

# PRESS RELEASE

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## NIBC Bank profit after tax from continuing operations in 2007 rises 4% to EUR 242 million

- Profit after tax from continuing operations in 2007 4% higher at EUR 242 million despite difficult market circumstances
- Net profit attributable to parent shareholders of NIBC Bank for 2007 totals EUR 98 million due to a loss of EUR 141 million on our discontinued US business in the first half of 2007
- Tier-1 ratio remains strong at 11.7%
- Several landmark M&A transactions and the launch of a number of investment funds underpin NIBC's franchise and growth potential
- The shareholders of NIBC endorse the determination of NIBC to remain an independent merchant bank and confirm their commitment to a new equity capital injection of EUR 300 million

*Michael Enthoven, Chairman of the Managing Board of NIBC*

"The year 2007 developed into a turbulent year for the banking industry. Nevertheless, due to the dedication of our employees and the commitment of our clients, we executed many successful transactions. Our continuing business showed a solid performance for the full year despite our non-recurring loss on the US Asset Backed Securities (ABS) investment book. Going forward, we will further sharpen our strategy and business model which will guide NIBC through the challenging market conditions."

### NIBC Bank key figures \*)

In EUR millions	Year 2007	Year 2006	+/-	Q4 2007	Q3 2007	+/-	Q4 2006	+/-
Profit after tax from continuing operations	242	233	4%	38	73	-48%	51	-26%
Net profit attributable to parent shareholders	98	243	-60%	33	70	-52%	49	-32%
Efficiency ratio	44%	41%		49%	48%		51%	
Return on net asset value (after tax)	17%	17%		9%	20%		15%	

\*) all figures are audited

## **Developments in 2007**

### *Financial results NIBC Bank*

The continuing business showed a solid performance in 2007. The profit after tax from continuing operations came to EUR 242 million, which is 4% higher than 2006. Net profit attributable to parent shareholders amounted to EUR 98 million, compared to EUR 243 million in 2006. The difference between the two periods is due to negative results from discontinued operations on the US ABS investment book in the first half year of 2007.

### *Solid capital and liquidity position with strong underlying assets*

- The Tier-I ratio remains strong at 11.7%.
- NIBC Bank maintains a prudent liquidity policy and conservative asset liability structure.
- NIBC Bank has decreased its debt securities portfolio from EUR 7.2 billion (end of 2006) to EUR 2.6 billion (end of 2007). This decrease reflects the elimination of risk on the US ABS investment book which amounted to EUR 2.2 billion at the beginning of 2007 and reduced to nil by the end of 2007. The reduction of debt securities reflects the irrevocable sale of the complete US sub prime residential mortgage portfolio and the transfer of the entire US commercial real estate securities to a restructuring entity in NIBC Holding. This transfer was also made to safeguard distributable profit at the level of NIBC Bank on behalf of the Hybrid Tier-I investors.
- The EUR 8.3 billion loans and receivables (corporate loan portfolio) is well diversified and of solid quality evidenced by an impairment of only EUR 2 million in 2007. Due to selective asset origination during the second half of 2007 NIBC managed to successfully syndicate all underwritten positions. Furthermore the leveraged loan portfolio has been reduced from EUR 1.7 billion in September 2007 to EUR 1.2 billion year end 2007 anticipating on current market circumstances.
- The Dutch and German residential mortgage portfolio of EUR 11.6 billion is largely securitised. It concerns a healthy portfolio with a limited default loss in 2007 of EUR 1.3 million.

### *Successful business activities*

The solid performance of our continuing business is testimony to the tremendous talent and dedication of our employees who maintained their all-important focus on clients and executed a series of successful transactions in 2007.

### *NIBC Holding*

The only material difference between NIBC Holding and NIBC Bank is the US commercial real estate securities portfolio. In the second half of 2007 NIBC Holding incurred a mark-to-market loss of EUR 115 million net of tax on this portfolio. On this portfolio further mark-to-market losses are expected in the first quarter of 2008. The 2007 net loss of NIBC Holding amounts to EUR 5 million.

The fair value of the US commercial real estate securities portfolio amounts to EUR 0.7 billion year end (78% of the nominal value of EUR 0.9 billion). The Tier-1 ratio of NIBC Holding at the end of 2007 remains at a strong level of 10.6%. Basel II will further improve the Tier-1 ratio of NIBC Holding to 11%.

### *NIBC Holding Shareholders*

The shareholders of NIBC Holding endorse the determination of NIBC to remain an independent merchant bank and confirm their commitment to a new equity capital injection of EUR 300 million. The shareholders consist of a consortium of international financial institutions and investors organised by J.C. Flowers & Co. and include, Banco Santander, ABN AMRO and Delta Lloyd.

## NIBC Bank profit and loss

In EUR millions	Year 2007	Year 2006	+/-	Q4 2007	Q3 2007	+/-	Q4 2006	+/-
Net interest income	238	240		51	77		53	
Net fee and commission income	62	56		19	4		15	
Dividend income	84	35		19	18		15	
Net trading income	-24	83		-24	-37		24	
Gains less losses from equity investments	108	39		16	73		15	
Share in profit of associates	1	16		0	1		1	
Other operating income	6	13		1	2		1	
<b>Operating income</b>	<b>475</b>	<b>482</b>	<b>-1%</b>	<b>82</b>	<b>139</b>	<b>-41%</b>	<b>124</b>	<b>-34%</b>
Personnel expenses	-135	-125		-22	-43		-36	
Other operating expenses	-59	-63		-15	-15		-25	
Depreciation	-17	-11		-2	-9		-2	
<b>Operating expenses</b>	<b>-211</b>	<b>-199</b>	<b>6%</b>	<b>-40</b>	<b>-67</b>	<b>-41%</b>	<b>-63</b>	<b>-37%</b>
Impairment of financial assets	-2	15		-4	2		-1	
<b>Total expenses</b>	<b>-213</b>	<b>-184</b>	<b>16%</b>	<b>-44</b>	<b>-65</b>	<b>-33%</b>	<b>-64</b>	<b>-32%</b>
<b>Operating profit</b>	<b>262</b>	<b>298</b>	<b>-12%</b>	<b>38</b>	<b>74</b>	<b>-49%</b>	<b>60</b>	<b>-37%</b>
Result on disposal of subsidiaries	0	1		0	0		1	
Tax	-20	-66		0	-1		-11	
<b>Profit after tax from continuing operations</b>	<b>242</b>	<b>233</b>	<b>4%</b>	<b>38</b>	<b>73</b>	<b>-48%</b>	<b>51</b>	<b>-26%</b>
Result from discontinued operations	-141	10		-2	-2		-1	
<b>Net profit</b>	<b>101</b>	<b>243</b>	<b>-58%</b>	<b>35</b>	<b>70</b>	<b>-50%</b>	<b>49</b>	<b>-28%</b>
Result attributable to minority interest	3	0		2	0		0	
<b>Net profit attributable to parent shareholders</b>	<b>98</b>	<b>243</b>	<b>-60%</b>	<b>33</b>	<b>70</b>	<b>-52%</b>	<b>49</b>	<b>-32%</b>

## 2007 income and expenses compared with 2006

### Operating income

- *Operating income* is consistent with last year despite the difficult market circumstances.
- In line with NIBC's strategy of diversifying income sources and growing fee income, *net fee and commission income* increased by 11%, from EUR 56 million to EUR 62 million. The increase was a result of higher advisory and arrangement fees from corporate finance activities and higher management fees from the investment management business, partially offset by lower distribution fees, explained by the low securitization volume in 2007.
- *Dividend income* increased to EUR 84 million, the result of some exceptional dividend revenues of NIBC's Principal Investment activities and an increase in the underlying portfolio of structured investments.
- *Net trading income* decreased to a loss of EUR 24 million mainly due to mark-to-market losses on the residential and commercial real estate mortgages and lower results on the trading books in Financial Markets partly offset by positive mark-to-market effects on structured liabilities. This result is strongly affected by the instability in the financial markets in 2007, which resulted in substantial credit spread widening.
- The higher *gains less losses from equity investments* are mainly explained by mark-to-market results on equity investments and gains realized on a number of exits.

### Operating expenses

- *Operating expenses* increased 6% to EUR 211 million, primarily as a result of a higher average number of FTEs (which increased by 10% to 700).
- *Other operating expenses* decreased among others due to cost control in specific areas of our business.

### NIBC Bank other key figures

	31 Dec 2007	30 Jun 2007	31 Dec 2006
Tier-1 ratio	11.7%	10.6%	12.3%
BIS-ratio	13.4%	12.0%	13.3%
Shareholders' equity (in EUR million)	1,522	1,990	1,716
Number of FTEs (end of period)	703	717	693
Risk weighted assets (in EUR billion)	15.4	17.0	14.7

### Shareholders' equity, dividend and capital ratios

Total shareholders' equity decreased from EUR 1,716 million at the end of 2006 to EUR 1,522 million at the end of 2007. The decrease of EUR 194 million mainly stems from the net profit attributable to parent shareholders of EUR 98 million offset by a net decrease of EUR 157 million in the revaluation and hedging reserves and dividend payments in 2007 of EUR 147 million. The dividend payments in 2007 reflect the payment of a normal dividend over 2006 of EUR 61 million in March 2007 and an extraordinary dividend of EUR 85 million in August 2007.

The Tier-1 ratio of NIBC Bank N.V. remained at the strong level of 11.7%. This is well above the minimum Tier-1 requirement of 4% and illustrates the strength of the bank's capital structure. The BIS-ratio increased in 2007 from 13.3% to 13.4%.

### Profit after tax from continuing operations per Strategic Business Unit (SBU)

In EUR millions	Year 2007	Year 2006	+/-	Q4 2007	Q3 2007	+/-	Q4 2006	+/-
Corporate Finance	85	77		14	20		15	
Real Estate Markets	15	49		-12	7		8	
Financial Markets	27	58		8	-7		21	
Principal Investments	114	47		17	57		10	
Investment Management	16	0		2	11		1	
Corporate Center	-15	2		7	-16		-4	
<b>NIBC Total</b>	<b>242</b>	<b>233</b>	<b>4%</b>	<b>38</b>	<b>73</b>	<b>-48%</b>	<b>51</b>	<b>-26%</b>

## Corporate Finance

Corporate Finance provides M&A advisory, capital markets financing and risk management solutions to clients, focusing on origination, structuring and execution. It consists of seven client coverage teams and three product groups working in tandem to offer integrated banking solutions to clients. The specialised client coverage teams focus on the following sectors: General Industries, Food & Retail, Financial Sponsors, Financial Institutions, Commercial Real Estate, Infrastructure, and Transport & Energy. The client coverage teams play a key role in developing and maintaining client relationships, as well as in identifying product opportunities bank wide.

In EUR millions	Year 2007	Year 2006	+/-	Q4 2007	Q3 2007	+/-	Q4 2006	+/-
Net interest income	134	115		31	36		27	
Net fee and commission income	42	36		7	7		7	
Dividend income	1	5		-1	0		1	
Net trading income	0	6		-2	-3		2	
Gains less losses from equity investments	1	1		1	0		1	
Share in profit of associates	4	3		3	1		1	
Other operating income	3	12		0	3		1	
<b>Operating income</b>	<b>186</b>	<b>178</b>	<b>4%</b>	<b>39</b>	<b>44</b>	<b>-10%</b>	<b>40</b>	<b>-2%</b>
Operating expenses	-71	-75		-16	-19		-19	
Impairment of financial assets <sup>a</sup>	-3	5		-5	2		0	
Result on disposal of subsidiaries	0	1		0	0		1	
<b>Profit before tax</b>	<b>112</b>	<b>109</b>	<b>3%</b>	<b>18</b>	<b>27</b>	<b>-33%</b>	<b>22</b>	<b>-15%</b>
Tax	-28	-32		-4	-7		-6	
<b>Profit after tax</b>	<b>85</b>	<b>77</b>	<b>10%</b>	<b>14</b>	<b>20</b>	<b>-28%</b>	<b>15</b>	<b>-6%</b>
Number of FTEs (end of period)	266	248						

<sup>a</sup> A positive number indicates a release of impairments of financial assets. This note is applicable for all SBUs.

- *Financial results*

Operating income grew by 4% compared with last year. Net interest income increased 17%, mainly due to a higher loan portfolio in the first half of 2007. Net fee and commission income increased substantially (17%) as a result of higher advisory and arrangement fees whilst operating expenses decreased 6%. Together, this led to an increase in profit after tax from continuing operations of 10% compared with last year.

- *Focus*

Corporate Finance has evolved from focusing on traditional lending activities towards a broader product offering. In addition, NIBC's focus has shifted from servicing the needs of a large number of smaller Dutch clients to providing solutions to a more select number of larger mid-cap clients throughout North-Western Europe.

- *Landmark transactions*

Recent Corporate Finance transactions illustrate the important deals NIBC arranged for its clients despite the challenging market circumstances. NIBC acted as advisor to the 'Stichting NBC' holding 37% of the Grolsch shares, in the sale of Grolsch to SABMiller. This friendly bid, launched in November 2007, successfully closed on 12 February 2008 with SABMiller accepting 94.5% of the Grolsch shares. NIBC acted as financial advisor to Banco Santander in the consortium bid for ABN AMRO. NIBC acted as sole mandate lead arranger and book runner for the financing of Seajacks International Ltd.

## Real Estate Markets

Real Estate Markets originates residential and commercial real estate financing in The Netherlands and Germany with the objective to refinance these assets in the capital markets, using a.o. securitisation, syndication and portfolio sales.

In EUR millions	Year 2007	Year 2006	+/-	Q4 2007	Q3 2007	+/-	Q4 2006	+/-
Net interest income	67	57		20	13		11	
Net fee and commission income	6	4		1	0		2	
Net trading income	-24	26		-28	2		4	
Share in profit of associates and joint ventures	-3	0		-3				
<b>Operating income</b>	<b>45</b>	<b>87</b>	<b>-48%</b>	<b>-10</b>	<b>15</b>		<b>17</b>	
Operating expenses	-25	-22		-6	-6		-7	
<b>Profit before tax</b>	<b>20</b>	<b>65</b>	<b>-69%</b>	<b>-16</b>	<b>9</b>		<b>10</b>	
Tax	-5	-16		4	-2		-2	
<b>Profit after tax</b>	<b>15</b>	<b>49</b>	<b>-69%</b>	<b>-12</b>	<b>7</b>		<b>8</b>	
Number of FTEs (end of period)	89	82						

- *Financial results*

Operating income decreased 48% compared to 2006. This reflects the trading result on the sale of a substantial portfolio in 2006 and mark-to-market losses in 2007 due to credit spread widening, partly offset by a positive mark-to-market result on structured liabilities. This resulted in a lower profit after tax compared to last year.

- *Focus*

Real Estate Markets creates attractive investment opportunities by originating real estate related debt in the primary market in The Netherlands and Germany.

- *Landmark transactions*

Although the capital market showed extreme volatility in 2007, NIBC closed SOUND II, a EUR 750 million RMBS backed by Dutch mortgages that benefit from an NHG guarantee and MESDAG Delta, a EUR 638 million CMBS in the third quarter. MESDAG Charlie, a EUR 494 million multi-borrower assets CMBS, was closed in the second quarter. NIBC has now arranged over 20 RMBS and CMBS transactions, mainly under its Dutch RMBS and MESDAG programmes.

## Financial Markets

Financial Markets serves as NIBC's corporate treasury and includes the distribution and trading in the bank's securitised debt, credit, interest rate, and derivative products.

In EUR millions	Year			Q4			Q3		
	2007	2006	+/-	2007	2007	+/-	2006	+/-	
Net interest income	10	4		-4	21		-1		
Net fee and commission income	-9	4		-1	-4		5		
Dividend income	45	21		12	13		10		
Net trading income	0	51		6	-37		18		
Gains less losses from equity investments	0	0		0	0		0		
Share in profit of associates	0	13		0	0		0		
Other operating income	0	-2		0	-1		0		
<b>Operating income</b>	<b>45</b>	<b>91</b>	<b>-50%</b>	<b>13</b>	<b>-8</b>		<b>31</b>	<b>-59%</b>	
Operating expenses	-28	-29		-7	-7		-10		
<b>Profit before tax from continuing operations</b>	<b>17</b>	<b>62</b>	<b>-72%</b>	<b>5</b>	<b>-14</b>		<b>22</b>	<b>-76%</b>	
Tax	10	-5		3	7		-1		
<b>Profit after tax from continuing operations</b>	<b>27</b>	<b>58</b>	<b>-53%</b>	<b>8</b>	<b>-7</b>		<b>21</b>	<b>-61%</b>	
Number of FTEs (end of period)	106	102							

- *Financial results*

Operating income decreased 50% to EUR 45 million compared to last year. Net trading income declined due to difficult market circumstances, compensated by a positive mark-to-market result on structured liabilities. Dividend income from structured investments (i.e. investments in bonds issued or guaranteed by highly rated financial institutions) significantly increased due to growth in the portfolio. The share in profit of associates declined due to a one-off result on a structured investment exit last year. This resulted in a smaller profit after tax profit than last year.

- *Focus*

Financial Markets is responsible for the funding of NIBC Bank, client related trading activities and the distribution of and market making in securitised debt products.

- *Debt securities portfolio*

NIBC Bank decreased its debt securities portfolio from EUR 7.2 billion (end of 2006) to EUR 2.6 billion (end of 2007). This decrease reflects the elimination of risk on the US ABS investment book which amounted to EUR 2.2 billion at the beginning of 2007 and nil at the end of 2007. The remaining non-US exposure is for more than 65% concentrated in AA and AAA securities.

## Principal Investments

*Principal Investments is responsible for the bank's private equity and mezzanine investments. It manages limited partnership interests in a number of funds, as well as certain direct mezzanine and private equity investments in operating companies.*

In EUR millions	Year 2007	Year 2006	+/-	Q4 2007	Q3 2007	+/-	Q4 2006	+/-
Net interest income	11	21		0	3		5	
Net fee and commission income	-28	-1		-4	-17		0	
Dividend income	38	9		9	5		4	
Gains less losses from equity investments	107	38		15	73		14	
Share in profit of associates and joint ventures	1	0		1	0		0	
Other operating income	1	0		0	0		0	
<b>Operating income</b>	<b>130</b>	<b>67</b>	<b>93%</b>	<b>20</b>	<b>64</b>	<b>-69%</b>	<b>23</b>	<b>-13%</b>
Operating expenses	-12	-19		-3	-3		9	
Impairment of financial assets	1	9		1	0		2	
<b>Profit before tax</b>	<b>119</b>	<b>58</b>	<b>106%</b>	<b>18</b>	<b>61</b>	<b>-71%</b>	<b>12</b>	<b>51%</b>
Tax	-5	-10		0	-4		-2	
<b>Profit after tax</b>	<b>114</b>	<b>47</b>		<b>17</b>	<b>57</b>	<b>-70%</b>	<b>10</b>	<b>78%</b>
Number of FTEs (end of period)	11	43						

- *Financial results*

Operating income increased to EUR 130 million in 2007 mainly driven by high dividends on equity investments and higher mark-to-market gains on equity investments, partly offset by a decline in net fee and commission income. The negative fee and commission income is a result of management and performance fees paid by Principal Investments to the SBU Investment Management. Operating expenses decreased, mainly explained by a transfer of personnel from Principal Investments to Investment Management. The profit after tax from continuing operations increased to EUR 114 million.

- *Focus*

The current activities of Principal Investments consist of NIBC's investments in the NIBC Merchant Banking Funds, the NIBC European Infrastructure Fund and the NIBC European Real Estate Fund. In addition, Principal Investments holds limited partnership interests in funds managed by third parties. The NIBC fund transactions are mainly a spin off from Client Franchise activities. Going forward, Principal Investments will focus on growing its portfolio by making fund investments in funds managed by NIBC and third parties.

## Investment Management

Investment Management is responsible for developing asset management activities for NIBC's credit fixed income, private equity, mezzanine, real estate and infrastructure funds. It also manages NIBC's minority interests in general partners of a number of third-party managed private equity funds. Investment Management was created to separate the asset management activities from the bank's other activities.

In EUR millions	Year 2007	Year 2006	+/-	Q4 2007	Q3 2007	+/-	Q4 2006	+/-
Net interest income	1	1		0	0		1	
Net fee and commission income	53	13		16	19		1	
Net trading income	0	0		-1	1		0	
Other operating income	1	0		0	0		0	
<b>Operating income</b>	<b>54</b>	<b>14</b>		<b>16</b>	<b>20</b>	<b>-19%</b>	<b>2</b>	
Operating expenses	-35	-14		-13	-8		-1	
<b>Profit before tax</b>	<b>19</b>	<b>0</b>		<b>3</b>	<b>12</b>	<b>-78%</b>	<b>1</b>	
Tax	-2	0		0	-1		0	
<b>Profit after tax</b>	<b>16</b>	<b>0</b>		<b>2</b>	<b>11</b>	<b>-79%</b>	<b>1</b>	
Number of FTEs (end of period)	63	40						
Assets under management (in EUR billion) <sup>a</sup>	3.3	3.6						
Assets under administration (in EUR billion)	18.5	14.6						

<sup>a</sup> Reflect third party assets

- *Financial results*

Operating income increased to EUR 54 million, mainly as a result of higher net fee and commission income and due to new fund initiatives. Operating expenses increased primarily due to these new initiatives. Together these factors led to a substantial increase in profit after tax to EUR 16 million.

- *Focus*

Investment Management is responsible for developing NIBC's asset management activities for NIBC's credit fixed income, private equity, mezzanine, real estate and infrastructure funds. NIBC Credit Management manages a portfolio of credit fixed income investments in a variety of asset classes, such as global corporate credits and selected European securitised debt products.

Investment Management also manages NIBC's equity funds: the NIBC Merchant Banking Funds (providing growth capital for mid-cap companies), the NIBC European Infrastructure Fund (investments in infrastructure projects in Western Europe) and the NIBC European Real Estate Fund (investments in residential and commercial real estate).

In addition, Investment Management manages NIBC's minority interests in general partners of private equity funds managed by third parties.

- *Landmark transaction*

NIBC's first third-party equity fund, NIBC European Infrastructure Fund I, recently raised EUR 330 million. NIBC also purchased the real estate portfolio of Oranje-Nassau Groep together with a consortium of investors. This purchase is part of the cooperation between the NIBC European Real Estate Fund and White Estate Investments with the aim of building an office portfolio within the Netherlands. These initiatives underscore NIBC's strategy to develop its alternative investment management activities further and make its knowledge in this area available to its institutional investor clients.

## Corporate Center

Corporate Center groups all the bank's support services, such as Human Resources, Group Finance & Tax, Group Technology & Operations, Investor Relations & Corporate Communications, Group Compliance and Internal Audit.

In EUR millions	Year 2007	Year 2006	+/-	Q4 2007	Q3 2007	+/-	Q4 2006	+/-
Net interest income	15	42		3	4		11	
Net fee and commission income	-1	0		0	-1		0	
Other operating income	1	3		0	0		1	
<b>Operating income</b>	<b>16</b>	<b>45</b>	<b>-65%</b>	<b>3</b>	<b>4</b>	<b>-3%</b>	<b>12</b>	<b>-71%</b>
Operating expenses	-40	-41		7	-24		-17	
Impairment of financial assets	1	1		0	0		1	
<b>Profit before tax</b>	<b>-24</b>	<b>5</b>		<b>11</b>	<b>-21</b>		<b>-4</b>	
Tax	9	-3		-3	5		0	
<b>Profit after tax</b>	<b>-15</b>	<b>2</b>		<b>7</b>	<b>-16</b>		<b>-4</b>	
Number of FTEs (end of period)	167	178						

- Financial results*

The operating income of Corporate Center is the result of interest income on interest rate mismatch positions and interest expenses on hybrid Tier-1 capital. The decline versus 2006 is explained by a reduced mismatch position and the revised capital allocation. In 2006, the average unallocated capital was assigned to Corporate Center. With effect from 1 January 2007, the average unallocated capital was assigned to all commercial SBUs. Furthermore, economic capital allocations to business units were revised in 2007 to reflect changing business usage.

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## Profile of NIBC Bank N.V.

NIBC Bank is a leading merchant bank focused on the mid-cap company segment in North-Western Europe. NIBC Bank offers innovative corporate finance, risk management and investment solutions to corporate clients, financial institutions, institutional investors, financial sponsors and family offices. NIBC Bank has offices in The Hague, London, Brussels, Frankfurt and Singapore.

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## Enclosures

- Financial Report 2007, NIBC Bank N.V.



CONDENSED FINANCIAL STATEMENTS FOR THE YEAR  
ended 31 December 2007

NIBC Bank N.V.

## TABLE OF CONTENTS

Consolidated income statement for the period ended 31 december 2007  
Consolidated balance sheet  
Consolidated statement of changes in shareholders' equity  
Consolidated cash flow statement  
General information, IFRS accounting choices and new standards

Index to the notes to the consolidated accounts

### *Income Statement*

- 1 Segment report
- 2 Net trading income
- 3 Gains less losses from equity investments
- 4 Personnel expenses
- 5 Depreciation
- 6 Tax

### *Balance Sheet*

- 7 Debt securities - Available for sale and FVTPL
- 8 Debt securities in issue structured - Financial liabilities FVTPL
- 9 Own debt securities in issue - Financial liabilities FVTPL
- 10 Own debt securities in issue - Debt securities in issue
- 11 Debt securities in issue related to securitised mortgages - Debt securities in issue

### *Additional Information*

- 12 Capital and shares
- 13 Discontinued operations
- 14 Related party transactions
- 15 Commitments and contingent assets and liabilities
- 16 Subsequent events
- 17 Corporate and structured credit BPV details.

**Consolidated income statement**  
**For the period ended 31 December**

In EUR millions	notes	31-Dec-07	31-Dec-06
NET INTEREST INCOME		238	240
NET FEE AND COMMISSION INCOME		62	56
DIVIDEND INCOME		84	35
NET TRADING INCOME	2	(24)	83
GAINS LESS LOSSES FROM EQUITY INVESTMENTS AND ASSOCIATES	3	108	39
SHARE IN PROFIT OF ASSOCIATES		1	16
OTHER OPERATING INCOME		6	13
<b>OPERATING INCOME</b>		<b>475</b>	<b>482</b>
PERSONNEL EXPENSES	4	135	125
OTHER OPERATING EXPENSES		59	63
DEPRECIATION	5	17	11
<b>OPERATING EXPENSES</b>		<b>211</b>	<b>199</b>
IMPAIRMENT OF FINANCIAL ASSETS		2	(15)
<b>TOTAL EXPENSES</b>		<b>213</b>	<b>184</b>
<b>OPERATING PROFIT</b>		<b>262</b>	<b>298</b>
RESULT ON DISPOSAL OF SUBSIDIARIES		-	1
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>262</b>	<b>299</b>
TAX	6	20	66
<b>PROFIT AFTER TAX FROM CONTINUING OPERATIONS</b>		<b>242</b>	<b>233</b>
RESULT FROM DISCONTINUED OPERATIONS	13	(141)	10
<b>NET PROFIT</b>		<b>101</b>	<b>243</b>
RESULT ATTRIBUTABLE TO MINORITY INTEREST		3	-
<b>NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDERS</b>		<b>98</b>	<b>243</b>

## Consolidated Balance Sheet

In EUR millions	notes	31-Dec-07	31-Dec-06
<b>ASSETS</b>			
<b>FINANCIAL ASSETS AT AMORTISED COST</b>			
- CASH AND BALANCES WITH CENTRAL BANKS		874	239
- DUE FROM OTHER BANKS		3,145	1,762
- LOANS AND RECEIVABLES		1,454	-
- SECURITISED LOANS		638	-
<b>FINANCIAL ASSETS AVAILABLE FOR SALE ASSETS</b>			
- LOANS AND RECEIVABLES		5,468	7,067
- EQUITY INVESTMENTS		144	185
- DEBT SECURITIES	7	311	-
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)</b>			
- LOANS AND RECEIVABLES		1,374	952
- RESIDENTIAL MORTGAGES OWN BOOK		5,285	4,438
- SECURITISED RESIDENTIAL MORTGAGES		6,356	6,988
- DEBT SECURITIES	7	2,329	7,202
- STRUCTURED INVESTMENTS		1,212	914
- INVESTMENTS IN ASSOCIATES		147	-
- DERIVATIVE FINANCIAL ASSETS HELD FOR TRADING		2,641	1,937
- DERIVATIVE FINANCIAL ASSETS USED FOR HEDGING		85	300
INVESTMENTS IN ASSOCIATES		44	23
PROPERTY AND OTHER FIXED ASSETS (FOR OWN USE)		72	81
INVESTMENT PROPERTY		1	8
CURRENT TAX ASSETS		40	40
DEFERRED TAX ASSETS		20	3
OTHER ASSETS		153	311
<b>TOTAL ASSETS</b>		<b>31,793</b>	<b>32,450</b>

## Consolidated Balance Sheet

In EUR millions	notes	31-Dec-07	31-Dec-06
<b>LIABILITIES</b>			
DUE TO OTHER BANKS		4,700	3,401
OTHER DEPOSITS		1,514	2,789
OTHER BORROWINGS		2	13
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)</b>			
- DEBT SECURITIES IN ISSUE STRUCTURED	8	4,152	4,553
- OWN DEBT SECURITIES IN ISSUE	9	215	-
- DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING		2,374	2,011
- DERIVATIVE FINANCIAL LIABILITIES USED FOR HEDGING		53	133
<b>DEBT SECURITIES IN ISSUE</b>			
- OWN DEBT SECURITIES IN ISSUE	10	9,035	9,335
- DEBT SECURITIES IN ISSUE RELATED TO SECURITISED MORTGAGES	11	7,214	7,246
OTHER LIABILITIES		244	488
DEFERRED TAX LIABILITIES		24	60
EMPLOYEE BENEFIT OBLIGATIONS		11	17
<b>SUBORDINATED LIABILITIES</b>			
- AMORTISED COST		236	256
- FAIR VALUE THROUGH PROFIT OR LOSS		497	432
<b>TOTAL LIABILITIES</b>		<b>30,271</b>	<b>30,734</b>
<b>SHAREHOLDERS' EQUITY</b>			
SHARE CAPITAL		80	80
OTHER RESERVES		296	470
RETAINED EARNINGS		1,037	923
NET PROFIT ATTRIBUTABLE TO PARENT SHAREHOLDERS		98	243
<b>TOTAL PARENT SHAREHOLDERS' EQUITY</b>		<b>1,511</b>	<b>1,716</b>
<b>MINORITY INTEREST</b>		<b>11</b>	<b>-</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,522</b>	<b>1,716</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>31,793</b>	<b>32,450</b>

## Consolidated statement of changes in shareholders' equity

In EUR millions	ATTRIBUTABLE TO EQUITY HOLDERS					TOTAL
	SHARE CAPITAL	OTHER RESERVES (1)	RETAINED EARNINGS	NET RESULT	MINORITY INTEREST	
<b>BALANCE AT 1 JANUARY 2006</b>	80	433	1,057	158	0	1,728
NET RESULT ON CASH FLOW HEDGING INSTRUMENTS	-	(12)	-	-	-	(12)
REVALUATION LOANS AND RECEIVABLES	-	15	-	-	-	15
REVALUATION EQUITY INVESTMENTS	-	20	-	-	-	20
REVALUATION PROPERTY IN OWN USE	-	14	-	-	-	14
<b>TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY</b>	-	<b>37</b>	-	-	-	<b>37</b>
TRANSFER NET RESULT TO RETAINED EARNINGS	-	-	158	(158)	-	-
NET RESULT FOR THE PERIOD	-	-	-	243	-	243
DIVIDENDS (2)	-	-	(293)	-	-	(293)
OTHER MOVEMENTS	-	0	1	-	-	1
<b>BALANCE AT 31 DECEMBER 2006</b>	<b>80</b>	<b>470</b>	<b>923</b>	<b>243</b>	<b>0</b>	<b>1,716</b>

<b>BALANCE AT 1 JANUARY 2007</b>	80	470	923	243	0	1,716
NET RESULT ON CASH FLOW HEDGING INSTRUMENTS	-	(11)	-	-	-	(11)
REVALUATION LOANS AND RECEIVABLES	-	(117)	-	-	-	(117)
REVALUATION EQUITY INVESTMENTS	-	(41)	17	-	-	(24)
REVALUATION DEBT SECURITIES	-	(6)	-	-	-	(6)
REVALUATION PROPERTY IN OWN USE	-	1	-	-	-	1
<b>TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY</b>	-	<b>(174)</b>	<b>17</b>	-	-	<b>(157)</b>
TRANSFER NET RESULT TO RETAINED EARNINGS	-	-	243	(243)	-	-
NET RESULT FOR THE PERIOD	-	-	-	98	3	101
DIVIDENDS (3)	-	-	(146)	-	(1)	(147)
CAPITAL CONTRIBUTION OF THIRD PARTIES IN A SUBSIDIARY CONTROLLED BY NIBC	-	-	-	-	9	9
<b>BALANCE AT 31 DECEMBER 2007</b>	<b>80</b>	<b>296</b>	<b>1,037</b>	<b>98</b>	<b>11</b>	<b>1,522</b>

(1) Other reserves includes Share premium, Hedging reserves and Revaluation reserve

(2) Dividends in 2006 are comprised of EUR 140 million ordinary dividend over 2005, EUR 51 million interim dividend over 2006 and EUR 102 million extraordinary dividend.

(3) Dividends in 2007 are comprised of EUR 61 million final ordinary dividend over 2006 and EUR 85 million extraordinary dividend in 2007.

**Condensed consolidated cash flow statement**  
**For the year ended 31 December**

In EUR millions	31-Dec-07	31-Dec-06
<b>OPERATING ACTIVITIES</b>		
CASH FLOWS FROM OPERATING ACTIVITIES CONTINUED OPERATIONS	2,608	975
CASH FLOWS FROM DISCONTINUED OPERATIONS	-	-
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,608</b>	<b>975</b>
<b>INVESTING ACTIVITIES</b>		
CASH FLOWS FROM INVESTING ACTIVITIES CONTINUED OPERATIONS	(24)	9
CASH FLOWS FROM DISCONTINUED OPERATIONS	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(24)</b>	<b>9</b>
<b>FINANCING ACTIVITIES</b>		
CASH FLOWS FROM FINANCING ACTIVITIES CONTINUED OPERATIONS	(587)	(926)
CASH FLOWS FROM DISCONTINUED OPERATIONS	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(587)</b>	<b>(926)</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS CONTINUED OPERATIONS	1,997	58
NET INCREASE IN CASH AND CASH EQUIVALENTS DISCONTINUED OPERATIONS	-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,997</b>	<b>58</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>1,979</b>	<b>1,921</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS CONTINUED OPERATIONS	1,997	58
NET INCREASE IN CASH AND CASH EQUIVALENTS DISCONTINUED OPERATIONS	-	-
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>3,976</b>	<b>1,979</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS:</b>		
- CASH AND BALANCES WITH CENTRAL BANKS	874	239
- DUE FROM OTHER BANKS (MATURITY 3 MONTHS OR LESS)	3,102	1,740
	<b>3,976</b>	<b>1,979</b>

## **NIBC Bank N.V.**

### **General information**

NIBC Bank N.V. (the "Company"), together with its subsidiaries ("NIBC" or the "Group") is a merchant bank focused on the mid-cap segment in Western Europe with a global distribution network. NIBC offers innovative corporate finance, risk management and investment solutions to corporate clients, financial institutions, institutional investors, financial sponsors and family offices. NIBC Bank N.V. has offices in The Hague, London, Brussels, Frankfurt and Singapore.

NIBC Bank N.V. is domiciled in The Netherlands.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The comparative income statement and cash flow statement have been re-presented as if an operation discontinued during the current period had been discontinued from the start of the comparative period.

### **Basis of Preparation**

This condensed financial report over the financial year 2007 should be read in conjunction with NIBC's annual financial statements for the year ended 31 December 2006.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006. However in 2007 some changes to the classification of financial instruments were carried through.

### **New standards and interpretations effective**

#### **Standards, amendment and interpretations effective in 2007**

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007:

- Amendments to IAS 1 – Capital disclosures (effective 1 January 2007) and IFRS 7, Financial Instruments: Disclosure IFRS 7 has a significant impact on disclosures. NIBC Bank N.V. has implemented this standard in the 2006 Annual Financial Statements.
- IFRIC 9, 'Reassessment of embedded derivatives': An entity is required to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The application of this interpretation does not have a material impact on the Group's financial statements.
- IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

### **Standards, amendments and interpretations effective in 2007 but not relevant to the Group**

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Group's operations:

- IFRIC 7, 'Applying the Restatement Approach under IAS 29, 'Financial reporting in hyperinflationary economies'.
- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2.
- IFRS 4, Insurance contracts: this is not relevant to NIBC's operating activities and therefore has no material effect.

### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs'. The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. NIBC will apply IAS 23 (Amended) from 1 January 2009, but the Standard is currently not applicable to NIBC as NIBC has no qualifying assets.
- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. NIBC will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management.
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. Management is currently investigating the impact of this interpretation.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. NIBC will apply IFRIC 14 from 1 January 2008, but it is not expected to have a material impact on NIBC's financial position.
- IFRIC 12, 'Service concession arrangements'. IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Management is currently reviewing the requirements of IFRIC 12 to determine whether it will have a material impact on NIBC's financial position.
- IFRIC 13, 'Customer loyalty programmes'. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to NIBC's operations because NIBC does not operate any loyalty programmes.

## Changes to the classification of financial instruments

The Group made the following changes:

- *Loans and receivables*  
Loans and receivables originated before 1 July 2007 are accounted for at Fair Value through Profit or Loss (residential mortgages, commercial real estate loans and leveraged loan warehouses, secondary loan trading and distressed asset trading) or Available for Sale (all other corporate lending). With the exception of residential mortgages, loans originated after 1 July 2007 are classified as loans and receivables at amortised cost. These loans are initially measured at fair value plus directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method. The reason for this change is the alignment with industry practice.
- *Debt securities (assets)*  
With effect from 1 July 2007, newly originated assets in the EU structured credits books are classified as Available for Sale. Assets acquired before 1 July 2007 were classified as Held for Trading. The reason for this change is the alignment with best market practice.
- *Equity investments in associates and joint ventures*  
With effect from 1 January 2007, all newly acquired investments in associates and joint ventures held by the Principal Investments business unit are designated at Fair Value through Profit or Loss. Previously acquired investments in associates, where material, were accounted for using the equity method and investments in joint ventures were proportionately consolidated. The Principal Investments business unit is considered to be a venture capital organisation, as that term is used in IAS 28 and IAS 31. This change brings NIBC's accounting into line with industry practice.
- *Equity investments*  
Equity investments acquired before 1 January 2007 held in the investment portfolio of the Principal Investments business unit are classified as Available for Sale assets in the consolidated balance sheet. With effect from 1 January 2007, all newly acquired equity investments held by the Principal Investments business unit are designated upon initial recognition as financial assets at Fair Value through Profit or Loss. This change brings NIBC's accounting into line with industry practice for venture capital organisations.
- *Fixed rate long-term debt securities in issue (liabilities)*  
During the period commencing 1 January 2007, plain vanilla fixed rate long-term debt securities (liabilities) were issued together with matching interest rate swaps as part of a documented interest rate risk management strategy. An accounting mismatch would arise if the debt securities in issue were accounted for at amortised cost, because the related derivatives are measured at fair value with movements in the fair value taken through the income statement. By designating the long-term debt as Fair Value through Profit or Loss, the movement in the fair value of the long-term debt will also be recorded in the income statement, and thereby off-set the gains or losses on the derivative instrument that is also included in the income statement.

## Most significant critical accounting estimates and judgements

NIBC Bank N.V. makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## Fair value of certain financial instruments

Where NIBC determines fair value using valuation models (for example, in the case of mortgage loans, corporate loans and certain debt securities), the valuation is determined by discounting to present value

the cash flows (after expected pre-payments) that it expects to receive from holding the instrument. These models require management to estimate a number of parameters, including interest rate yield curves, credit spreads, equity and commodity prices, option volatilities and currency rates. Most (but not all) parameters are either directly observable or are implied from instrument prices in the market place. In light of the dramatic widening in credit spreads, valuations have become particularly sensitive to this parameter. Because of the near absence of liquidity in a number of instruments, directly observable data on credit spreads is sparse.

Gains (or losses) are recognised upon initial recognition only when such profits (or losses) can be measured by reference to observable current market transactions or valuation techniques based on observable market inputs.

The calculation of fair value for any financial instrument may also require adjustment of the quoted price or the value generated by the valuation model to reflect the cost of credit risk (where not embedded in underlying models or prices used) or to reflect hedging costs not captured in the valuation model (to the extent that they would be taken into account by market participants in determining a price).

The process of determining fair value for illiquid instruments using valuation models may require estimation of the expected maturity of an instrument (and therefore the expected cash flows), certain pricing parameters, or other assumptions or model characteristics. Although NIBC calibrates its valuation models against industry standards and observable transaction prices, the calculation of fair value is an inherently subjective process, particularly when data on observable transactions is sparse.

At 31 December 2007, market conditions were characterised by the near absence of liquidity in credit markets and a significant widening of credit spreads. In these market conditions, the estimation of the fair value of NIBC's residential mortgage loans, corporate loans and its own liabilities designated at Fair Value through Profit or Loss is highly judgemental and necessarily subjective, given the absence of market transactions and other observable market data. Consequently, the ranges within which NIBC has estimated the fair value of these portfolios have widened significantly.

### **Own liabilities designated at Fair Value through Profit or Loss**

At 31 December 2007, the fair value of these liabilities was estimated to be EUR 4.864 million (31 December 2006: EUR 4.985 million). This portfolio was designated at Fair Value through Profit or Loss and is reported on the face of the balance sheet under the following headings:

- Financial Liabilities at fair value through profit or loss (Debt securities in issue structured)
- Financial Liabilities at fair value through profit or loss (Own debt securities in issue)
- Financial Liabilities at fair value through profit or loss (Subordinated liabilities)

Debt securities in issue structured consist of notes issued with embedded derivatives that are tailored to specific investors' needs. The return on these notes is dependent upon the level of certain underlying equity, interest rate, currency, credit, commodity or inflation-linked indices. The embedded derivative within each note issued is fully hedged on a back-to-back basis, such that effectively synthetic floating rate funding is created. Because of this economic hedge, the income statement is not sensitive to fluctuations in the price of these indices.

In the case of debt securities in issue structured and subordinated liabilities, the fair value of the notes issued and the back-to-back hedging swaps is determined using a valuation model developed by a third party employing Monte Carlo simulation, lattice valuations or closed formulas, depending on the type of embedded derivative.

For each class of own liabilities at Fair Value through Profit or Loss, the expected cash flows are discounted to present value using interbank zero-coupon rates. The resulting fair value is adjusted for movements in the credit spread applicable to NIBC issued funding.

The valuation of all the above classes of liabilities at fair value through profit or loss is sensitive to the estimated credit spread used to discount future expected cash flows. A 10 basis point change in the weighted average credit spread used to discount future expected cash flows would increase or decrease profit after tax from continuing operations by EUR 14 million (2006: EUR 14 million).

The credit spread used to revalue these liabilities is not directly observable because NIBC's funding is not actively traded and because NIBC has not issued any new funding close to the year end. Consequently, the credit spread was estimated taking into account observable data on debt issuances by other financial institutions, developments in composite sector curves published by Bloomberg, and management estimates made by NIBC Treasury. The determination of an appropriate credit spread is necessarily a subjective matter.

### **Residential mortgages**

NIBC determines the fair value of residential mortgages (both those it holds in its warehouse and those it has securitised) by using a valuation model developed by NIBC; this model assumes that the residential mortgage book is securitised. NIBC discounts expected cash flows (after expected prepayments) to present value using interbank zero-coupon rates, adjusted for a spread that principally takes into account the credit spread risk of the mortgages and uncertainty relating to prepayment estimates. The spread used to reflect credit risk is largely based on spreads of comparable RMBS transactions in the market. During the fourth quarter of 2007, the RMBS market was characterised by the near absence of primary RMBS transactions. In the absence of observable primary RMBS transactions the credit spread used for valuation purposes at 31 December 2007 was derived largely from RMBS-spreads quoted by a number of investment banks.

At 31 December 2007, the most significant unobservable parameters used in the valuation are the applicable credit spreads, prepayment rate estimates, and the applicable discount rate loading for prepayment risk.

Negative changes in the fair market value of mortgages as result of prepayment rate changes are, to a certain extent, mitigated by penalties paid by the mortgagors.

The determination of the applicable credit spread, prepayment rates and a spread for prepayment risk requires NIBC to make subjective judgements. A one basis point shift in either direction of the credit spreads across the mortgage portfolio would have had either a positive or a negative impact of approximately € 2.1 million (2006: EUR 3.6 million) on the fair value of the mortgages as at 31 December 2007. A 1% point shift in the assumption NIBC makes about expected prepayments would have had an impact of approximately € 11.2 million (2006: EUR 0.2 million) on the fair value of the mortgages as at 31 December 2007.

All parameters and estimates are reviewed, challenged and approved before usage in our Parameter Committee. This committee consists of staff from Credit Risk Management, Market Risk Management, Credit Portfolio, senior management and is chaired by the SBU CFO.

## 1. SEGMENT REPORT

### BUSINESS SEGMENTS

	CONTINUING OPERATIONS													
	CORPORATE FINANCE		FINANCIAL MARKETS		REAL ESTATE MARKETS		INVESTMENT MANAGEMENT		PRINCIPAL INVESTMENTS		CORPORATE CENTER		TOTAL	
	for the year		for the year		for the year		for the year		for the year		for the year		for the year	
In EUR millions	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
NET INTEREST INCOME	134.3	114.9	9.7	4.1	67.1	56.7	0.9	1.2	10.8	21.1	15.1	41.8	237.9	239.8
NET FEE AND COMMISSION INCOME	42.3	35.5	(9.4)	3.9	5.7	3.9	52.5	13.2	(28.3)	(0.8)	(0.5)	-	62.3	55.7
DIVIDEND INCOME	0.8	5.4	44.6	20.9	-	-	-	-	38.1	9.1	-	-	83.5	35.4
NET TRADING INCOME	0.4	6.3	0.4	50.7	(24.4)	26.1	-	-	-	-	-	-	(23.6)	83.1
GAINS LESS LOSSES FROM EQUITY INVESTMENTS AND ASSOCIATES	1.0	0.8	-	0.1	-	-	-	-	107.1	37.8	-	-	108.1	38.7
SHARE IN PROFIT OF ASSOCIATES AND JOINT VENTURES	3.8	3.0	(0.1)	12.6	(3.1)	-	-	-	0.7	0.1	-	-	1.3	15.7
OTHER OPERATING INCOME	2.9	11.7	0.2	(1.8)	-	-	0.5	-	1.1	(0.1)	1.0	3.0	5.7	12.8
<b>OPERATING INCOME</b>	<b>185.5</b>	<b>177.6</b>	<b>45.4</b>	<b>90.5</b>	<b>45.3</b>	<b>86.7</b>	<b>53.9</b>	<b>14.4</b>	<b>129.5</b>	<b>67.2</b>	<b>15.6</b>	<b>44.8</b>	<b>475.2</b>	<b>482.2</b>
<b>OPERATING EXPENSES</b>	<b>70.8</b>	<b>75.2</b>	<b>28.1</b>	<b>28.5</b>	<b>25.2</b>	<b>22.0</b>	<b>35.4</b>	<b>14.0</b>	<b>11.5</b>	<b>18.8</b>	<b>40.4</b>	<b>40.5</b>	<b>211.4</b>	<b>199.0</b>
IMPAIRMENT OF FINANCIAL ASSETS	2.5	(5.0)	-	-	-	-	-	-	(0.7)	(9.1)	(0.2)	(1.0)	1.6	(15.1)
<b>TOTAL EXPENSES</b>	<b>73.3</b>	<b>70.2</b>	<b>28.1</b>	<b>28.5</b>	<b>25.2</b>	<b>22.0</b>	<b>35.4</b>	<b>14.0</b>	<b>10.8</b>	<b>9.7</b>	<b>40.2</b>	<b>39.5</b>	<b>213.0</b>	<b>183.9</b>
<b>OPERATING PROFIT</b>	<b>112.2</b>	<b>107.4</b>	<b>17.3</b>	<b>62.0</b>	<b>20.1</b>	<b>64.7</b>	<b>18.5</b>	<b>-</b>	<b>118.7</b>	<b>57.5</b>	<b>(24.6)</b>	<b>5.3</b>	<b>262.2</b>	<b>298.3</b>
RESULTS ON DISPOSAL OF SUBSIDIARIES	0.2	1.2	-	-	-	-	-	-	-	-	-	-	0.2	1.2
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>112.4</b>	<b>108.6</b>	<b>17.3</b>	<b>62.0</b>	<b>20.1</b>	<b>64.7</b>	<b>18.5</b>	<b>-</b>	<b>118.7</b>	<b>57.5</b>	<b>(24.6)</b>	<b>5.3</b>	<b>262.4</b>	<b>298.5</b>
TAX	27.8	32.0	(10.0)	4.5	5.1	15.8	2.2	-	4.6	10.4	(9.3)	2.9	20.4	65.6
<b>PROFIT AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>84.6</b>	<b>76.6</b>	<b>27.3</b>	<b>57.5</b>	<b>15.0</b>	<b>48.9</b>	<b>16.3</b>	<b>-</b>	<b>114.1</b>	<b>47.1</b>	<b>(15.3)</b>	<b>2.4</b>	<b>242.0</b>	<b>232.5</b>
<b>AVERAGE ALLOCATED ECONOMIC CAPITAL</b>	<b>550</b>	<b>483</b>	<b>275</b>	<b>174</b>	<b>225</b>	<b>123</b>	<b>50</b>	<b>5</b>	<b>200</b>	<b>110</b>	<b>-</b>	<b>39</b>	<b>1,300</b>	<b>934</b>
<b>AVERAGE UNALLOCATED ECONOMIC CAPITAL</b>	<b>-</b>	<b>-</b>	<b>167</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>592</b>	<b>167</b>	<b>592</b>
<b>SEGMENT ASSETS</b>	<b>7,103</b>	<b>7,827</b>	<b>10,286</b>	<b>12,688</b>	<b>13,706</b>	<b>11,426</b>	<b>-</b>	<b>-</b>	<b>414</b>	<b>377</b>	<b>284</b>	<b>132</b>	<b>31,793</b>	<b>32,450</b>
<b>SEGMENT LIABILITIES</b>	<b>6,763</b>	<b>7,413</b>	<b>9,794</b>	<b>12,017</b>	<b>13,050</b>	<b>10,822</b>	<b>-</b>	<b>-</b>	<b>394</b>	<b>357</b>	<b>270</b>	<b>125</b>	<b>30,271</b>	<b>30,734</b>

Interim financial statements for the year 2007  
NIBC Bank N.V.

## Explanatory remarks to Segment Report

Compared to the presentation in the Annual Report 2006 the following changes have been made:

- 1 In 2006, the average unallocated capital was assigned to Corporate Center. With effect from 1 January 2007, the average unallocated capital was assigned to Financial Markets. Furthermore, economic capital allocations to business units were revised in 2007 to reflect changing business usage. As a result of this revised allocation of economic capital, the remaining unallocated average economic capital is not significant. The net interest income in Corporate Center on unallocated average economic capital in 2006 amounted to EUR 18 million. Due to these changes, this benefit is nil in 2007.
- 2 In 2007, the return allocated to business units on average economic capital and unallocated capital was increased from 2.80% in 2006 to 3.75% in 2007. In 2007, an amount of 1% on average economic capital was charged by Financial Markets to the other Strategic Business Units as additional expense for funding the SBU businesses. In 2006, this was not the case. The net interest income benefit in Financial Markets in 2007 was EUR 13 million (2006: nil).
- 3 The primary segment report displays the breakdown of profit after tax from continuing operations to business segments. If the result from discontinued operations was to be included in the report this result would have been allocated to Financial Markets.

## **2. NET TRADING INCOME**

Net trading income in 2007 includes a loss on residential mortgages of EUR 110 million and a gain on liabilities of EUR 106 million relating to substantial credit spread widening in 2007. Seventy five percent (75%) of the liabilities designated at fair value through profit or loss is used for funding the residential mortgage business.

## **3. GAINS LESS LOSSES FROM EQUITY INVESTMENTS AND ASSOCIATES**

The increase of gains less losses from equity investments in 2007 was fully a result of a fair value gain from associates in 2007.

#### 4. PERSONNEL EXPENSES

The average Full Time Equivalents increased in 2007 to 700 (2006: 634).

#### 5. DEPRECIATION

The increase in the depreciation expense reflects the accelerated depreciation of certain project costs that were capitalised at 31 December 2006.

#### 6. TAX

In EUR millions	31-Dec-07	31-Dec-06
The tax (credit) / expense can be analysed as follows		
Profit before tax from continuing operations	262	299
Tax calculated at the nominal Dutch corporate tax rate of 25.5% (2006: 29.6%)	67	89
Effect of different tax rates in other countries	1	(2)
Impact of income not subject to tax	(53)	(22)
Impact of expenses not deductible for tax purposes	7	2
Utilisation of previously unrecognised tax losses	(2)	(1)
	<b>20</b>	<b>66</b>
Effective tax rate	7.6%	22.1%

## 7. DEBT SECURITIES

The decrease in 2007 of debt securities includes the full de-risking of the portfolio of US asset backed securities, which amounted to EUR 2.2 billion at 31 December 2006 and nil at the end of 2007. In 2007 the loss from this discontinued business was EUR 141 million net of tax. The de-risking was executed by means of three actions:

1. the sale of US securities of EUR 0.7 billion during the first half year of 2007;
2. the sale of a portfolio of EUR 0.4 billion of all US sub-prime residential mortgage backed securities on 24 August 2007 (NIBC therefore no longer has any US sub prime residential mortgage exposure in its portfolios);
3. the sale of a portfolio of EUR 0.9 billion of all US commercial real estate backed securities to NIBC Holding N.V. in the second half year of 2007.

The remaining decrease of this portfolio of EUR 0.2 billion reflects the before tax loss from discontinued operations and the devaluation of the US dollar in the first half year of 2007.

## 8. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING TRADING)

### Debt securities in issue structured

In EUR millions	31-Dec-07	31-Dec-06
Bonds and notes issued	<b>4,152</b>	<b>4,553</b>
The movement of debt securities in issue structured may be summarised as follows:		
<b>Opening balance 1 January</b>	4,553	5,298
Additions	2,082	826
Disposals	(2,210)	(1,496)
Changes in fair value	(120)	(197)
Exchange differences	(153)	122
<b>Closing balance 31 December</b>	<b>4,152</b>	<b>4,553</b>

**9. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS  
(INCLUDING TRADING)  
Own debt securities in issue**

In EUR millions	31-Dec-07	31-Dec-06
Bonds and notes issued	215	-
The movement of own debt securities in issue may be summarised as follows:		
<b>Opening balance 1 January</b>	-	-
Additions	217	-
Changes in fair value	(2)	-
<b>Closing balance 30 September</b>	<b>215</b>	<b>-</b>

**10. DEBT SECURITIES IN ISSUE  
Own debt securities in issue**

In EUR millions	31-Dec-07	31-Dec-06
Bonds and notes issued	9,059	9,367
Fair value hedge adjustment	(24)	(32)
<b>Closing balance 31 December</b>	<b>9,035</b>	<b>9,335</b>
The movement of own debt securities in issue may be summarised as follows:		
<b>Opening balance 1 January</b>	9,335	9,234
Additions	2,159	2,762
Disposals	(2,246)	(2,452)
Other movements and exchange differences	(213)	(209)
<b>Closing balance 31 December</b>	<b>9,035</b>	<b>9,335</b>

**11. DEBT SECURITIES IN ISSUE  
Debt securities in issue related to securitised mortgages**

In EUR millions	31-Dec-07	31-Dec-06
The movement of debt securities in issue related to securitised mortgages may be summarised as follows:		
<b>Opening balance 1 January</b>	7,246	8,408
Additions	1,360	-
Disposals	(1,392)	(1,162)
<b>Closing balance 31 December</b>	<b>7,214</b>	<b>7,246</b>

## 12. CAPITAL AND SHARES

	31-Dec-07	31-Dec-06
<b>The number of authorised shares:</b>		
Number of authorised shares	218,937,500	218,937,500
Number of shares issued and fully paid	62,586,794	62,586,794
Par value per share	1.28	1.28
<b>Reconciliation of number of shares outstanding:</b>		
Opening balance 1 January	62,586,794	62,586,794
Additional shares issued	-	-
Closing balance 31 December	<b>62,586,794</b>	<b>62,586,794</b>

### 13. DISCONTINUED OPERATIONS

In 2007, NIBC Bank sold its exposure to both the US sub prime residential mortgage markets as well as to the US commercial real estate markets. The income statement below reflects the results of these operations in the year 2007 and the year 2006.

In EUR millions	31-Dec-07	31-Dec-06
NET INTEREST INCOME	11	11
NET FEE AND COMMISSION INCOME	(4)	(6)
NET TRADING INCOME	(196)	9
<b>OPERATING INCOME</b>	<b>(189)</b>	<b>14</b>
<b>OPERATING PROFIT / (LOSS)</b>	<b>(189)</b>	<b>14</b>
<b>PROFIT / (LOSS) BEFORE TAX</b>	<b>(189)</b>	<b>14</b>
TAX	(48)	4
<b>PROFIT / (LOSS) AFTER TAX</b>	<b>(141)</b>	<b>10</b>

## 14. RELATED PARTY TRANSACTIONS

### Transactions related to associates

As at 31 December 2007, NIBC had EUR 286 million of loans advanced to its associates (2006: EUR 143 million). Besides interest income on these loans, NIBC earned EUR 1.6 million (2006: EUR 3.0 million) in fees from these associates.

In June 2007, NIBC launched the NIBC European Infrastructure Fund I and raised EUR 330 million of which NIBC provided EUR 100 million. It is NIBC's first third-party equity fund, and the final close at EUR 500 million is expected in 2008. The fund invests in infrastructure projects in Western Europe. NIBC sold all of its assets related to this activity to the fund, and realised a gain on disposal in 2007 in operating income of EUR 9 million. In NIBC's financial statements, this fund is reported as an associate.

### Transactions involving NIBC's shareholders

Significant related party transactions executed in 2007 and 2006 concern the following:

At 31 December 2007, NIBC had EUR 296 million of loans advanced to its parent and to entities controlled by its parent entity (2006: EUR 172 million).

In June 2006, the general partner of J.C. Flowers II LP (together with its sister vehicle, "Flowers Fund II"), an investment fund managed by an affiliate of J.C. Flowers & Co., accepted a USD 100 million capital commitment from NIBC. The management fee and the profits interest otherwise payable by limited partners in such fund have been waived with respect to the investment by NIBC. In addition, NIBC will receive a portion of (i) the profits interest payable to an affiliate of J.C. Flowers & Co. by investors in Flowers Fund II, and (ii) the management fee payable to J.C. Flowers & Co. by Flowers Fund II, in each case based on the percentage of aggregate capital commitments to Flowers Fund II represented by the capital commitment of NIBC. In 2007, NIBC earned fees of EUR 1.2 million (2006: EUR 2.7 million) relating to this transaction.

Investment advisory firm J.C. Flowers & Co., receives a management fee from Flowers Fund II in consideration for acting as investment adviser to Flowers Fund II. NIBC performs fund-raising activities for this fund for which a placement fee is received.

Mr. Enthoven, the Chairman of the Managing Board and Chief Executive Officer of NIBC and Mr. Jansen Schoonhoven, one of NIBC's senior managers, serve on the Transaction and Advisory Committee of Flowers Fund II. This committee meets weekly to discuss new investment prospects, structuring and execution of investments under consideration and enhancing value in current portfolio companies of Flowers Fund II. In addition, three members of NIBC's Managing Board and some of NIBC's employees have personally invested in Flowers Fund II as limited partners.

NIBC's US sub-prime related portfolio was sold on 24 August 2007 to a company controlled by the shareholders of NIBC Holding N.V. for USD 528 million. The acquisition by that company was partially funded by USD 248 million from NIBC Holding N.V. advanced in exchange for preference shares in the company, which were subsequently distributed by NIBC Holding N.V. to NIBC Holding N.V.'s shareholders as a dividend. During 2007, NIBC recognised a pre tax trading loss of EUR 124 million on this portfolio (2006: nil). As of 24 August 2007, both NIBC Bank N.V. and NIBC Holding N.V. are no longer exposed to US sub prime residential mortgage securities.

On 24 August 2007, NIBC entered into a total return swap under which all gains and losses on NIBC's portfolio of US Commercial Real Estate structured credits (mainly CMBS and CRE CDOs) were transferred to NIBC Venture Capital N.V., a public limited liability company incorporated under the laws of the Netherlands (Veca). Veca is indirectly a 100% subsidiary of NIBC Holding N.V. Under the terms of the total return swap between Veca and NIBC, Veca prepaid the equivalent of EUR 948 million to NIBC. Veca financed itself through EUR 300 million of equity provided by NIBC Holding N.V., EUR 198 million of subordinated financing provided by NIBC and EUR 450 million of senior debt provided by a third party.

Under the terms of the total return swap between NIBC and Veca, fair value movements on the US commercial real estate portfolio are offset by compensating fair value movements on the total return swap. On 21 December 2007, NIBC terminated the total return swap by transferring the contractual rights to receive cash flows on the portfolio of US Commercial Real Estate structured credits to Veca. As consequence of this transfer, NIBC derecognised these assets on 21 December 2007. In the period from 1 January 2007 to 24 August 2007, NIBC recognised a trading loss of EUR 48 million net of tax on this portfolio (2006: nil)

On 21 December 2007, NIBC entered into a securities lending agreement with an entity controlled by NIBC Holding N.V. and a related party of NIBC, in connection which NIBC borrowed on an unsecured basis securities with a fair value of EUR 882 million for a period ending 20 August 2008. The fees payable by NIBC in connection with this securities lending agreement are nil.

In 2007, fees were paid to NIBC Holding N.V. of EUR 3.1 million (2006: EUR 5.9 million) related to asset management activities. Furthermore, in 2007 a fee of EUR 3.0 million (2006: nil) was received from NIBC Holding N.V., relating to NIBC's role in the sale of an associate.

NIBC supported the bid of JC Flowers together with JP Morgan and Bank of America to acquire SLM Corp (Sallie Mae), the US student loan company. NIBC committed USD 75 million to the Sallie Mae acquisition, of which about half is syndicated. Through the SBU Principal Investments, NIBC subscribed to a further USD 20 million co-investment with JC Flowers. NIBC has a commitment of USD 100 million in the JC Flowers II LP, of which at 31 December 2007 USD 25 million was drawn. JC Flowers subsequently invoked the "material adverse effect" clause and Sallie Mae responded with legal proceedings. In January 2008, Sallie Mae agreed to cease its pending lawsuit against JCF and the co-investors. In addition, the parties have agreed to terminate the merger agreement. The Buyer Group is not and will not be obligated to make any payment of any kind to Sallie Mae, which means that NIBC has no Sallie Mae-related exposure.

#### **Loan from NIBC Bank to the Pension Fund**

At the balance sheet date, NIBC has advanced a subordinated loan (interest charge: 0%) for an amount of EUR 3 million to the trustee-administered fund (NIBC's Pension Fund). There will be no repayment of this loan until the fund has reached a solvency ratio of 150%.

## 15. COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

At any time, NIBC has outstanding commitments to extend credit. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months. Commitments extended to customers related to mortgages at fixed interest rates or fixed spreads are hedged with interest rate swaps recorded at fair value. These commitments are designated upon initial recognition as fair value through profit or loss.

NIBC provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. Expirations are not concentrated in any period.

The contractual amounts of commitments (excluding mortgages commitments of EUR 239 million at 31 December 2007 (2006: EUR 353 million), which in these financial statements are measured at fair value through profit or loss) and contingent liabilities are set out in the following table by category. In the table it is assumed that amounts are fully advanced.

The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

In EUR millions	31-Dec-07	31-Dec-06
<i>Contract amount</i>		
Committed facilities with respect to corporate loan financing	2,380	2,750
Guarantees granted	588	1,479
Irrevocable letters of credit	79	63
	<b>3,047</b>	<b>4,292</b>

These commitments and contingent liabilities have off balance-sheet credit risk because only commitment / origination fees and accruals for probable losses are recognised in the balance sheet until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

## 16. SUBSEQUENT EVENTS

On 30 January 2007, both NIBC Holding N.V. and Kaupthing bank hf announced to not proceed with the acquisition of NIBC Holding N.V. by Kaupthing bank fh. The relevant regulatory submissions were withdrawn and the share purchase agreement was terminated. Michael Enthoven, Chief Executive Officer, and Jurgen Stegmann, Chief Risk Officer, of NIBC Holding N.V. and NIBC Bank N.V. have offered the Supervisory Board to step down from their respective positions. The Supervisory Board has accepted and respects their decision to step down.

17. Financial Markets SBU corporate and structured credit BPV details per rating as per 31 December 2007

In EUR thousands	Total	AAA	AA	A	BBB	BB	B <sub>≤</sub>	Hedges*
Corporate	13.4	-	0.6	3.1	1.3	1.7	1.5	17.4
Financials	358.5	102.7	259.9	24.2	0.3	-	0.2	28.4
<b>Total Corporate and Financials</b>	<b>345.1</b>	<b>102.7</b>	<b>259.3</b>	<b>27.3</b>	<b>1.6</b>	<b>1.7</b>	<b>1.7</b>	<b>45.8</b>
	Total	AAA	AA	A	BBB	BB	B <sub>≤</sub>	Hedges*
ABS	0.6	5.2	3.9	0.5	0.6	1.7	-	11.2
CMBS	8.4	99.8	27.5	19.1	12.1	1.7	-	151.7
RMBS	8.5	88.0	13.0	25.0	27.4	8.8	0.3	153.9
CDO	1.4	23.9	2.4	0.6	0.2	-	0.1	25.6
CLO-Leveraged loan	4.3	40.5	25.7	3.3	5.5	6.8	0.0	77.5
<b>Total EU Structured Credits</b>	<b>23.2</b>	<b>257.5</b>	<b>72.4</b>	<b>48.5</b>	<b>45.8</b>	<b>18.8</b>	<b>0.2</b>	<b>420.0</b>

Residential Markets SBU residential mortgages credit BPV details per rating as per 31 December 2007

In EUR thousands	Total	AAA	AA	A	BBB	BB	B <sub>≤</sub>	Hedges*
Residential Mortgages NL	630.9	1,631.0	29.6	22.7	15.7	10.1	1.5	1,079.7
Residential Mortgages Germany	126.8	322.8	7.3	5.7	4.5	2.7	0.6	216.9
Retained positions	19.5	19.9	6.3	6.3	9.7	8.7	1.9	33.4
<b>Total Residential Mortgages (Netherlands &amp; Germany)</b>	<b>777.1</b>	<b>1,973.7</b>	<b>43.2</b>	<b>34.8</b>	<b>30.0</b>	<b>21.4</b>	<b>4.0</b>	<b>1,330.0</b>

\*Hedges through credit indices and/or structured liabilities

The above table displays the credit basis point value (BPV) of our Financial Markets SBU and Residential Markets SBU. Credit BPV shows a change in market value of the underlying in case the credit spreads increase by 1 basispoint (0.01%). BPV is a commonly used measure by banks for expressing its sensitivity to risk.

The above excludes our retained equity positions in our FM securitizations. The market value of these positions amount to EUR 25.5 million.