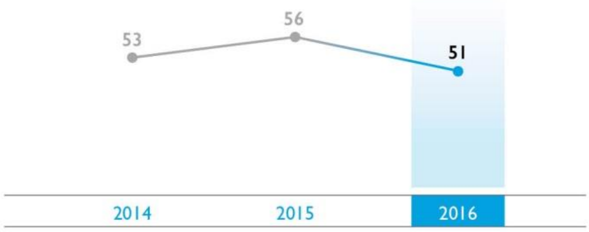
NET INTEREST MARGIN

in %

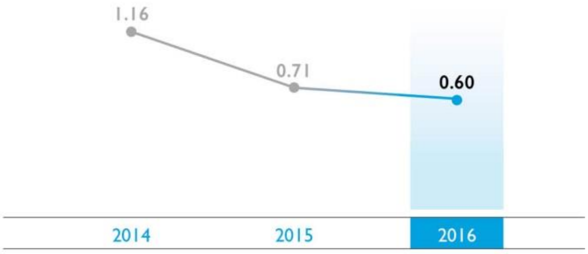


COST INCOME RATIO

in %

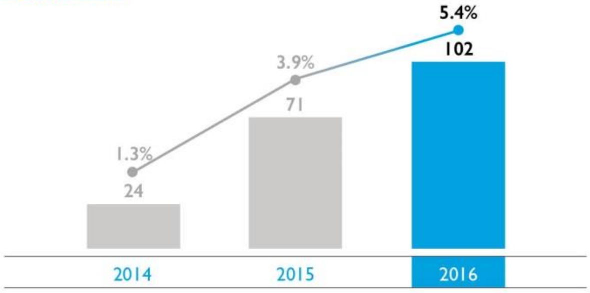


COST OF RISK



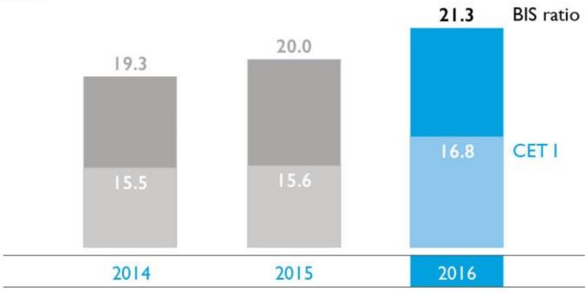
RETURN ON EQUITY AND PROFIT

in EUR millions



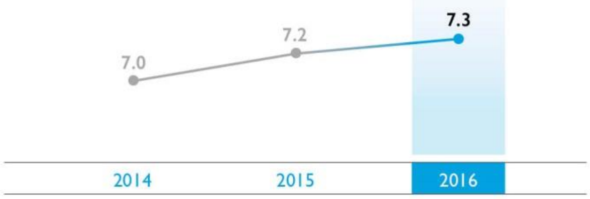
SOLVENCY RATIOS

in %



LEVERAGE RATIO

in %



KEY FIGURES NIBC BANK

	2016	2015	2014
EARNINGS			
Operating income (EUR millions)	381	316	295
Operating expenses (EUR millions)	194	177	155
Net profit attributable to parent shareholder (EUR millions)	102	71	24
Net profit before special items	**104**	**71**	**42**
Net interest income	306	286	247
Net fee and commission income	32	36	27
Net trading income	12	- 12	3
Impairments	57	63	93
Net interest margin [1]	**1.44%**	**1.37%**	**1.28%**
Dividend payout ratio	25%	0%	0%
Cost-to-income ratio	51%	56%	53%
Return on equity [2]	**5.4%**	**3.9%**	**1.3%**
CORPORATE & RETAIL BANKING			
CORPORATE BANKING ASSETS (DRAWN & UNDRAWN)			
Infrastructure & Renewables (I&R)	1,618	1,990	2,070
Industries & Manufacturing (I&M)	1,514	1,266	1,118
Shipping & Intermodal (S&I)	1,512	1,537	1,357
Commercial Real Estate (CRE)	1,375	1,293	1,321
Telecom, Media, Technology & Services (TMT&S)	1,257	968	744
Oil & Gas Services (O&G)	1,233	1,282	1,316
Food, Agri, Retail & Health (FARH)	1,149	896	864
Total corporate loans (drawn & undrawn)	**9,658**	**9,232**	**8,789**
Lease receivables	123	221	361
Investment loans	246	161	154
Equity investments	262	300	377
Total corporate banking assets (drawn & undrawn)	**10,289**	**9,914**	**9,681**
CORPORATE BANKING ASSETS (DRAWN & UNDRAWN) PER REGION			
Netherlands	3,849	3,304	2,983
Germany	2,378	2,229	2,293
United Kingdom	1,678	1,700	1,788
Other	2,384	2,681	2,617
Total corporate banking assets (drawn & undrawn)	10,289	9,914	9,681
RETAIL BANKING ASSETS			
Mortgages - Netherlands	8,747	8,463	7,891
Mortgages - Germany	84	117	167
Total retail banking assets	8,831	8,580	8,058
RETAIL BANKING SAVINGS			
Netherlands	3,950	4,129	3,867
Germany	4,542	4,687	3,969
Belgium	1,229	1,200	1,121
Total retail banking savings	9,721	10,016	8,957
ASSET QUALITY			
Risk-weighted assets (EUR millions)	10,109	10,162	9,646
Cost of risk [3]	0.60%	0.71%	1.16%
Impairment ratio [4]	0.34%	0.39%	0.63%
NPL ratio [5]	3.7%	3.7%	3.4%
Top-20 exposure / Common Equity Tier-1	87%	86%	104%
Exposure corporate loans that display an arrear > 90 days	0.9%	0.7%	0.8%
Exposure residential mortgages that display an arrear > 90 days	0.6%	0.7%	1.0%
Loan to value Dutch residential mortgages [6]	85%	85%	82%
Loan to value BTL mortgages [6]	56%	61%	0%
SOLVENCY INFORMATION [7]			
Shareholder's equity (EUR millions)	1,969	1,886	1,831
Subordinated liabilities	398	400	320
Group capital base (EUR millions)	2,367	2,286	2,151
Balance sheet total	23,580	23,229	23,331
Common Equity Tier-1 ratio	16.8%	15.6%	15.5%
Tier-1 ratio	16.8%	15.6%	15.5%
BIS ratio	21.3%	20.0%	19.3%
Leverage ratio	7.3%	7.2%	7.0%

	2016	2015	2014
FUNDING & LIQUIDITY [8]			
LCR	124%	201%	128%
NSFR	112%	113%	108%
Loan-to-deposit ratio	148%	143%	154%
Asset encumbrance ratio [9]	29%	29%	35%
Retail savings / total funding	45%	48%	45%
Secured funding / total funding	22%	24%	29%
ESF / total funding	6%	6%	5%
S&P rating & outlook	BBB- / Positive	BBB- / Stable	BBB- / Stable
Fitch rating & outlook	BBB- / Positive	BBB- / Stable	BBB- / Stable
OTHER INFORMATION			
Assets under management for third parties (EUR millions)	1,538	1,703	1,732
NON-FINANCIAL KEY FIGURES [10]			
CLIENT & PRODUCT RESPONSIBILITY			
NPS score Corporate Lending clients [11]	+37%	+40%	+27%
NIBC Direct customer survey score	7.6	7.7	7.5
% of new corporate loans screened against sustainability policy framework	100%	100%	100%
Number of new clients with increased sustainibility risk assessment	28	14	43
Number of project finance transactions closed in line with Equator Principles	2	6	9
Fines or sanctions for non-compliance with laws and regulations [12]	0	1	0
EMPLOYEES			
Total number of FTEs end of year	704	644	637
Absenteeism (trend total) [13]	2.4%	2.2%	2.1%
Employee engagement	80%	84%	85%
Training expenses per employee (EUR)	2,070	2,540	1,759
Male/female ratio	73%/27%	70%/30%	71%/29%
Male/female ratio top management	91%/9%	90%/10%	88%/12%
Employee turnover (employees started)	24.3%	15.2%	19.7%
Employee turnover (employees left)	14.9%	15.2%	13.2%

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

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

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

4) Impairments/average carrying value of Loans & Mortgages.

5) Total non-performing exposure (corporate and consumer loans) / total exposure (corporate and

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

7) The solvency information is based on the CRR/CRD IV regulation, calculated for NIBC Bank consolidated on a fully loaded base and including the full year net profit of the year and taking into account proposed dividend payment.

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

9) Encumbered assets & total collateral received re-used / total assets & total collateral re-used.

10) For further information on the scoping of the Non-Financial Key Figures, please refer to the Definitions for the non-financial key figures.

11) The definition of NPS has changed to corporate lending clients compared to portfolio clients in previous years. The score is not comparable to prior years as a result of this change.

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

13) The 2016 absenteeism (trend total) figure is based on the trend 1st year and trend 2nd year. This is further explained in the Defintions for the non-financial key figures.

A WORD FROM THE CEO

I am delighted to report another successful year for NIBC. We have expanded our share of the market and our offering, taking further steps to build our franchise among mid-sized corporates and consumer clients, while bringing our enterprising 'Think YES' attitude to niche sectors. Our performance, with growth of the loan portfolio, solid fee income and new products and services for our clients, has proven the success of our client-focused strategy. 2016 has been a year of Moving Forward for NIBC, and that is how we describe this exciting stage in our development and performance, leaving us well positioned to make a difference to our clients at their decisive moments for many years to come.

We have witnessed a remarkable transformation in our company's culture over the past two years, as demonstrated by our 'Think YES' campaign and still it continues to shift. It is equally heartening to see the new breed of talent joining our organisation; people who are curious and highly enterprising, and who greatly add to our wealth of expertise and professionalism. This spirit is the best guarantee of our ability to help clients navigate the challenges and opportunities they face in these uncertain times. The same can be said about our NIBC 3, the set of three principles that underpins our approach to the market; Professional, Entrepreneurial and Inventive.

We are immensely proud of what we have accomplished in 2016 as we passed our first intermediate ambition level of 100 million net profit, despite the combined challenges of slow growth across the Eurozone, the persistently low interest rate environment and ongoing geopolitical uncertainties. At the same time, we have increased our solid capital position, maintained our liquidity and further improved our cost income ratio and return on equity. Demonstrating the improvements made, we propose to pay-out 25% of the 2016 net profit as dividend to our shareholders, restoring our dividend policy for the coming years.

Corporate Banking assets grew by 4% to EUR 10.3 billion on the back of EUR 3.2 billion of origination. On the retail side, mortgages increased by 3% to EUR 8.8 billion and retail savings displayed a managed outflow of 3%, decreasing from EUR 10 billion to EUR 9.7 billion.

In Corporate Banking, despite the fierce competition and challenging environment, we achieved solid growth through higher demand. As a smaller player in our markets, we have allowed ourselves to focus on sectors in which we have the greatest impact due to our expertise, and where we can offer products and maturities not available elsewhere. This has been a crucial means of differentiating ourselves in a market dominated by pricing pressures. This client-focused approach has led to a favourable net promotor score (NPS) of +37%.

In June, we propelled ourselves forward with an expanded and highly complementary product suite through the acquisition of SNS Securities that has been renamed "NIBC Markets". Corporate Banking now serves the full balance sheet of its corporate clients, making it a truly unique midcap partner that is able to offer a full suite of investment banking services. Just one month later, we also launched Beequip, a new equipment leasing venture focusing on small and medium enterprises in infrastructure, earthmoving, construction and logistics sectors. In doing so we have become a new entrepreneurial player in this promising market, which has traditionally been dominated by a limited number of competitors.

In Retail Banking, we secured our first mandate in 'originate-to-manage', which supports our offering of mortgages with longer maturities to our clients. Furthermore, the buy-to-let mortgage product we successfully launched in 2015 has continued to display strong growth in 2016, driving up the buy-to-let portfolio by almost EUR 250 million, to total more than EUR 360 million.

This willingness to follow our entrepreneurial instincts has also led us to intensify our focus on the Innovation Lab (Lab), our dedicated workshop for encouraging our people to think beyond their job responsibilities and embrace innovation. In 2016, the Lab organised a series of inspirational Monday evening sessions to learn more about the latest trends in FinTech and on new ways to make innovation tangible within NIBC. Alongside this, we have sought to develop our leadership skills to make sure our people are working together as a team, and with an integrated approach. These efforts and more are being driven by our top management, which is dedicating its time and leadership to further strengthen the building blocks of our culture.

In 2016 we took further actions to make our operations more effective and agile. This encompasses among others the centralization of certain functions and the outsourcing of our technical IT-environment, which will be fully effectuated in the course of 2017.

The year also brought important changes to our top management team. In August we were pleased to welcome Reinout van Riel as successor of Petra van Hoeken as new Chief Risk Officer. In September Rob ten Heggeler, our Chief Client Officer announced to leave NIBC to co-establish a new investment company. Rob has been instrumental in enabling our business to grow, while his sincere commitment to the ‘client first’ motto has been an example for many, both internally and externally. We are delighted that he will remain closely involved with our clients as Senior Advisor to the Managing Board.

Following his decision, we decided to take this opportunity to revise the top structure of NIBC, so that we continue to safeguard and strengthen the commercial and client-facing roles by the promotion of Saskia Hovers, Michel Kant and Caroline Oosterbaan to executive commercial roles for Corporate Banking Sectors, Retail Banking and Corporate Banking Products as part of the newly formed Executive Committee (ExCo). With these new appointments, we have reinforced NIBC’s client focus, which is a pivotal element of our strategy. Next to these appointments, the ExCo will also include the current three Managing Board members.

For 2017, I look forward to intensifying our efforts in the year ahead. I would like to thank our clients and other stakeholders for their continued trust and support. Special recognition also goes to our dedicated employees who have demonstrated their exceptional professionalism, entrepreneurial mind-set and inventiveness at every step of the way. We now have every reason to be optimistic about our future, and to work with confidence, as we make a difference for our clients at their most decisive moments in business and life.

The Hague, 7 March 2017

Paulus de Wilt
Chief Executive Officer,
Chairman of the Managing Board

FINANCIAL PERFORMANCE NIBC BANK

Profit and loss

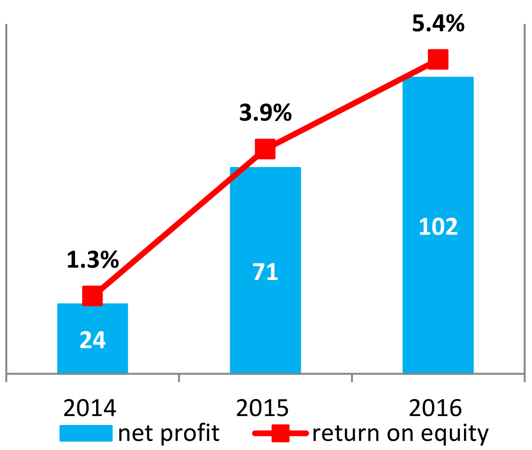
in euro millions	2016			2015	%
	NIBC	Markets [1]	Total		
Net interest income	306	0	306	286	*7%*
Net fee and commission income	28	4	32	36	*-11%*
Investment Income	31		31	4	
Net trading income	7	5	12	(12)	
Other operating income	0		0	1	
Operating income	**372**	**9**	**381**	**316**	*21%*
Payroll Expenses	89	7	96	91	*5%*
Other operational expenses	73	4	77	76	*1%*
Depreciation and amortisation	7		7	6	*17%*
Resolution Levy & DGS	15		15	4	
Operating Expenses	**183**	**11**	**194**	**177**	*10%*
Impairments of financial assets	57		57	63	*-10%*
Profit before tax	**131**	**(2)**	**129**	**77**	*68%*
Tax	26	(1)	25	6	
Profit after tax	**105**	**(2)**	**104**	**71**	*46%*
Special items (after tax)	(1)	(1)	(2)	(0)	
Net Profit NIBC Bank	**104**	**(2)**	**102**	**71**	*44%*

1) Period 1 July 2016 - 31 December 2016

The income statement in the table above differs from that presented in the consolidated financial statements due to the treatment of non-financial companies controlled by NIBC and the treatment of "Special items" in 2016, explained further in this section. This only affects the presentation of the income statement and not the bottom-line net profit figures. See note 1 to the consolidated financial statements for more information and a full reconciliation between the two presentations of the income statement.

Small differences are possible in this table due to rounding.

Return on equity and profitability



Our profitability strongly improved in 2016, with both net profit and return on equity displaying substantial growth to respectively EUR 102 million (+44%) and 5.4% (+38%). This performance was driven by both our Corporate Banking and Retail Banking activities, continuously developing and growing the client franchise in challenging market circumstances. Origination of loans amounted to EUR 3.2 billion leading to net growth of the corporate banking assets by 0.4 billion (+4%). The mortgage portfolio increased by EUR 0.2 billion (+3%) on the back of EUR 1.1 billion of origination. We continued to decrease our average funding rate in 2016 and our solvency and liquidity ratios remained solid, well above the minimum regulatory requirements. Both Fitch and Standard & Poor's have improved the outlook on our BBB- ratings from 'stable' to 'positive'.

Key figures

in euro millions	2016	2015
Return on equity	5.4%	3.9%
Net interest margin	1.44%	1.37%
Cost/income ratio	51%	56%
Risk weighted assets	10,109	10,162
Cost of risk	0.60%	0.71%
Loan to deposit ratio	148%	143%
Asset encumberance ratio	29%	29%
Fully loaded solvency ratios		
CETI ratio	16.8%	15.6%
BIS ratio	21.3%	20.0%
Liquidity ratios		
LCR	124%	201%
NSFR	112%	113%
number of FTEs	704	644
Rating		
Standard & Poor's	BBB- *positive*	BBB- *stable*
Fitch	BBB- *positive*	BBB- *stable*

The following section describes the financial developments and analysis of the performance of NIBC for the financial year 2016.

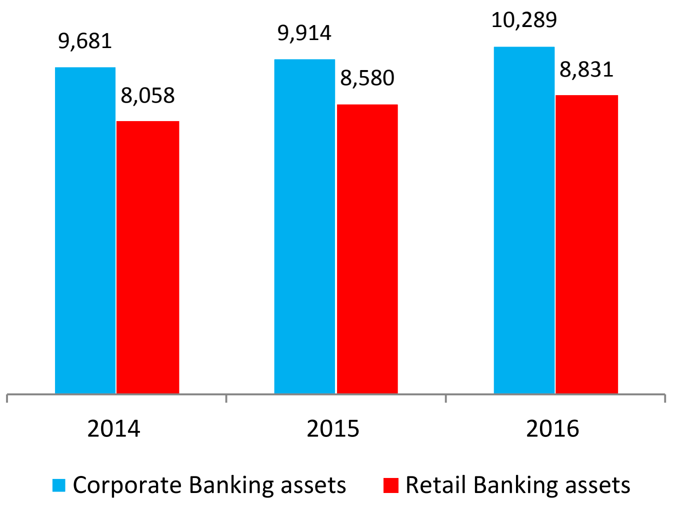
Operating income

Operating income further increased in 2016 from EUR 316 million to EUR 381 million, an increase of 21% (+18% excluding NIBC Markets). The increase of operating income was mainly driven by the strong underlying growth of the corporate and retail franchises, with operating income from Corporate Banking increasing by 24% and from Retail Banking by 7%.

Net interest income

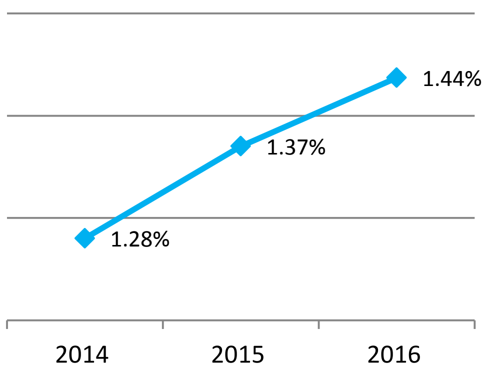
Net interest income continued to increase in 2016 to EUR 306 million from EUR 286 million in 2015, an increase of 7%. The growth of net interest income was driven by the increase of our client business in both Corporate and Retail Banking, in combination with the improvement of our funding profile:

Corporate and Retail Banking assets *(euro millions)*

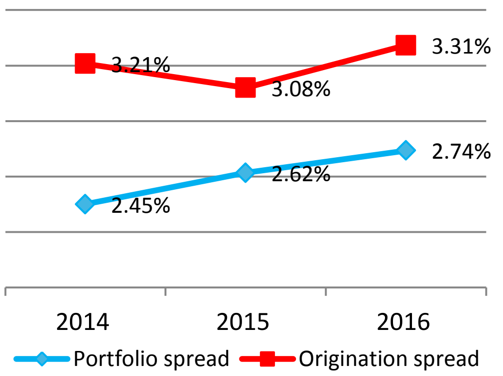


- Our corporate banking assets increased in 2016 by 4% to EUR 10.3 billion from EUR 9.9 billion, driven by loan origination of EUR 3.2 billion, more than compensating re- and prepayments. The positive impact from the portfolio increase on net interest income was further strengthened by a positive development of the origination spreads, leading to an increase of the average portfolio spread by 5% from 262 basis points to 274 basis points in 2016;
- Our mortgage portfolio grew by 3% in 2016 to EUR 8.8 billion from EUR 8.6 billion, driven by origination of EUR 1.1 billion. This includes an increase of our buy-to-let portfolio by nearly EUR 250 million to approximately EUR 360 million; and
- Our funding profile combined with, on average, significant lower funding costs, also contributed to the increase of net interest income in 2016. Our average funding spread above base decreased by 21 basis points in 2016, following a decrease of 8 basis points in 2015.

Net interest margin



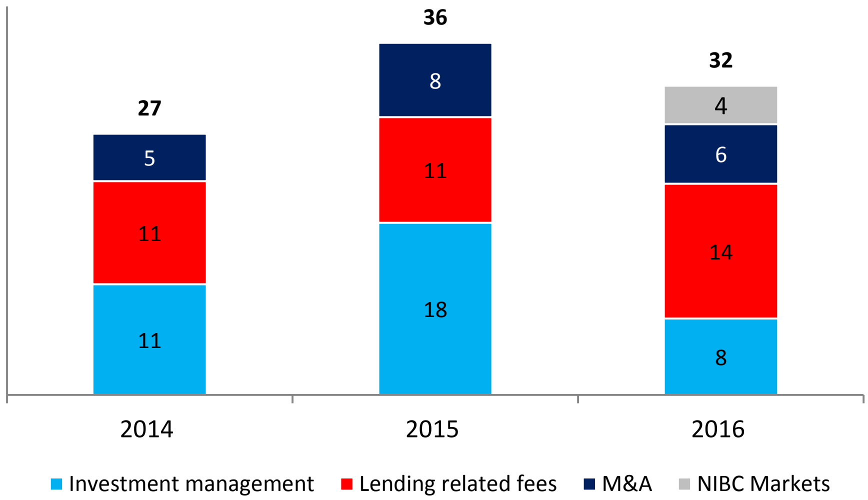
Spreads corporate loans



Net fee and commission income

Net fee and commission income decreased by 11% in 2016, after an increase of 33% in 2015. The 2015 figure included high investment management fees driven by relatively high performance fees. Excluding the investment management fees, net fee and commission income increased by 33% in 2016 from EUR 18 million to EUR 24 million. The 2016 figure includes EUR 4 million from NIBC Markets. The other fees remained relatively stable in 2016 compared to 2015. The fees from M&A/Advisory displayed a decrease of EUR 2 million and the lending related fees, including fees from distribution and structuring displayed an increase by the same amount.

Net fee and commission income *(euro millions)*



Investment income

Investment income improved from EUR 4 million in 2015 to EUR 31 million in 2016. In 2016 the underlying equity investment portfolio performed well, on the back of a more positive sentiment in the equity markets. The lower level of investment income in 2015 relates to two significant losses on equity investments, including a write-off of EUR 20 million on a non-financial company transferred to 'held for sale' and eventually sold in 2016.

Net trading income

Net trading income in 2016 amounted to a gain of EUR 12 million, which compares to a loss of EUR 12 million in the previous year. The main reasons behind the improvement of EUR 24 million are the following:

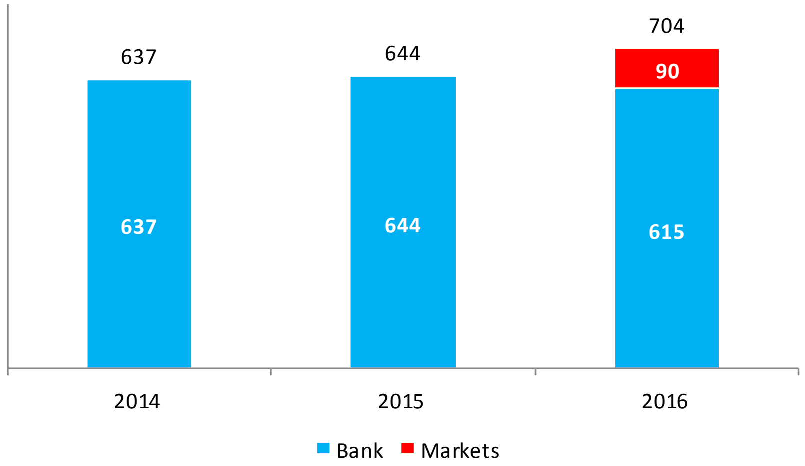
- Until 31 December 2015, own credit related fair value changes relating to the portion of our funding portfolio accounted for at fair value through profit or loss (FVtPL) were booked in net trading income. As of 1 January 2016, following our early application of ‘IFRS 9 - own-credit risk’, these fair value changes are accounted for in comprehensive income. The amount in net trading income in 2015 attributable to own credit risk related fair value changes of our funding portfolio is a loss of EUR 17 million;
- The newly acquired NIBC Markets (rebranded from SNS Securities) on 30 June 2016, contributed income of EUR 5 million to net trading income;
- The revaluation (including credit losses) of our mortgage book accounted for at FVtPL amounted to a gain of EUR 9 million compared to a gain of EUR 3 million in 2015; and
- In 2016 no revenues from repurchased funding were realized compared to gains of EUR 3 million in 2015.

Operating expenses

The increase of EUR 17 million in operating expenses (+10%), from EUR 177 million to EUR 194 million, is driven by EUR 11 million higher regulatory charges, which increased from EUR 4 million to EUR 15 million and EUR 11 million operating expenses from the consolidation of SNS Securities (NIBC Markets) as of 1 July 2016. Excluding these items operating expenses decreased by EUR 5 million in 2016, following lower payroll expenses (EUR 2 million) and lower other operating expenses (EUR 3 million).

Excluding the payroll expenses of NIBC Markets of EUR 7 million in 2016, payroll expenses decreased by EUR 2 million to EUR 89 million in 2016 from EUR 91 million in 2015. This decrease was mainly driven by a decrease of the number of FTEs by 29 to 615 in 2016 (excluding NIBC Markets) from 644 in 2015, predominantly in the support areas. The decrease of FTEs results among others from the outsourcing of the technical IT-environment, further automation and efficiency, the centralisation of certain functions and the sale of a run-off portfolio of the former Gallinat AG (making the FTEs managing this portfolio redundant). In the commercial areas the number of FTEs displayed a slight increase.

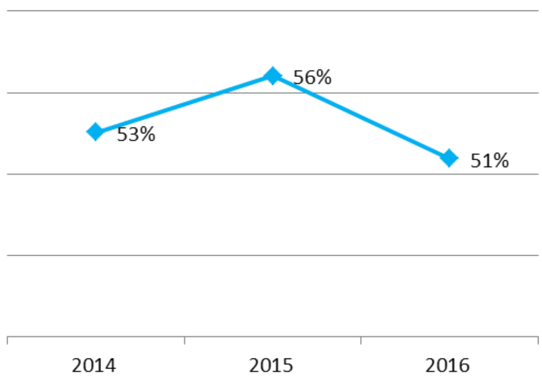
FTE Development



Excluding the other operating expenses in 2016 of NIBC Markets of EUR 4 million, other operating expenses decreased by EUR 3 million to EUR 73 million in 2016 from EUR 76 million in 2015. The decrease is mainly driven by lower expenses on external servicers in Retail Banking and lower expenses for external advisors.

Our cost/income ratio improved from 56% in 2015 to 51% in 2016. In 2016 this ratio excludes EUR 14 million of revenues and EUR 9 million of operating expenses included in the income statement in the line-item 'Special items' explained later in this section. Including the special items the cost/income ratio would still amount to 51%.

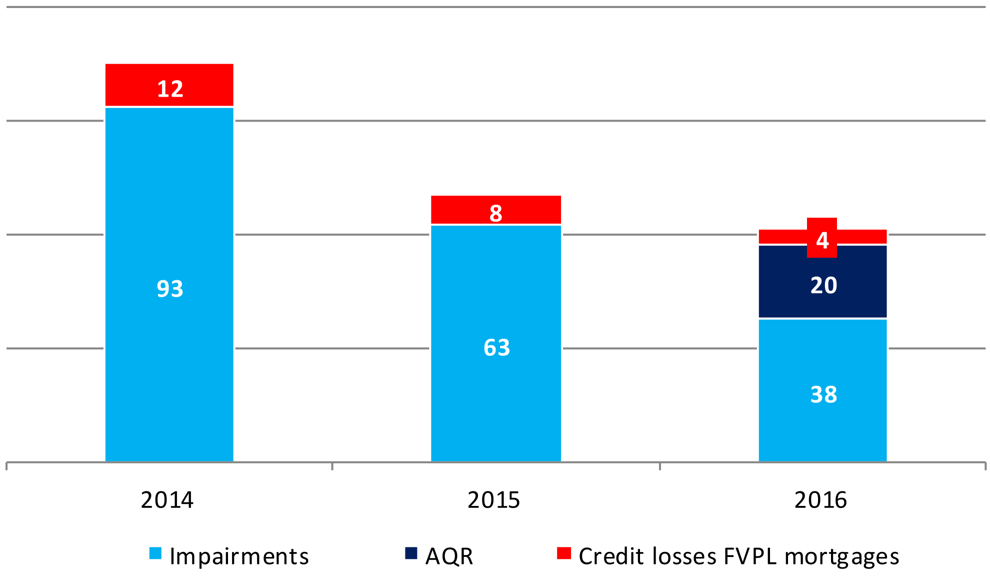
Cost to income ratio



Impairments on financial assets

Impairments decreased by 10% to EUR 57 million in 2016 from EUR 63 million in 2015. The impairment level for 2016 still reflects the fragile and volatile economic environment, especially in Oil & Gas and the dry bulk shipping subsector. Furthermore we adjusted the calculation of the 'Incurred but not reported' (IBNR) provision, resulting in an additional charge of EUR 5 million. The 2016 impairments on financial assets also include the results of an asset quality review on the corporate loan book, conducted by the regulator during the second half of the year. The AQR led to additional impairments in 2016 of EUR 20 million.

Impairments, credit losses and AQR *(euro millions)*



Tax

Tax in 2016 amounts to EUR 25 million, implying an effective tax rate of 19% of the profit before tax and before special items. The effective tax rate lies below the Dutch corporate tax rate of 25%. This mainly relates to the impact of income not subject to tax, predominately from equity investments and investments in associates. Income from these investments is tax exempt under Dutch tax law if NIBC has a stake of more than 5%.

Including special items the effective tax rate is 15%. This additional decrease of the effective tax rate mainly results from the negative goodwill on the acquisition of SNS Securities being tax exempt.

Net profit before special items

NIBC's net profit before special items increased by 46% from EUR 71 million in 2015 to EUR 104 million in 2016. This substantial improvement, driven by growth of our operating income, mainly reflects the strong foundations of our client income, displayed in 2016 by an increase of net interest income and investment income and by solid net fee income. The increase of operating income more than compensated the increase of operating expenses from higher regulatory charges and the consolidation of NIBC Markets, leading to a further improvement of our cost income ratio from 56% to 51%.

Special items

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

- A one-off gain (badwill) of EUR 22 million follows from the acquisition of NIBC Markets (former SNS Securities) per 30 June 2016. This discount on the acquisition price partly reflects the future investments needed for development of this franchise;
- We incurred EUR 18 million after tax credit loss on resolving pre-crisis retail exposure; and
- After tax operating expenses of EUR 6 million relate to the outsourcing of our technical IT-environment during 2016 and 2017 and to the alignment of the NIBC Markets franchise to our business model as well as

the further development of this franchise. The outsourcing of the technical IT-environment concerns outsourcing the network and infrastructure services, technical application management, client support (service desk) and digital workplace.

Balance sheet

euro millions	December 2016	December 2015	*euro millions*	December 2016	December 2015
Cash and Banks	2,346	2,491	Retail funding	9,721	10,016
Loans	8,380	7,790	Funding from securitised mortgages	1,337	2,062
Lease receivables	123	212	Covered bonds	2,028	1,513
Residential mortgages	9,020	8,767	ESF	1,230	1,127
Debt investments	1,375	1,377	All other senior funding	4,650	3,735
Equity investments	252	277	Tier-1 & subordinated funding	398	400
Derivatives	1,817	2,151	Derivatives	2,006	2,350
All other assets	267	165	All other liabilities	241	139
			Total liabilities	21,611	21,343
			Shareholders' equity	1,969	1,886
Total assets	**23,580**	**23,229**	**Total liabilities and shareholders' equity**	**23,580**	**23,229**

Assets

Both residential mortgages and the corporate loan book displayed healthy growth in 2016, reflecting the trust of our clients in NIBC.

Total drawn loans grew by 7% from EUR 7.8 billion last year to EUR 8.4 billion in 2016.

The credit quality of the non-defaulted part of the corporate loan portfolio improved slightly in 2016. Our defaulted and non-performing exposures increased, mainly driven by the Oil & Gas and dry bulk shipping (sub)sectors. Excluding these exposures our defaulted and non-performing exposures decreased. Almost all of our corporate loans are collateralized in some form. As a result our loss-given-defaults (LGD) are concentrated in those LGD-categories that correspond to recoveries in the range of 80%-90%.
Our mortgage portfolio (netted with the related savings from savings endowment policies) grew in 2016 by 3% to EUR 8.8 billion from EUR 8.6 billion, supported by origination of EUR 1.1 billion. NIBC’s mortgage portfolio consists of two parts: mortgages originated since 2013 and those originated before the crisis:

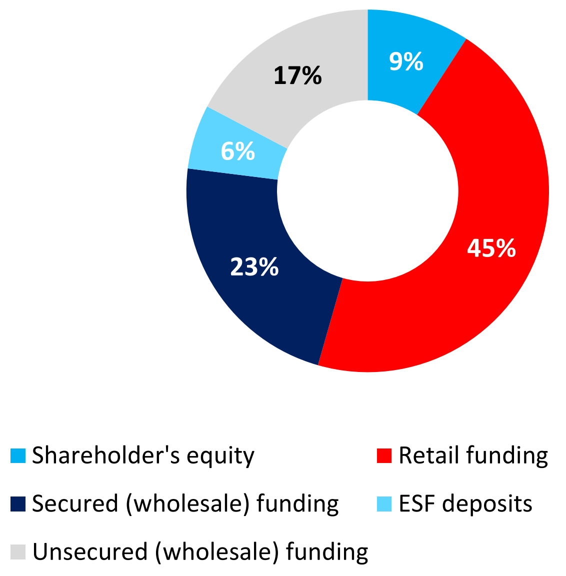
- Since the crisis, we have made significant choices regarding our business model and mortgages originated since 2013 - a key part of our retail franchise - are held to maturity and accounted for at amortised cost; and
- The mortgages originated before the crisis are valued at FVtPL. This valuation method was chosen when IFRS was first adopted, reflecting the ‘originate to distribute’ business model NIBC had at that time. As since the crisis we have made other choices regarding our business model for mortgages, these mortgages, although still accounted for at FVtPL, are in practice now also held to maturity. At year-end 2016, a EUR 101 million (2015: EUR 96 million) positive revaluation before tax on the outstanding mortgages and related hedges was accounted for in our balance sheet due to credit spread movements.

Funding & liquidity

As was the case in the previous two years, 2016 was marked by growth of our asset base. This development continued to fuel our funding needs and enabled further funding diversification. Diversification of funding has been a key part of our strategy since early 2008, when we started to build our retail savings franchise. We continued to diversify our funding sources in 2016. Overall, our funding mix shows a healthy balance between wholesale and retail:

- Retail savings decreased by 3% to EUR 9.7 billion, displaying a managed outflow of less than EUR 0.3 billion. The share of our retail savings in term deposits decreased to 44% (2015: 55%), in line with our target of around 40% term deposits;
- With respect to wholesale funding we issued a total of EUR 2.6 billion in 2016:
  - We issued a EUR 300 million senior unsecured bond in March 2016, followed by an additional tap of EUR 200 million in September 2016. The initial transaction had a maturity of 3.5 years, paying interest of 2.45% above the swap rate, with the tap paying 1.42% above the swap rate;
  - In May 2016 we issued our fourth conditional pass-through covered bond. The transaction, backed by a pool of Dutch residential mortgages, met strong demand in both the primary and secondary markets. The transaction size was EUR 500 million, had a maturity of 10 years and was priced 0.29% above the swap rate;
  - In June, July and December 2016 we participated in TLTRO-issuance totaling EUR 0.9 billion at maturities of 2 to 4 years; and
  - Additionally during 2016 we raised EUR 0.7 billion in privately placed senior funding in various currencies and maturities.
- Institutional deposits attracted in Germany under the Einlagensicherungsfonds (ESF) increased in 2016 by 9% to more than EUR 1.2 billion, following an increase of 14% in 2015. Our current limit under the ESF amounts to EUR 1.7 billion.

Funding composition 2016



Our healthy funding and liquidity position in 2016 is further evidenced by the following ratios:

- Our Liquidity Coverage Ratio of 124% (versus 201% at year-end 2015) and Net Stable Funding Ratio of 112% (113% at year-end 2015);
- Our asset encumbrance ratio of 29% (2015: 29%), which meets our ambition to maintain this ratio below 30%; and
- Our loan-to-deposit ratio of 148% (2015: 143%), which is in line with our ambition to maintain this ratio at a level between 140% -160%.

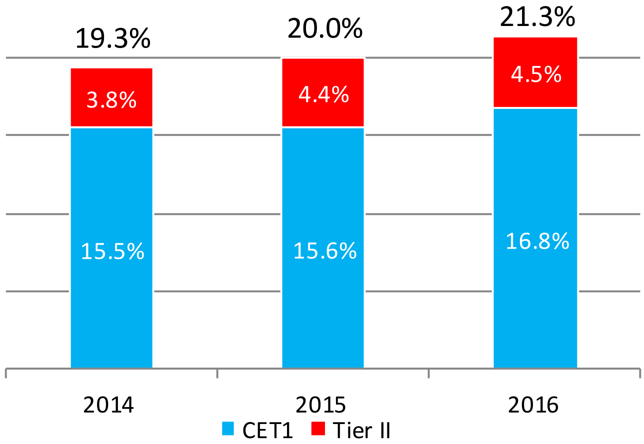
Part of the unsecured funding portfolio is classified at FVtPL. As of 1 January 2016, following our early application of 'IFRS 9 - own-credit risk', these fair value changes are accounted for as comprehensive income directly to shareholder’s equity. At year-end 2016 a debit of EUR 136 million (2015: EUR 153 million debit) on the unsecured funding portfolio at FVtPL is accounted for in our balance sheet due to credit spread movements.

Solvency

NIBC's solvency ratios were maintained at a solid level in 2016, with the fully loaded CET-1 ratio increasing from 15.6% in 2015 to 16.8% in 2016 and the fully loaded BIS ratio increasing from 20.0% in 2015 to 21.3% in 2016. These levels are comfortably above the required SREP-level set by our regulator DNB for NIBC Holding. Any extrapolation effects from the AQR performed by our regulator have not yet been taken into account.

The leverage ratio of NIBC increased to an even more comfortable level of 7.3% at year-end 2016 (2015: 7.2%).

Solvency ratios



Rating

In June 2016 Fitch revised NIBC's outlook to positive and affirmed NIBC's Long-term Issuer Default Rating at 'BBB-' and Viability Rating (VR) at 'BBB-'. The outlook was revised to positive, "mainly because of structurally improving earnings, which now provide a more acceptable buffer against potential unexpected losses in the loan book."

In October 2016, Standard & Poor's revised NIBC's outlook to positive and affirmed NIBC's 'BBB-/A-3' long- and short-term counterparty credit ratings. The revised outlook was announced, "mainly as the result of our efforts to pro-actively balance our funding profile over the past five years and that the current funding mix is better aligned with our operating model."

NIBC HOLDING

Net profit in 2016 of NIBC Holding is EUR 2 million above that of NIBC Bank mainly due to EUR 3 million after tax profit on investment property acquired from a restructuring, partially compensated by EUR 1 million after tax start-up loss from BEEQUIP. Profitability of NIBC Holding strongly improved in 2016, with both net profit and return on equity displaying substantial growth to respectively EUR 104 million (+49%) and 6.0% (+43%).

NIBC Holding’s solvency ratios were maintained at a solid level in 2016, with the fully loaded CET-1 ratio increasing from 13.9% in 2015 to 15.1% in 2016 and the fully loaded BIS ratio increasing from 16.7% in 2015 to 18.0% in 2016. These levels are comfortably above the required SREP-level set by our regulator DNB for NIBC Holding. The leverage ratio of NIBC increased to an even more comfortable level of 6.5% at year-end 2016 (2015: 6.1%).

Key figures Holding

in euro millions	**2016**	**2015**
Return on equity	6.0%	4.2%
Net interest margin	1.47%	1.34%
Cost/income ratio	51%	56%
Risk weighted assets	9,930	9,848
Cost of risk	0.73%	0.73%
Loan to deposit ratio	145%	140%
Asset encumberance ratio	29%	29%
Fully loaded solvency ratios		
CETI ratio	15.1%	13.9%
BIS ratio	18.0%	16.7%
Liquidity ratios		
LCR	124%	201%
NSFR	112%	113%
number of FTEs	716	644
Rating		
Standard & Poor's	BBB- *positive*	BBB- *stable*
Fitch	BBB- *positive*	BBB- *stable*

Dividend pay-out

The Managing Board has proposed a dividend pay-out of EUR 25 million, amounting to a pay-out ratio of roughly 25% of the net profit for the year 2016. Both NIBC Bank and NIBC Holding will pay-out this dividend. The calculation of the maximum distributable amount, as set out in article 2.2.1 of the Regulation 'specific provisions CRDIV and CRR' of De Nederlandsche Bank N.V. of 9 December 2013, containing requirements to the maximum distributable amount and the calculation thereof, provides us with enough head room to pay out this dividend.

HALF YEAR FIGURES NIBC BANK AND NIBC HOLDING

in euro millions	HY2 2016 NIBC	HY2 2016 Markets	HY2 2016 Total	HY1 2016	HY2 2015	HY1 2015
Net interest income	157	0	157	149	147	139
Net fee and commission income	17	4	21	11	20	16
Investment Income	22	0	22	9	(2)	6
Net trading income	11	5	16	(4)	(6)	(6)
Other operating income	(0)	0	(0)	1	1	0
Operating income	**207**	**9**	**216**	**165**	**160**	**155**
Payroll Expenses	45	7	52	44	46	44
Other operational expenses	36	4	40	37	37	39
Depreciation and amortisation	3	0	3	4	3	3
Resolution Levy & DGS	5	0	5	9	4	0
Operating Expenses	**90**	**11**	**101**	**93**	**90**	**86**
Impairments of financial assets	35	0	35	22	39	23
Profit before tax	**82**	**(2)**	**80**	**50**	**31**	**46**
Tax	16	(1)	16	10	(6)	12
Profit after tax	**65**	**(2)**	**64**	**40**	**37**	**33**
Special items (after tax)	(6)	(1)	(6)	4	(0)	0
Net Profit NIBC Bank	**60**	**(2)**	**57**	**44**	**37**	**33**
Holding items	2	0	2	0	0	0
Net Profit NIBC Holding	**62**	**(2)**	**60**	**44**	**37**	**33**
KEY FIGURES NIBC BANK						
Return on equity			6.1%	4.7%	4.0%	3.6%
Cost/income ratio			47%	56%	56%	56%
CETI ratio			16.8%	15.9%	15.6%	15.9%
BIS ratio			21.3%	20.1%	20.0%	20.5%
Risk weighted assets			10,109	10,386	10,162	9,543
KEY FIGURES NIBC HOLDING						
Return on equity			6.9%	5.1%	4.4%	4.0%
CETI ratio			15.1%	14.3%	13.9%	13.8%
BIS ratio			18.0%	17.1%	16.7%	16.6%
Risk weighted assets			9,930	10,133	9,848	9,323
Loan to deposit ratio			145%	136%	140%	145%
LCR			124%	230%	201%	279%
NSFR			112%	116%	113%	112%

CORPORATE BANKING

In 2016, Corporate Banking experienced solid gross growth sustained by higher demand across most sectors, even as competition in its markets intensified with the widespread availability of liquidity. At the same time, macro-economic and geopolitical uncertainties such as Brexit, the US elections and continued slow growth in the Eurozone have created a challenging environment for many of our clients, particularly large global operators. Against this backdrop, we supported clients with fast-moving and bespoke services.

Following the acquisition of NIBC Markets on 30 June, we launched a ‘100 clients in 100 days’ campaign to introduce our broader offering to our clients.

We have been able to grow our client franchise in 2016, providing solutions to both new and existing clients, meeting increasing demand for financing and investments, resulting in newly originated loans totalling EUR 3.2 billion (a 10% increase compared to 2015). This resulted in an increase of our corporate banking portfolio, which reached EUR 10.3 billion (drawn and undrawn exposures), a 4% rise compared to the previous year (2015: EUR 9.9 billion).

Our well diversified corporate banking exposure of EUR 10.3 billion at 31 December 2016, consists of:

- EUR 9.7 billion corporate loans;
- EUR 0.1 billion lease receivables;
- EUR 0.2 billion investment loans; and
- EUR 0.3 billion equity investments.

The corporate loan book developed in line with our ambitions, and improved its risk profile of the performing loan portfolio due to both new origination and repayments of several larger exposures. The average expected loss on the performing loan portfolio improved from 38 bps to 35 bps. The non-performing loan portfolio increased driven by the Oil & Gas and dry bulk shipping (sub)sectors. Excluding these sectors the non-performing loan portfolio decreased.

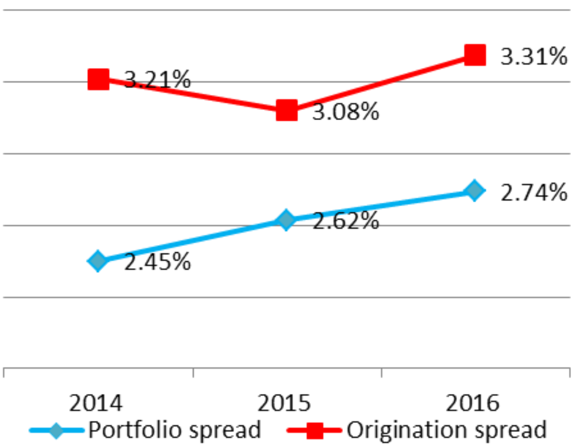
Income statement Corporate Banking

	2016			2015
in euro millions	2016 excl Markets	Markets[1)]	Total 2016	
Net interest income	162	0	162	149
Net fee and commission income	28	4	32	36
Investment Income	33		33	3
Net trading income	12	5	16	7
Other operating income	(0)		(0)	0
Operating income	**235**	**9**	**244**	**197**
Payroll Expenses	64	7	71	64
Other operational expenses	39	4	42	35
Depreciation and amortisation	5		5	4
Resolution Levy & DGS	0		0	0
Operating Expenses	**107**	**11**	**118**	**104**
Impairments of financial assets	57		57	60
Profit before tax	**72**	**(2)**	**69**	**33**
Tax	12	(1)	12	(1)
Profit after tax	**60**	**(2)**	**58**	**34**
Special items (after tax)	(18)	(1)	(18)	0
Net Profit Corporate Banking	**43**	**(2)**	**39**	**34**

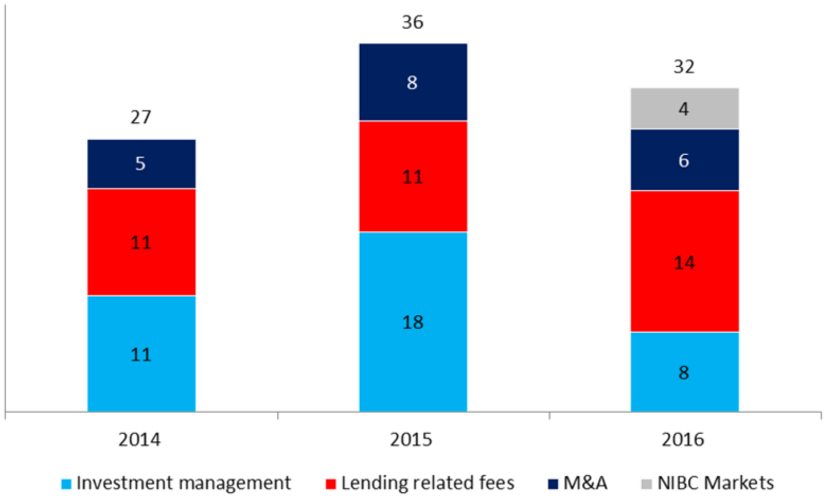
1) Period 1 July 2016 - 31 December 2016

With respect to our financial performance, operating income from Corporate Banking improved in 2016 by 24% to EUR 244 million, mainly driven by increased net interest income and investment income. On the back of the development of our corporate loan book, net interest income increased by 9%, also driven by an improved average spread on the portfolio and lower cost of funds. Higher investment income reflects an underlying equity investment portfolio that performed well, on the back of a more positive sentiment in the equity markets.

Spreads corporate loans



Net fee and commission income



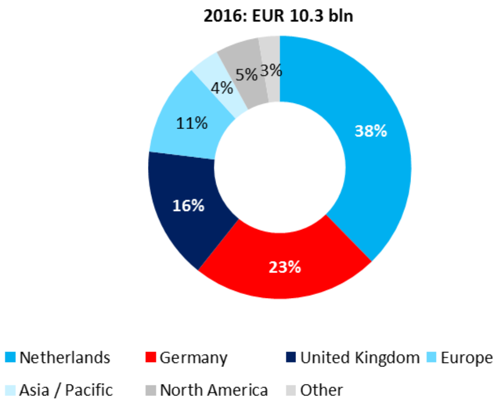
Net fee income was lower than last year by 11% to EUR 32 million (2015: EUR 36 million), mainly due to reduced investment management income, of which in 2015 the performance fees were relatively high. The other fees remained stable in 2016 compared to 2015, with higher lending fees (including distribution and structuring) and lower M&A and advisory fees. The improvement of net trading income from EUR 7 million to EUR 16 million in 2016 mainly relates to the revenues from NIBC Markets, which contributed for EUR 5 million to net trading income.

Operating expenses increased by 13% to EUR 118 million, of which EUR 11 million relates to NIBC Markets. Excluding NIBC Markets operating expenses increased by 3%.

Impairments decreased by 5% to EUR 57 million in 2016. The impairment level for 2016 still reflects the fragile and volatile economic environment, especially in Oil & Gas and the dry bulk shipping subsector. The 2016 impairments on financial assets also include the results of the AQR on the corporate loan book, conducted by the regulator during the second half of the year, leading to EUR 20 million additional impairments compared to our own impairment process.

Corporate Banking's net profit improved by 15% to EUR 39 million in 2016.

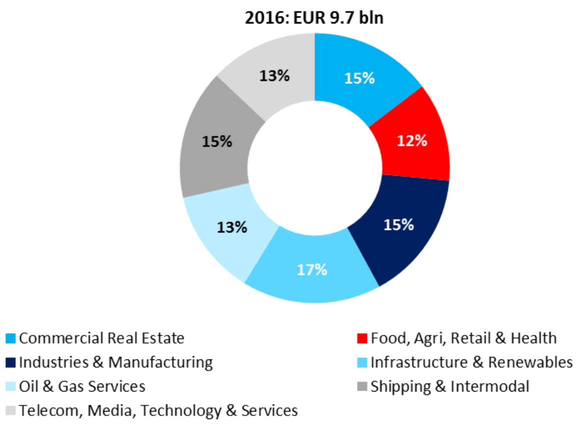
Corporate assets per region



Our operations in Germany have continued to perform well as we have increased our share of the market against larger and more established local players and generated new clients and transactions. This success is the result of our sector and sub-sector approach to mid-sized family-owned businesses combined with our product expertise. The origination level in Germany reached EUR 751 million by the end of the year, compared to EUR 588 million in 2015. The growth was strongest in the sectors FAR&H and TMT&S.

In the Netherlands, origination levels were at EUR 2.5 billion, compared to EUR 2.3 billion in 2015. Especially the corporate lending sectors and Commercial Real Estate displayed relatively high origination.

Corporate loans per sector



On a sector level, the majority of the trends observed in 2015 continued into 2016:

- Clients have remained under pressure in the Oil & Gas Services and Shipping & Intermodal, particularly dry bulk shipping. Our O&G and S&I portfolios remained relatively stable in 2016 at respectively EUR 1.2 and EUR 1.5 billion, mainly reflecting (p)repayments being compensated by an increase of the USD exchange rate;

- Positively, levels picked up in our three corporate sectors, I&M, FAR&H and TMT&S, which displayed a combined portfolio increase of 25% to EUR 3.9 billion. We are continuing to diversify our portfolio and further sharpening our focus on promising sub-sectors such as healthcare, telecom, data centres, Fintech and business software;

- CRE performed well for the second year running as we continued to grow our market share. This portfolio increased by 10% to EUR 1.4 billion. We have the ambition to grow this side of our business in a controlled way, taking on a higher number of smaller deals for a larger number of clients; and

- The I&R portfolio decreased by 19% in 2016 to EUR 1.6 billion, reflecting the impact of the decrease of the GBP exchange rate, relatively high (p)repayments as well as our efforts to decrease that part of the old portfolio that generates insufficient returns.

Launched in July, the new leasing venture BEEQUIP saw significant volumes in its first year, totalling EUR 124 million. The leasing of new and used equipment is a good fit with our I&M client base and our aim is to gradually broaden the scope of its activities into smaller ticket financing and to offer our clients the possibility to lease their assets. The parent company of BEEQUIP is NIBC Holding N.V.

At the end of 2016 we succeeded in both increasing a managed account mandate for a European institutional investor from EUR 50 million to EUR 150 million as well as expanding the scope of the transaction to leveraged finance loans.

Client deals

In 2016, Corporate Banking secured mandates for a large number of high-profile deals across its markets, demonstrating its ability to provide tailor-made solutions swiftly, and at decisive moments for its clients. These included the following examples:

BillFront uses its unique data-driven risk management technology to provide invoice-financing to fast growing digital advertising companies, app developers and publishers. Its innovative platform connects directly to its customers' invoicing systems and offers flexible credit lines against future receivables, thereby freeing up large chunks of working capital. The London and Berlin-based firm has looked to secure new funding to meet fast-growing demand and continue investing in the development of its proprietary technology. NIBC acted as lead arranger and lender for a tailor-made structured financing solution in the USD 35 million financing round in November 2016 to support BillFront at this decisive moment in its development.

Van Dijck Groenteproducties is the largest Dutch open ground vegetable cultivator and is known as the main supplier to supermarket chain Lidl, delivering award-winning local produce. The company runs over 1,000 hectares of agricultural fields and five hectares of greenhouses, and operates its own washing, sorting, packaging and transportation facilities. In 2015 Peter van Dijck decided to invest in the construction of a high-tech greenhouse for vegetable cultivation on water, anticipating on the growing demand for healthy food. NIBC was able to offer a tailor-made solution to fully finance this ground breaking investment by a combination of mezzanine and senior lending. Our flexible solution created a solid ground for healthy further growth of Van Dijck. The greenhouse investment proved to be a large success for Van Dijck in 2016 and resulted in the decision to expand its greenhouse capacity. As a result of the solid capital structure with our mezzanine solution, this additional investment will be financed by senior lending of NIBC and another bank.

With more than 70 hotels, **Fletcher** is the largest and most popular hotel chain in the Netherlands. Late 2015, the company's founder Chris Luken, decided to sell the company in a competitive process. NIBC teamed up with Fletcher's management as equity provider to realize a management buyout and become the new shareholders of the Company. Together with a sector expert and management as co-investors we have been successful in winning the competitive process and acquired the entire outstanding share capital. NIBC also provided key knowledge and support to arrange a senior bank syndicate composed of three other financial institutions. Since the buyout in May 2016 we actively support Fletcher in its buy & build strategy, resulting in 10 acquisitions so far.

RETAIL BANKING

Conditions in our markets have continued to be driven by major economic factors, namely; low interest rates; modest economic growth; uncertainty created by geopolitical developments; disintermediation; a strengthening housing market; greater competition among financial services providers; and digitalisation. Against this background, our client-focused strategy has been to continue targeting niche segments of the market with clear and transparent products, and on delivering an increasingly seamless customer journey.

The transition in 2016 of our business platform allows our products to be connected with third parties and greatly facilitates the roll out of new mobile applications. This investment provides the basis for a better customer experience overall, a smoother on-boarding process and better accessibility to products.

These and other efforts were validated in the year by the customer satisfaction level, evidenced by the NIBC Direct Customer Survey Score of 7.6 in 2016, in line with the high level of 7.7 in 2015.

With respect to our financial performance, operating income from Retail Banking improved in 2016 by 7% to EUR 114 million, mainly driven by an increase of the mortgage portfolio, lower funding costs and a decrease of credit losses on the white label portfolio. Operating expenses increased by 19%, fully driven by regulatory charges relating to the Dutch deposit guarantee scheme, which were charged for the first time in 2016. Excluding these regulatory charges operating expenses decreased by 2%. Retail Banking's net profit decreased by 2% to EUR 42 million. Excluding the regulatory charges net profit increased by 15%.

Mortgages

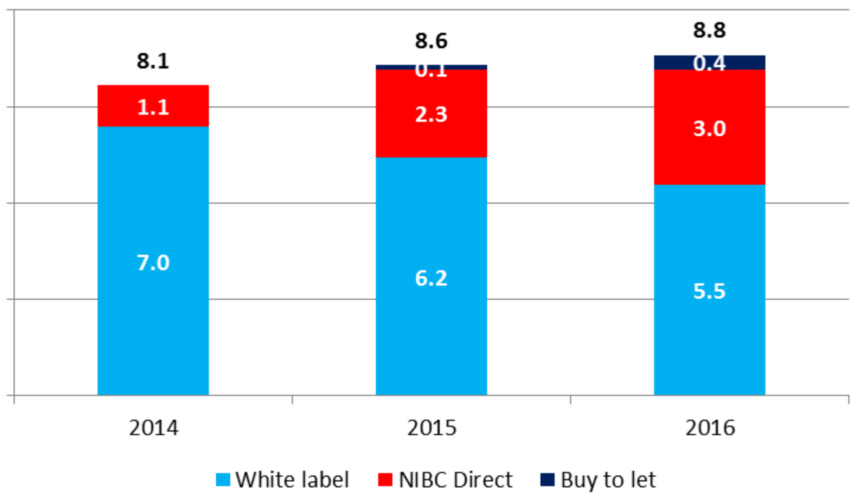
Mortgage origination volumes reached EUR 1.1 billion in 2016 (2015: EUR 1.3 billion). After normal prepayments and repayments, our total mortgage portfolio (including white label products) increased by 3% to EUR 8.8 billion in 2016 (2015: EUR 8.6 billion).

Income statement Retail Banking

in euro millions	**2016**	**2015**
Net interest income	117	114
Net fee and commission income	0	(0)
Investment Income	0	0
Net trading income	(4)	(8)
Other operating income	(0)	0
Operating income	**114**	**107**
Payroll Expenses	16	16
Other operational expenses	29	31
Depreciation and amortisation	2	1
Resolution Levy & DGS	10	0
Operating Expenses	**57**	**48**
Impairments of financial assets	1	1
Profit before tax	**56**	**58**
Tax	14	15
Profit after tax	**42**	**43**
Special items (after tax)	0	0
Net Profit Retail Banking	**42**	**43**

This performance was due to favourable market conditions and to our ability to offset falling prices driven by increased standardisation by being a niche player in underserviced segments. We launched several new products and services in the year, including a unique product for self-employed individuals that have been operating for less than three years, and refinancing solutions for those in negative equity and with remaining debt, whether they are selling their property or not.

Mortgage portfolio management (in euro billions)



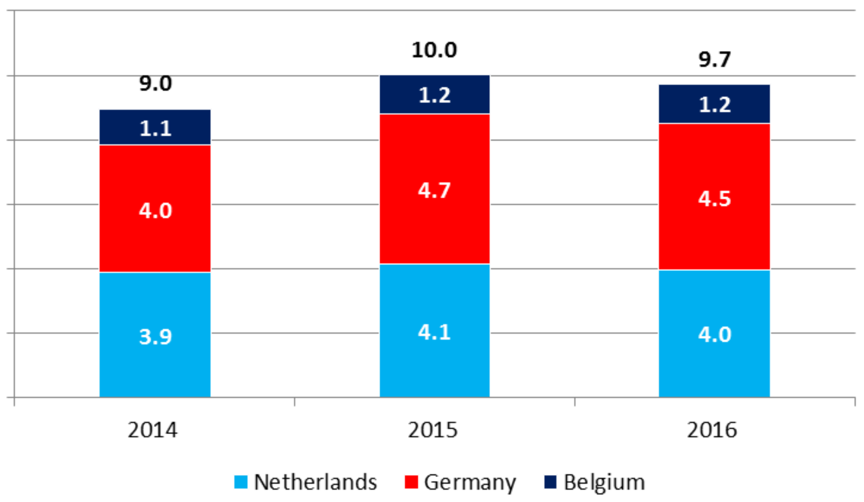
We have continued to focus on more profitable segments outside the crowded National Mortgage Guarantee (NHG) market, further expanding our network, and intensifying our relationship and activities with existing distribution partners. Our buy-to-let product launched in the previous year saw robust growth in 2016, becoming an important part of the overall mortgage offering. This is due to the increasing numbers of professional and semi-professional investors that are investing in rented residential real estate. We have also seen a significant shift from short-term fixed interest rate deals, towards longer terms of up to 20 and 30 years that we have been able to originate, partly together with our partners.

In the year, we also closed our first mandate to originate for institutional investors under the NIBC Direct label. This enables us offer attractive rates to our clients while remaining the lender of record for the clients, who will not experience any difference. We are highly experienced in originating, servicing and managing Dutch residential mortgage portfolios. We can leverage our knowledge, distribution and network, organisational and IT infrastructure, and support functions for use by third party investors, while offering end customers the strengths and benefits of the NIBC Direct brand.

Savings

Our total volume of savings decreased by 3% to EUR 9.7 billion in 2016. Our successful efforts to increase the share of on-demand deposits with flexible rates (which have proven their stickiness) versus more expensive fixed-term savings, have led to a controlled net outflow of almost EUR 300 million in the year.

Retail savings development (in euro billions)



Customers of our savings business in the Netherlands and Belgium benefited from more digitalised processes and the transfer of our business to a cloud-based platform. The new platform future-proofs our business by enabling us to remove inefficiencies, streamline our delivery, improve accessibility and create more opportunities for the use of mobile applications.

In Germany, NIBC Direct won awards from FMH Finanzberatung on behalf of the news channel n-tv for its combination of rate and service quality in on-demand accounts and various term deposit categories Additionally, NIBC Direct in the Netherlands won the ‘Website of the year’ award by the Dutch Marketing Authority for the second time running, due to its simplicity and strong client-focused approach.

Brokerage

Our German brokerage business saw a volatile year, but one in which assets under management increased by 15%, going from EUR 130 million in 2015, to EUR 150 million in 2016. The number of accounts increased by 7% to 6,200 as clients seemed more reluctant to transfer assets from other banks than in previous years.

Due to sustained low interest rates, German customers are increasingly investing in equities as an alternative to savings. The dynamics in the capital markets have been driven by events such as Brexit and turbulences in EU markets that include the Italian banking crisis. In response, the business has continued to modify its pricing model and further optimised its cost base.

In late 2016, NIBC Direct was recognised by FMH Finanzberatung on behalf of Handelsblatt as ‘TOP Online Broker’ for both wealthy investors in traditional custodies and for active smaller ticket investors. This award greatly adds to the positioning of the NIBC Direct franchise in the German market.

RISK MANAGEMENT NIBC BANK

Our business of providing advice and debt, mezzanine and equity financing solutions for businesses and entrepreneurs, and straightforward, transparent products and services for enterprising retail customers, requires us to take well-judged risks. We mainly pursue credit and investment risk; lowering to an acceptable level our interest rate, currency, liquidity, and operational risks while ensuring our solid capital and liquidity positions. These are integral aspects of our business as a corporate and retail bank. Our risk appetite defines the scope and boundaries we are comfortable with while our risk management framework provides us with a structured approach for managing the various risks on a daily basis. It is indispensable that sound risk management is rooted in our culture, as it is the responsibility of all our people to service our clients over the long term in the way that they expect us to do, and in relationships based on trust, transparency and reliability.

We believe that effective risk management is at the core of our sustainable growth strategy, and is therefore fully integrated into our planning and control cycle and our day-to-day business activities. As risk management is not purely a sequential process, this also implies that choices must be made by people on a daily basis and that everyone understands the role they have to play in the value chain.

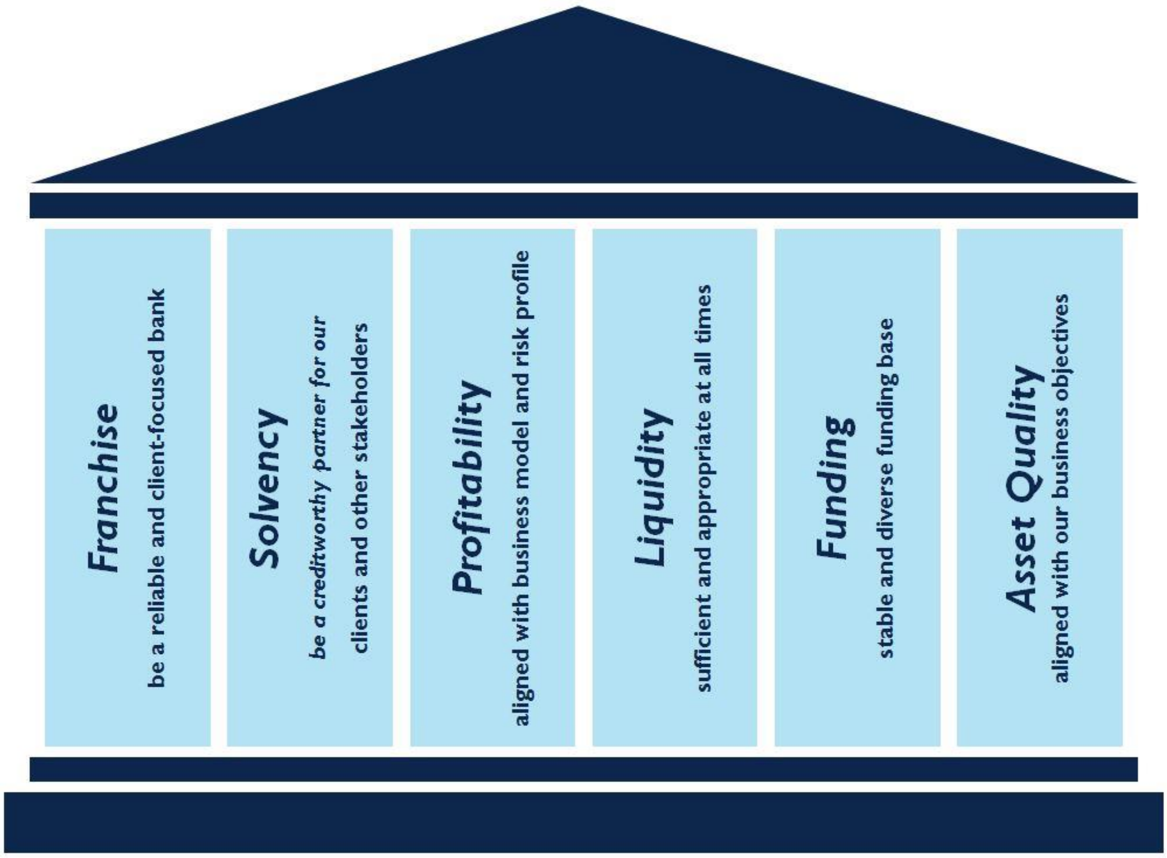
Our business actively supports mid-cap companies and new ventures at their most decisive moments, so it is vital that we have the room to be inventive in our approach. Although it is the nature of our business to allow for exceptions and try new structures in order to service our clients efficiently, we always benchmark potential transactions against our risk appetite framework.

NIBC has the advantage of its small scale, and the close proximity and collaboration there is between colleagues and with its client base. This provides a setting in which a quick and efficient multidisciplinary approach can be taken in areas of risk management. We therefore have the capacity to keep moving forward as a business as we comply with evolving regulatory requirements.

Risk Appetite

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

Figure 1: NIBC's Risk Appetite framework in 6 pillars



Our performance is measured across these pillars by means of quantitative and qualitative risk appetite statements. This framework helps us to implement and execute our strategy of sustainable growth, as it helps to steer us with regards to client interest, product suitability and compliance with laws and regulations.

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

In determining risk appetite we pay close attention to the budget setting and capital planning process. NIBC's forward-looking risk profile, based on budgets and (stressed) scenario forecasts, is the basis of setting the risk appetite. We have designed a comprehensive set of selected stress scenarios (including externally provided inputs) in order to capture all significant risks contained in NIBC's positions.

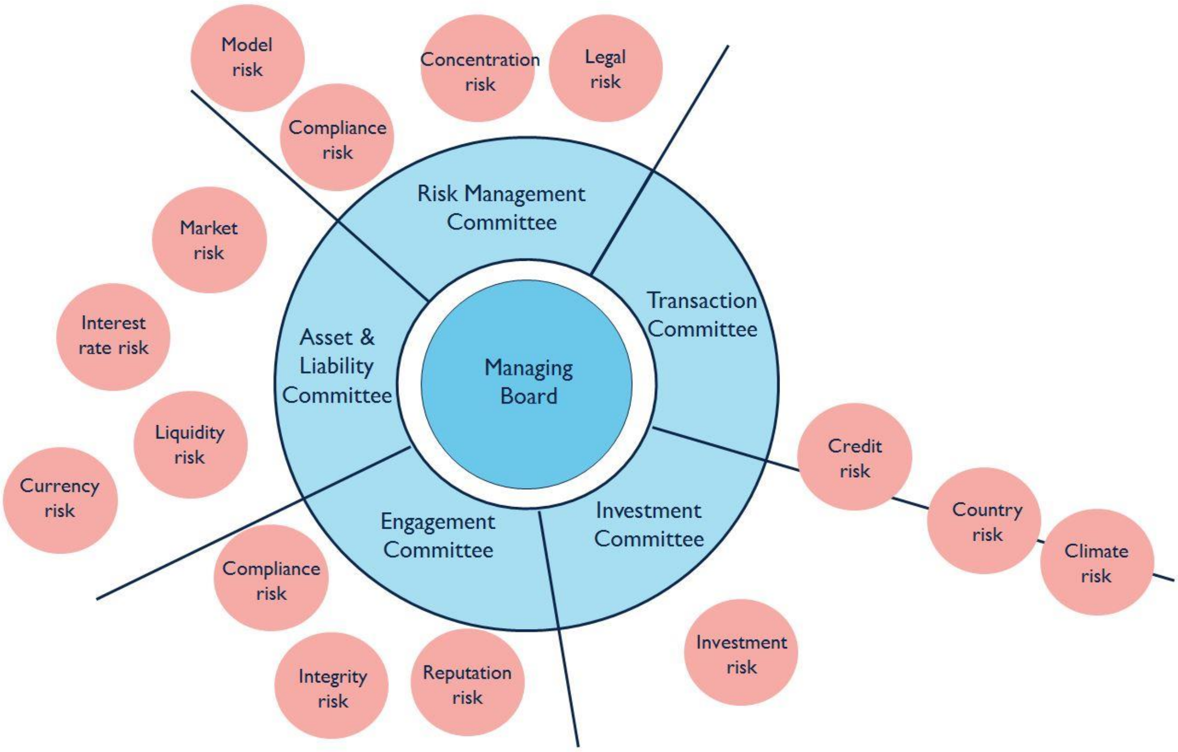
Risk Governance

NIBC uses the 'three lines of defence' governance model, which provides a structure to clearly assign the risk management activities and responsibilities throughout the organisation. This model supports risk awareness, and promotes dialogue across functions on goals, risks and controls. It is pivotal to this model that every member of the NIBC staff takes accountability for his or her actions as part of our sound risk culture.

Figure 2: Three lines of defence

To support effective risk management, the Managing Board (MB) has delegated decision-making authority regarding the various risk areas to a number of committees, as displayed in the figure below.

Figure 3: Risk responsibility areas



Besides members of the MB, each committee also comprises of employees of the Bank with expertise in the specific risk area.

- The Risk Management Committee (RMC) approves risk policies and methodologies, sets portfolio, sub-portfolio and concentration limits, governs model validation and approves new product approval requests;
- The Asset & Liability Committee (ALCO) sets and monitor economic capital and market risk limits, oversees liquidity management and manages the interest rate and currency risks of the banking book;
- The Transaction Committee (TC) is responsible for decision-making on senior debt transactions, impairments and write offs and lending and underwriting strategies;
- The Investment Committee (IC) is responsible for decision-making on equity, mezzanine and subordinated debt transactions and impairments and revaluations; and
- The Engagement Committee (EC) is responsible for decision-making with regard to client engagement and conflicts of interest.

Key developments 2016

The current economic climate, with its macroeconomic uncertainties, geopolitical changes and low-interest rate environment, is a challenging one for the industry. Notwithstanding, NIBC has continued to take important steps in terms of its risk management and the execution of its strategy, which included the following key developments in 2016:

- **Ongoing attention to sector developments and portfolio management in certain sectors**
  Headwinds in the Oil & Gas service and dry bulk shipping (sub)sectors included slower demand and currency effects. These continued trends led to additional portfolio management and risk management attention to proactively address the situation with our clients and, where necessary, take pre-emptive measures. These measures included a detailed review of all of our exposures and clients in the Oil & Gas and dry bulk shipping (sub)sectors. Taking a conservative approach, this exercise led to transferring more files totalling EUR 0.2 billion of exposure to our "watchlist". Both (sub) sectors displayed an increase in 2016 of non-performing loans and impaired loans. As we actively seek to resolve the credit issues with these clients, the forborne exposures in these (sub)sectors also increased in 2016.

  In 2016 we continued our efforts to restructure and/or transfer legacy exposures in the Commercial Real estate sector, which should lead to a reduction of these exposures in 2017.

- **Risk profile**
  NIBC's risk profile of the performing portfolio improved in 2016, displaying a decrease of the expected loss to 35 basis points. This development was mainly driven by healthy origination in good credit quality transactions. Excluding the Oil & Gas and dry bulk shipping (sub)sectors discussed above, most of the credit risk metrics (non-performing exposure, defaulted exposure and forborne exposure) of the corporate loan portfolio improved in 2016. In the second half of 2016, the Dutch Central Bank performed an asset quality review on our corporate loan portfolio. The outcome of this review, i.e. additional credit losses of EUR 20 million, is fully included in the 2016 results.

  In line with a further improving Dutch housing market and economic recovery, the residential mortgage portfolio displayed an improved credit quality in 2016. During the year, both the amount in arrears, as well as the amount of realised losses, decreased compared to the previous year.

- **Product development**
  We require elements such as client interest, product knowledge, operational handling, compliance with our risk appetite and profitability to be successfully addressed before a new product can be implemented.

  In 2016 we attracted our first originate to manage mandate to manage a portfolio of mainstream residential mortgages for an institutional investor.

  An equipment leasing product was added to our product pallet in 2016 via the establishment of the new venture BEEQUIP. This venture focuses on financing/leasing transactions for used equipment, mainly for small and medium enterprises in the sectors infrastructure, earth-moving, construction and logistics sectors.

  In addition, the growth of new products in our Retail Banking business, such as is the case with our buy-to-let mortgage and the mortgage for self-employed, fits within our risk appetite.

- **Improving risk awareness and strengthening of risk management processes**
  Risk awareness is a continuous focus at NIBC, with training and knowledge-sharing sessions during the year on the various aspects of risk management, such as risk appetite, credit skills, information security, data privacy, operational risk and legal and regulatory developments. We continued to strengthen NIBC's risk management practice, further embedding the risk appetite framework with an increased focus on operational, compliance, legal and integrity risks. The regulatory affairs function was upgraded, bringing more coordination in the attention for the regulatory environment. In Retail Banking, the risk management function was strengthened, in line with the growth of the buy-to-let portfolio and the roll-out of the originate-to-manage business. An additional focus area is the update of our economic capital framework, where we are improving the alignment to the minimum regulatory capital requirements from the annual Supervisory Review and Evaluation Process (SREP) by the regulator.

- **Change management**
  During 2016 an important focus area was facilitating change in the organisation. Steps were taken to integrate NIBC Markets into its new parent, including the integration of the risk function. This integration continues into 2017 and is expected to be finalised within the year. The new venture BEEQUIP also required embedding in our risk management framework and in other support functions. Ongoing projects relate to amongst others IFRS 9, MIFID II, AnaCredit and the transition (outsourcing) of the technical IT environment.

Overview of risk types

Within its risk management framework, NIBC distinguishes the following key risk categories: credit risk, investment risk, interest rate risk, market risk, liquidity risk and operational risk. Pursuing two main risks (credit and investment risk) while managing the other risk types is in line with the business strategy, where the risk appetite helps NIBC to be in control and to achieve its targets in a sustainable and controller way. One additional element being key to enable business activities is to ensure the bank's capital adequacy.

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

TABLE 1 Overview of main risk types

IN EUR MILLIONS	Main risk types	31 December 2016	31 December 2015
CORPORATE/ INVESTMENT			
LOANS		9,904	9,393
Corporate loans	Credit risk	9,658	9,232
Investment loans	Credit risk	246	161
LEASE RECEIVABLES	Credit risk	123	221
RESIDENTIAL MORTGAGES	Credit risk	8,831	8,580
EQUITY INVESTMENTS	Investment risk	262	300
DEBT INVESTMENTS		1,232	1,296
Debt from financial institutions and corporate entities	Credit risk / Market risk	459	482
Securitisations	Credit risk / Market risk	773	814
CASH MANAGEMENT	Credit risk	1,371	1,382
DERIVATIVES [1]	Credit risk / Market risk	1,817	2,174
FUNDING	Liquidity Risk	21,466	20,549
Capital (Incl. Tier-2 as per Basel III)	Capital Adequacy Risk	2,155	2,025

1) Positive replacement values

Credit risk

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

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

Table 2 provides a breakdown of the credit exposures of NIBC.

TABLE 2 Overview of credit risk exposures

IN EUR MILLIONS	2016	2015
Corporate Loans portfolio		
Infrastructure & Renewables	1,618	1,990
Industries & Manufacturing	1,514	1,266
Shipping & Intermodal	1,512	1,537
Commercial Real Estate	1,375	1,293
Telecom, Media, Technology & Services	1,257	968
Oil & Gas Services	1,233	1,282
Food, Agri, Retail & Health	1,149	896
Total Corporate loan exposures	**9,658**	**9,232**
Investment Loans portfolio		
Infrastructure & Renewables	19	4
Industries & Manufacturing	6	17
Shipping & Intermodal		
Commercial Real Estate	20	
Telecom, Media, Technology & Services	69	82
Oil & Gas Services	16	16
Food, Agri, Retail & Health	116	42
Total Investment loan exposures	**246**	**161**
Consumer Loans portfolio		
Retail mortgages - The Netherlands	8,747	8,463
Retail mortgages - Germany	84	117
Total Consumer loan exposures	**8,831**	**8,580**
Debt Investment portfolio		
Financial institutions & Corporate credits	459	482
Securitisations	773	814
Total Debt investment exposures	**1,232**	**1,296**
Lease receivables exposure	**123**	**221**
Derivatives	**1,817**	**2,174**
Cash Management	**1,371**	**1,382**
TOTAL AT 31 DECEMBER	**23,278**	**23,045**

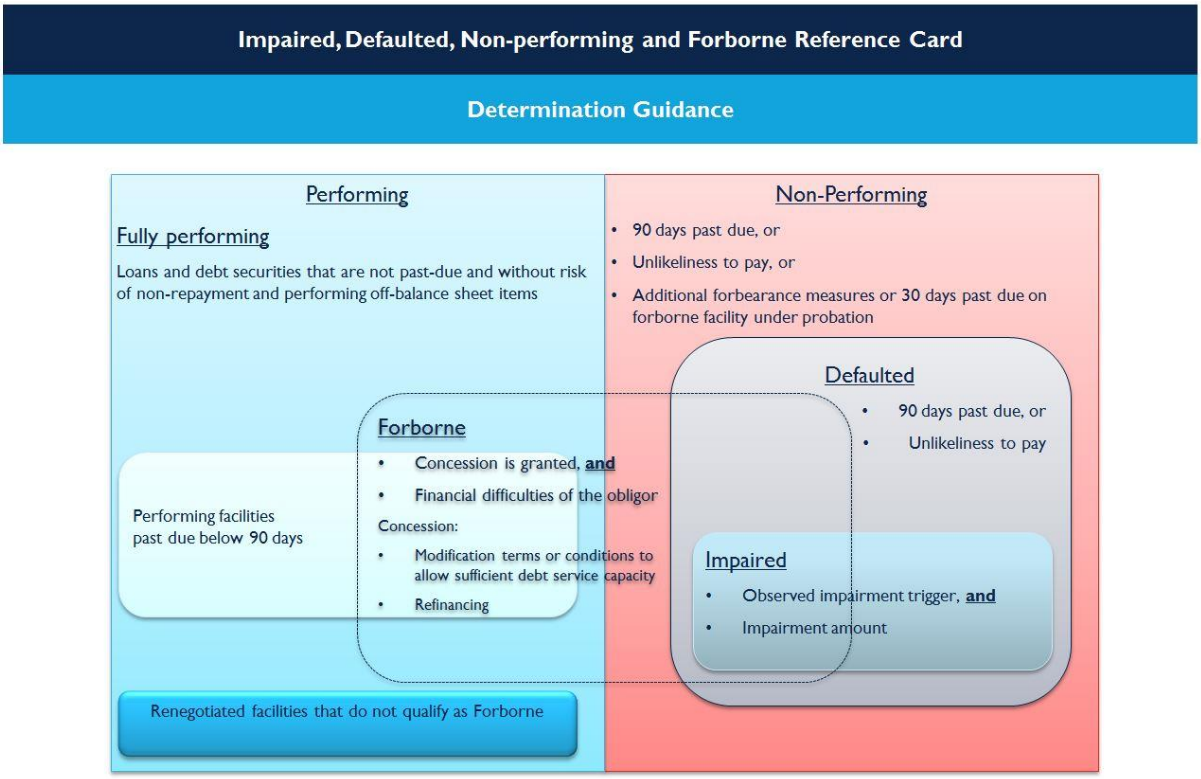
Development of credit quality

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

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

The framework and the relationship between the different measures are illustrated in Figure 4.

Figure 4: Credit Quality Framework



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

Table 3 provides an overview of the exposures that are classified within one or more of the credit quality measures. It should be noted that the exposures reported under the various measures are partially overlapping.

TABLE 3 Overview of credit quality measures Total portfolio (Corporate Loans and Dutch Residential Mortgages)

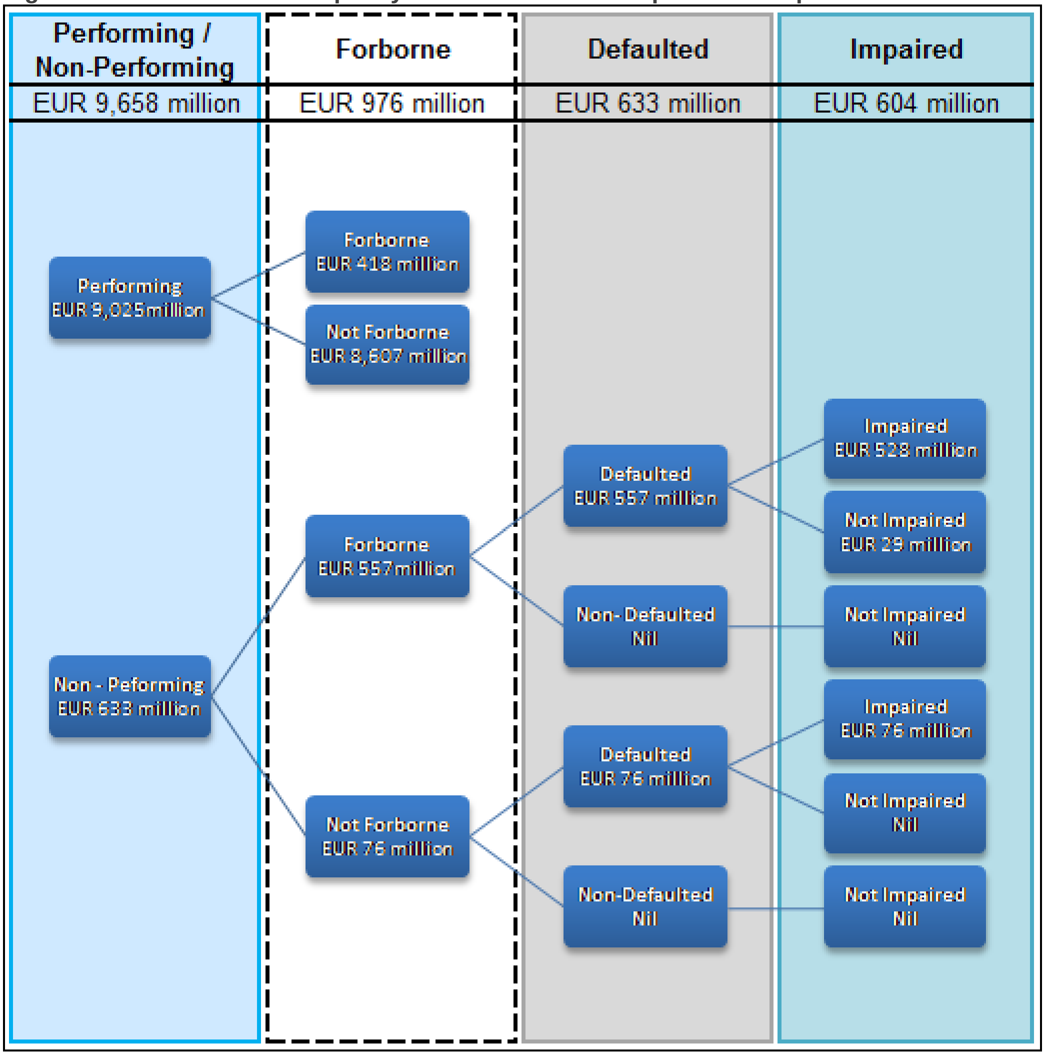
IN EUR MILLIONS	31 December 2016		31 December 2015	
	Exposure	in %	Exposure	in %
Defaulted exposure	682	3.7	641	3.6
Impaired exposure	604	3.3	503	2.8
Non-performing exposure	682	3.7	656	3.7
Forborne exposure	1,014	5.5	795	4.5

In general, the credit quality of the non-defaulted part of the Corporate Loan Portfolio remained stable in 2016. Severe adverse market circumstances affected our clients in the Oil & Gas sector and the dry bulk shipping subsector. Emphasis during the year was on ensuring adequate quality of existing and newly originated transactions. This was enforced by sound and proactive portfolio management and increased sector emphasis.

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

Figure 5 provides the numerical overview of the relationship between these measures for the Corporate Loan portfolio.

Figure 5: Overview of credit quality measures for the Corporate Loan portfolio



In line with a further improving Dutch housing market and economic recovery, the mortgage portfolio has shown an improvement in credit quality in 2016. During the year, the amount in arrears decreased further and realised losses in the portfolio further reduced. The forborne exposure as per 31 December 2016 equals EUR 38 million. The reported forborne exposure per 31 December 2015 equalled EUR 27 million.

During 2016, acceptance criteria were further adjusted, to bring these in line with the new and mostly stricter regulation. The maximum NHG guaranteed loan amount remained at EUR 245 thousand and the maximum loan-to-value for owner occupied mortgages was lowered to 102%.

Interest rate risk in the banking book

NIBC defines interest rate risk in the Banking book as the risk of losses from interest rate sensitive positions in non-trading activities due to movements in interest rates. IRRBB is measured and monitored both from an economic value perspective and from an earnings perspective.

The Banking book consists of all interest sensitive positions excluding the Trading book.

Market Risk

NIBC defines market risk as the risk of:

- Losses in the Trading book arising from adverse movements in market rates and;
- Losses in the Banking Book from NIBC's credit spread risk position and equity positions (exclusively non-tradable equities) assets measured at fair value; and
- Losses in both the banking and trading book from adverse movements in currencies in relation to the Euro.

The predominant market risk drivers for NIBC are interest rate risk and credit spread risk.

On 30 June 2016, NIBC Markets (formerly SNS Securities) was acquired by NIBC. All positions within NIBC Markets are part of the Trading book. The Trading book of NIBC Markets contains bonds and a relatively small equity portfolio in those equities, for which NIBC Markets is liquidity provider.

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

The overall market risk in NIBC's trading book is limited, as is also exhibited by the amount of Basel II/Pillar I regulatory capital required for this activity, which only comprises 2% of the total regulatory capital. This is in line with the 2015 figures.

NIBC is subject to credit spread risk mainly with respect to the part of the Mortgage portfolio accounted for at FVPL. Credit spread risk is also present in the Liquidity portfolio, the Collateral Portfolio, the Structured Credits portfolio and in the Trading Book of NIBC Markets. The Liquidity portfolio, Collateral portfolio and Structured Credits portfolio are part of the Banking Book and consist mainly of investments in financial institutions and securitisations. In the Trading book of NIBC Markets the bond positions in financial institutions, sovereigns and corporates are also subject to credit spread risk.

NIBC does not actively take currency positions. Currency positions that exceed small facilitating limits are hedged. NIBC's overall open foreign currency position was EUR 18 million at year-end 2016. This currency position is the position prior to hedging, which is done on a monthly basis.

Investment Risk

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

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

The investment process is based on the following principles:

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

Management of investment exposures

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

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

All investment exposures are reviewed on a quarterly basis. The investment manager drafts a review document and prepares a valuation of the investment in accordance with the International Private Equity and Venture Capital Valuation Guidelines, to the extent that these are consistent with IAS 39. The International Private Equity and Venture Capital Valuation Guidelines lay out recommendations, intended to represent current best7 practice on the valuation of private equity investments. All valuations are approved by the IC.

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

Composition of investment exposure

Tables 4 and 5 show the total amounts and the breakdown of the Equity Investments portfolio in industry sectors and regions. NIBC's off-balance commitments amounted to EUR 19 million at 31 December 2016 (31 December 2015: EUR 16 million).

Table 4 Breakdown of equity investments per sector

IN EUR MILLIONS	**2016**	**2015**
Infrastructure & Renewables	116	109
Industries & Manufacturing	14	27
Shipping & Intermodal	-	-
Commercial Real Estate	19	11
Telecom, Media, Technology & Services	101	110
Oil & Gas Services	-	-
Food, Agri, Retail & Health	13	43
TOTAL AT 31 DECEMBER	**262**	**300**

Table 5 Breakdown of equity investments per region

IN EUR MILLIONS	**2016**	**2015**
The Netherlands	200	225
Germany	-	-
United Kingdom	15	13
Rest of Europe	6	28
North America	42	34
TOTAL AT 31 DECEMBER	**262**	**300**

Liquidity Risk

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

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

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

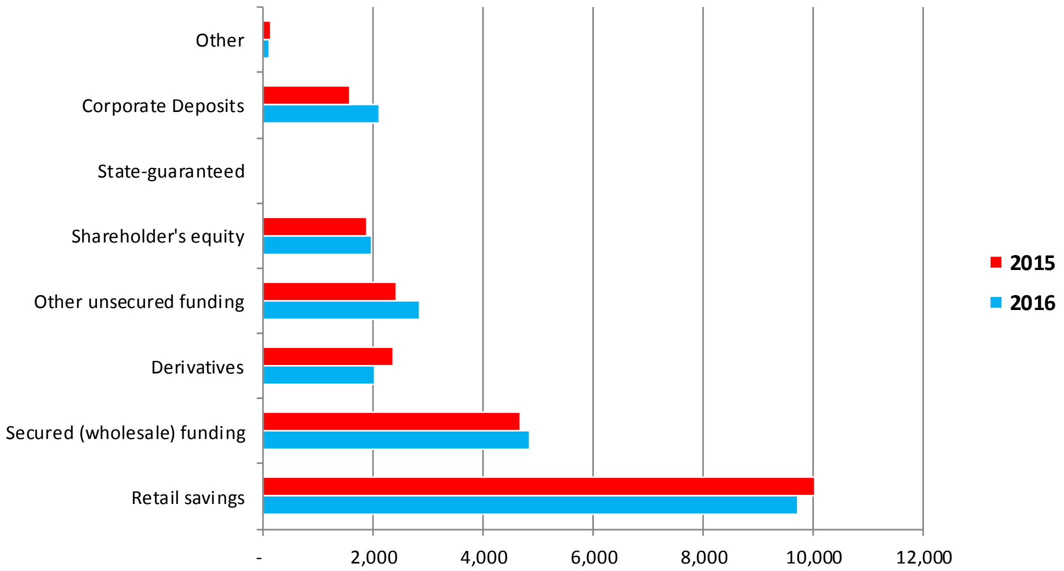
The liquidity positions are managed by the ALCO. Using frequently updated projections from the business units and maturity profiles of the different portfolios, liquidity forecasts and stress tests are performed and reported to ALCO on a bi-weekly basis.

Funding

NIBC further improved its diversified funding base in 2016. A structured transaction was redeemed (DMBS XVI of approximately EUR 500 million). NIBC attracted new funding by employing various instruments. In 2016, NIBC issued a new senior unsecured bond (a total of EUR 500 million, tenor 3.5 years), a new conditional pass-through covered bond (EUR 500 million), senior unsecured private placements of nearly EUR 700 million and increased the TLTRO participation by EUR 700 million. Our retail savings decreased marginally to 9.7 billion, whereas the ESF funding portfolio increased to 1.2 billion. Overall, NIBC has strengthened its position in the various funding markets and continues to improve the composition and efficiency of its funding mix.

An overview of the Funding portfolio at 31 December 2016 and 31 December 2015 is shown in figure 6. The funding overview is based on total balance sheet amounts.

Figure 6 Breakdown of total liabilities, 31 December 2016 (EUR 23.6 billion) and 31 December 2015 (EUR 23 billion)



Operational Risk

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

NIBC strives for a ‘no surprises’ operating environment, managing operational risk across all our business lines, banking activities and countries in a transparent and consistent way. Key is that every NIBC business unit and international office (first line) has an operational risk management ‘champion’. These employees assess their department’s activities for potential operational risks, monitor the control mechanisms in place to mitigate these, coordinate ways of resolving loss-making events and promote awareness for operational risks within their departments. Since the scheme was launched in 2012, this has created a valuable network of experts that shares its knowledge and expertise across the bank.

The central ORM function monitors and controls operational risk on group level, develops policies and processes and provides methodology and tools. The tools enable an assessment whether the operational risk profile of the bank fits within the operational risk appetite. They provide an integrated view of the operational risk and control self-assessments (RCSA) performed bottom-up by all BUs and countries, action planning, and event and loss registration and support the constant process of evaluating and reducing operational risk, and planning mitigation measures. Furthermore, the department also co-ordinates the development of forward-looking scenario analysis (hypothetical external or internal scenarios with which it is ensured that a plan exists in case these events occur) and supports business continuity and information security.

In 2016, NIBC continued enhancing its forward-looking, proactive attitude and its structured approach to managing operational risk across all three lines of defence. This also entails the analysis of new products and services that NIBC plans to launch for its customers. The central element in the New Product Approval Process (NPAP) is the client's interest; i.e. determining how the product is suitable for its clients and how NIBC will ensure it can offer the product to its clients in a responsible and sustainable manner. Furthermore, the NPAP assesses the operational capacity of all internal stakeholders that need to co-operate for launching an efficient and effective product. In addition to the NPAP, NIBC has implemented a Significant Change Approval Process (SCAP). This process is used to assess the impact of material adjustments in internal processes. These adjustments are reviewed for impact on operational risk.

Operational risk in all its facets - including compliance and regulation, legal risk, dealing with integrity, change management and technology risk, reputation and conduct risk - is a key part of a bank's overall risk management practice. Doing more business generally implies more risk, which is not a bad thing, but must be properly understood and managed. As such, NIBC's risk appetite framework includes specific risk appetite statements for operational risk, as well as other non-financial risks, such as legal and compliance/conduct risks.

As part of the annual cycle, NIBC uses the operational risk management process as a basis for the in control statement of the Managing Board as included in this annual report.

Capital Adequacy

Regulatory capital

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

As in previous years, NIBC is solidly capitalised at 31 December 2016, displayed by our solid regulatory ratios. The fully-loaded Common Equity Tier-1 ratio stood at 16.8% (Common Equity Tier-1 ratio 31 December 2015: 15.6%); the Tier-1 ratio at 16.8% (31 December 2015: 15.6%); and the Total Capital / BIS ratio at 21.3% (31 December 2015: 20%). These are well above the minimum capital requirements imposed by the CRR/CRD IV, which require a minimum Tier-1 ratio of 6% and a minimum Total Capital / BIS ratio of 8%, excluding capital buffers.

The ratios increased compared to 2015 because of increase in the Common Equity Tier 1 capital and slight decrease in Risk Weighted Assets (RWA). Of the total capital requirement, 92% relates to credit risk, 5% to operational risk, 2% to market risk and 1% credit value adjustment. Table 6 shows the summary of capital ratios and RWA for NIBC.

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

	31 December 2016 [1]	31 December 2015 [1]
CAPITAL RATIOS (in %)		
Common Equity Tier-1 ratio	16.8%	15.6%
Tier-1 ratio	16.8%	15.6%
Total Capital / BIS ratio	21.3%	20.0%
RISK WEIGHTED ASSETS (in EUR Millions)		
Credit risk	9,299	9,415
Market risk	203	137
Operational risk	482	448
Credit Value Adjustment	125	163
TOTAL RWA	**10,109**	**10,162**

1) Based on CRR/CRD IV standards, including the net profit for the year and taking into account the proposed dividend payment.

Economic capital

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

During 2016, EC remained relatively stable and ranged between EUR 983 million and EUR 1,104 million. The average EC in 2016 was EUR 1,025 million, compared to EUR 986 million in 2015. Portfolio growth (including NIBC Markets) is one of the main reasons for the increase. These figures differ from the economic capital usage displayed in our "Segment Report". In the Segment Report we increased the economic capital usage levels with a surcharge, ensuring more alignment to the minimum regulatory (SREP) requirements, which are set at NIBC Holding level.

CONSOLIDATED FINANCIAL INFORMATION

Introduction

This section includes the consolidated financial information for the year 2016 of:

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

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

Presentation and information

NIBC's Annual Report 2016 is prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) as issued by the International Accounting Standards Board. In preparing the financial information in this section, except as described otherwise, the same accounting principles are applied as in NIBC's Annual Report 2015. NIBC's Annual Report 2016 was drawn up and signed by the Managing Board on 7 March 2017. The consolidated financial information in this section is derived from the audited Consolidated Financial Statements 2016 but do not represent all of the information required for a full set of financial statements prepared in accordance with IFRS-EU.

This section is presented in euro (EUR) and all values are rounded to the nearest million unless otherwise stated.

Small differences are possible in the tables due to rounding.

Changes in accounting policies in 2016

Changes in IFRS-EU

A number of new and/or amended standards became effective in 2016. These new and/or amended standards do not have any (significant) impact on the financial position and financial performance of NIBC and are discussed in NIBC's Annual Report 2016.

Other changes in 2016

- **Early application of IFRS 9 – Financial instruments: Own credit requirements**

As per 1 January 2016 NIBC early applied the own credit requirements introduced by IFRS 9 in isolation, without applying the other requirements of IFRS 9. The own credit requirements involves that changes in the fair value of the financial liabilities designated as at Fair Value through profit or loss that is attributable to changes in credit risk are recognised in Other Comprehensive Income (OCI). As NIBC does not hedge changes in own credit arising on financial liabilities designated at fair value, presenting own credit within OCI does not create or increase an accounting mismatch in the income statement. Early application of the own credit requirements provides more relevant information as effects of changes in credit risk on certain mark-to-market liabilities are presented in OCI instead of in the income statement. The positive impact of early application of the own credit requirements on net trading income for the year 2016 amounts to EUR 16.6 million and on net profit EUR 12.5 million. Changes in own credit presented in prior periods have not been restated and remain within net trading income.

- **Change in presentation of consolidated income statement**

In 2016, NIBC changed the presentation of the consolidated income statement by combining three line items 'dividend income', 'gains less losses from financial assets' and 'share in results of associates' into the line item 'investment income'. Where relevant, the comparative figures are adjusted accordingly.

- **Change in segment reporting**

NIBC changed its single operating segment to 3 reporting segments: Corporate Banking, Retail Banking and Treasury & Group Functions. This change has been implemented mainly to improve transparency in reporting of the segments. The new presentation has no effect on the overall historical group results or financial position of NIBC. The segment information presented in 2015 has been adjusted to reflect the new reportable operating segments in 2016.

Upcoming changes after 2016

Upcoming changes related to new and/or amended standards not yet effective or not yet endorsed by the EU, including IFRS 9 Financial Instruments effective as from 1 January 2018, are discussed in NIBC's Annual Report 2016.

Consolidated financial information

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

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

NIBC BANK N.V.

CONSOLIDATED INCOME STATEMENT NIBC BANK N.V.
for the year ended 31 December

IN EUR MILLIONS	2016	2015
Interest and similar income	547	564
Interest expense and similar charges	241	278
NET INTEREST INCOME	**306**	**286**
Fee and commission income	32	37
Fee and commission expense	-	1
NET FEE AND COMMISSION INCOME	**32**	**36**
Investment income	23	24
Net trading income	12	(11)
Other operating income	22	17
OPERATING INCOME	**395**	**352**
Personnel expenses and share-based payments	101	97
Other operating expenses	80	82
Depreciation and amortisation	7	8
Regulatory charges and levies	15	4
OPERATING EXPENSES	**203**	**191**
Impairments of financial assets	70	63
Impairments of non-financial assets	2	20
TOTAL EXPENSES	**275**	**274**
PROFIT BEFORE TAX	**120**	**78**
Tax	18	7
PROFIT AFTER TAX	**102**	**71**
Result attributable to non-controlling interests	-	-
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDER	**102**	**71**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME NIBC BANK N.V.
for the year ended 31 December

IN EUR MILLIONS	Before tax 2016	Tax charge/ (credit) 2016	After tax 2016	Before tax 2015	Tax charge/ (credit) 2015	After tax 2015
PROFIT FOR THE PERIOD	**120**	**18**	**102**	**78**	**7**	**71**
OTHER COMPREHENSIVE INCOME						
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS						
Revaluation of property, plant and equipment	-	-	-	-	-	-
Revaluation of own credit risk	(16)	(4)	(12)	-	-	-
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS						
Net result on hedging instruments	(8)	(2)	(6)	(16)	(4)	(12)
Available-for-sale financial assets:						
Revaluation of loans and receivables	4	1	3	-	-	-
Revaluation of equity investments	(4)	(1)	(3)	2	-	2
Revaluation of debt investments	(1)	-	(1)	(7)	(2)	(5)
TOTAL OTHER COMPREHENSIVE INCOME	**(25)**	**(6)**	**(19)**	**(21)**	**(6)**	**(15)**
TOTAL COMPREHENSIVE INCOME	**95**	**12**	**83**	**57**	**1**	**56**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO						
Parent shareholder	95	12	83	57	1	56
Non-controlling interests	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	**95**	**12**	**83**	**57**	**1**	**56**

CONSOLIDATED BALANCE SHEET NIBC BANK N.V.
at 31 December

IN EUR MILLIONS	2016	2015
Assets		
FINANCIAL ASSETS AT AMORTISED COST		
Cash and balances with central banks	918	746
Due from other banks	1,428	1,745
Loans and receivables		
Loans	8,269	7,668
Residential mortgages own book	3,346	2,390
Debt investments	287	294
FINANCIAL ASSETS AVAILABLE-FOR-SALE		
Loans	24	18
Equity investments	41	48
Debt investments	1,028	1,064
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)		
Loans	210	316
Residential mortgages own book	4,124	4,111
Securitised residential mortgages	1,550	2,266
Equity investments (including investments in associates)	204	222
Debt investments	60	19
Derivative financial assets	1,817	2,151
OTHER		
Investments in associates (equity method)	7	7
Intangible assets	-	-
Property, plant and equipment	44	49
Deferred tax	-	-
Other assets	223	44
Assets held for sale	-	71
TOTAL ASSETS	**23,580**	**23,229**

IN EUR MILLIONS	2016	2015
Liabilities and equity		
FINANCIAL LIABILITIES AT AMORTISED COST		
Due to other banks	1,290	829
Deposits from customers	11,827	11,773
Own debt securities in issue	3,855	3,050
Debt securities in issue related to securitised mortgages and lease receivables	1,337	2,062
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)		
Own debt securities in issue	37	36
Debt securities in issue structured	620	704
Derivative financial liabilities	2,006	2,350
OTHER		
Other liabilities	235	92
Deferred tax	3	1
Employee benefits	3	4
Liabilities held for sale	-	42
SUBORDINATED LIABILITIES		
Amortised cost	122	120
Fair value through profit or loss	276	280
TOTAL LIABILITIES	**21,611**	**21,343**
SHAREHOLDER'S EQUITY		
Share capital	80	80
Other reserves	394	298
Retained earnings	1,393	1,437
Net profit attributable to parent shareholder	102	71
Interim and final dividend paid	-	-
TOTAL PARENT SHAREHOLDER'S EQUITY	**1,969**	**1,886**
Non-controlling interests	-	-
TOTAL SHAREHOLDER'S EQUITY	**1,969**	**1,886**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**23,580**	**23,229**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY NIBC BANK N.V.

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

IN EUR MILLIONS	Attributable to parent shareholder: Share capital	Other reserves[1]	Retained earnings	Net profit	Distribution charged to net profit	Total	Non-controlling interests	Total shareholder's equity
BALANCE AT 1 JANUARY 2016	**80**	**298**	**1,437**	**71**	**-**	**1,886**	**-**	**1,886**
Impact of application IFRS 9 Own credit risk at 1 January 2016	**-**	**115**	**(115)**	**-**	**-**	**-**	**-**	**-**
RESTATED BALANCE AT 1 JANUARY 2016	**80**	**413**	**1,322**	**71**	**-**	**1,886**	**-**	**1,886**
Transfer of net profit 2015 to retained earnings	-	-	71	(71)	-	-	-	-
Total comprehensive income for the period ended 31 December 2016	-	(19)	-	102	-	83	-	83
BALANCE AT 31 DECEMBER 2016	**80**	**394**	**1,393**	**102**	**-**	**1,969**	**-**	**1,969**

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

SEGMENT REPORT NIBC BANK N.V.

Segment information is presented on the same basis as used for internal management reporting within NIBC Bank. Segment reporting puts forth a presentation of the segment results based on management reporting methods and a reconciliation between the results of the operating segments and the consolidated results. The Managing Board is the Group's chief operating decision-maker. This year, NIBC changed its single operating segment ('NIBC Bank') to 3 reporting segments: Corporate Banking, Retail Banking and Treasury and Group Functions. This change has been implemented mainly to improve transparency in reporting of the segments. The comparative figures have been adjusted accordingly. The new format of presentation has no effect on the overall historical group results or financial position of the bank.

Operating segments

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

Corporate Banking

Corporate Banking provides advice and debt, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany and the UK. Sectors in which we are active include Food, Agriculture, Retail & Health, Commercial Real Estate, Industries & Manufacturing, Infrastructure & Renewables, Telecom, Media, Technology & Services. Furthermore, we are active in two global sectors in which we have longstanding expertise: Oil & Gas Services and Shipping & Intermodal. The recently acquired SNS Securities (renamed to NIBC Markets) is included in this segment.

Retail Banking

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

Treasury and Group Functions

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

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

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

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

Reconciliation with consolidated income statement

The accounting policies of the segments are the same as those used by the preparation of the consolidated financials with the exception of the following two adjustments.

1. Special items: The gains and losses that do not arise in the ordinary course of business have been excluded as 'special items.' In 2016, these include the badwill (negative goodwill) from acquisition of NIBC Markets of EUR 22 million, a EUR 18 million credit loss on resolving pre-crisis retail exposure and EUR 6 million one-off expenses relating to the outsourcing of our technical IT-environment and to the alignment of the NIBC Markets franchise to our business model as well as the further development of this franchise. There were no special items reported in 2015; and
2. For non-financial companies over which NIBC has control IFRS requires to consolidate these entities. The investments in these entities are non-strategic and the activities of these entities are non-financial. Therefore, in the income statement of the Internal Management Report, only the share of NIBC in the net result of these entities is included in the line-item 'Investment income'. These differences are present only in 2015 as the only remaining investment was exited towards the end of that year.

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

The following table presents the Segment report comprising of a summary of our internal management report and the reconciliation to the consolidated results under IFRS for the years ended 31 December 2016 and 31 December 2015.

IN EUR MILLIONS	For the year ended 31 December 2016 Corporate Banking	Retail Banking	Treasury & Group functions	Internal mana-gement report	Recon-ciliation	Total (consoli-dated financial statements)
Net interest income	162	117	27	306	-	306
Net fee and commission income	32	0	(1)	32	-	32
Investment income	33	-	(2)	31	(8)	23
Net trading income	16	(4)	(1)	12	-	12
Other operating income	(0)	(0)	1	0	22	22
OPERATING INCOME	**244**	**114**	**24**	**381**	**14**	**395**
Regulatory charges and levies	-	10	5	15	-	15
Other operating expenses	118	47	15	180	9	188
OPERATING EXPENSES	**118**	**57**	**20**	**194**	**9**	**203**
Impairments of financial assets	57	1	0	57	14	72
PROFIT BEFORE TAX	**69**	**56**	**4**	**129**	**(9)**	**120**
Tax	12	14	(0)	25	(7)	18
PROFIT AFTER TAX	**58**	**42**	**4**	**104**	**(2)**	**102**
Result attributable to non-controlling interests	0	0	0	0	-	0
NET PROFIT BEFORE SPECIAL ITEMS	**58**	**42**	**4**	**104**	**(2)**	**102**
Special items net of tax	(18)	-	16	(2)		
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDER	**39**	**42**	**20**	**102**		
Total FTEs	508	122	74	704	-	704
Economic Capital (**EC**) Usage	1,084	334	107	1,525	-	1,525
Available capital start of the year				1,886	-	1,886
Return On Equity (based on EC Usage)	5.3%	12.7%	3.8%	6.8%		6.7%
Return On Equity (on available capital)				5.5%		5.4%
Cost Income ratio	48%	50%		51%		51%

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

IN EUR MILLIONS	Corporate Banking	Retail Banking	Treasury & Group functions	Internal mana-gement report	Recon-ciliation	Total (consoli-dated financial statements)
	For the year ended 31 December 2015					
Net interest income	149	114	22	286	-	286
Net fee and commission income	36	-	-	36	-	36
Investment income	3	-	1	4	20	24
Net trading income	7	(8)	(11)	(12)	-	(11)
Other operating income	-	-	1	1	15	17
OPERATING INCOME	**197**	**107**	**13**	**316**	**36**	**352**
Regulatory charges and levies	-	-	4	4	-	4
Other operating expenses	104	48	21	172	15	187
OPERATING EXPENSES	**104**	**48**	**25**	**177**	**15**	**191**
Impairments of financial assets	60	1	2	63		63
Impairments of non-financial assets	-	-	-	-	20	20
PROFIT BEFORE TAX	**33**	**58**	**(14)**	**77**	**1**	**78**
Tax	(0)	15	(8)	6	1	7
PROFIT AFTER TAX	**34**	**44**	**(7)**	**71**	**(0)**	**71**
Result attributable to non-controlling interests	0	(0)	-	(0)	-	(0)
NET PROFIT BEFORE SPECIAL ITEMS	34	43	(7)	71	(0)	71
Special items net of tax			(0)			
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDER	**34**	**43**	**(7)**	**71**		
Total FTEs	451	119	74	644	-	644
Economic Capital (**EC**) Usage	1,099	292	87	1,479	-	1,479
Available capital start of the year				1,831		1,831
Return On Equity (based on EC Usage)	3.0%	14.9%	-7.8%	4.7%		4.7%
Return On Equity (on available capital)				3.9%		3.9%
Cost Income ratio	53%	45%		56%		54%

IN EUR MILLIONS	The Netherlands	Germany	United Kingdom	Belgium	Total
	For the year ended 31 December 2015				
Operating income	271	61	14	6	352
Operating expenses	144	33	11	4	191
Impairments & other	81	1	0	-	83
Result before tax	**46**	**27**	**3**	**2**	**78**
Tax	7	(2)	1	1	7
Net profit	**39**	**29**	**2**	**1**	**71**
FTEs	499	102	36	7	644

NIBC HOLDING N.V.

CONSOLIDATED INCOME STATEMENT NIBC HOLDING N.V.
for the year ended 31 December

IN EUR MILLIONS	2016	2015
Interest and similar income	539	557
Interest expense and similar charges	246	283
NET INTEREST INCOME	**293**	**274**
Fee and commission income	32	37
Fee and commission expense	-	1
NET FEE AND COMMISSION INCOME	**32**	**36**
Investment income	23	24
Net trading income	34	-
Other operating income	31	20
OPERATING INCOME	**413**	**354**
Personnel expenses and share-based payments	102	97
Other operating expenses	82	84
Depreciation and amortisation	7	8
Regulatory charges and levies	15	4
OPERATING EXPENSES	**206**	**193**
Impairments of financial assets	82	63
Impairments of non-financial assets	2	20
TOTAL EXPENSES	**290**	**276**
PROFIT BEFORE TAX	**123**	**78**
Tax	19	8
PROFIT AFTER TAX	**104**	**70**
Result attributable to non-controlling interests	-	-
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDERS	**104**	**70**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME NIBC HOLDING N.V.
for the year ended 31 December

IN EUR MILLIONS	2016 Before tax	2016 Tax charge/ (credit)	2016 After tax	2015 Before tax	2015 Tax charge/ (credit)	2015 After tax
PROFIT FOR THE PERIOD	**123**	**19**	**104**	**78**	**8**	**70**
OTHER COMPREHENSIVE INCOME						
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS						
Revaluation of property, plant and equipment	-	-	-	-	-	-
Revaluation of own credit risk	(16)	(4)	(12)	-	-	-
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS						
Net result on hedging instruments	(8)	(2)	(6)	(16)	(4)	(12)
Available-for-sale financial assets:						
Revaluation of equity investments	(4)	(1)	(3)	2	-	2
Revaluation of debt investments	(1)	-	(1)	(7)	(2)	(5)
TOTAL OTHER COMPREHENSIVE INCOME	**(29)**	**(7)**	**(22)**	**(21)**	**(6)**	**(15)**
TOTAL COMPREHENSIVE INCOME	**94**	**12**	**82**	**57**	**2**	**55**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO						
Parent shareholders	94	12	82	57	2	55
Non-controlling interests	3	-	3	-	-	-
TOTAL COMPREHENSIVE INCOME	**97**	**12**	**85**	**57**	**2**	**55**

CONSOLIDATED BALANCE SHEET NIBC HOLDING N.V.
at 31 December

IN EUR MILLIONS	2016	2015
Assets		
FINANCIAL ASSETS AT AMORTISED COST		
Cash and balances with central banks	918	746
Due from other banks	1,468	1,766
Loans and receivables		
Loans	7,844	7,294
Residential mortgages own book	3,346	2,390
Debt investments	287	294
FINANCIAL ASSETS AVAILABLE-FOR-SALE		
Equity investments	41	48
Debt investments	1,028	1,064
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)		
Loans	210	316
Residential mortgages own book	4,124	4,111
Securitised residential mortgages	1,550	2,266
Equity investments (including investments in associates)	204	222
Debt investments	60	19
Derivative financial assets	1,811	2,141
OTHER		
Investments in associates (equity method)	7	7
Intangible assets	3	-
Property, plant and equipment	50	49
Investment property	271	251
Current tax	-	-
Deferred tax	46	51
Other assets	227	47
Assets held for sale	-	71
TOTAL ASSETS	**23,495**	**23,153**

IN EUR MILLIONS	2016	2015
Liabilities and equity		
FINANCIAL LIABILITIES AT AMORTISED COST		
Due to other banks	1,290	829
Deposits from customers	11,802	11,746
Own debt securities in issue	3,855	3,050
Debt securities in issue related to securitised mortgages and lease receivables	1,337	2,062
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)		
Borrowings	49	77
Own debt securities in issue	37	36
Debt securities in issue structured	620	704
Derivative financial liabilities	2,006	2,356
OTHER		
Other liabilities	275	110
Current tax	-	1
Deferred tax	3	1
Employee benefits	3	4
Liabilities held for sale	-	42
SUBORDINATED LIABILITIES		
Amortised cost	122	120
Fair value through profit or loss	276	280
TOTAL LIABILITIES	**21,675**	**21,418**
SHAREHOLDERS' EQUITY		
Share capital	1,408	1,408
Other reserves	678	585
Retained earnings	(373)	(328)
Net profit attributable to parent shareholders	104	70
Interim and final dividend paid	-	-
TOTAL PARENT SHAREHOLDERS' EQUITY	**1,817**	**1,735**
Non-controlling interests	3	-
TOTAL SHAREHOLDERS' EQUITY	**1,820**	**1,735**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**23,495**	**23,153**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY NIBC HOLDING N.V.

IN EUR MILLIONS	Attributable to parent shareholders: Share capital	Other reserves[1]	Retained earnings	Net profit	Distri-bution charged to net profit	Total	Non-control-ling interests	Total share-holders' equity
BALANCE AT 1 JANUARY 2015	**1,408**	**603**	**(231)**	**(97)**	**-**	**1,683**	**-**	**1,683**
Transfer of net profit 2014 to retained earnings	-	-	(97)	97	-	-	-	-
Total comprehensive income for the period ended 31 December 2015	-	(15)	-	70	-	55	-	55
Proceeds from shares issued	-	(3)	-	-	-	(3)	-	(3)
BALANCE AT 31 DECEMBER 2015	**1,408**	**585**	**(328)**	**70**	**-**	**1,735**	**-**	**1,735**

IN EUR MILLIONS	Attributable to parent shareholders: Share capital	Other reserves[1]	Retained earnings	Net profit	Distribu-tion charged to net profit	Total	Non-control-ling interests	Total share-holders' equity
BALANCE AT 1 JANUARY 2016	**1,408**	**585**	**(328)**	**70**	**-**	**1,735**	**-**	**1,735**
Impact of application IFRS 9 Own credit risk at 1 January 2016	**-**	**115**	**(115)**	**-**	**-**	**-**	**-**	**-**
RESTATED BALANCE AT 1 JANUARY 2016	**1,408**	**700**	**(443)**	**70**	**-**	**1,735**	**-**	**1,735**
Transfer of net profit 2015 to retained earnings	-	-	70	(70)	-	-	-	-
Total comprehensive income for the period ended 31 December 2016	-	(22)	-	104	-	82	-	82
Proceeds from shares issued	-	-	-	-	-	-	-	-
Other	-		-			-	3	3
BALANCE AT 31 DECEMBER 2016	**1,408**	**678**	**(373)**	**104**	**-**	**1,817**	**3**	**1,820**

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

SEGMENT REPORT NIBC HOLDING N.V.

Segment information is presented on the same basis as used for internal management reporting within NIBC Holding. Segment reporting puts forth a presentation of the segment results based on management reporting methods and a reconciliation between the results of the operating segments and the consolidated results. The Managing Board is the Group's chief operating decision-maker. This year, NIBC Holding changed its single operating segment ('NIBC Holding') to 3 reporting segments: Corporate Banking, Retail Banking and Treasury and Group Functions. This change has been implemented mainly to improve transparency in reporting of the segments. The comparative figures have been adjusted accordingly. The new format of presentation has no effect on the overall historical group results or financial position of the bank.

Operating segments

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

Corporate Banking

Corporate Banking provides advice and debt, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany and the UK. Sectors in which we are active include Food, Agriculture, Retail & Health, Commercial Real Estate, Industries & Manufacturing, Infrastructure & Renewables, Telecom, Media, Technology & Services. Furthermore, we are active in two global sectors in which we have longstanding expertise: Oil & Gas Services and Shipping & Intermodal. The recently acquired SNS Securities (renamed to NIBC Markets) is included in this segment.

Retail Banking

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

Treasury and Group Functions

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

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

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

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

Reconciliation with consolidated income statement

The accounting policies of the segments are the same as those used by the preparation of the consolidated financials with the exception of the following two adjustments.

1. Special items: The gains and losses that do not arise in the ordinary course of business have been excluded as ‘special items.’ In 2016, these include the badwill (negative goodwill) from acquisition of NIBC Markets of EUR 22 million, a EUR 18 million credit loss on resolving pre-crisis retail exposure and EUR 6 million one-off expenses relating to the outsourcing of our technical IT-environment and to the alignment of the NIBC Markets franchise to our business model as well as the further development of this franchise. There were no special items reported in 2015, and;
2. For non-financial companies over which NIBC has control IFRS requires to consolidate these entities. The investments in these entities are non-strategic and the activities of these entities are non-financial. Therefore, in the income statement of the Internal Management Report, only the share of NIBC in the net result of these entities is included in the line-item ‘Investment income’. These differences are present

only in 2015 as the only remaining investment was exited towards the end of that year.

Additionally, NIBC Holding's items column shows the details of two companies that are excluded from the Bank's operations and held within NIBC Holding. These entities are included in the internal management reporting as a separate line-item and are consolidated in the total NIBC Holding's financial financials.

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

The following table presents the Segment report comprising of a summary of our internal management report and the reconciliation to the consolidated results under IFRS for the years ended 31 December 2016 and 31 December 2015.

	For the year ended 31 December 2016							
IN EUR MILLIONS	**Corporate Banking**	**Retail Banking**	**Treasury & Group functions**	**Internal mana-gement report**	**Recon-ciliation**	**Total NIBC Bank (consoli-dated financial statements)**	**NIBC Holding items**	**Total NIBC Holding (consoli-dated financial statements)**
Net interest income	162	117	27	**306**	-	**306**	(14)	**293**
Net fee and commission income	32	0	(1)	**32**	-	**32**	0	**32**
Investment income	33	-	(2)	**31**	(8)	**23**	(0)	**23**
Net trading income	16	(4)	(1)	**12**	-	**12**	22	**34**
Other operating income	(0)	(0)	1	**0**	22	**22**	9	**31**
OPERATING INCOME	244	114	24	**381**	14	**395**	17	**413**
Regulatory charges and levies	-	10	5	**15**	-	**15**		**15**
Other operating expenses	118	47	15	**180**	9	**188**	3	**191**
OPERATING EXPENSES	118	57	20	**194**	9	**203**	3	**206**
Impairments of financial assets	57	1	0	**57**	14	**72**	12	**84**
PROFIT BEFORE TAX	69	56	4	**129**	(9)	**120**	3	**123**
Tax	12	14	(0)	**25**	(7)	**18**	1	**19**
PROFIT AFTER TAX	58	42	4	**104**	(2)	**102**	2	**104**
Result attributable to non-controlling interests	0	0	0	**0**	-	**0**	0	**0**
NET PROFIT BEFORE SPECIAL ITEMS	58	42	4	**104**	(2)	**102**	2	**104**
Special items net of tax	(18)	-	16	**(2)**				
NET PROFIT NIBC BANK	39	42	20	**102**				
NIBC Holding items				**2**				
NET PROFIT NIBC HOLDING	-	-	-	**104**				
Total FTEs	508	122	74	**704**	-	**704**	12	**716**
Economic Capital (**EC**) Usage	1,084	334	107	**1,525**		**1,525**		**1,525**
Available capital start of the year				**1,886**		**1,886**		**1,735**
Return On Equity (based on EC Usage)	5.3%	12.7%	3.8%	**6.8%**		**6.7%**		**6.8%**
Return On Equity (on available capital)				**5.5%**		**5.4%**		**6.0%**
Cost Income ratio	48%	50%		**51%**		**51%**		**50%**

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

IN EUR MILLIONS	Corporate Banking	Retail Banking	Treasury & Group functions	Internal management report	Reconciliation	Total NIBC Bank (consolidated financial statements)	NIBC Holding items	Total NIBC Holding (consolidated financial statements)
	For the year ended 31 December 2015							
Net interest income	149	114	22	**286**	-	**286**	(12)	**274**
Net fee and commission income	36	-	-	**36**	-	**36**	0	**36**
Investment income	3	-	1	**4**	20	**24**	-	**24**
Net trading income	7	(8)	(11)	**(12)**	-	**(11)**	11	**(0)**
Other operating income	-	-	1	**1**	15	**17**	3	**19**
OPERATING INCOME	197	106	13	**316**	36	**352**	2	**354**
Regulatory charges and levies	-	-	4	**4**	-	**4**		**4**
Other operating expenses	104	48	21	**172**	15	**187**	2	**189**
OPERATING EXPENSES	104	48	25	177	15	**191**	2	**193**
Impairments of financial assets	60	1	2	**63**		**63**		**63**
Impairments of non-financial assets	-	-	-	**-**	20	**20**		**20**
PROFIT BEFORE TAX	33	58	(14)	**77**	1	**78**	(0)	**78**
Tax	(0)	14	(8)	**6**	1	**7**	1	**8**
PROFIT AFTER TAX	34	43	(7)	**71**	(0)	**71**	(1)	**70**
Result attributable to non-controlling interests	0	(0)	-	**(0)**	-	**(0)**	-	**-**
NET PROFIT BEFORE SPECIAL ITEMS	34	44	(7)	**71**	(0)	**71**	(1)	**70**
Special items net of tax			(0)					
NET PROFIT NIBC BANK	34	44	(7)	**71**				
NIBC Holding items				**(1)**				
NET PROFIT NIBC HOLDING				**70**				
Total FTEs	451	119	74	**644**	-	**644**	-	**644**
Economic Capital (**EC**) Usage	1,099	292	87	**1,479**	-	**1,479**		**1,479**
Available capital start of the year				**1,831**		**1,831**		**1,656**
Return On Equity (based on EC Usage)	3.0%	14.9%	-7.8%	**4.7%**		**4.7%**		**4.7%**
Return On Equity (on available capital)				**3.8%**		**3.8%**		**4.2%**
Cost Income ratio	53%	45%		**56%**		**54%**		**55%**

IN EUR MILLIONS	The Netherlands	Germany	United Kingdom	Belgium	Total
	For the year ended 31 December 2015				
Operating income	273	61	14	6	354
Operating expenses	145	33	11	4	193
Impairments & other	82	1	0	-	83
Result before tax	46	27	3	2	78
Tax	8	(2)	1	1	8
Net profit	38	29	2	1	70
FTEs	499	102	36	7	644

PROFILE, CONTACT INFORMATION AND DISCLAIMER

Profile of NIBC

NIBC is the bank of choice for decisive moments. Our Corporate Banking activities offer a combination of corporate finance & capital markets, financing and investing in the sectors Food, Agri, Retail & Health, Industries & Manufacturing, Infrastructure & Renewables, Commercial Real Estate, Oil & Gas Services, Shipping & Intermodal and Telecom, Media, Technology & Services. Retail Banking offers residential mortgages in the Netherlands and online retail saving deposits in the Netherlands, Belgium and Germany via NIBC Direct.

Headquartered in The Hague, NIBC also has offices in Frankfurt, Amsterdam, London and Brussels.
For more information, please contact:

Press Relations
T: +31 70 342 5625

Debt Investor Relations
T: +31 70 342 9836

E: info@nibc.com
www.nibc.com

Cautionary statement regarding forward-looking statements

Certain statements in this Condensed Year Report 2016 are not historical facts and are ‘forward-looking’ statements that relate to, among other things, NIBC’s business, result of operation, financial condition, plans, objectives, goals, strategies, future events, future revenues and/or performance, capital expenditures, financing needs, plans or intentions, as well as assumptions thereof. These statements are based on NIBC’s current view with respect to future events and financial performance. Words such as ‘believe’, ‘anticipate’, ‘estimate’, ‘expect’, ‘intend’, ‘predict’, ‘project’, ‘could’, ‘may’, ‘will’, ‘plan’, ‘forecast’, ‘target’ and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve uncertainties and are subject to certain risks, including, but not limited to (i) general economic conditions, in particular in NIBC’s core and niche markets, (ii) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness (iii) performance of financial markets, including developing markets, (iv) interest rate levels, (v) credit spread levels, (vi) currency exchange rates, (vii) general competitive factors, (viii) general changes in the valuation of assets (ix) changes in law and regulations, including taxes (x) changes in policies of governments and/or regulatory authorities, (xi) the results of our strategy and investment policies and objectives, and (xii) the risks and uncertainties as addressed in this Condensed Year Report 2016, the occurrence of which could cause NIBC’s actual results and/or performance to differ from those predicted in such forward-looking statements and from past results.
The forward-looking statements speak only as of the date hereof. NIBC does not undertake any obligation to update or revise forward-looking statements contained in this Condensed Year Report 2016, whether as a result of new information, future events or otherwise. Neither do NIBC nor any of its directors, officers or employees make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

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