

ANNUAL REPORT 2002

# NIB CAPITAL

BANK



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## RECOMMENDATION OF THE SUPERVISORY BOARD

We hereby present the 2002 annual report which, in addition to the report of the Board of Managing Directors, also includes the 2002 annual accounts of NIB Capital Bank. These annual accounts were drawn up by the Board of Managing Directors and audited by PricewaterhouseCoopers Accountants N.V., who issued an unqualified report thereon.

The Supervisory Board proposes that you approve the 2002 annual accounts as presented, without change. If you approve the annual accounts and the profit appropriation included therein, € 150 million will be distributed as dividend to holders of ordinary shares A and € 103 million will be added to the reserves (see page 51). The Supervisory Board endorses the proposed profit appropriation.

We also propose that you discharge the Board of Managing Directors and the Supervisory Board in respect of their management and supervision respectively during the year.

The Supervisory Board met on nine occasions in 2002 to discuss such matters as the interim and full-year figures, the strategy, the new organisational structure and medium-term action plan of the bank, the sale of the majority of the legacy equity participation portfolio to NIB Capital's shareholders ABP and PGGM and corporate governance. The annual accounts, the auditors' report to the Board of Managing Directors and the management letters concerning the various business lines were discussed in the presence of the external auditor.

Members of the Supervisory Board also consulted together in sub-committees. The Risk Policy Committee met five times in 2002 to discuss such matters as general lending policy and exposure to large borrowers. Regular items on the agenda of this committee included the capital market positions, the limits for and exposure to financial counterparties and countries, risk reports and provisions. The Audit Committee met four times during the financial year to discuss the interim and full-year figures, the auditors' reports to the Board of Managing Directors and the management letters in preparation for the meetings of the full Board. This committee also discussed the audit reports of the Internal Audit Department. The Strategic Committee met once in 2002. The Compensation & Management Development Committee met eight times to discuss amongst others the terms of employment of the members of the Board of Managing Directors.

In 2002 the Supervisory Board took the initiative for a new sub-committee, being the Corporate Governance & Nominating Committee, as a result of the increasing importance of corporate governance topics for NIB Capital, including corporate social responsibility.

Messrs M. L. Gedopt, B.J. van der Vegte and L.P.E.M. van den Boom resigned from the Board of Managing Directors of NIB Capital Bank with effect from 23 April 2002, 31 May 2002 and 31 August 2002 respectively.

Effective from 23 April 2002, Mr M. Enthoven was appointed as Chairman of the Board of Managing Directors of NIB Capital Bank and resigned on the same date as member of the Supervisory Board.

Members of the Supervisory Board attended two consultation meetings between the Board of Managing Directors and the Employees Council.

The Supervisory Board would like to take this opportunity to address a special word of thanks to the Board of Managing Directors and staff of NIB Capital Bank for their contribution to the further development of NIB Capital Bank. The year 2002 has been challenging for NIB Capital Bank because of the uncertain market circumstances, the adjustment of the business model and the implementation of the strategy. The Supervisory Board appreciates the efforts in 2002 to establish a solid foundation for NIB Capital Bank for the coming years.

THE HAGUE, 6 MARCH 2003

THE SUPERVISORY BOARD  
WILLEM F.C. STEVENS, CHAIRMAN  
PETER J. GROENENBOOM  
MAARTEN J. HULSHOFF  
BART J.C.M. LE BLANC  
CEES A. VRINS



REPORT OF THE BOARD OF MANAGING DIRECTORS



## INTRODUCTION

NIB Capital Bank is well positioned to develop into a leading independent merchant bank in Northwest Europe in the coming years. NIB Capital Bank will be the logical partner for its clients in the areas of corporate finance, advisory, capital raising, risk management and structured investment solutions. Origination primarily targets the Benelux and surrounding countries, while distribution focuses on the global financial markets. The core strengths for realising this ambition are client focus, multi-disciplinary teamwork, professionalism, product knowledge, AA ratings and the strong capital base of NIB Capital Bank. These core strengths will enable NIB Capital Bank to exploit the unique opportunities presenting themselves in the market in the coming years. In this endeavor, NIB Capital Bank is looking to further diversify its activities and risks, in combination with strict and independent risk management.

To keep the bank efficient, the growth of the asset base for banking activities will remain limited and the focus will be on accelerating the asset velocity. The selected business model is completely in line with this strategic course. In 2002 the Merchant Banking activities were structured into the following strategic business units (SBUs): Corporate Finance, Financial Markets, Principal Investments and Corporate Center.

The head office of NIB Capital Bank is located in The Hague, the Netherlands. Offices of NIB Capital Bank in Brussels and London are important in order to realise its ambitions to be a leading independent merchant bank in Northwest Europe. The foreign offices in Singapore and Curaçao mainly focus on international lending in specific industry sectors, where the bank has built up a strong franchise, such as transportation and energy.

NIB Capital Bank is a group company of NIB Capital N.V.. The following table presents the key figures for NIB Capital Bank with operating income and operating expenses as structural figures. The bank's accounting policies are unchanged compared with those applied in the 2001 annual accounts.

## KEY FIGURES NIB CAPITAL BANK

IN MILLIONS OF EUROS

|  | 2002         | 2001         | CHANGE      |
|--|--------------|--------------|-------------|
| <b>NET PROFIT</b>                                  |              |              |             |
| <b>BANKING ACTIVITIES</b>                          |              |              |             |
| INTEREST   | 257.3        | 250.9        | 3%          |
| COMMISSION   | 25.6         | 23.3         | 10%         |
| OTHER REVENUE                                      | 42.8         | 50.6         | -15%        |
| OPERATING INCOME                                   | 325.7        | 324.8        | 0%          |
| OPERATING EXPENSES                                 | -119.3       | -106.5       | 12%         |
| VALUE ADJUSTMENTS TO RECEIVABLES                   | -63.1        | -65.4        | -4%         |
| TAXATION   | -35.1        | -22.4        | 57%         |
| <b>OPERATING PROFIT FROM BANKING ACTIVITIES</b>    | <b>108.2</b> | <b>130.5</b> | <b>-17%</b> |
| <b>OPERATING PROFIT FROM EQUITY PARTICIPATIONS</b> |              |              |             |
| AMORTISATION OF GOODWILL                           | -1.9         | -1.0         | 90%         |
| THIRD-PARTY INTERESTS                              | -3.6         | -3.2         | 13%         |
| NON-RECURRING RESULT (NET)                         | 172.2        | 0.0          |             |
| <b>NET PROFIT NIB CAPITAL BANK</b>                 | <b>264.7</b> | <b>184.3</b> | <b>44%</b>  |
| <b>OTHER KEY FIGURES</b>                           |              |              |             |
| TOTAL ASSETS                                       | 20,310       | 17,519       | 16%         |
| GROUP CAPITAL BASE                                 | 1,902        | 2,006        | -5%         |
| LOANS AND ADVANCES                                 | 11,943       | 10,755       | 11%         |
| CORE CAPITAL (TIER I) RATIO                        | 11.0%        | 10.4%        |             |
| SOLVENCY (BIS) RATIO                               | 13.4%        | 13.5%        |             |
| EFFICIENCY RATIO                                   | 37%          | 33%          |             |
| AVERAGE NUMBER OF STAFF (FTE)                      | 635          | 626          | 1%          |

## BANKING ACTIVITIES

In 2002 operating profit from banking activities declined by 17% to €108.2 million. Operating income was virtually stable compared to 2001 at €325.7 million. Higher interest and commission compensated for lower other revenue. Interest income showed a modest increase of 3% to €257.3 million. This rise was mainly attributable to improved margins on residential mortgages and higher mortgage volumes. The improvement in commission mainly stemmed from lending and advisory fees, but was partly offset by lower fees from structuring activities.

The decline in other revenue was caused by the lower result from credit trading activities due to the challenging market circumstances. This loss was partly compensated by higher income from the joint venture NIBC Petercam Derivatives and from derivatives sold to credit-related clients.

Operating expenses rose by 12% to € 119.3 million. This involved mainly higher personnel expenses (+7.3%) relating to the growth of the average number of staff, pay rises negotiated under the collective labour agreement and annual increments. Other administrative expenses also increased, primarily due to the expansion of the banking activities in Belgium, the centralisation of all Dutch banking activities in The Hague and the implementation of new ICT systems.

Value adjustments to receivables amounted to € 63.1 million, a decrease of 4% compared to 2001. The addition was largely made in connection with specific risks in the Telecom sector.

In spite of the lower operating profit taxation rose by 57% to € 35.1 million. This is mainly explained by the relatively low tax rate (14.6%) in 2001, which resulted from the allocation of sector provisions to individual debtors in that year. Contrary to provisions for individual debtors, sector provisions are not tax-deductible. For 2002 the tax rate on the operating profit from banking activities equaled 24.5%.

#### EQUITY PARTICIPATIONS

The net operating result on the equity participation activities decreased by 118% and turned into a loss of € 10.2 million for 2002. The low level of exits and the downward value adjustments, in combination with continuing funding costs, resulted in a loss for this business. It should be noted that a net profit of € 238.6 million on the sale of the majority of the legacy equity participation portfolio is recognised as a non-recurring result. This is explained below.

#### NET PROFIT

In 2002 NIB Capital Bank posted a net profit of € 264.7 million compared to € 184.3 million in 2001. The management decision to align the risk profile of NIB Capital Bank to the strategy resulted in a non-recurring result. The resulting financial restructuring was completed in 2002. The core element of the restructuring programme involved the optimisation of the bank's equity participations. As part of this process, the majority of the legacy equity participation portfolio was sold to ABP and PGGM, the shareholders of NIB Capital N.V..

Furthermore the risk profile of selected treasury portfolios has been adjusted, resulting in a major shift from assets held to maturity (accounted for at cost) to assets held for sale (accounted for on a mark-to-market basis). A final element of the financial restructuring concerned the impairment of a part of the acquisition goodwill. The profit on the sale of the majority of the legacy equity participation portfolio was partly undone by the mark-to-market valuation of selected treasury portfolios, the impairment of acquisition goodwill, staff exit schemes and additional contributions to the bank's pension fund.

#### BALANCE SHEET AND RATIOS

The equity participations absorbed a substantial portion of the available capital due to the volatility of income from equity participations, in combination with the concentration risk resulting from the relative share in the balance sheet of NIB Capital. After discussions with the Supervisory Board and the shareholders, the decision was taken to optimise the capital structure of NIB Capital Bank by transferring the majority of the equity participation portfolio from NIB Capital Bank to ABP and PGGM, the shareholders of NIB Capital, as of 30 June 2002. NIBC Private Equity will continue to manage this portfolio.

As part of this transaction, a sale and purchase agreement was signed with ABP and PGGM. Under this agreement the equity participations are for the risk and benefit of the buyers as of 30 June 2002. The selling price was € 694 million.

Total assets of NIB Capital Bank as at 31 December 2002 amounted to € 20.3 billion, an increase of € 2.8 billion (+16%) compared to year-end 2001. Of the increase in total assets, € 1.2 billion stemmed from the investment of surplus liquidity, which caused the item Banks to increase. A further contribution came from the mortgage portfolio, which grew by € 1 billion. A securitisation of the mortgage portfolio is planned for the first quarter of 2003 in order to reduce the mortgage portfolio to the level of year-end 2001.

The group capital base decreased by € 0.1 billion (5%) to € 1.9 billion in 2002, due to repayments on subordinated loans amounting to € 0.2 billion. This was partly compensated by an increase in retained profits. The capital ratio (group capital base relative to total assets) as at 31 December 2002 was 9.4%, compared to 11.5% at year-end 2001. The Tier 1 ratio increased to 11.0%, which underlines the strengthening of the bank's capital base as a result of the optimisation of the capital structure.

The bank's credit ratings assigned by the various rating agencies remained stable in 2002: Standard & Poor's (aa-), Moody's (aa3) and Fitch (aa-).

OUTLOOK FOR 2003

In view of the uncertain market prospects the Board of Managing Directors prefers not to make any statements regarding NIB Capital Bank's 2003 profits.

THE HAGUE, 6 MARCH 2003

THE STATUTORY BOARD OF MANAGING DIRECTORS

MICHAEL ENTHOVEN, CHAIRMAN

JURGEN B.J. STEGMANN, VICE CHAIRMAN

ANTOINE L.V. DIJKSTRA, BOARD MEMBER

ANNUAL ACCOUNTS 2002



# CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002

AFTER PROFIT APPROPRIATION  
IN MILLIONS OF EUROS

| ASSETS                           |        | 2002          | 2001          |
|----------------------------------|--------|---------------|---------------|
| CASH                             |        | 179           | 93            |
| BANKS                            |        | 2,066         | 764           |
| LOANS AND ADVANCES               |        |               |               |
| GUARANTEED BY PUBLIC AUTHORITIES | 819    |               | 837           |
| TO THE PRIVATE SECTOR            | 11,124 |               | 9,918         |
|                                  |        | 11,943        | 10,755        |
| INTEREST-BEARING SECURITIES      |        | 4,720         | 4,112         |
| SHARES                           |        | 339           | 811           |
| PARTICIPATING INTERESTS          |        | 148           | 262           |
| INTANGIBLE FIXED ASSETS          |        | 1             | 19            |
| PROPERTY AND EQUIPMENT           |        | 58            | 55            |
| PREPAYMENTS AND ACCRUED INCOME   |        | 856           | 648           |
|                                  |        | <b>20,310</b> | <b>17,519</b> |

IN MILLIONS OF EUROS

LIABILITIES AND SHAREHOLDERS' EQUITY

2002

2001

|                                       |    |               |    |               |
|---------------------------------------|----|---------------|----|---------------|
| <b>BANKS</b>                          |    | 1,427         |    | 608           |
| <b>FUNDS ENTRUSTED</b>                |    | 2,764         |    | 2,271         |
| <b>DEBT SECURITIES</b>                |    | 12,894        |    | 11,307        |
| <b>OTHER LIABILITIES</b>              |    | 207           |    | 324           |
| <b>ACCRUALS AND DEFERRED INCOME</b>   |    | 1,075         |    | 970           |
| <b>PROVISIONS</b>                     |    | 41            |    | 33            |
|                                       |    | <b>18,408</b> |    | <b>15,513</b> |
| <b>FUND FOR GENERAL BANKING RISKS</b> |    | 136           |    | 136           |
| <b>SUBORDINATED LIABILITIES</b>       |    | 397           |    | 599           |
| <b>SHAREHOLDERS' EQUITY</b>           |    |               |    |               |
| <b>ISSUED AND PAID-UP CAPITAL</b>     |    |               |    |               |
| ORDINARY A SHARES                     | 58 |               | 58 |               |
| CUMULATIVE PREFERENCE B SHARES        | 11 |               | 11 |               |
| PREFERENCE C SHARES                   | 5  |               | 5  |               |
| PREFERENCE D SHARES                   | 6  |               | 6  |               |
|                                       |    | 80            |    | 80            |
| <b>RESERVES</b>                       |    | 1,275         |    | 1,180         |
| <b>GROUP EQUITY</b>                   |    | 1,355         |    | 1,260         |
| <b>THIRD-PARTY INTERESTS</b>          |    | 14            |    | 11            |
| <b>GROUP CAPITAL BASE</b>             |    | <b>1,902</b>  |    | <b>2,006</b>  |
|                                       |    | <b>20,310</b> |    | <b>17,519</b> |
| <b>CONTINGENT LIABILITIES</b>         |    | 3,633         |    | 2,028         |
| <b>IRREVOCABLE FACILITIES</b>         |    | 1,542         |    | 1,564         |

# CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2002

IN MILLIONS OF EUROS

|  |       | 2002         | 2001         |
|--|-------|--------------|--------------|
| <b>INCOME</b>                                      |       |              |              |
| INTEREST INCOME                                    | 752.3 |              | 923.3        |
| INTEREST EXPENSE                                   | 523.1 |              | 711.1        |
| INTEREST   |       | 229.2        | 212.2        |
| INCOME FROM SECURITIES AND PARTICIPATING INTERESTS |       | 30.2         | 68.5         |
| COMMISSION INCOME                                  | 29.5  |              | 25.9         |
| COMMISSION EXPENSE                                 | 6.8   |              | 6.3          |
| COMMISSION   |       | 22.7         | 19.6         |
| RESULTS ON FINANCIAL TRANSACTIONS                  |       |              |              |
| • SALE OF EQUITY PARTICIPATION PORTFOLIO           | 238.6 |              | 0.0          |
| • OTHER RESULTS                                    | -36.1 |              | 67.0         |
|  |       | 202.5        | 67.0         |
| OTHER REVENUES                                     |       | 2.6          | 5.2          |
| <b>TOTAL INCOME</b>                                |       | <b>487.2</b> | <b>372.5</b> |
| <b>EXPENSES</b>                                    |       |              |              |
| PERSONNEL AND ADMINISTRATIVE EXPENSES              |       |              |              |
| • PAYROLL EXPENSES                                 | 79.2  |              | 70.8         |
| • OTHER ADMINISTRATIVE EXPENSES                    | 39.0  |              | 32.3         |
|  |       | 118.2        | 103.1        |
| DEPRECIATION                                       |       | 25.6         | 6.7          |
| OPERATING EXPENSES                                 |       | 143.8        | 109.8        |
| VALUE ADJUSTMENTS TO RECEIVABLES                   |       | 68.3         | 66.9         |
| <b>TOTAL EXPENSES</b>                              |       | <b>212.1</b> | <b>176.7</b> |
| OPERATING RESULT BEFORE TAXATION                   |       | 275.1        | 195.8        |
| TAXATION ON OPERATING RESULT                       |       | 6.8          | 8.3          |
| THIRD-PARTY INTERESTS                              |       | 3.6          | 3.2          |
| <b>NET PROFIT</b>                                  |       | <b>264.7</b> | <b>184.3</b> |

# CASH FLOW STATEMENT FOR 2002

IN MILLIONS OF EUROS

|   | 2002        | 2001        |
|---|-------------|-------------|
| NET PROFIT                                    | 265         | 184         |
| ADJUSTMENTS:                                  |             |             |
| DEPRECIATION                                  | 26          | 7           |
| VALUE ADJUSTMENTS TO RECEIVABLES              | 68          | 67          |
| MOVEMENTS IN PROVISIONS                       | 8           | -1          |
| CASH FLOW FROM NET PROFIT                     | 367         | 257         |
| BANKS   | -483        | -182        |
| LOANS AND ADVANCES                            | -1,256      | 480         |
| DEBT SECURITIES                               | 1,587       | 27          |
| FUNDS ENTRUSTED                               | 493         | 151         |
| SHARES  | 472         | -74         |
| INTEREST-BEARING SECURITIES TRADING PORTFOLIO | -1,401      | -1,359      |
| OTHER MOVEMENTS                               | -367        | -67         |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>    | <b>-588</b> | <b>-767</b> |
| INVESTMENT PORTFOLIO PURCHASES                | -1,410      | -932        |
| REPAYMENTS AND DISPOSALS                      | 2,203       | 1,286       |
| INVESTMENT PORTFOLIO                          | 793         | 354         |
| PURCHASE OF PARTICIPATING INTERESTS           | 0           | -90         |
| DISPOSAL OF PARTICIPATING INTERESTS           | 104         | 1           |
| PARTICIPATING INTERESTS                       | 104         | -89         |
| PURCHASE OF TANGIBLE FIXED ASSETS             | -21         | -5          |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>    | <b>876</b>  | <b>260</b>  |
| SUBORDINATED LIABILITIES                      | -202        | 4           |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>    | <b>-202</b> | <b>4</b>    |
| <b>CASH FLOW</b>                              | <b>86</b>   | <b>-503</b> |

# ACCOUNTING POLICIES

## GENERAL

The annual accounts have been prepared in accordance with the legal requirements for annual accounts of banks contained in Part 14, Title 9, Book 2 of the Netherlands Civil Code.

The company profit and loss account is drawn up in pursuance of section 402, Book 2 of the Netherlands Civil Code. The list of information relating to participating interests referred to in sections 379 and 414, Book 2 of the Netherlands Civil Code has been filed with the Chamber of Commerce in The Hague.

NIB Capital N.V., The Hague, is the parent company of the group in which the figures of NIB Capital Bank N.V. are fully consolidated.

All amounts are in millions of euros, unless stated otherwise. In the text, the relevant corresponding figures for the previous year are shown in brackets.

## CONSOLIDATION PRINCIPLES

The consolidated accounts include the assets, liabilities and results of the company and its group companies.

The financial figures of joint ventures, in so far as they are financial institutions, are included on a pro rata basis in the consolidated accounts according to the interest held. The financial information relating to the joint venture NIBC Petercam Derivatives N.V., specialising in equity derivatives, has been fully consolidated. The reason is that NIB Capital Bank N.V. is guarantor for the liabilities under derivatives contracts entered into by the joint venture with various counterparties.

In view of the control exercised by the government over the policy of the bank's wholly owned participating interest De Nederlandse Participatie Maatschappij voor de Nederlandse Antillen N.V. (NPMNA), this company has not been treated as a group company. On behalf of the Dutch government, NPMNA provides funding to companies and institutions based in the Netherlands Antilles and Aruba.

A list of the bank's principal consolidated group companies is included in an appendix to these notes.

## PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

### GENERAL

Assets and liabilities are included at face value unless otherwise indicated.

### FOREIGN CURRENCY TRANSLATION

Foreign currency receivables and payables, together with any related forward contracts, are translated at the spot rate ruling on balance sheet date. Transactions in foreign currencies are translated at the exchange rate ruling on the date of the transaction.

Exchange differences arising on forward contracts relating to funding and lending are included in the balance sheet in prepayments and accrued income or accruals and deferred income, and are recognised as interest in the profit and loss account in proportion to the term of the contract. Exchange differences arising on forward contracts relating to subordinated loans are included in the balance sheet in subordinated liabilities. Forward contracts relating to trading activities are stated at market value.

Other exchange differences arising on translation are included in the profit and loss account as results on financial transactions.

## TRADING AND INVESTMENT PORTFOLIOS

### TRADING PORTFOLIO

The trading portfolio comprises all interest-bearing securities, shares and other financial instruments (including derivatives) that are not treated as fixed assets but are basically intended for generating transaction results.

#### INVESTMENT PORTFOLIO

The investment portfolio includes all interest-bearing securities and shares treated as fixed assets and basically intended for permanent use in connection with the bank's activities.

#### OFF-BALANCE SHEET INSTRUMENTS

Off-balance sheet instruments are used to hedge the bank's own positions and are accounted for in accordance with the principles of valuation and determination of results applicable to the underlying positions.

Rights and obligations under option contracts and similar contracts forming part of the trading portfolio:

- if traded on a regulated stock exchange, are stated at market value (quoted price);
- if entered into directly with counterparties, are stated at market value (estimated liquidation value).

To cover possible future hedging costs and option risks, part of the initial transaction result is included in a provision. These risks include volatility risks, credit risks, liquidity risks, financial model risks and other uncertainties. These provisions are adjusted to the market value of the underlying positions.

#### BANKS AND LOANS AND ADVANCES

Amounts receivable from credit institutions and clients are included at face value less any provisions deemed necessary.

#### INTEREST-BEARING SECURITIES

Bonds and other interest-bearing securities forming part of the investment portfolio are stated at redemption value less diminutions in value for credit risks. The difference between the carrying amount and cost is recognised as interest on a pro rata basis according to the remaining term of the securities.

Results on the sale of bonds and other interest-bearing securities treated as part of the investment portfolio are recognised as interest in the year under review and ensuing years on

the basis of the remaining term to maturity of the securities concerned provided that this does not result in the capitalisation of losses.

Securities on which interest is paid entirely or largely on redemption are included at cost less any diminutions in value for credit risks. The carrying amount is increased each year by the accrued interest calculated on the basis of the interest rate applicable at the time of acquisition.

Interest-bearing securities forming part of the trading portfolio are stated at market value. Where the bank has purchased its own – non-subordinated – bonds or other securities for the purpose of resale, these are stated at the lower of cost and market value.

Short positions in bonds and other fixed-income securities forming part of the trading portfolio are included in other liabilities.

Transfers of interest-bearing securities between portfolios are made at market value. Results on transfers are treated in the same way as results on disposals.

#### SHARES

Shares forming part of the trading portfolio are included at market value or, if the securities concerned are not officially listed, at estimated net realisable value. Valuation differences are accounted for in the profit and loss account as results on financial transactions.

Short positions in shares and other non-fixed-income securities forming part of the trading portfolio are included in other liabilities.

Equity participations, i.e. capital interests not held on a lasting basis in connection with the bank's own activities and not treated purely as investments, are included at the lower of cost and market value. Unrealised valuation differences and any reversals thereof are accounted for in the profit and loss account in results on financial transactions. Dividends are accounted for as income from securities and participating interests. Equity participations which are underwritten by the government are stated at cost.

#### PARTICIPATING INTERESTS

Participating interests, i.e. capital interests held on a lasting basis in connection with the bank's own activities, are subdivided into the following categories:

- Participating interests in which the bank exercises a controlling influence on policy; these companies are stated at net asset value.
- Participating interests in which the bank does not exercise a controlling influence on policy but is in a position to exercise significant influence; these companies are also included at net asset value based on the most recent information available.
- Participating interests in which the bank does not exercise a significant influence on policy; these companies are included at market value, any rise or fall in their value being accounted for in the revaluation reserve; if the amount of the revaluation reserve is insufficient to absorb negative valuation differences, any remainder is charged to the profit and loss account.

If valuation is at net asset value, the amount recognised as income from securities and participating interests is the share of the result of the participating interest accruing to the company. In the case of valuation at market value, the amount recognised as income from securities and participating interests is the dividend received.

#### INTANGIBLE FIXED ASSETS

Goodwill paid on acquisition of participating interests stated at net asset value is capitalised as an intangible fixed asset and amortised over the useful life of the asset, with a maximum of 20 years. The net asset value is determined as far as possible on the same basis as applied in these annual accounts.

#### PROPERTY AND EQUIPMENT

Land and buildings are stated at market value, based on the most recent appraisals by outside experts (1 September 2000), less straight-line depreciation over the estimated useful life, with a maximum of 50 years.

The market value of the buildings in use by the company is based on their value for sale by private treaty. For buildings that are held as investments and let, the market value is based on the highest price for which they could be sold, less associated selling costs.

Investments made since the most recent professional appraisal are carried at cost less depreciation. Changes in value as a result of appraisals are credited or debited to the revaluation reserve, less any related taxation.

Property acquired as a result of foreclosures or in settlement of debt is stated at the lower of cost and net realisable value.

Other fixed assets, including computer equipment and software developed by third parties, are stated at cost less straight-line depreciation. Depreciation is based on expected useful life, with a maximum of five years; in general, a three-year depreciation period is used, and smaller investments are expensed in the year of purchase.

#### PROVISION FOR DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities due to timing differences between the results for reporting purposes and for tax purposes, calculated at the applicable tax rates, are stated at net present value arrived at by applying a discount factor based on the net interest rate and taking into account the duration of the deferred tax items concerned. In view of the short-term nature of valuation differences in the trading portfolio, the associated deferred taxation liabilities are stated at face value. Deferred tax assets are only recognised to the extent that it is reasonable to assume that they can be set against tax liabilities in the future.

#### OTHER PROVISIONS

The pension rights of the management are underwritten by an insurance company while staff pension rights are administered by the pension fund.

A provision based on actuarial calculations is formed for current and future liabilities arising in connection with the Early Retirement Scheme.

The strategic re-orientation provision is intended to cover expenses associated with the implementation of strategic changes of the bank.

#### FUND FOR GENERAL BANKING RISKS

The fund for general banking risks is intended to cover general risks in the banking industry. It is concerned with unforeseen problems such as nationalisation, fraud and other exceptional losses. The provision is net of tax, since tax has already been paid on the amounts making up this fund.

#### REVALUATION RESERVE

This reserve represents unrealised net positive differences on the revaluation of property and participating interests as at balance sheet date, after allowing for taxation.

#### STATUTORY RESERVE FOR RETAINED EARNINGS OF PARTICIPATING INTERESTS

This reserve represents the retained earnings of those participating interests in which the company does not exercise control, which are stated at net asset value.

#### OTHER RESERVES

This reserve represents retained earnings that are freely distributable to the shareholders.

#### INCOME

Income is allocated to the period to which it relates, or in which the service is provided, with the exception of differences in value of the trading portfolio stated at market value, which are credited or debited directly to results on financial transactions.

Interest income and commissions on lending are not recognised if there is any doubt concerning the collection of this income.

Results from the sale of debentures and other fixed-income securities held in the investment portfolio are treated as interest income and allocated according to the remaining term to maturity of the securities sold, unless the sales are made in connection with a structural reduction in the investment portfolio. Sales results are in that case credited or debited directly to the profit and loss account as results on financial transactions.

If results attributable to future periods are a net loss, they are charged directly to the profit and loss account.

#### EXPENSES

Expenses are allocated to the period to which they relate.

#### TAXATION

Taxation is calculated on the result before tax according to the applicable tax rates on profits, allowing for exempted income and disallowed expenditure.

#### CASH FLOW STATEMENT

The cash flow statement provides a summary of the source and application of funds. Cash is defined as the cash in hand and demand deposits with De Nederlandsche Bank N.V.. Cash flow is analysed into cash flow from operating activities, from investing activities and from financing activities. Cash flow from operating activities includes both short-term and long-term funding transactions, except for movements in subordinated loans which are accounted for in cash flow from financing activities.

# FINANCIAL RISK MANAGEMENT

## RISK MANAGEMENT POLICY

Market risks are managed on the basis of risk limits such as sensitivity (interest rate sensitivity per basis point), value at risk, spread sensitivities, the 'Greeks' and stress tests. Derivatives are used intensively to restrict market risks, the policy being aimed at hedging interest rate and currency risks almost in full. The limits set to this end are accordingly restricted.

The bank's liquid investment portfolios and adequate funding strategy ensure that it is able to meet its financial obligations at all times, even in the (very unlikely) event that no new funding could be raised.

All market risks are monitored on a daily basis by the risk management departments concerned and are reported weekly to the Asset & Liability Committee.

More details on the derivatives positions outstanding at the end of the year under review will be found under the notes to the commitments not included in the balance sheet.

## TRADING ACTIVITIES

Trading activities both on and off the balance sheet were expanded further in 2002. This is in line with the strategy of making more use of credit spreads and other market developments. Interest rate and foreign currency risks are hedged almost in full at all times.

In 2001, NIB Capital Bank N.V. together with Petercam N.V. set up the joint venture NIBC Petercam Derivatives N.V.. This company operates in the field of equity derivatives. Derivatives with a notional amount of € 3,070 million were outstanding at the end of 2002 (2001: € 1,464 million). This is 47% of the notional amount of derivatives included in the trading portfolios. The policy of NIBC Petercam Derivatives N.V. is aimed at hedging the risks associated with derivatives transactions as far as possible. There are accordingly only limited open positions.

Of the remaining balance of the derivatives trading portfolio, with a total notional amount of total some € 3,000 million, a part serves as a hedge against the interest rate and foreign currency risks in the on-balance sheet trading portfolio, while the other part consists of credit risk trading positions through Credit Default Swaps.

## CREDIT RISK

The bank monitors its credit risks centrally through the Credit Risk Management (CRM) department. It takes place at two levels.

Before being submitted for approval, each credit proposal is provided with a recommendation by CRM involving a review of the critical risk factors and the sensitivity analysis applied from a business as well as a financial perspective. In addition, the counterparty rating allocated to the credit proposal is validated. This rating is comparable to the ratings of Moody's and Standard & Poor's and also serves, in combination with the exposure, to determine at what authority level the credit proposal should be approved. Most exposures, and the larger exposures in particular, are approved centrally by the Transaction Committee. Whenever an exposure increases by more than € 75 million, the Risk Policy Committee is also asked to issue an opinion. This Committee consists of representatives of the Supervisory Board and the Board of Managing Directors. At least once a year, or alternatively once every six months depending on the counterparty rating, a credit assessment is drawn up and submitted to CRM for assessment. On that occasion CRM will re-determine the counterparty rating as well. Twice a year, the Transaction Committee discusses and determines all potential and actual provisions on an individual basis. To this end, CRM reviews potential and actual provisions, and submits an opinion on them to the Transaction Committee.

In addition, CRM monitors credit risk at aggregation level. Individual country limits have been set to this end. Allowing for collateral furnished to the bank, the total credit exposure for the countries concerned has to remain within these limits. The same applies to sector concentration risk. Country exposure is reported monthly to the Transaction Committee. Overdue payments and credit reviews, as well as rating-based portfolio analyses are monitored and reported to the Transaction Committee on a monthly basis as well.

## CONCENTRATION OF CREDIT RISK

The breakdown of the loan portfolio (including guarantees issued) is as follows:

|                       | 2002        | 2001        |
|-----------------------|-------------|-------------|
| ASSET-BASED FINANCE   | 13%         | 20%         |
| PROJECT FINANCE       | 13%         | 12%         |
| ACQUISITION FINANCE   | 9%          | 7%          |
| CORPORATE BANKING     | 22%         | 22%         |
| RESIDENTIAL MORTGAGES | 34%         | 25%         |
| OTHER                 | 9%          | 14%         |
|                       | <b>100%</b> | <b>100%</b> |

The regional breakdown of the loan portfolio (including guarantees issued) is as follows:

|                      | 2002        | 2001        |
|----------------------|-------------|-------------|
| THE NETHERLANDS      | 61%         | 54%         |
| UNITED KINGDOM       | 9%          | 10%         |
| OTHER EUROPEAN UNION | 10%         | 8%          |
| OTHER EUROPE         | 4%          | 5%          |
| NORTH AMERICA        | 10%         | 13%         |
| SOUTH-EAST ASIA      | 4%          | 7%          |
| CARIBBEAN            | 2%          | 2%          |
| OTHER                | 0%          | 1%          |
|                      | <b>100%</b> | <b>100%</b> |

## COLLATERAL AGREEMENTS

Collateral agreements have been concluded with some parties in connection with mutual derivatives transactions. These collateral agreements limit the counterparty risk through the weekly balancing and settlement of any positive and negative market values that have arisen in relation to derivatives positions.

## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

In 2002 NIB Capital Bank N.V. has developed models to estimate the fair value of assets and liabilities not presented in the bank's balance sheet at their fair value. As for most financial assets and liabilities in the bank's balance sheet, no ready market bid and offer prices are available. A mark-to-model approach is accordingly used to estimate the fair value for most financial assets and liabilities. The following table summarises the carrying amounts and fair values of assets and liabilities not presented in the bank's balance sheet at their fair value.

| AMOUNT IN MILLIONS OF EUROS  | CARRYING<br>VALUE 2002 | FAIR<br>VALUE 2002 |
|------------------------------|------------------------|--------------------|
| <b>FINANCIAL ASSETS</b>      |                        |                    |
| LOANS AND ADVANCES           | 11,943                 | 12,007             |
| INTEREST-BEARING SECURITIES  | 1,790                  | 1,799              |
| SHARES                       | 296                    | 294                |
| PARTICIPATING INTERESTS      | 148                    | 148                |
| <b>FINANCIAL LIABILITIES</b> |                        |                    |
| DEBT SECURITIES              | 12,894                 | 12,878             |
| SUBORDINATED LIABILITIES     | 397                    | 393                |

### LOANS AND ADVANCES

Two models are used to estimate the fair value of loans and advances. For performing corporate loans, the estimated fair value is expressed as the present value of expected future cash flow. A Collateral Loan Obligation (CLO) tranching model is used for cash flows. Market prices for recent CLO launches are set off against the average portfolio margin. Expected losses, cost of capital and expenses are also taken into account in arriving at the cash flows. The 5-year risk-free rate is used to determine the present value of cash flows. The fair value of non-performing corporate loans is assumed to be in line with their carrying value.

The Fitch IBCA "Dutch Residential Mortgage Model II" is used for the tranching of the mortgage loan portfolio. This model is also used for Mortgage Backed Securities transactions. As securitisation is part of the bank's mortgage loan business model, this approach is believed to provide the best estimate of the fair market value of mortgage loans. Current market spreads for mortgage-backed securitisation notes are applied to the tranches to calculate the cash flows, which are discounted at swap curve to arrive at their fair value.

### INTEREST-BEARING SECURITIES

Interest-bearing securities include only non-trading interest-bearing securities, since interest-bearing securities held for trading purposes are presented in the balance sheet at fair market value. Fair value is based on market spreads or broker/dealer spread quotations. Cash flows are calculated based on the size, maturity and difference between the original spread and current market spread. For discounting cash flows, the current swap curve is used.

Where market information or quotations are not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

### SHARES

The fair market value of non-listed shares is determined by applying the valuation rules of the European Venture Capital Association. At the end of 2002, the fair value was in line with the carrying value. For listed investments the current market price is used. The shares in trading portfolios are presented at fair market value in the balance sheet, and therefore are not included in the table above.

### PARTICIPATING INTERESTS

The carrying value of participating interests is based on their net asset value. Net asset value is considered to be in line with fair value.

### DEBT SECURITIES AND SUBORDINATED LIABILITIES

Aggregate cash flows are calculated using a benchmark curve combining current levels for repurchasing debt securities and current levels for issuing new debt securities. The swap curve is used to arrive at the fair value of cash flows.

## CAPITAL ADEQUACY

The principal ratios for reviewing the bank's capital adequacy are the Tier 1 ratio and the BIS ratio. These ratios, which were implemented by the Bank for International Settlements (BIS), are intended to promote comparability between financial institutions. They are still based on the 1988 Basle Capital I Accord. A comprehensive revision of this Accord, which is currently underway, will bring it closer into line with the concept of economic capital.

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

Below is a summary of the risk positions comparing the notional amount and the risk-weighted amount. Tier 1 capital consists of share capital, reserves (excluding the revaluation reserve) and the Fund for General Banking Risks (FAR), net of intangible fixed assets. Tier 2 capital consists of Tier 1 capital plus revaluation reserve and subordinated loans adjusted for deductible items.

|  | BALANCE SHEET/<br>NOTIONAL AMOUNT |               | RISK<br>WEIGHTED AMOUNT |               |
|--|-----------------------------------|---------------|-------------------------|---------------|
|  | 2002                              | 2001          | 2002                    | 2001          |
| <b>BALANCE SHEET ASSETS (NET OF PROVISIONS)</b>        |                                   |               |                         |               |
| CASH   | 179                               | 93            | -                       | -             |
| RECEIVABLES FROM OTHER BANKS                           | 2,066                             | 764           | 81                      | 107           |
| LOANS AND ADVANCES TO THE PRIVATE SECTOR               | 11,943                            | 10,719        | 8,720                   | 8,636         |
| TRADING AND INVESTMENT INTEREST-BEARING SECURITIES     | 4,720                             | 4,112         | 406                     | 1,064         |
| TRADING AND INVESTMENT SHARES                          | 339                               | 848           | 218                     | 694           |
| INVESTMENTS IN PARTICIPATING INTERESTS                 | 148                               | 262           | 148                     | 182           |
| PROPERTY AND EQUIPMENT                                 | 58                                | 55            | 58                      | 55            |
| OTHER ASSETS   | 857                               | 667           | 544                     | 347           |
| <b>TOTAL</b>   | <b>20,310</b>                     | <b>17,520</b> | <b>10,175</b>           | <b>11,085</b> |
| <b>OFF-BALANCE SHEET POSITIONS</b>                     |                                   |               |                         |               |
| CREDIT-RELATED COMMITMENTS                             | 5,175                             | 3,587         | 1,274                   | 1,316         |
| OTC DERIVATIVE INSTRUMENTS, INTEREST CONTRACTS         | 45,586                            | 31,436        | 135                     | 82            |
| OTC DERIVATIVE INSTRUMENTS, FOREIGN EXCHANGE CONTRACTS | 9,829                             | 7,591         | 75                      | 36            |
| OTC DERIVATIVE INSTRUMENTS, OTHER CONTRACTS            | 3,459                             | 1,380         | 58                      | 17            |
| <b>TOTAL</b>   | <b>64,049</b>                     | <b>43,994</b> | <b>1,542</b>            | <b>1,451</b>  |
| UNASSIGNED MARKET-RISK COMPONENTS                      |                                   |               | 1,585                   | 383           |
| <b>TOTAL RISK-WEIGHTED ASSETS</b>                      |                                   |               | <b>13,302</b>           | <b>12,919</b> |
| <b>BIS CAPITAL RATIOS</b>                              |                                   |               |                         |               |
| TIER 1 CAPITAL   | 1,463                             | 1,339         | 11.0%                   | 10.4%         |
| TIER 1 + TIER 2 CAPITAL                                | 1,843                             | 1,819         | 13.4%                   | 13.5%         |

# NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002

IN MILLIONS OF EUROS

## ASSETS

### CASH

This includes all legal tender and credit balances with De Nederlandsche Bank N.V. payable on demand.

### BANKS

This includes all receivables from credit institutions and De Nederlandsche Bank N.V. not classified as cash and not embodied in debentures or other fixed-income securities.

Analysis:

PAYABLE ON DEMAND

NOT PAYABLE ON DEMAND

Maturity analysis of the items not payable on demand:

THREE MONTHS OR LESS

LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR

LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS

LONGER THAN FIVE YEARS

The item banks does not include receivables from participating interests. Subordinated loans included in this item amount to € 11.3 million (2001: € 11.3 million).

An amount of € 1,231 million has been included in connection with reverse repo transactions (2001: € 161 million).

### LOANS AND ADVANCES

This includes all receivables, other than receivables from credit institutions and debentures or other fixed-income securities.

The receivables include commercial loans and residential mortgages. The balance as at 31 December 2002 does not include receivables from Managing Directors (2001: € 0.4 million).

This item includes a total amount of € 357.5 million receivable from the shareholders of NIB Capital N.V. who took over the majority of the bank's equity participation portfolio. More details about this transaction may be found under the notes to the item shares.

Maturity analysis of the loans and advances:

THREE MONTHS OR LESS

LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR

LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS

LONGER THAN FIVE YEARS

|   | 2002          | 2001          |
|---|---------------|---------------|
| <b>CASH</b>   | <b>179</b>    | <b>93</b>     |
| <b>BANKS</b>  | <b>2,066</b>  | <b>764</b>    |
| Analysis:   |               |               |
| PAYABLE ON DEMAND                                     | 537           | 416           |
| NOT PAYABLE ON DEMAND                                 | 1,529         | 348           |
|   | <b>2,066</b>  | <b>764</b>    |
| Maturity analysis of the items not payable on demand: |               |               |
| THREE MONTHS OR LESS                                  | 1,481         | 295           |
| LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR | 9             | 3             |
| LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS   | 28            | 37            |
| LONGER THAN FIVE YEARS                                | 11            | 13            |
|   | <b>1,529</b>  | <b>348</b>    |
| <b>LOANS AND ADVANCES</b>                             | <b>11,943</b> | <b>10,755</b> |
| Maturity analysis of the loans and advances:          |               |               |
| THREE MONTHS OR LESS                                  | 556           | 622           |
| LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR | 910           | 1,021         |
| LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS   | 3,880         | 3,615         |
| LONGER THAN FIVE YEARS                                | 6,597         | 5,497         |
|   | <b>11,943</b> | <b>10,755</b> |

IN MILLIONS OF EUROS

2002

The item Loans and Advances includes receivables from participating interests totalling € 111 million (2001: € 103 million), which does not include any subordinated loans. The total amount of subordinated loans in this item, as at 31 December 2002, amounts to € 441 million (2001: € 522 million), of which € 317 million (2001: € 372 million) is guaranteed by the State of the Netherlands.

The item Loans and Advances to the private sector includes provisions for doubtful debtors of € 340 million (2001: € 353 million).

POSITION AS AT 31 DECEMBER 2001

INCREASE IN PROVISIONS

RELEASED FROM PROVISIONS

113

-59

353

54

INCREASE IN RESPECT OF INTEREST

WRITE-OFFS

EXCHANGE DIFFERENCES

5

-47

-25

POSITION AS AT 31 DECEMBER 2002

340

The provisions represent 2.8% (2001: 3.0%) of the loan portfolio, as included in the key figures.

SECURITISATIONS

In recent years, NIB Capital Bank N.V. has disposed of part of its mortgage portfolio by means of nine separate mortgage securitisation transactions. The following table shows the original and current principals of the securitised mortgages. The non-investment-grade notes issued by Dutch MBS companies and financed by NIB Capital Bank N.V. have been included at face value less provisions formed by NIB Capital Bank N.V. in respect thereof.

| COMPANY NAME              | ORIGINAL PRINCIPALS OF MORTGAGES | PRINCIPALS OF MORTGAGES AS AT 31 DECEMBER 2002 | YEAR OF SECURITISATION | FIRST OPTIONAL REDEMPTION DATE | CONTRACTED MATURITY | NON-INVESTMENT-GRADE NOTE FINANCING GRANTED BY NIB CAPITAL BANK AS AT 31 DECEMBER 2002 |
|---------------------------|----------------------------------|--|------------------------|--------------------------------|---------------------|--|
| DUTCH MBS 97-I B.V.       | 182                              | 71   | 1997                   | none                           | 2007                | 0  |
| DUTCH MBS 97-II B.V. (*)  | 272                              | 110  | 1997                   | none                           | 2007                | 0  |
| DUTCH MBS 98-I B.V. (**)  | 272                              | 135  | 1998                   | none                           | 2008                | 1.4  |
| DUTCH MBS 99-I B.V.       | 290                              | 211  | 1999                   | 2008                           | 2039                | 5.6  |
| DUTCH MBS 99-II B.V.      | 300                              | 238  | 1999                   | 2008                           | 2040                | 5.3  |
| DUTCH MBS 99-III B.V. (*) | 300                              | 233  | 1999                   | 2008                           | 2031                | 2.8  |
| DUTCH MBS 00-I B.V.       | 800                              | 639  | 2000                   | 2007                           | 2076                | 7.6  |
| DUTCH MBS 01-I B.V. (*)   | 750                              | 617  | 2001                   | 2008                           | 2073                | 1.0  |
| DUTCH MBS IX B.V.         | 900                              | 737  | 2001                   | 2008                           | 2077                | 5.5  |
| <b>TOTAL</b>              | <b>4.066</b>                     | <b>2.991</b>                                   |                        |                                |                     | <b>29.2</b>  |

(\*) These securitisation transactions concern mortgages originated by SR Hypotheken N.V. (50% subsidiary of NIB Capital Bank N.V.). The principal information is provided on the basis of 100% of the mortgages securitised by SR Hypotheken N.V.

(\*\*) This securitisation is made up equally of mortgages originated by SR Hypotheken N.V. (50%) and mortgages originated by ASR Bank N.V. (50%). The principal information is provided on the basis of the total original portfolio.

All Dutch MBS companies are based in Amsterdam. Servicing of the mortgages has been outsourced.

The balance sheet of NIB Capital Bank N.V. includes assets totalling € 13.6 million (2001: € 14.9 million) in respect of the above securitisation transactions, concerning the not yet amortised net present value of the conservatively estimated results on the various securitisation transactions. The capitalised amounts are amortised over the expected periods to maturity of the individual transactions.

IN MILLIONS OF EUROS

|   | 2002         | 2001         |
|---|--------------|--------------|
| <b>INTEREST-BEARING SECURITIES</b>  | <b>4,720</b> | <b>4,112</b> |
| This includes debentures with fixed or floating interest rates issued by public bodies and others together with other fixed-income securities.  |              |              |
| This item comprises:  |              |              |
| <b>A LISTED</b>   |              |              |
| DEBENTURES ISSUED BY PUBLIC BODIES  | 335          | 623          |
| DEBENTURES ISSUED BY OTHERS   | 2,475        | 1,948        |
| OTHER FIXED-INCOME SECURITIES   | 645          | 735          |
| <b>B UNLISTED FIXED-INCOME SECURITIES</b>   | <b>1,265</b> | <b>806</b>   |
|   | <b>4,720</b> | <b>4,112</b> |
| The item can also be analysed into  |              |              |
| INVESTMENT PORTFOLIO  | 1,790        | 2,583        |
| TRADING PORTFOLIO   | 2,930        | 1,529        |
|   | <b>4,720</b> | <b>4,112</b> |
| Of the interest-bearing securities, an amount of € 553 million falls due in 2003.   |              |              |
| Movements in the investment portfolio were as follows:  |              |              |
| POSITION AS AT 31 DECEMBER 2001   | 2,583        |              |
| PURCHASES   | 1,410        |              |
| DISPOSALS   | -549         |              |
| REPAYMENTS  | -324         |              |
| EXCHANGE DIFFERENCES  | -301         |              |
| TRANSFER TO TRADING PORTFOLIO   | -921         |              |
| OTHER MOVEMENTS   | -108         |              |
| <b>POSITION AS AT 31 DECEMBER 2002</b>  | <b>1,790</b> |              |
| The net unamortised difference as at balance sheet date between redemption value and cost of debentures forming part of the investment portfolio amounts to € 58.7 million. The difference is included in accruals and deferred income in the balance sheet and will be amortised over the remaining terms of the debentures concerned. |              |              |
| The item includes subordinated debentures and other subordinated fixed-income securities totalling € 46.5 million.  |              |              |
| The bank cannot freely dispose of investment portfolio interest-bearing securities amounting to € 111 million owing to the Latitude synthetic securitisation transaction.   |              |              |
| An amount of € 75 million in respect of interest-bearing securities in the investment portfolio is not freely disposable in connection with repo transactions.  |              |              |
| Trading portfolio interest-bearing securities include own debentures amounting to € 436 million.  |              |              |

IN MILLIONS OF EUROS

|  | 2002       | 2001       |
|--|------------|------------|
| <b>SHARES</b>  | <b>339</b> | <b>811</b> |
| This includes shares not issued by participating interests together with other variable-income securities such as options.   |            |            |
| The analysis of the item is as follows:  |            |            |
| LISTED   | 18         | 194        |
| UNLISTED   | 321        | 617        |
|  | 339        | 811        |
| In 2002, as part of optimising the financial structure, NIB Capital Bank N.V. sold the majority of its equity participation portfolio to the shareholders of NIB Capital N.V., the ABP and PGGM pension funds. A purchase and sale agreement was signed on 10 September 2002, under which the beneficial title to this part of the equity participation portfolio was transferred. The selling price amounted to € 694 million. The gain achieved on this selling transaction, which amounted to some € 239 million, was accounted for in the profit and loss account under results on financial transactions. |            |            |
| The item can also be analysed into:  |            |            |
| TRADING PORTFOLIO  | 43         | 65         |
| EQUITY PARTICIPATIONS  | 296        | 746        |
|  | 339        | 811        |
| Movements in the equity participations were as follows:  |            |            |
| POSITION AS AT 31 DECEMBER 2001  | 746        |            |
| PURCHASES AND ADDITIONAL PAYMENTS  | 146        |            |
| DISPOSALS  | -553       |            |
| OTHER MOVEMENTS  | -43        |            |
| <b>POSITION AS AT 31 DECEMBER 2002</b>   | <b>296</b> |            |
| <b>PARTICIPATING INTERESTS</b>   | <b>148</b> | <b>262</b> |
| The shares in participating interests can be analysed as follows:  |            |            |
| LISTED   | 81         | 78         |
| UNLISTED   | 67         | 184        |
|  | 148        | 262        |
| Movements in the item participating interests were as follows:   |            |            |
| POSITIONS AS AT 31 DECEMBER 2001   | 262        |            |
| DISPOSALS  | -104       |            |
| OTHER MOVEMENTS  | -10        |            |
| <b>POSITION AS AT 31 DECEMBER 2002</b>   | <b>148</b> |            |
| A list of the principal participating interests is given in an appendix to these notes.  |            |            |

IN MILLIONS OF EUROS

|   | 2002      | 2001      |
|---|-----------|-----------|
| <b>INTANGIBLE FIXED ASSETS</b>  | <b>1</b>  | <b>19</b> |
| Movements in the item intangible fixed assets were as follows:  |           |           |
| POSITION AS AT 31 DECEMBER 2001   | 19        |           |
| AMORTISATION  | -18       |           |
| <b>POSITION AS AT 31 DECEMBER 2002</b>  | <b>1</b>  |           |
| In 2002, the amortisation of a substantial part of capitalised intangible fixed assets was accelerated since they are not expected to generate any additional income in the future. |           |           |
| <b>PROPERTY AND EQUIPMENT</b>   | <b>58</b> | <b>55</b> |
| This item comprises:  |           |           |
| LAND AND BUILDINGS IN USE BY THE COMPANY  | 43        | 45        |
| FURNITURE AND EQUIPMENT   | 15        | 10        |
| <b>POSITION AS AT 31 DECEMBER 2002</b>  | <b>58</b> | <b>55</b> |
| Movements in land and buildings in use by the company were as follows:  |           |           |
| POSITION AS AT 31 DECEMBER 2001   | 45        |           |
| DEPRECIATION  | -2        |           |
| <b>POSITION AS AT 31 DECEMBER 2002</b>  | <b>43</b> |           |
| Buildings in use by the company are insured for € 51.5 million. The net amount of property revaluations as at 31 December 2002 was € 11.5 million.                                  |           |           |
| Movements in furniture and equipment were as follows:   |           |           |
| POSITION AS AT 31 DECEMBER 2001   | 10        |           |
| INVESTMENTS   | 21        |           |
| DISINVESTMENTS  | -11       |           |
| DEPRECIATION  | -5        |           |
| <b>POSITION AS AT 31 DECEMBER 2002</b>  | <b>15</b> |           |
| Furniture and equipment are insured for € 28.5 million.   |           |           |
| The accumulated depreciation as at 31 December 2002 was as follows:   |           |           |
| LAND AND BUILDINGS IN USE BY THE COMPANY  | 17        |           |
| FURNITURE AND EQUIPMENT   | 12        |           |
| <b>POSITION AS AT 31 DECEMBER 2002</b>  | <b>29</b> |           |

IN MILLIONS OF EUROS

#### PREPAYMENTS AND ACCRUED INCOME

This item includes prepaid amounts in respect of costs chargeable to future periods, the positive replacement value of derivatives the trading portfolio stated at market value (including NIBC Petercam Derivatives N.V. option positions whose underlying value consists of shares to the amount of € 224 million), as well as amounts receivable, but not yet invoiced in 2002 such as interest of € 494.4 million (2001: € 622.8 million). This item also includes a deferred tax asset of € 3.4 million (at face value).

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### BANKS

This includes non-subordinated amounts owed to credit institutions, other than debt securities.

Analysis:

PAYABLE ON DEMAND

NOT PAYABLE ON DEMAND

Maturity analysis of amounts not payable on demand:

THREE MONTHS OR LESS

LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR

LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS

LONGER THAN FIVE YEARS

The amounts owed to credit institutions do not include any amounts payable to participating interests.

##### FUNDS ENTRUSTED

This item includes all non-subordinated liabilities other than amounts owed to credit institutions, and other than debt securities. The amount of savings included in this item is not material.

Analysis:

PAYABLE ON DEMAND

NOT PAYABLE ON DEMAND

|   | 2002         | 2001         |
|---|--------------|--------------|
| <b>PREPAYMENTS AND ACCRUED INCOME</b>                 | <b>856</b>   | <b>648</b>   |
| <b>BANKS</b>  | <b>1,427</b> | <b>608</b>   |
| Analysis:   |              |              |
| PAYABLE ON DEMAND                                     | 202          | 189          |
| NOT PAYABLE ON DEMAND                                 | 1,225        | 419          |
|   | <b>1,427</b> | <b>608</b>   |
| Maturity analysis of amounts not payable on demand:   |              |              |
| THREE MONTHS OR LESS                                  | 688          | 150          |
| LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR | 359          | 24           |
| LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS   | 155          | 215          |
| LONGER THAN FIVE YEARS                                | 23           | 30           |
|   | <b>1,225</b> | <b>419</b>   |
| <b>FUNDS ENTRUSTED</b>                                | <b>2,764</b> | <b>2,271</b> |
| Analysis:   |              |              |
| PAYABLE ON DEMAND                                     | 334          | 1,038        |
| NOT PAYABLE ON DEMAND                                 | 2,430        | 1,233        |
|   | <b>2,764</b> | <b>2,271</b> |

IN MILLIONS OF EUROS

|  | 2002          | 2001          |
|--|---------------|---------------|
| <b>Maturity analysis of amounts not payable on demand:</b>   |               |               |
| THREE MONTHS OR LESS   | 1,042         | 278           |
| LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR  | 250           | 113           |
| LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS  | 1,008         | 456           |
| LONGER THAN FIVE YEARS   | 130           | 386           |
|  | <b>2,430</b>  | <b>1,233</b>  |
| <b>DEBT SECURITIES</b>   | <b>12,894</b> | <b>11,307</b> |
| This includes debentures and other negotiable fixed-income debt securities, other than subordinated items.   |               |               |
| <b>Maturity analysis of debt securities:</b>   |               |               |
| THREE MONTHS OR LESS   | 2,722         | 1,575         |
| LONGER THAN THREE MONTHS BUT NOT LONGER THAN ONE YEAR  | 1,867         | 2,104         |
| LONGER THAN ONE YEAR BUT NOT LONGER THAN FIVE YEARS  | 6,836         | 5,877         |
| LONGER THAN FIVE YEARS   | 1,469         | 1,751         |
|  | <b>12,894</b> | <b>11,307</b> |
| <b>OTHER LIABILITIES</b>   | <b>207</b>    | <b>324</b>    |
| This item comprises liabilities that cannot be classified under any other heading, such as short positions in financial instruments, taxation payable of €14 million and dividend payable (a total of € 12 million on preference shares and a proposed dividend of € 150 million on A shares).   |               |               |
| <b>ACCRUALS AND DEFERRED INCOME</b>  | <b>1,075</b>  | <b>970</b>    |
| This item includes income received in advance which is attributable to future periods, as well as the negative replacement value of trading portfolio derivatives carried at market value. Furthermore, the NIBC Petercam Derivatives N.V. option positions amounting to € 340 million and accruals such as interest of € 563.8 million (2001: € 623.1 million) and the net liability on forward exchange contracts are included in this item. |               |               |
| <b>PROVISIONS</b>  | <b>41</b>     | <b>33</b>     |
| The provisions can be analysed as follows:   |               |               |
| PENSIONS   | 13            | 11            |
| STRATEGIC RE-ORIENTATION   | 4             | 6             |
| DEFERRED TAX LIABILITIES   | 20            | 11            |
| OTHER  | 4             | 5             |
|  | <b>41</b>     | <b>33</b>     |

IN MILLIONS OF EUROS

|  | 2002         | 2001         |
|--|--------------|--------------|
| The pension provision and the provision for deferred tax liabilities are long-term by nature.  |              |              |
| The pension provision also includes an amount in connection with the additional expenses arising out of changes in the pension scheme resulting from Collective Labour Agreement decisions.  |              |              |
| The strategic re-orientation provision is intended to cover expenses associated with the implementation of strategic changes of the bank.  |              |              |
| <b>FUND FOR GENERAL BANKING RISKS</b>  | <b>136</b>   | <b>136</b>   |
| <b>SUBORDINATED LIABILITIES</b>  | <b>397</b>   | <b>599</b>   |
| This item includes the following subordinated loans:   |              |              |
| CONVERTIBLE LOAN FROM THE STATE OF THE NETHERLANDS   | 0            | 4            |
| OTHER  | 397          | 595          |
|  | <b>397</b>   | <b>599</b>   |
| The balance of the loan of € 4 million due to the State of the Netherlands was repaid in 2002. The State did not exercise its conversion rights in conformity with the contract entered into at the time of the sale of the A shares by the State to NIB Capital N.V.. |              |              |
| The other subordinated liabilities become due as from 2002. The average interest rate is 4.3%.   |              |              |
| All loans are subordinated to the other liabilities of the company. They rank pari passu. Interest of €16.1 million was paid on subordinated liabilities during the year.  |              |              |
| <b>SHAREHOLDERS' EQUITY</b>  | <b>1,355</b> | <b>1,260</b> |
| For further information regarding shareholders' equity, reference is made to the notes to the company balance sheet on page 45.  |              |              |

IN MILLIONS OF EUROS

## COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

### CONTINGENT LIABILITIES

These include commitments under contracts of suretyship and guarantees. An amount of € 60.5 million is covered by matching government guarantees.

### IRREVOCABLE FACILITIES

These concern all obligations arising from irrevocable commitments that could result in credit risks.

### DERIVATIVES

The following statements present the notional amounts, the positive replacement value and the unweighted and weighted credit equivalents of the bank's derivative portfolio as at 31 December 2002. For comparison purposes the unweighted and weighted credit equivalents of the derivatives portfolio as at 31 December 2001 are also presented. The notional amounts are the principal amounts represented by the derivatives. Positive replacement value represents the loss to the bank in the event of default by all the counterparties as at balance sheet date. The positive replacement value depends on the market conditions prevailing on balance sheet date. The unweighted credit equivalent equals the positive replacement value plus a mark-up for potential credit risks, as prescribed by De Nederlandsche Bank N.V.. Weighting the resulting credit equivalent according to BIS standards gives the weighted credit equivalent. The weighted credit equivalent of € 268 million (2001: € 135 million) results in a solvency requirement of € 21 million (2001: € 10 million).

|                               | 2002         | 2001         |
|-------------------------------|--------------|--------------|
| <b>CONTINGENT LIABILITIES</b> | <b>3,633</b> | <b>2,028</b> |
| <b>IRREVOCABLE FACILITIES</b> | <b>1,542</b> | <b>1,564</b> |
| <b>DERIVATIVES</b>            |              |              |

IN MILLIONS OF EUROS

**NOTIONAL AMOUNT**

|                                       | TOTAL         | < 1 YEAR      | 1-5 YEARS     | > 5 YEARS     | POSITIVE<br>REPLACEMENT<br>VALUE |
|---------------------------------------|---------------|---------------|---------------|---------------|----------------------------------|
| <b>INTEREST RATE OTC CONTRACTS</b>    |               |               |               |               |                                  |
| SWAPS                                 | 44,385        | 20,413        | 12,236        | 11,736        | 388                              |
| FORWARDS                              | 1,309         | 1,309         | 0             | 0             | 0                                |
| <b>FOREIGN EXCHANGE OTC CONTRACTS</b> |               |               |               |               |                                  |
| SWAPS                                 | 5,802         | 1,892         | 1,850         | 2,060         | 120                              |
| FORWARDS                              | 3,920         | 3,920         | 0             | 0             | 42                               |
| <b>OTHER OTC CONTRACTS</b>            |               |               |               |               |                                  |
| OTHER LISTED                          |               |               |               |               |                                  |
| OPTIONS                               | 545           | 289           | 256           | 0             | 0                                |
| FUTURES                               | 57            | 57            | 0             | 0             | 0                                |
| <b>TOTAL DERIVATIVES</b>              | <b>59,477</b> | <b>28,326</b> | <b>16,291</b> | <b>14,860</b> | <b>678</b>                       |

**CREDIT EQUIVALENT**

|                            | UNWEIGHTED   | YEAR-END 2002<br>WEIGHTED | UNWEIGHTED   | YEAR-END 2001<br>WEIGHTED |
|----------------------------|--------------|---------------------------|--------------|---------------------------|
| INTEREST RATE CONTRACTS    | 1,102        | 135                       | 738          | 82                        |
| FOREIGN EXCHANGE CONTRACTS | 477          | 75                        | 361          | 36                        |
| OTHER OTC CONTRACTS        | 286          | 58                        | 81           | 17                        |
| <b>TOTAL DERIVATIVES</b>   | <b>1,865</b> | <b>268</b>                | <b>1,180</b> | <b>135</b>                |

As at year-end 2002, the derivatives trading portfolio amounted to € 6,473 million (2001: € 2,121 million) (notional amount), of which € 3,070 million (2001: € 1,464 million) related to the equity derivatives activity NIBC Petercam Derivatives N.V. started in 2001. This amount comprises the portfolio of derivatives transactions contracted with counterparties, including the associated hedging transactions entered into on the market, as at year-end 2002.

The policy of NIBC Petercam Derivatives N.V. is aimed at hedging the risks associated with derivatives transactions as far as possible. There are accordingly only limited open positions.

Of the remaining balance of the derivatives trading portfolio with a total notional amount of some € 3,000 million, a part serves as a hedge against the interest rate and foreign currency risks in the on-balance sheet trading portfolio, while the other part consists of credit risk trading positions through Credit Default Swaps.

IN MILLIONS OF EUROS

**FOREIGN CURRENCY RISKS**

The combined equivalent of assets denominated in foreign currencies amounts to € 7,025 million, while liabilities denominated in foreign currency amounted to € 9,193 million. The resulting positions have been almost entirely hedged.

**OUTSTANDING FORWARD TRANSACTIONS**

The forward transactions outstanding at the end of 2002 were entered into to cover foreign exchange positions included in the balance sheet.

# NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2002

IN MILLIONS OF EUROS

|   | 2002         | 2001         |
|---|--------------|--------------|
| <b>INTEREST INCOME</b>  | <b>752.3</b> | <b>923.3</b> |
| This includes income arising from lending and related transactions together with related commission and other income similar to interest.   |              |              |
| The item comprises interest and similar income from:  |              |              |
| DEBENTURES AND OTHER FIXED-INCOME SECURITIES  | 185.2        | 155.3        |
| OTHER   | 567.1        | 768.0        |
|   | 752.3        | 923.3        |
| <b>INTEREST EXPENSE</b>   | <b>523.1</b> | <b>711.1</b> |
| This includes the costs arising from the borrowing of funds and related transactions and other charges similar to interest.   |              |              |
| <b>INCOME FROM SECURITIES AND PARTICIPATING INTERESTS</b>   | <b>30.2</b>  | <b>68.5</b>  |
| Due to the sale of the majority of the equity participation portfolio, dividend income fell substantially in 2002.  |              |              |
| <b>COMMISSION INCOME</b>  | <b>29.5</b>  | <b>25.9</b>  |
| This amount represents the charges for banking services performed for third parties, other than charges in the nature of interest.  |              |              |
| <b>COMMISSION EXPENSE</b>   | <b>6.8</b>   | <b>6.3</b>   |
| This amount represents the charges for banking services performed by third parties other than charges in the nature of interest.  |              |              |
| <b>RESULTS ON FINANCIAL TRANSACTIONS</b>  | <b>202.5</b> | <b>67.0</b>  |
| This represents realised and unrealised differences in value of equity participations and securities that are not included in the investment portfolio, plus exchange differences and capital gains and losses connected with trading in other financial instruments. This also includes the movements in the market value of the equity derivatives activities of NIBC Petercam Derivatives N.V. |              |              |
| This item also includes the gain achieved on the sale of the majority of the equity participation portfolio to the shareholders of NIB Capital N.V., ABP and PGGM.  |              |              |
| Results on financial transactions comprise:   |              |              |
| SECURITIES TRADING PORTFOLIO  | -33.7        | -1.5         |
| OTHER INCOME  | -2.4         | 68.5         |
| PROFIT ON SALE OF EQUITY PARTICIPATION PORTFOLIO  | 238.6        | 0.0          |
|   | 202.5        | 67.0         |
| <b>OTHER REVENUE</b>  | <b>2.6</b>   | <b>5.2</b>   |
| This item mainly relates to fees for other services which are not interest or commission related, performed on behalf of third parties.   |              |              |

IN MILLIONS OF EUROS

|  | 2002         | 2001         |
|--|--------------|--------------|
| <b>PERSONNEL AND ADMINISTRATIVE EXPENSES</b> | <b>118.2</b> | <b>103.1</b> |
| PAYROLL EXPENSES                             | 79.2         | 70.8         |
| OTHER ADMINISTRATIVE EXPENSES                | 39.0         | 32.3         |
|  | 118.2        | 103.1        |
| The payroll expenses comprise:               |              |              |
| SALARIES                                     | 59.8         | 55.9         |
| PENSION CHARGES                              | 11.8         | 7.8          |
| OTHER SOCIAL SECURITY CHARGES                | 4.4          | 4.3          |
| OTHER STAFF EXPENSES                         | 3.2          | 2.8          |

|  |      |      |
|--|------|------|
|  | 79.2 | 70.8 |
|--|------|------|

Pension charges include a non-recurring charge of € 4.3 million relating to a strengthening of the financial position of NIB Capital's pension fund.

The number of employees, expressed in terms of full-time equivalents, was 629 (year-end 2001: 652).

The average number of staff in 2002 on a full-time equivalent basis was 635 (2001: 626).

### REMUNERATION OF BOARD MEMBERS

In the year under review, the average number of members of the Board of Managing Directors appointed under the articles of association was 4 (2001: 5). The total remuneration (including pension costs) paid to the Board of Managing Directors appointed under the articles of association amounted to € 7,0 million in 2002 (2001: € 4.2 million). The allocation of this amount (in Euros) per member of the Statutory Board of Managing Directors is as follows:

#### CURRENT MEMBERS

|   | SALARIES, etc.   | PENSION COSTS  | BONUSES        | TOTAL            |
|---|------------------|----------------|----------------|------------------|
| MICHAEL ENTHOVEN (in office as from 23/04/2002) | 452,347          | -              | 250,000        | 702,347          |
| JURGEN B.J. STEGMANN                            | 342,723          | 69,327         | 105,000        | 517,050          |
| ANTOINE L.V. DIJKSTRA                           | 284,362          | 42,541         | 150,000        | 476,903          |
| <b>TOTAL CURRENT MEMBERS</b>                    | <b>1,079,432</b> | <b>111,868</b> | <b>505,000</b> | <b>1,696,300</b> |

#### FORMER MEMBERS

|  | SALARIES, etc. | PENSION COSTS  | BONUSES  | EXIT PAYMENT     | TOTAL            |
|--|----------------|----------------|----------|------------------|------------------|
| MARC L. GEDOPT (out of office as from 23/04/2002)            | 358,318        | -              | -        | 2,650,000        | 3,008,318        |
| LEON P.E.M. VAN DEN BOOM (out of office as from 31/08/ 2002) | 186,365        | 63,228         | -        | 826,224          | 1,075,817        |
| BAS J. VAN DER VEGTE (out of office as from 31/05/2002)      | 109,006        | 40,969         | -        | 1,036,000        | 1,185,975        |
| <b>TOTAL FORMER MEMBERS</b>                                  | <b>653,689</b> | <b>104,197</b> | <b>-</b> | <b>4,512,224</b> | <b>5,270,110</b> |

#### TOTAL REMUNERATION OF THE STATUTORY

|                                    |                 |                |                |                  |                  |
|------------------------------------|-----------------|----------------|----------------|------------------|------------------|
| <b>BOARD OF MANAGING DIRECTORS</b> | <b>1733,121</b> | <b>216,065</b> | <b>505,000</b> | <b>4,512,224</b> | <b>6,966,410</b> |
|------------------------------------|-----------------|----------------|----------------|------------------|------------------|

The average number of Supervisory Board members in the year under review was 5 (2001: 7). The Supervisory Board of NIB Capital Bank N.V. forms a personal unity with the Supervisory Board of NIB Capital N.V.. For information on the remuneration of the Supervisory Board reference is made to the annual report of NIB Capital N.V..

IN MILLIONS OF EUROS

|  | 2002        | 2001       |
|--|-------------|------------|
| <b>DEPRECIATION</b>  | <b>25.6</b> | <b>6.7</b> |
| The depreciation charge comprises:   |             |            |
| PROPERTY   | 1.5         | 1.0        |
| OTHER FIXED ASSETS   | 5.2         | 4.7        |
| INTANGIBLE FIXED ASSETS  | 18.9        | 1.0        |
|  | 25.6        | 6.7        |
| <b>TAXATION ON OPERATING RESULT</b>  | <b>6.8</b>  | <b>8.3</b> |
| This comprises taxation on the gross operating result on ordinary activities as shown by the profit and loss account for the year. |             |            |
| The tax burden can be analysed as follows:   |             |            |
| RESULT BEFORE TAXATION   | 275.0       |            |
| AVERAGE STANDARD RATE OF TAXATION  | 33.9%       |            |
| PERMANENT DIFFERENCES  | 240.9       |            |
| TEMPORARY DIFFERENCES  | -3.8        |            |
|  | 237.1       |            |
| EFFECT OF DIFFERENCES ON STANDARD RATE   | -31.4%      |            |
| TAXATION IN PROFIT AND LOSS ACCOUNT  | 6.8         |            |
| EFFECTIVE TAX RATE   | 2.5%        |            |

In calculating taxation, existing tax facilities are taken into account. In particular, the substantial holding privilege means that the actual tax rate differs from the standard tax rate of approximately 34%.

# COMPANY BALANCE SHEET AS AT 31 DECEMBER 2002

AFTER PROFIT APPROPRIATION  
IN MILLIONS OF EUROS

| ASSETS  | 2002          | 2001          |
|---|---------------|---------------|
| CASH  | 179           | 93            |
| BANKS   | 4,003         | 3,642         |
| LOANS AND ADVANCES<br>GUARANTEED BY PUBLIC AUTHORITIES<br>TO THE PRIVATE SECTOR | 387<br>12,842 | 456<br>10,814 |
| INTEREST-BEARING SECURITIES   | 13,229        | 11,270        |
| SHARES  | 4,199         | 3,328         |
| PARTICIPATING INTERESTS IN GROUP COMPANIES                                      | 215           | 283           |
| OTHER PARTICIPATING INTERESTS   | 2,257         | 2,134         |
| INTANGIBLE FIXED ASSETS   | 86            | 88            |
| PROPERTY AND EQUIPMENT  | 1             | 19            |
| PREPAYMENTS AND ACCRUED INCOME  | 30            | 25            |
|   | 650           | 545           |
|   | <b>24,849</b> | <b>21,427</b> |

IN MILLIONS OF EUROS

LIABILITIES AND SHAREHOLDERS' EQUITY

|   | 2002          | 2001          |
|---|---------------|---------------|
| <b>BANKS</b>  | 1,309         | 648           |
| <b>FUNDS ENTRUSTED</b>                                      | 7,825         | 6,123         |
| <b>DEBT SECURITIES</b>                                      | 12,859        | 11,277        |
| <b>OTHER LIABILITIES</b>                                    | 195           | 195           |
| <b>ACCRUALS AND DEFERRED INCOME</b>                         | 748           | 1,163         |
| <b>PROVISIONS</b>   | 25            | 26            |
|   | <b>22,961</b> | <b>19,432</b> |
| <b>FUND FOR GENERAL BANK RISKS</b>                          | 136           | 136           |
| <b>SUBORDINATED LIABILITIES</b>                             | 397           | 599           |
| <b>SHAREHOLDERS' EQUITY</b>                                 |               |               |
| <b>SHARE CAPITAL</b>  |               |               |
| ORDINARY A SHARES   | 58            | 58            |
| CUMULATIVE PREFERENCE B SHARES                              | 11            | 11            |
| PREFERENCE C SHARES   | 5             | 5             |
| PREFERENCE D SHARES   | 6             | 6             |
|   | 80            | 80            |
| <b>SHARE PREMIUM RESERVE</b>                                | 238           | 238           |
| <b>REVALUATION RESERVE</b>                                  | 30            | 38            |
| <b>STATUTORY RESERVES AND RESERVES PURSUANT TO ARTICLES</b> | 984           | 904           |
| <b>OTHER RESERVES</b>                                       | 23            | 0             |
|   | 1,355         | 1,260         |
| <b>CAPITAL BASE</b>   | <b>1,888</b>  | <b>1,995</b>  |
|   | <b>24,849</b> | <b>21,427</b> |
| <b>CONTINGENT LIABILITIES</b>                               | 4,985         | 3,869         |
| <b>IRREVOCABLE FACILITIES</b>                               | 1,424         | 1,332         |

# COMPANY PROFIT AND LOSS ACCOUNT FOR 2002

IN MILLIONS OF EUROS

|  | 2002         | 2001         |
|--|--------------|--------------|
| RESULTS OF PARTICIPATING INTERESTS AFTER TAX | 286.5        | 171.6        |
| OTHER RESULTS AFTER TAX                      | -21.8        | 12.7         |
| <b>NET PROFIT</b>                            | <b>264.7</b> | <b>184.3</b> |

PRESENTED IN ACCORDANCE WITH THE PROVISIONS OF  
ARTICLE 402, BOOK 2, OF THE NETHERLANDS CIVIL CODE.

# NOTES TO THE COMPANY BALANCE SHEET AS AT 31 DECEMBER 2002

IN MILLIONS OF EUROS

## ASSETS

### BANKS

This item includes receivables from group companies amounting to € 649 million.

### PARTICIPATING INTERESTS IN GROUP COMPANIES

Movements in participating interest in group companies were as follows:

POSITION AS AT 31 DECEMBER 2001

PURCHASES AND ADDITIONAL PAYMENTS

RESULTS OF GROUP COMPANIES

OTHER MOVEMENTS

POSITION AS AT 31 DECEMBER 2002

Other movements comprises mainly negative foreign exchange results.

The companies NIB Capital Bank (NA) N.V. and NIB Capital Bank Ltd. included here are registered credit institutions.

### OTHER PARTICIPATING INTERESTS

Movements in other participating interests were as follows:

POSITION AS AT 31 DECEMBER 2001

OTHER MOVEMENTS

POSITION AS AT 31 DECEMBER 2002

## LIABILITIES AND SHAREHOLDERS' EQUITY

### SHARE CAPITAL

The authorised capital amounts to € 250 million and is divided into shares, of € 1.00 nominal value each as follows:

A SHARES

CUMULATIVE PREFERENCE B SHARES

PREFERENCE C SHARES

PREFERENCE D SHARES

PREFERENCE E SHARES

PREFERENCE F SHARES

|   | 2002               | 2001         |
|---|--------------------|--------------|
| <b>BANKS</b>                                      | <b>4,003</b>       | <b>3,642</b> |
| <b>PARTICIPATING INTERESTS IN GROUP COMPANIES</b> | <b>2,257</b>       | <b>2,134</b> |
| POSITION AS AT 31 DECEMBER 2001                   | 2,134              |              |
| PURCHASES AND ADDITIONAL PAYMENTS                 | 2                  |              |
| RESULTS OF GROUP COMPANIES                        | 287                |              |
| OTHER MOVEMENTS                                   | -166               |              |
| <b>POSITION AS AT 31 DECEMBER 2002</b>            | <b>2,257</b>       |              |
| <b>OTHER PARTICIPATING INTERESTS</b>              | <b>86</b>          | <b>88</b>    |
| POSITION AS AT 31 DECEMBER 2001                   | 88                 |              |
| OTHER MOVEMENTS                                   | -2                 |              |
| <b>POSITION AS AT 31 DECEMBER 2002</b>            | <b>86</b>          |              |
| <b>SHARE CAPITAL</b>                              | <b>80</b>          | <b>80</b>    |
| A SHARES  | 150,000,000        |              |
| CUMULATIVE PREFERENCE B SHARES                    | 50,000,000         |              |
| PREFERENCE C SHARES                               | 12,500,000         |              |
| PREFERENCE D SHARES                               | 12,500,000         |              |
| PREFERENCE E SHARES                               | 12,500,000         |              |
| PREFERENCE F SHARES                               | 12,500,000         |              |
|   | <b>250,000,000</b> |              |

IN MILLIONS OF EUROS

**SHARES IN MILLIONS OF EUROS**

Movements in the issued and paid-up capital in 2002 were as follows:

|  | A         | B         | C        | D        | TOTAL     |
|--|-----------|-----------|----------|----------|-----------|
| POSITION AS AT 31 DECEMBER 2001        | 58        | 11        | 5        | 6        | 80        |
| EXERCISE OF OPTIONS                    | 0         | 0         | 0        | 0        | 0         |
| <b>POSITION AS AT 31 DECEMBER 2002</b> | <b>58</b> | <b>11</b> | <b>5</b> | <b>6</b> | <b>80</b> |

99,9% of the issued capital is held by NIB Capital N.V.

**STAFF OPTIONS AND SHARES**

As at year-end 2002 there were no further option rights for shares of NIB Capital Bank N.V. in issue. Members of the Board of Managing Directors and the Supervisory Board do not hold any shares in the company. In addition, option rights for shares in NIB Capital N.V. and Stock Appreciation Rights were granted to company staff and members of the Board of Managing Directors. For information on these rights, reference is made to the annual report of NIB Capital N.V..

IN MILLIONS OF EUROS

|  | 2002       | 2001       |
|--|------------|------------|
| <b>SHARE PREMIUM RESERVE</b>   | <b>238</b> | <b>238</b> |
| Composition of the share premium reserve:  |            |            |
| GENERAL SHARE PREMIUM RESERVE  | 89         | 89         |
| SHARE PREMIUM RELATED TO PREFERENCE C SHARES   | 76         | 76         |
| SHARE PREMIUM RELATED TO PREFERENCE D SHARES   | 73         | 73         |
|  | 238        | 238        |
| The share premium reserve is a tax-free reserve.   |            |            |
| <b>REVALUATION RESERVE</b>   | <b>30</b>  | <b>38</b>  |
| Movements in the revaluation reserve were as follows:  |            |            |
| POSITION AS AT 31 DECEMBER 2001  | 38         | 41         |
| RELEASE IN CONNECTION WITH DISPOSALS   | -9         | 0          |
| REVALUATION OF PARTICIPATING INTERESTS   | 1          | -3         |
| <b>POSITION AS AT 31 DECEMBER 2002</b>   | <b>30</b>  | <b>38</b>  |
| In this reserve, approximately € 17 million represents revaluations of participating interests, the remainder being in connection with property. |            |            |
| <b>STATUTORY RESERVES AND RESERVES PURSUANT TO ARTICLES</b>  | <b>984</b> | <b>904</b> |
| As at 31 December, these reserves were made up as follows:   |            |            |
| RESERVES PURSUANT TO ARTICLES  | 863        | 779        |
| RESERVE FOR RETAINED EARNINGS OF PARTICIPATING INTERESTS   | 121        | 125        |
|  | 984        | 904        |
| The reserve fund required under the articles of association is made up as follows:   |            |            |
| POSITION AS AT 31 DECEMBER 2001  | 779        | 725        |
| PROFIT APPROPRIATION   | 84         | 54         |
| <b>POSITION AS AT 31 DECEMBER 2002</b>   | <b>863</b> | <b>779</b> |
| The reserve for retained earnings of participating interests is made up as follows:  |            |            |
| POSITION AS AT 31 DECEMBER 2001  | 125        | 116        |
| ADDITION ON ACCOUNT OF RETAINED EARNINGS OF PARTICIPATING INTERESTS  | 0          | 9          |
| WITHDRAWAL ON ACCOUNT OF RETAINED EARNINGS OF PARTICIPATING INTERESTS  | -4         | 0          |
| <b>POSITION AS AT 31 DECEMBER 2002</b>   | <b>121</b> | <b>125</b> |
| <b>OTHER RESERVES</b>  | <b>23</b>  | <b>0</b>   |
| Movements in other reserves were as follows:   |            |            |
| POSITION AS AT 31 DECEMBER 2001  | 0          |            |
| RELEASED FROM STATUTORY RESERVE FOR RETAINED EARNINGS OF PARTICIPATING INTERESTS   | 4          |            |
| PROFIT APPROPRIATION   | 19         |            |
| <b>POSITION AS AT 31 DECEMBER 2002</b>   | <b>23</b>  |            |

IN MILLIONS OF EUROS

## COMMITMENTS NOT SHOWN IN THE BALANCE SHEET

### GUARANTEES

This item includes € 1,499 million in respect of guarantees to group companies.

Guarantees within the meaning of Section 403, Book 2, of the Netherlands Civil Code have been given on behalf of De Nationale Maatschappij voor Industriële Financieringen B.V., PARNIB Holding N.V. and B.V. NIB Capital Mortgage Backed Assets. NIB Capital Bank N.V. is guarantor for the liabilities under derivatives contracts entered into by the joint venture NIBC Petercam Derivatives N.V. with various counterparties.

Declarations of joint and several liability have also been made to the respective supervisory monetary authorities of DNI Inter Asset Bank N.V., NIB Securities N.V., NIB Capital Bank (NA) N.V. and NIB Capital Bank Ltd.

THE HAGUE, 6 MARCH 2003

THE STATUTORY BOARD OF MANAGING DIRECTORS  
MICHAEL ENTHOVEN, CHAIRMAN  
JURGEN B.J. STEGMANN, VICE CHAIRMAN  
ANTOINE L.V. DIJKSTRA, BOARD MEMBER

THE SUPERVISORY BOARD  
WILLEM F.C. STEVENS, CHAIRMAN  
PETER J. GROENENBOOM  
MAARTEN J. HULSHOFF  
BART J.C.M. LE BLANC  
CEES A. VRINS

# LIST OF PRINCIPAL PARTICIPATING INTERESTS

## CONSOLIDATED PARTICIPATING INTERESTS

## HOLDING

|  |      |
|--|------|
| NIB CAPITAL BANK LTD., SINGAPORE                                       | 100% |
| NIB CAPITAL BANK (NA) N.V., WILLEMSTAD, CURAÇAO                        | 100% |
| NATIONALE MAATSCHAPPIJ VOOR INDUSTRIËLE FINANCIERINGEN B.V., THE HAGUE | 100% |
| B.V. NIB CAPITAL MORTGAGE BACKED ASSETS, THE HAGUE                     | 100% |
| SR-HYPOTHEKEN N.V., ROTTERDAM (PROPORTIONATELY CONSOLIDATED)           | 50%  |
| NIB CAPITAL PRIVATE EQUITY INVESTMENTS BELGIUM N.V., ANTWERP, BELGIUM  | 100% |
| PARNIB HOLDING N.V., THE HAGUE   | 100% |
| NIBC PETERCAM DERIVATIVES N.V., BRUSSELS, BELGIUM                      | 50%  |

## NON-CONSOLIDATED PARTICIPATING INTERESTS

included in accordance with the provisions of Section 389, Book 2, of the Netherlands Civil Code

|  |      |
|--|------|
| DE NEDERLANDSE PARTICIPATIE MAATSCHAPPIJ VOOR DE NEDERLANDSE<br>ANTILLEN N.V., THE HAGUE | 100% |
| PARTICIPATIEMAATSCHAPPIJ MAINPORT ROTTERDAM B.V., THE HAGUE                              | 50%  |
| YCAP GROUP B.V., THE HAGUE   | 100% |
| AMERICAN MARINE ADVISORS, NEW YORK, USA  | 25%  |
| CAPITAL PARTNERS AS, BERGEN, NORWAY  | 19%  |
| DUCATUS N.V., 'S HERTOGENBOSCH   | 22%  |

# OTHER INFORMATION

## AUDITORS' REPORT

TO THE SHAREHOLDERS OF NIB CAPITAL BANK N.V.

### INTRODUCTION

We have audited the 2002 financial statements of NIB Capital Bank N.V., The Hague, as included on pages 13 - 49. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### SCOPE

We performed our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2002 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Title 9, Book 2 of the Netherlands Civil Code.

AMSTERDAM, 6 MARCH 2003  
PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V.

IN MILLIONS OF EUROS

## PROFIT APPROPRIATION

2002

### NET PROFIT

265

DISTRIBUTION TO HOLDERS OF CUMULATIVE  
PREFERENCE B SHARES

1

DISTRIBUTION TO HOLDERS OF PREFERENCE C SHARES

6

DISTRIBUTION TO HOLDERS OF PREFERENCE D SHARES

5

12

PROFIT AVAILABLE FOR DISTRIBUTION TO HOLDERS OF  
ORDINARY A SHARES

253

## APPROPRIATION

ADDED TO RESERVES PURSUANT TO ARTICLES

84

ADDED TO OTHER RESERVES

19

DIVIDEND

150

253

## PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING PROFIT APPROPRIATION

### ARTICLE 27 OF THE ARTICLES OF ASSOCIATION IS AS FOLLOWS:

1 'Profits' shall be understood to mean all gains obtained by the Company, after deduction of all charges, interest, fees and costs and any amounts written off for depreciation and any provisions made, and after any losses incurred in previous years which cannot be absorbed by the reserves have been made up.

2 With due observance of any amounts required by law to be allocated to reserve, from the Profits and insofar as the Profits permit, the holders of 16 cumulative preference class B shares and the holders of preference shares of series C to F inclusive shall be paid the dividend to which each of them is entitled.

3 The dividend to which each of the holders of cumulative preference class B shares is entitled shall be seven and twenty-five hundredth per cent (7.25%) calculated on the par amount paid on the class B shares.

4 The dividend to which each of the holders of preference shares of series C to F inclusive is entitled, expressed as a percentage of the par amount paid on each share of the series of preference shares in question, increased by the share premium paid on each share of the series in question, shall be declared at the first issue of shares of the series in question either by the General Meeting or, if entitled as referred to in Article 4, paragraph 12, by the Board of Managing Directors.

5 The dividend to which each of the holders of cumulative preference class B shares and each of the holders of preference shares of series C to F inclusive are entitled shall be calculated on the basis of the number of days in respect of which the distribution is made.

6 If in any year the Profits do not or not completely permit the distributions referred to in the preceding paragraphs, first the amount that can be distributed shall be distributed to the holders of cumulative preference class B shares and the holders of preference shares of series C to F inclusive, in proportion to the amounts to which they are then entitled. If, in respect of any year, the holders of cumulative preference class B shares have had no dividend paid to them, or any dividend lower than that to which they are entitled under paragraph 3, any Profits made in subsequent financial years shall first be used to pay the short amount not received by the holders of cumulative preference class B shares in respect of any year as compared with the dividend to which they are entitled under paragraph 3.

7 One third of any balance left after the application of the preceding paragraphs of this Article shall be allocated to the reserve fund provided for by the Articles of Association.

8 From any remaining balance such amount as the General Meeting of Shareholders shall determine shall be allocated to the reserve fund provided for by the Articles of Association.

9 Any remaining Profits shall accrue to the holders of class A shares in proportion to the number of class A shares held by each of the holders of class A shares.

10 As regards dividends and other distributions made in respect of a share for which a CF certificate has been issued, the Company shall be discharged towards the party entitled by making such dividends or distributions available to, or in accordance with the instructions of, the independent institution referred to in Article 8, paragraph 2.

## PRINCIPAL SUBSIDIARIES, OFFICES AND REPRESENTATIONS

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# KEY FIGURES

IN MILLIONS OF EURO'S

|   | 2002   | 2001   | 2000   | 1999   | 1998   |
|---|--------|--------|--------|--------|--------|
| GROUP CAPITAL BASE                              | 1,902  | 2,006  | 1,931  | 1,667  | 1,356  |
| LOAN PORTFOLIO(1)                               | 11,989 | 11,742 | 12,060 | 12,332 | 9,409  |
| BALANCE SHEET TOTAL                             | 20,310 | 17,519 | 17,263 | 16,764 | 12,452 |
| INTEREST  | 229    | 212    | 203    | 178    | 144    |
| COMMISSION                                      | 23     | 20     | 24     | 18     | 16     |
| OTHER OPERATING INCOME                          | 235**  | 141    | 354*   | 127    | 96     |
| TOTAL INCOME                                    | 487    | 373    | 581    | 323    | 256    |
| OPERATING EXPENSES                              | 144    | 110    | 103    | 105    | 63     |
| VALUE ADJUSTMENTS<br>TO RECEIVABLES             | 68     | 67     | 77     | 55     | 56     |
| TAXATION  | 7      | 8      | 5      | 17     | 17     |
| NET PROFIT                                      | 265    | 184    | 396    | 146    | 120    |
| BANKING ACTIVITIES                              | 39     | 126    | 92     | 48     | 41     |
| EQUITY PARTICIPATION ACTIVITIES                 | 226    | 58     | 304    | 98     | 79     |
| NET PROFIT ATTRIBUTABLE TO<br>ORDINARY A SHARES | 253    | 172    | 384    | 134    | 108    |
| RETURN ON EQUITY (A SHARES)                     | 19.0%  | 14.2%  | 39.2%  | 19.0%  | 18.6%  |
| CORE CAPITAL RATIO (TIER 1)                     | 11.0%  | 10.4%  | 10.8%  | 9.1%   | 9.7%   |
| SOLVENCY RATIO (BIS)                            | 13.4%  | 13.5%  | 14.6%  | 13.4%  | 13.7%  |
| INCOME/EXPENSE RATIO                            | 3.4    | 3.4    | 5.6    | 3.1    | 4.1    |
| AVERAGE NUMBER OF EMPLOYEES (FTE)               | 635    | 626    | 571    | 515    | 472    |

(1) Loans and guarantees, excluding the portfolio of bonds issued by foreign governments and financial institutions, excluding advances against securities, and excluding irrevocable facilities.

\* INCLUDING € 249 MILLION ON DISPOSAL OF NPM CAPITAL N.V.

\*\* INCLUDING € 239 MILLION ON DISPOSAL OF THE MAJORITY OF THE EQUITY PARTICIPATION PORTFOLIO TO THE SHAREHOLDERS OF NIB CAPITAL N.V.

CONCEPT AND DESIGN

KEJA DONIA SCHIPHOL-OOST

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AMBITION 150 G/M<sup>2</sup>

CONSORT ROYAL BRILLIANCE 170 G/M<sup>2</sup>

BINDING

BOSBOOM THE HAGUE

