

**CONFIDENTIAL**

Clean proof

**Job Number:** 3053

**Date:** 30 November 2004

**Proof Stage:** 3

Jotter Space

**eprintfinancial.com**

2nd Floor, 114-116 Curtain Road, EC2A 3AH United Kingdom  
Telephone: + 44 (0) 20 7613 1800 Fax: + 44 (0) 20 7613 1200  
email: [sales@eprintfinancial.com](mailto:sales@eprintfinancial.com)



## **Friesland Bank N.V.**

*(incorporated in the Netherlands with its statutory seat in Leeuwarden)*

### **Euro 125,000,000 Perpetual Capital Securities**

**Issue price: 100 per cent.**

Unless expressly indicated otherwise, the terms and expressions used herein have the same meaning as given to them in the terms and conditions (the “**Terms and Conditions**”) of the Euro 125,000,000 Perpetual Capital Securities (the “**Securities**”).

The Securities are perpetual securities and have no fixed redemption date. However, the Securities may be redeemed in whole but not in part at the option of the Issuer, at their principal amount together with any Outstanding Payments on the Coupon Payment Date falling on 3 December 2014 or any Coupon Payment Date thereafter, subject to the prior consent of the Regulator. Prior redemption in case of tax events or for regulatory purposes may apply, subject to Condition 7.

The Securities will bear a variable rate of interest on their outstanding principal amount from (and including) the Issue Date. Interest will be payable quarterly in arrear on 3 March, 3 June, 3 September and 3 December of each year, subject to Conditions 4 and 5. Payments (such term does not include principal) may be deferred, as more fully described in Condition 4, but any Deferred Coupon Payment will immediately become due if the Issuer makes payments on or purchases or redeems its Junior Securities or Parity Securities. Investors will always receive cash but the moneys to satisfy such Deferred Coupon Payments may only be raised by the issue of Payment Capital Securities, which, when sold, will provide the cash amount due in respect of the Deferred Coupon Payments.

The Securities constitute direct, unsecured and subordinated securities of the Issuer as described in Condition 2.

This Offering Circular constitutes a prospectus for the purpose of the listing and issuing rules of Euronext Amsterdam N.V. Application has been made for the listing of the Securities on the Official Segment of the Stock Market of Euronext Amsterdam N.V. (“**Euronext Amsterdam**”). It is anticipated that the Securities will be quoted as a percentage of their principal amount of €100.

The Securities are expected to be assigned, on issue, a rating of “Baa2” by Moody’s Investors Service, Inc., and a rating of “A-” by Fitch Ratings Ltd. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

The Securities shall have denominations of €100 each. The Securities will be represented by a global security (the “**Global Security**”) in bearer form without interest coupons, in the principal amount of €125,000,000. The Global Security will be deposited with Euroclear Netherlands and purchase transactions will be cleared through Euroclear Netherlands participants including Euroclear and Clearstream. The Global Security will not be exchangeable for definitive Securities in bearer form.

*Bookrunner*

**ABN AMRO**

*(Structurer)*

*Joint Lead Managers*

**ABN AMRO**

**Friesland Bank**

The date of this Offering Circular is 1 December 2004.

## TABLE OF CONTENTS

	<b>Page</b>
IMPORTANT INFORMATION .....	3
INVESTMENT CONSIDERATIONS .....	5
SUMMARY .....	7
TERMS AND CONDITIONS OF THE SECURITIES .....	11
FRIESLAND BANK N.V.....	28
SELECTED FINANCIAL INFORMATION.....	30
BUSINESS .....	31
CAPITALISATION .....	33
FINANCIAL STATEMENTS .....	34
AUDITORS' REPORT .....	38
NETHERLANDS TAXATION .....	39
SUBSCRIPTION AND SALE.....	42
GENERAL INFORMATION.....	44

## IMPORTANT INFORMATION

### Responsibility

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Securities and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Trustee or the Managers (as defined under "Subscription and Sale" below). Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer or the Issuer and its subsidiaries (together the "**Group**") since the date hereof. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer, the Trustee or the Managers to subscribe for, or purchase, any of the Securities. This document does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

Neither the Managers nor the Trustee have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers, the Trustee or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Securities or their distribution.

### Incorporation by Reference

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the annual reports and the audited annual consolidated financial statements of the Issuer in respect of the financial years ending 31 December 2002 and 31 December 2003;
- (b) the unaudited consolidated interim (semi-annual) financial statements of the Issuer in respect of the six months ended 30 June 2004; and
- (c) the Articles of Association (*statuten*) of the Issuer as in force on the date of this Offering Circular.

### Offering and Selling Restrictions

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Trustee or the Managers that any recipient of this Offering Circular should purchase any of the Securities. Each investor contemplating purchasing Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and are subject to U.S. tax law requirements. Subject to certain exceptions, the Securities may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Securities and on distribution of this document, see "Subscription and Sale" below.

### STABILISATION

IN CONNECTION WITH THE ISSUE OF THE SECURITIES, ABN AMRO BANK N.V. MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET

PRICE OF THE SECURITIES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME (BUT WILL IN ANY EVENT BE DISCONTINUED 30 DAYS AFTER THE ISSUE DATE OF THE SECURITIES). SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATIONS INCLUDING ARTICLE 32 OF THE FURTHER REGULATIONS ON MARKET CONDUCT SUPERVISION ON THE SECURITIES TRADE (*NADERE REGELING GEDRAGSTOEZICHT EFFECTENVERKEER 2002*) AS AMENDED.

#### **Miscellaneous**

All references in this document to “euro”, “euros” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992).

In this Offering Circular, “we”, “our”, “us”, the “**Bank**” or the “**Issuer**” refers to Friesland Bank N.V. and its consolidated subsidiaries (unless the context requires otherwise).

See “Terms and Conditions of the Securities – 20. Definitions” for defined terms used in this Offering Circular.

## INVESTMENT CONSIDERATIONS

*The following is a summary of certain aspects of the Securities of which prospective investors should be aware. This summary is not intended to be exhaustive and prospective investors should carefully consider this summary in conjunction with the other information contained in this Offering Circular.*

### **Deferral**

#### *Mandatory deferral*

Upon the occurrence of a Regulatory Event and during the period such Regulatory Event is continuing, the Issuer will defer Payments (such term does not include principal) on the Securities for any period of time subject to suspension of payment on Junior Securities and Parity Securities or the Issuer no longer being subject to a Regulatory Event. Any Payments so deferred will not accrue interest. See “Terms and Conditions of the Securities — 4. Deferrals — (a) Mandatory Deferral of Payments” below.

#### *Optional deferral*

The Issuer may at its discretion elect to defer any Payment (such term does not include principal) on the Securities for any period of time subject to suspension of payment on Junior Securities and Parity Securities. Any payment deferred pursuant to the Issuer’s optional right to defer will bear interest at the Applicable Coupon Rate. See “Terms and Conditions of the Securities — 4. Deferrals — (b) Optional Deferral of Payments” below.

### **Perpetual securities**

The Issuer is under no obligation to redeem the Securities at any time and the Holders have no right to call for their redemption.

### **Status, Subordination and Ranking**

The Securities constitute direct, unsecured, subordinated securities of the Issuer and rank *pari passu* without any preference among themselves. The rights and claims of the Holders under the Securities are subordinated to the claims of Senior Creditors of the Issuer, present and future. On a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer the Securities will rank in priority to distributions on all classes of share capital of the Issuer and will rank *pari passu* with each other and among themselves, but will be subordinated in right of payment to the claims of Senior Creditors of the Issuer, present and future.

“**Senior Creditors**” means creditors of the Issuer:

- (i) who are unsubordinated creditors of the Issuer, or
- (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or
- (iii) who are subordinated creditors of the Issuer other than those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders.

### **Redemption risk**

Upon the occurrence of certain specified tax or regulatory events, or the Coupon Payment Date falling on 3 December 2014 or any Coupon Payment Date thereafter, the Securities may be redeemed at their principal amount together with any Outstanding Payments (as defined in “Terms and Conditions of the Securities – 20. Definitions”), subject as provided in “Terms and Conditions of the Securities – 7. Redemption and Purchases”.

**No limitation on issuing debt**

There is no restriction on the amount of debt which the Issuer may issue which ranks senior to the Securities or on the amount of securities which the Issuer may issue which ranks *pari passu* with the Securities. The issue of any such debt or securities may reduce the amount recoverable by Holders on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or may increase the likelihood of a deferral of Payments under the Securities.

**Market Disruption Event**

If, in the event the Alternative Coupon Satisfaction Mechanism is applied (which is mandatory if it concerns Deferred Coupon Payments and which the Issuer may elect to do in other cases), in the opinion of the Issuer a Market Disruption Event exists, the payment to Holders may be deferred until the cessation of such market disruption, as more particularly described in “Terms and Conditions of the Securities — 6. Alternative Coupon Satisfaction Mechanism — (d) Market Disruption”. Any such deferred payments shall bear interest at the Applicable Coupon Rate if the Market Disruption Event continues for 14 days or more.

**Restricted remedy for non-payment**

The sole remedy against the Issuer available to the Trustee or any Holder for recovery of amounts owing in respect of any Payment or principal in respect of the Securities will be the institution of proceedings in the Netherlands for the winding-up (*faillissement*) of the Issuer and/or proving in such winding-up.

**Set-off**

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Holder shall, by virtue of being the bearer of any Security, be deemed to have waived all such rights of set-off.

**Absence of prior public markets**

The Securities constitute an issue of new securities by the Issuer. Prior to this issue, there will have been no public market for the Securities. Although application has been made for the Securities to be listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V., there can be no assurance that an active public market for the Securities will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities.

## SUMMARY

*The following summary refers to certain provisions of the Terms and Conditions of the Securities and the Trust Deed and insofar as it refers to the Terms and Conditions of the Securities is qualified by the more detailed information contained elsewhere in this Offering Circular. Defined terms used herein have the meaning given to them in "Terms and Conditions of the Securities".*

<b>Issuer</b>	Friesland Bank N.V.
<b>Trustee</b>	Amsterdamsch Trustee's Kantoor B.V.
<b>Issue Size</b>	€125,000,000
<b>Issue Price</b>	100 per cent.
<b>Redemption/Call Option</b>	The Securities are perpetual securities and have no maturity date. Subject to prior consent of De Nederlandsche Bank N.V. (the " <b>Regulator</b> "), the Securities may be redeemed in whole but not in part at the option of the Issuer, at their principal amount, together with any Outstanding Payments on the Coupon Payment Date falling on 3 December 2014 or any Coupon Payment Date thereafter.
<b>Interest</b>	<p>The Securities will bear a variable rate of interest from (and including) the Issue Date which will be payable on each Coupon Payment Date (the "<b>Coupon Rate</b>"). The Coupon Rate payable from time to time in respect of the Securities will be determined on each Interest Determination Date for the next succeeding Coupon Period and shall be the linear interpolated effective yield on the relevant Interest Determination Date for two Dutch state loans with remaining terms most closely corresponding to 10 years (as from such Interest Determination Date) (the "<b>Reference Loans</b>") plus 0.125 per cent. The first Interest Determination Date is two Business Days before the Issue Date and the first Coupon Period runs from and including the Issue Date to but excluding 3 March 2005.</p> <p>If on any Interest Determination Date the Reference Loans are not available, the Coupon Rate payable on the Securities will be calculated on the basis of the interpolated effective yield on the relevant Interest Determination Date for two loans which are as much as possible identical in terms of yield, nature, remaining term and creditworthiness of the borrowers thereunder to the Reference Loans.</p>
<b>Interest Cap</b>	If the Coupon Rate in respect of any Coupon Period determined in accordance with the above provisions is greater than 8 per cent., the Coupon Rate for such Coupon Period shall be 8 per cent.
<b>Coupon Payment Dates</b>	Subject as described below, Coupon Payments will be payable quarterly in arrear on 3 March, 3 June, 3 September and 3 December of each year (each a " <b>Coupon Payment Date</b> ") from (and including) 3 March 2005.
<b>Condition of Payment</b>	No payment in respect of the Securities shall be payable except to the extent that the Issuer is not subject to a Regulatory Event and could make such payment and still not be subject to a Regulatory Event immediately thereafter.



**Status and Subordination**

The Securities constitute direct, unsecured and subordinated securities of the Issuer. The rights and claims of the Holders under the Securities are subordinated to the claims of Senior Creditors of the Issuer, present and future.

**Winding-up Claims**

The Securities will rank on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer in priority to distributions on all classes of share capital of the Issuer and will rank *pari passu* with each other and among themselves, but will be subordinated in right of payment to the claims of Senior Creditors of the Issuer, present and future.

**Mandatory Deferral of Payments**

If the Issuer determines, on the 20th Business Day prior to the date on which any Payment (such term does not include principal) would, in the absence of deferral in accordance with Condition 4 of the Terms and Conditions of the Securities, be due and payable, that it is subject to a Regulatory Event or that payment of the relevant Payment or part thereof would result in the Issuer becoming subject to a Regulatory Event, the Issuer must defer such Payment or part thereof.

Any payment so deferred may be satisfied at any time by the Issuer giving not less than 16 Business Days' notice of such satisfaction (provided that at the time of satisfying such payment, the Issuer is no longer subject to a Regulatory Event). Unless the Issuer elects to defer such Payment pursuant to its optional right to defer referred to below, such mandatory deferred payment must be satisfied on the Coupon Payment Date next following the 19th Business Day after the Issuer determines that it is no longer subject to a Regulatory Event and that such payment would not result in it becoming subject to a Regulatory Event again. No interest will accrue on payments being mandatorily deferred.

**Optional Deferral of Payments**

The Issuer may elect to defer any Payment (such term does not include principal) on the Securities for any period of time. However, if the Issuer makes this election, the deferred payment will bear interest at the Applicable Coupon Rate for the full period of optional deferral.

**Deferred and Future Interest Payments**

Any Payment which has been deferred will become immediately due and payable if the Issuer makes payments on or purchases or redeems any Parity Securities or Junior Securities. Furthermore any payment on or purchase or redemption of Junior Securities will result in full mandatory payments for the next four coupon periods. Any payment on Parity Securities will result in a proportional mandatory payment for the relevant number of consecutive coupon periods following the payment on such Parity Securities.

**Alternative Coupon Satisfaction Mechanism**

Any Deferred Coupon Payment (with any interest accrued on such Deferred Coupon Payment, as applicable) will be satisfied using the Alternative Coupon Satisfaction Mechanism. In addition, the Issuer may elect at any time to satisfy any Payment (other than Deferred Coupon Payments and a payment of principal) to Holders by using the Alternative Coupon Satisfaction Mechanism. This mechanism means that the relevant payment is satisfied from the proceeds of the issue of such amount of Payment Capital Securities for cash as required to provide enough cash for the Issuer to make full

	<p>payments on the Securities in respect of the relevant Payment. Investors will always receive payments made in respect of Securities in cash.</p>
<b>Market Disruption Event</b>	<p>If, in the opinion of the Issuer, a Market Disruption Event exists on or after the 15th Business Day preceding any date upon which the Issuer is due to satisfy a Payment using the Alternative Coupon Satisfaction Mechanism (which is mandatory if it concerns Deferred Coupon Payments and which the Issuer may elect to do in other cases), the payment to Holders may be deferred until the Market Disruption Event no longer exists. Any such deferred payments shall bear interest at the Coupon Rate if the Market Disruption Event continues for 14 days or more.</p>
<b>Additional Amounts</b>	<p>The Issuer will pay additional amounts to Holders of the Securities to gross up Payments upon the imposition of Dutch withholding tax, subject to customary exceptions.</p>
<b>Redemption for Taxation Reasons</b>	<p>Upon the occurrence of certain changes in the treatment of the Securities for taxation purposes as described below, the Issuer may, subject to prior consent of the Regulator, redeem all but not some only of the Securities at their principal amount together with any Outstanding Payments.</p>
<b>Redemption or Conversion for Regulatory Reasons</b>	<p>If the Issuer is not permitted to treat the aggregate principal amount of the Securities as own funds and core capital (tier 1 capital or equivalent) for the purposes of determination of its solvency margin, capital adequacy ratios or comparable margins or ratios under applicable capital adequacy regulations, then the Issuer may, subject to prior consent of the Regulator, redeem all, but not some only, of the Securities at their principal amount together with any Outstanding Payments or convert the Securities into another series of capital securities, as more fully described in the Terms and Conditions of the Securities.</p>
<b>Remedy for Non-Payment</b>	<p>The sole remedy against the Issuer available to any Holder of Securities for recovery of amounts owing in respect of the Securities will be the institution of proceedings for the winding-up (<i>faillissement</i>) of the Issuer and/or proving in such winding-up.</p>
<b>Form</b>	<p>The Securities will be represented by a Global Security in bearer form (the “<b>Global Security</b>”), without coupons, in the principal amount of €125,000,000. The Global Security will be deposited with Euroclear Netherlands (<i>Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.</i>). The Global Security will not be exchangeable for definitive Securities in bearer form.</p>
<b>Clearing Systems</b>	<p>Euroclear Netherlands, Euroclear and Clearstream.</p>
<b>Selling Restrictions</b>	<p>The offering and sale of the Securities are subject to all applicable selling restrictions. See “Subscription and Sale” on page 41.</p>
<b>Listing</b>	<p>Application has been made to list the Securities on the Official Segment of the Stock Market of Euronext Amsterdam. It is anticipated that the Securities will be quoted as a percentage of their principal amount of €100.</p>

**Ratings**

The Securities are expected to be assigned, on issue, a rating of “Baa2” by Moody’s Investors Service, Inc., and a rating of “A-” by Fitch Ratings Ltd. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

**Governing Law**

The Securities will be governed by, and construed in accordance with, the laws of the Netherlands.

## TERMS AND CONDITIONS OF THE SECURITIES

*The following, subject to alteration, are the terms and conditions of the Securities which will be endorsed on the Global Security:*

The Securities are constituted by the Trust Deed. The issue of the Securities was authorised pursuant to resolutions of the Management Board of the Issuer passed on 11 November 2004. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours by the Holders at the registered office of the Trustee, being at Fred. Roeskestraat 123, 1076 EE Amsterdam, the Netherlands and at the specified office of each of the Paying Agents. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

### 1. Form, Denomination and Title

#### (a) *Form and Denomination*

The Securities are in bearer form and shall be in denominations of €100 each. The Securities will be represented by a global security (the “**Global Security**”) without interest coupons, in the principal amount of €125,000,000. The Global Security will be deposited with *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* (“**Euroclear Netherlands**”) and thereby become subject to the Dutch Securities Giro Transfer Act (*Wet Giraal Effectenverkeer*, “**WGE**”). The Global Security will not be exchangeable for definitive bearer Securities.

#### (b) *Transfer and Title*

Interests in the Global Security will be transferable only in accordance with the provisions of the WGE and the rules and procedures for the time being of Euroclear Netherlands and its participants (*aangesloten instellingen*) and all transactions in (including transfer of) the Securities, in the open market or otherwise, must be effected through participants of Euroclear Netherlands. The bearer of the Global Security will be the only person entitled to receive payments in respect of the Global Security. Each person who is for the time being shown in the records of Euroclear Netherlands or any of its participants as the holder of a particular nominal amount of such Securities (in which regard any certificate or other document issued by Euroclear Netherlands or such participant as to the nominal amounts of Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Securities for all purposes other than with respect to the payment of principal or interest on the Securities, for which purpose the bearer of the Global Security shall be treated by the Issuer and the Paying Agents as the holder of such Securities in accordance with and subject to the terms of the Global Security.

### 2. Status

(a) *Status and Subordination of the Securities:* The Securities constitute direct, unsecured, subordinated securities of the Issuer and rank *pari passu* without any preference among themselves. The rights and claims of the Holders under the Securities are subordinated to the claims of Senior Creditors of the Issuer, present and future.

(b) (i) *Condition of Payment by the Issuer:* Payments in respect of the Securities (and use of the proceeds of the issue of Payment Capital Securities in accordance with Condition 6) are conditional upon the Issuer not being subject to a Regulatory Event at the time of payment (or at the time of use of the proceeds of the issue of such Payment Capital Securities) and no principal or Payments shall be payable in respect of the Securities (including use of the proceeds of the issue of Payment Capital Securities in accordance with Condition 6) except to the extent that the Issuer is not subject to a Regulatory Event and could make such payment (or

use of the proceeds of such issue of Payment Capital Securities) and still not be subject to a Regulatory Event.

For the purposes of this Condition 2(b)(i) any reference to a payment by the Issuer in respect of a Security shall be deemed to include a redemption or purchase of such Security by the Issuer.

- (ii) *Winding-Up Claims of the Issuer*: Amounts in respect of principal or Payments in respect of which the conditions referred to in Condition 2(b)(i) are not satisfied on the date upon which the same would otherwise be due and payable (“**Winding-Up Claims**”) will be payable by the Issuer in a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer as provided in Condition 3 and on any redemption pursuant to Condition 7(b), 7(c) or 7(d). A Winding-Up Claim shall not bear interest.
- (iii) *Set-off*: Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Holder shall, by virtue of being the bearer of any Security, be deemed to have waived all such rights of set-off.

### 3. Winding-up

If at any time an order is made, or an effective resolution is passed, for the winding-up (*faillissement of vereffening na ontbinding*) of the Issuer (except in any such case a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business (as defined in the Trust Deed) of the Issuer, the terms of which reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed)), a winding-up amount shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer). The Securities will rank on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer in priority to distributions on all classes of share capital of the Issuer and will rank *pari passu* with each other and among themselves, but will be subordinated in right of payment to the claims of Senior Creditors of the Issuer, present and future.

In a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer, Holders of the Securities will only have a claim for payment in full or part of principal and Deferred Coupon Payments, if any, to the extent that distributable assets of the Issuer are sufficient to pay in full or part such amount of principal and such Deferred Coupon Payments.

### 4. Deferrals

The Issuer must make each Coupon Payment on the relevant Coupon Payment Date subject to and in accordance with these Terms and Conditions. Without prejudice to the generality of Condition 2 and subject to Condition 4(c), the Issuer must or may defer a Coupon Payment and any other Payment in the following circumstances:

(a) *Mandatory Deferral of Payments*

- (i) Subject to Condition 4(c) if, on the 20th Business Day preceding the date on which any Payment would, in the absence of deferral in accordance with this Condition 4(a)(i), be due and payable, the Mandatory Deferral Condition is met, any such Payment must (subject to Condition 6) be deferred by the Issuer giving notice (a “**Deferral Notice**”) to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to such due date.

Subject to Condition 4(c), if, following the deferral of a Payment by the Issuer under this Condition 4(a)(i), the Mandatory Deferral Condition is no longer met on the 20th Business Day preceding a Coupon Payment Date, then the Issuer shall satisfy such Payment on the relevant Deferred Coupon Satisfaction Date having given, not less than 16 Business Days prior to the

Deferred Coupon Satisfaction Date, notice to the Trustee, the Holders and the Calculation Agent that it will satisfy such Payment on such date.

- (ii) The Issuer shall not satisfy such Payment on the relevant Deferred Coupon Satisfaction Date referred to in Condition 4(a) (i) above, if:
  - (1) it has previously elected to satisfy such Payment earlier (provided that, at the time of satisfying such payment, the Mandatory Deferral Condition fails to be met) by delivering a notice to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Deferred Coupon Satisfaction Date that it will satisfy such Payment on such date; or
  - (2) it validly elects to defer under Condition 4(b) the Payment which would otherwise have been satisfied under Condition 4(a) (i).
- (iii) If any Payment is deferred pursuant to this Condition 4(a) then no amount will be payable by way of interest on any such deferred Payment, save as provided in Condition 6(d).

Any such deferred Payment shall be satisfied from the proceeds of the issue of Payment Capital Securities in accordance with Condition 6.

(b) *Optional Deferral of Payments*

- (i) Subject to Condition 4(c), the Issuer may in respect of any Payment which would, in the absence of deferral in accordance with this Condition 4(b)(i), be due and payable, defer all or part of such Payment by giving a notice (also a “**Deferral Notice**”) to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders not less than 16 Business Days prior to the relevant due date. Subject to Condition 4(c), the Issuer shall then satisfy any such Payment at any time by means of an issue of Payment Capital Securities in accordance with Condition 6 upon delivery of a notice to the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Deferred Coupon Satisfaction Date informing them of its election to so satisfy such Payment and specifying the relevant Deferred Coupon Satisfaction Date.
- (ii) If any Payment is deferred pursuant to this Condition 4(b), then such deferred Payment shall bear interest at the Applicable Coupon Rate from (and including) the date on which (but for such deferral) the Deferred Coupon Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Coupon Satisfaction Date.

(c) *Dividend Pusher; Mandatory Payments and Mandatory Partial Payments*

The Issuer may give a Deferral Notice under Condition 4(a) and 4(b) above in its sole discretion and for any reason, except that a Deferral Notice as to a Payment required to be paid pursuant to (i), (ii) or (iii) below shall have no force or effect.

The Issuer will be required to make payments on the Securities in the following circumstances:

- (i) If a Mandatory Payment Event or a Mandatory Partial Payment Event occurs then all Deferred Coupon Payments will become mandatory due and payable in full on the date of the Mandatory Payment Event or Mandatory Partial Payment Event, notwithstanding any further Deferral Notice or an occurrence or continuance of the Mandatory Deferral Condition.

The Issuer may satisfy its obligations to pay such Deferred Coupon Payment only in accordance with the Alternative Coupon Satisfaction Mechanism. For the avoidance of doubt the Issuer will not be required to utilise the Alternative Coupon Satisfaction Mechanism in order to satisfy its obligation to pay any Mandatory Partial Payment payable on a Mandatory Partial Payment Date that coincides with the date on which such Deferred Coupon Payment has become mandatorily due and payable in full.



- (ii) If a Mandatory Payment Event occurs, then subject as provided in the next sentence, the Coupon Payments payable on the next four Coupon Payment Dates will be mandatorily due and payable in full on the relevant consecutive Coupon Payment Dates, notwithstanding any Deferral Notice as to such Coupon Payments or the occurrence or continuance of any Mandatory Deferral Condition. If the Mandatory Payment Event is a payment on a Junior Security or on a Junior Guarantee or on a security benefiting from a Junior Guarantee which in each case is in respect of a semi annual dividend, then the Coupon Payment payable on only the immediately next following two Coupon Payment Dates will be mandatorily due and payable in full on such mandatorily Coupon Payment Date notwithstanding any Deferral Notice as to such Coupon Payments or the occurrence or continuance of any Mandatory Deferral Condition. The Issuer is permitted, but shall not be required, to satisfy its obligation to make the Coupon Payment payable on such Coupon Payment Date in accordance with the Alternative Coupon Satisfaction Mechanism.
- (iii) If a Mandatory Partial Payment Event occurs, then Mandatory Partial Payments will be mandatorily due and payable in respect of each Security, notwithstanding any Deferral Notice or an occurrence of the Mandatory Deferral Condition. Such Mandatory Partial Payments shall be payable on the immediately next four consecutive Coupon Payment Dates, the immediately next two consecutive Coupon Payment Dates or the immediately next Coupon Payment Date, as the case may be, after the occurrence of such Mandatory Partial Payment Event, depending on whether the Parity Securities pay dividends or income distributions on an annual basis, a semi annual basis or a quarterly basis, as the case may be. The Issuer is permitted, but shall not be required, to satisfy its obligation to pay any Mandatory Partial Payments in accordance with the Alternative Coupon Satisfaction Mechanism.

## 5. Coupon Payments

### (a) *Coupon Payment Dates*

The Securities bear interest from (and including) the Issue Date. Such interest will (subject to Conditions 2(b)(i), 4(a), 4(b) and 6(d)) be payable quarterly in arrear on each Coupon Payment Date. Each Security will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at the prevailing rate in accordance with this Condition (both before and after judgment) as provided in the Trust Deed.

If any Coupon Payment Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next Business Day unless it would then fall into the next calendar month in which event the Coupon Payment Date shall be brought forward to the preceding Business Day and after the foregoing each subsequent Coupon Payment Date is the last Business Day of the month which falls three months after such Coupon Payment Date. The amount of the relevant Coupon Payment shall not be adjusted as a result.

### (b) *Coupon Rate*

The rate of interest payable from time to time in respect of the Securities (the “**Coupon Rate**”) will be determined on the basis of the following provisions:

- (i) The Coupon Rate will be determined on each Interest Determination Date for the next succeeding Coupon Period and shall be the linear interpolated effective yield on the relevant Interest Determination Date for two Dutch state loans with remaining terms most closely corresponding to 10 years (as from such Interest Determination Date) (the “**Reference Loans**”) plus 0.125 per cent. The first Interest Determination Date is two days before the Issue Date and the first Coupon Period runs from and including the Issue Date to but excluding 3 March 2005.
- (ii) If on any Interest Determination Date the Reference Loans are not available, the Coupon Rate payable on the Securities will be calculated on the basis of the interpolated effective yield on

the relevant Interest Determination Date for two loans which are as much as possible identical in terms of yield, nature, remaining term and creditworthiness of the borrowers thereunder to the Reference Loans.

- (iii) If the Coupon Rate in respect of any Coupon Period determined in accordance with the above provisions is greater than 8 per cent., the Coupon Rate for such Coupon Period shall be 8 per cent.

(c) *Determination and Publication of Coupon Rate and Coupon Amounts*

The Calculation Agent will, upon the determination of each Coupon Rate pursuant to Condition 5(b), calculate the Coupon Amount and cause the Coupon Rate and each Coupon Amount payable in respect of a Coupon Period to be notified to the Trustee, the Issuer, the Principal Paying Agent, Euronext Amsterdam N.V., and the Holders and to be published as soon as possible after their determination but in no event later than the fourth Business Day thereafter.

The amount of interest payable for any period will be computed on the basis of a 360-day year of 12 30-day months. The rate at which interest will be payable for each full Coupon Period will be computed by dividing the relevant Coupon Rate by four.

(d) *Determination or Calculation by Trustee*

If the Calculation Agent does not at any time for any reason (i) determine the Coupon Rate in accordance with Condition 5(b) or (ii) calculate a Coupon Amount in accordance with Condition 5(c), the Trustee or an agent on its behalf shall do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee or such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it or such agent can do so, and in all other respects it or such agent shall do so in such manner as it shall deem fair and reasonable in all the circumstances. All determinations or calculations made or obtained for the purposes of the provisions of this Condition 5(d) by or on behalf of the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents and all Holders and (in the absence of wilful default or bad faith) no liability to the Issuer or the Holders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

## 6. **Alternative Coupon Satisfaction Mechanism**

(a) *Alternative Coupon Satisfaction Mechanism*

If any Deferred Coupon Payment (with any interest accrued on such Deferred Coupon Payment, as applicable) is to be made, it will be satisfied using the Alternative Coupon Satisfaction Mechanism. In addition, the Issuer may elect at any time to satisfy its obligation to make any Payment (other than Deferred Coupon Payments and a payment of principal) to Holders by using the Alternative Coupon Satisfaction Mechanism. “**Alternative Coupon Satisfaction Mechanism**” means that the relevant payment is satisfied through the application of proceeds of the issue of such amount of Payment Capital Securities for cash as required to provide enough cash for the Issuer to make full payments on the Securities in respect of the relevant Payment, in accordance with and subject to the following provisions of this Condition 6. Investors will always receive payments made in respect of Securities in cash.

If the Issuer uses the Alternative Coupon Satisfaction Mechanism, the Issuer shall notify the Trustee and the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Coupon Payment Date. In the absence of or save to the extent of such issue, subject to Condition 4(a) (*Mandatory Deferral of Payments*) and Condition 4(b) (*Optional Deferral of Payments*), Payments must be satisfied in accordance with Condition 8(a).



(b) *Issue of Payment Capital Securities*

If any Payment is to be satisfied in accordance with the Alternative Coupon Satisfaction Mechanism then, subject to Condition 6(d):

- (i) by close of business on or before the seventh Business Day prior to the relevant Coupon Payment Date or Deferred Coupon Satisfaction Date the Issuer will issue such number of Payment Capital Securities as, in the determination of the Issuer, have a market value of not less than the relevant Payment to be satisfied in accordance with this Condition 6;
- (ii) if, after the operation of the above procedures, there would in the opinion of the Issuer be a shortfall on the date on which the relevant Payment is due, the Issuer shall issue further Payment Capital Securities in accordance with the provisions of the Trust Deed to ensure that a sum at least equal to the relevant Payment is available to make the Payment in full on the relevant due date provided that if, despite the operation of the aforementioned provisions, such a shortfall exists on the relevant due date the Issuer will in accordance with the provisions of the Trust Deed continue to issue Payment Capital Securities until the Principal Paying Agent shall have received funds equal to the full amount of such shortfall.
- (iii) If the Issuer fails, by the date or time specified, to perform any of its obligations described in paragraphs (i) and (ii) above, the Trustee shall appoint the Calculation Agent to perform such obligations.

(c) *Receipt of cash proceeds in respect of Issue of Payment Capital Securities satisfies Payment*

Where the Issuer either elects or is required to make a Payment hereunder by application of the proceeds of an issue of Payment Capital Securities and in accordance with its obligations under the Trust Deed issues such Payment Capital Securities, the cash proceeds of such issue by the Issuer shall, subject to Condition 6(b)(iii) and 6(d), be used to satisfy the relevant Payment or, as the case may be, in the circumstances referred to in (d) below, the relevant part of such Payment. The proceeds of sale of Payment Capital Securities in accordance with this Condition 6 shall be paid by the Principal Paying Agent to the Holders in respect of the relevant Payment.

(d) *Market Disruption*

Notwithstanding the provisions of Condition 6(b), if there exists, in the opinion of the Issuer (subject, where necessary, to determinations made by the Calculation Agent) a Market Disruption Event on or after the 15th Business Day preceding any date upon which a Payment is due to be made or satisfied in accordance with this Condition 6, then the Issuer may give a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant Payment shall be deferred until such time as (in the opinion of the Issuer) the Market Disruption Event no longer exists.

Any such deferred Payment will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Interest shall not accrue on such deferred Payment unless, as a consequence of the existence of a Market Disruption Event, the Issuer does not make the relevant Payment for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such deferred Payment from (and including) the date on which the relevant Payment was due to be made to (but excluding) the date on which such Payment is made. Any such interest shall accrue at the rate provided for in Condition 5 and shall be satisfied only in accordance with this Condition 6 and as soon as reasonably practicable after the relevant deferred Payment is made. No liability shall attach to the Trustee or its agents if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or any such agent, the Trustee or any such agent is unable to comply with the provisions of Condition 6(b).

(e) *Issuer certification to Trustee*

The Issuer will certify to the Trustee that the proceeds used to make any Deferred Coupon Payment have been funded through the issue of Payment Capital Securities which will provide the cash amount due in respect of the Deferred Coupon Payment.

**7. Redemption and Purchases**

(a) *No Fixed Redemption Date*

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Conditions 2 and 3 and without prejudice to the provisions of Condition 11) only have the right to repay them in accordance with the following provisions of this Condition 7.

(b) *Issuer's Call Option*

Subject to Condition 2(b)(i), the Issuer may, subject to the prior consent of the Regulator and by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 15 and to the Principal Paying Agent and the Trustee, which notice shall be irrevocable, elect to redeem all, but not some only, of the Securities on the Coupon Payment Date falling on 3 December 2014 or any Coupon Payment Date thereafter at their principal amount together with any Outstanding Payments.

(c) *Redemption due to Taxation*

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that, on the next due date for a Coupon Payment:

- (i) the Issuer would, for reasons outside its control, be unable to make such payment without being required to pay additional amounts as provided or referred to in Condition 10; or
- (ii) payments of amounts in respect of interest on the Securities including, for the avoidance of doubt, the issue of Payment Capital Securities pursuant to Condition 6, may be treated as "distributions" within the meaning of Section II of the Dividend Withholding Tax Act 1965 (*Wet op de dividendbelasting 1965*) (or such other Section and/or Act as may from time to time supersede or replace Section II of the Dividend Withholding Tax Act 1965 for the purposes of such definition) and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith) deems appropriate; or
- (iii) as a result of any change in or proposed change in, or amendment to or proposed amendment to, the laws of the Netherlands or any political subdivision or authority thereof having power to tax, or any change in or proposed change in the application of official or generally published interpretation of such laws, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such law or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the Securities, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by Act of Parliament or made by Statutory Instrument on or after 1 December 2004, there is more than an insubstantial risk that the Issuer will not obtain full or substantially full relief for the purposes of Dutch corporation tax for any payment of interest including, for the avoidance of doubt, where the payment of interest is to be satisfied by the issue of Payment Capital Securities,

then the Issuer may (and subject to Condition 2(b)(i) and the prior consent of the Regulator), having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15, the Holders (which notice shall be irrevocable), redeem, in accordance

with these Terms and Conditions, at any time all, but not some only, of the Securities at their principal amount together with any Outstanding Payments.

Prior to the publication of any notice of redemption pursuant to this Condition 7(c), the Issuer shall deliver to the Trustee a certificate signed by a member of the Management Board of the Issuer stating that the relevant requirement or circumstance referred to in paragraphs (i), (ii) or (iii) above is satisfied and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Holders.

(d) *Redemption or Conversion for Regulatory Purposes*

If the Issuer notifies the Trustee immediately prior to the giving notice referred to below that the Regulator has determined that securities of the nature of the Securities cease to qualify as Tier 1 Capital of the Issuer (or instruments of a similar nature which qualify as core capital) for the purposes of applicable adequacy regulations (a “**Capital Disqualification Event**”), then the Issuer may, subject to the prior consent of the Regulator and Condition 2(b)(i)), having given not less than 30 nor more than 60 days’ notice (which notice shall be irrevocable) to the Trustee, the Principal Paying Agent and, in accordance with Condition 15, the Holders (i) redeem, in accordance with these Terms and Conditions, at any time all, but not some only, of the Securities at their principal amount together with any Outstanding Payments or (ii) subject to compliance with applicable regulatory requirements, convert or exchange the Securities in whole (but not in part) to another series of capital securities having materially the same terms as the Securities and which are no less favourable to an investor than the terms of the Securities then prevailing. The Issuer is permitted to satisfy its obligation to pay any Deferred Coupon Payment due upon conversion only in accordance with the Alternative Coupon Satisfaction Mechanism.

(e) *Purchases*

The Issuer, may (subject to Condition 2(b)(i)) at any time purchase Securities in any manner and at any price. Securities purchased by the Issuer may be held, reissued, resold or, at the option of the Issuer, be cancelled by decreasing the number of Securities represented by the Global Security by an equal number.

(f) *Cancellation*

Cancellation of any Securities will be effected by reduction in the principal amount of the Global Security and such cancelled Securities may not be reissued or resold. The obligations of the Issuer in respect of any such Securities shall be discharged.

## 8. **Payments**

(a) *Method of Payment*

(i) Payments of principal and Coupon Amounts and all other payments on or in respect of the Securities will be in euro and will be calculated by the Calculation Agent and effected through the Paying Agents.

Payments of redemption amounts and interest in respect of the Securities will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of the Global Security to the order of the Paying Agent. A record of each payment will be endorsed on the appropriate part of the schedule to the Global Security by or on behalf of the Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Securities.

(ii) The names of the initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying

Agents provided that it will at all times maintain (x) a Paying Agent having a specified office in the Netherlands (y) for so long as the Securities are listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V., or any other stock exchange or regulated securities market, and the rules of such exchange or securities market so require, a Paying Agent having a specified office in such location as the rules of such exchange or securities market may require and (z) if a European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 comes into force, a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to such Directive. Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 15.

(b) *Payments subject to fiscal laws*

All payments made in accordance with these Terms and Conditions will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10.

(c) *Payments on Payment Business Days*

The Global Security may only be presented for payment on a day (other than a Saturday or a Sunday) on which (i) commercial banks are open for general business in Amsterdam and, if different, in the place of the specified office of the relevant Paying Agent to whom the Global Security is presented for payment and (ii) the Trans-European Real-time Gross settlement Express Transfer (TARGET) System is operating.

No further interest or other payment will be made as a consequence of the day on which the Global Security may be presented for payment under this paragraph falling after the due date.

## **9. Non-Payment when Due**

*Notwithstanding any of the provisions below in this Condition 9, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 2(b) and subject as provided in the next sentence, no principal or Payment will be due by the Issuer if the Issuer is subject to a Regulatory Event or would be subject to a Regulatory Event if payment of such principal or Payment was made. Also, in the case of any Payment, such Payment will not be due if the Issuer has elected to defer that Payment pursuant to Condition 4(a) or 4(b) if the circumstances referred to in Condition 6(d) then apply. The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.*

- (a) If the Issuer shall not make a payment in respect of the Securities for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities, and the Trustee may, notwithstanding the provisions of paragraph (b) of this Condition 9, institute proceedings in the Netherlands (but not elsewhere) for the winding-up (*faillissement*) of the Issuer.
- (b) Subject as provided in Condition 9, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Securities (other than for the payment of any principal or satisfaction of any Payments in respect of the Securities, including any payment under clause 2.6 of the Trust Deed) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

- (c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) or (b) above against the Issuer to enforce the terms of the Trust Deed or the Securities unless (i) it shall have been so requested by an Extraordinary Resolution or in writing by the holders of at least one-fifth in principal amount of the Securities then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (d) No Holder shall be entitled to proceed directly against the Issuer, or to institute proceedings for the winding-up (*faillissement*) of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. No remedy against the Issuer shall be available to the Trustee or any Holder (i) for the recovery of amounts owing in respect of the Securities (including any payment under clause 2.6 of the Trust Deed), other than the institution of proceedings in the Netherlands (but not elsewhere) for the winding-up (*faillissement*) of the Issuer and/or proving in such winding-up (*faillissement*) and (ii) for the breach of any other term under the Trust Deed or the Securities other than as provided in paragraph (b) above.

## 10. Taxation

All payments by the Issuer of principal, Coupon Amounts, Deferred Coupon Payments, Mandatory Payments, Mandatory Partial Payments, Accrued Coupon Payments and Winding-Up Claims in respect of the Securities will be made without withholding of or deduction for, or on any account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the Netherlands or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Securities in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any Security:

- (i) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of such Holder or, as the case may be, having some connection with the Netherlands other than the mere holding of such Security; or
- (ii) to, or to a third party on behalf of, a Holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (iii) to, or to a third party on behalf of, a Holder that is a partnership or a Holder that is not the sole beneficial owner of the Security or which holds the Security in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly his beneficial or distributive share of the payment; or
- (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.



References in these Terms and Conditions to principal, Coupon Amounts, Deferred Coupon Payments, Mandatory Partial Payments and/or Accrued Coupon Payments shall be deemed to include any additional amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

In the event that any payment is satisfied by using the proceeds of an issue of Payment Capital Securities pursuant to Condition 6, then any additional amounts which are payable shall also be satisfied from the proceeds of the issue of Payment Capital Securities.

## **11. Prescription**

Claims for payment in relation to Securities will become void unless exercised within a period of five years from the due date thereof.

## **12. Meetings of Holders, Modification, Waiver and Substitution**

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests including the modification by Extraordinary Resolution of any of these Terms and Conditions or any of the provisions of the Securities or the Trust Deed. Any Extraordinary Resolution duly passed shall be binding on all Holders (whether or not they were present at the meeting at which such resolution was passed).

The Trustee may agree, without the consent of the Holders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Holders. Any such modification, authorisation or waiver shall be binding on the Holders and, if the Trustee so requires, such modification shall be notified to the Holders as soon as practicable thereafter in accordance with Condition 15.

As provided in the Trust Deed, the Trustee may agree with the Issuer, without the consent of the Holders to substitution on a subordinated basis equivalent to that referred to in these Terms and Conditions of any holding company of the Issuer, any subsidiary of such holding company, any Subsidiary, any successor in business of the Issuer or any subsidiary of any successor in business of the Issuer (the “**Substituted Issuer**”) in place of the Issuer (or any previous Substituted Issuer under this Condition 12) as a new issuing party under the Trust Deed, the Securities and the Coupons. In connection with any proposed substitution as aforesaid and in connection with the exercise of its functions, the Trustee shall have regard to the interests of the Holders as a class and the Trustee shall not have regard to the consequences of such substitution for individual Holders resulting from in particular their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Holders as a class and shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 10 and/or any undertaking given in addition thereto or in substitution therefor under the Trust Deed.

## **13. Replacement of the Securities**

Should the Global Security be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (or such other place of which notice shall have been given in

accordance with Condition 15) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and/or indemnity as the Issuer may reasonably require. The mutilated or defaced Global Security must be surrendered before any replacement Global Security will be issued.

#### **14. Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, without accounting for any profit resulting therefrom.

#### **15. Notices**

Notices to Holders may be given by the delivery of the relevant notice to Euroclear Netherlands except that for so long as the Securities are listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V. and the rules of Euronext Amsterdam N.V. so require, notices shall also be published in the Euronext Amsterdam Daily Official List (*Officiële Prijscourant*) and a newspaper having general circulation in the Netherlands, most likely *Het Financieele Dagblad*. Any such notice shall be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Any Notice delivered to Euroclear Netherlands shall be deemed to have been given to the Holders on the day on which such notice is so delivered.

#### **16. Further Issues**

The Issuer is at liberty from time to time without the consent of the Holders to create and issue further Securities ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Securities) and so that the same shall be consolidated and form a single series with the outstanding Securities. Any such Securities shall be constituted by a deed supplemental to the Trust Deed.

#### **17. Agents**

The Issuer will procure that there shall at all times be a Calculation Agent and a Principal Paying Agent so long as any Security is outstanding. If either the Calculation Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Terms and Conditions or the Agency Agreement, as appropriate, the Issuer shall appoint, on terms acceptable to the Trustee, an independent investment bank acceptable to the Trustee to act as such in its place. Neither the termination of the appointment of a Calculation Agent or the Principal Paying Agent nor the resignation of either will be effective without a successor having been appointed.

All calculations and determinations made by the Calculation Agent or the Principal Paying Agent in relation to the Securities shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents and the Holders.

None of the Issuer, the Trustee and the Paying Agents shall have any responsibility to any person for any errors or omissions in any calculation by the Calculation Agent.

#### **18. Governing Law and Jurisdiction**

- (a) The Trust Deed and the Securities are governed by, and shall be construed in accordance with, the laws of the Netherlands.
- (b) The Courts of the Netherlands are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Securities, and accordingly any legal action or

proceedings arising out of or in connection with the Trust Deed and the Securities may be brought in such courts.

## 19. Additional Obligations

For so long as the Securities are listed on Euronext Amsterdam N.V., the Issuer will comply with the provisions set forth in Article 2.1.20 of Schedule B of the Listing and Issuing Rules (“*Fondsenreglement*”) of Euronext Amsterdam N.V. or any amended form of the said provisions in force for the time being.

## 20. Definitions

In these Terms and Conditions:

“**Accrued Coupon Payment**” means, as at any time, where these Terms and Conditions provide that interest shall continue to accrue after a Coupon Payment Date in respect of a Security the amount of interest accrued thereon in accordance with Conditions 4(b), 5 and 6(d);

“**Agency Agreement**” means the agency agreement dated 3 December 2004 between the Issuer, the Trustee and the Agents relating to the Securities under which each Agent agrees to perform the duties required of it under these Terms and Conditions;

“**Agents**” means the agents appointed pursuant to the Agency Agreement and such term shall unless the context otherwise requires, include the Principal Paying Agent;

“**Alternative Coupon Satisfaction Mechanism**” has the meaning ascribed to it in Condition 6(a);

“**Applicable Coupon Rate**” means in relation to any Payment deferred pursuant to Condition 4(b) or Condition 6(d), the Coupon Rate payable on the Securities as determined by the Calculation Agent in accordance with Condition 5(b) for the Coupon Periods during which such Payment is deferred;

“**Business Day**” means a day, other than a Saturday or Sunday, which is a TARGET Settlement Day and on which commercial banks and foreign exchange markets are open for general business in Amsterdam;

“**Calculation Agent**” means, as calculation agent in relation to the Securities, or its successor or successors for the time being appointed under the Agency Agreement;

“**Coupon Amount**” means (i) in respect of a Coupon Payment, the amount of interest payable on a Security for the relevant Coupon Period in accordance with Condition 5 and (ii) for the purposes of Conditions 7(c) and 7(d) any interest accrued from (and including) the preceding Coupon Payment Date (or, if none, the Issue Date) to (but excluding) the due date for redemption if not a Coupon Payment Date as provided for in Condition 5(b);

“**Coupon Payment**” means, in respect of a Coupon Payment Date, the aggregate Coupon Amounts for the Coupon Period ending on such Coupon Payment Date;

“**Coupon Payment Date**” means 3 March, 3 June, 3 September and 3 December each year, starting 3 March 2005;

“**Coupon Period**” means the period commencing on (and including) the Issue Date and ending on (but excluding) the first Coupon Payment Date and each successive period commencing on (and including) a Coupon Payment Date and ending on (but excluding) the next succeeding Coupon Payment Date;

“**Coupon Rate**” has the meaning ascribed to that term in Conditions 5(b);

“**Deferred Coupon Payment**” means:

- (i) any Payment, or part thereof, which has been deferred in accordance with Condition 4(a) (*Mandatory Deferral of Payments*) and has not subsequently been either (x) satisfied or (y) deferred in accordance with Condition 4(b) (*Optional Deferral of Payments*); or



- (ii) any Payment, or part thereof, which, pursuant to Condition 4(b) the Issuer has elected to defer and which has not been satisfied;

“**Deferred Coupon Satisfaction Date**” means:

- (i) with respect to a deferral under Condition 4(a)(i), the Coupon Payment Date following the 19th Business Day after the Mandatory Deferral Condition fails to be met or, if earlier, the date on which the Issuer has resolved to satisfy a Deferred Coupon Payment, as notified by the Issuer to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 4(a)(ii); or
- (ii) the date on which the Issuer has resolved to satisfy a Deferred Coupon Payment, as notified by the Issuer to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 4(b); or
- (iii) the date on which the Issuer is required to satisfy all Deferred Coupon Payments pursuant to Condition 4(c);

“**Holder**” means the bearer of any Security;

“**Interest**” shall, where appropriate, include Coupon Amounts, Deferred Coupon Payments and Accrued Coupon Payments;

“**Interest Determination Date**” means the second Business Day before the commencement of each Coupon Period;

“**Issue Date**” means 3 December 2004, being the date of initial issue of the Securities;

“**Issuer**” means Friesland Bank N.V.;

“**Junior Guarantee**” means any guarantee, indemnity or other contractual support arrangement entered into by the Issuer in respect of securities (regardless of name or designation) issued by a Subsidiary or Undertaking and ranking on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or in respect of distributions or payment of dividends or any other payment thereon after the Securities;

“**Junior Securities**” means the Ordinary Shares or any other securities of the Issuer which rank as regards distributions on a return of assets on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or in respect of distributions or payment of dividends or any other payments thereon after the Securities;

“**Managers**” means ABN AMRO Bank N.V. and Friesland Bank N.V.;

the “**Mandatory Deferral Condition**” will be met if, in the determination of the Issuer, on the Relevant Date, the Issuer is, or payment of the relevant Payment, or part thereof, by the Issuer will result in the Issuer being, subject to a Regulatory Event;

“**Mandatory Partial Payment**” payable on any Coupon Payment Date means a payment in respect of each Security in an amount that results in payment of a proportion of a full Coupon Payment on the Security on such Coupon Payment Date equal to the proportion of a full dividend on the relevant Parity Securities and/or payment on the relevant Parity Guarantee paid on the dividend or payment date in respect of the relevant Parity Securities and/or Parity Guarantee immediately preceding;

A “**Mandatory Partial Payment Event**” shall occur if any of the following occurs:

- (i) the Issuer declares, pays or distributes a dividend or makes a payment on any of its Parity Securities or makes any payment on a Parity Guarantee; or
- (ii) any Subsidiary or Undertaking declares, pays or distributes a dividend on any security issued by it benefiting from a Parity Guarantee or makes a payment on any security issued by it benefiting from a Parity Guarantee;

A “**Mandatory Payment Event**” shall occur if any of the following occurs:

- (i) the Issuer declares, pays or distributes a dividend or makes a payment (other than a dividend in the form of Ordinary Shares) on any of its Junior Securities or makes any payment on a Junior Guarantee;
- (ii) any Subsidiary or Undertaking declares, pays or distributes a dividend on any security issued by it benefiting from a Junior Guarantee or makes a payment (other than a dividend in the form of Ordinary Shares) on any security issued by it benefiting from a Junior Guarantee;
- (iii) the Issuer or any Subsidiary or Undertaking redeems, purchases or otherwise acquires any of the Issuer’s Junior Securities, any Parity Securities or any securities issued by any Subsidiary or Undertaking benefiting from a Junior Guarantee or Parity Guarantee (other than (1) by conversion into or in exchange for Ordinary Shares, (2) in connection with transactions effected by or for the account of customers of the Issuer or any Subsidiary or in connection with the distribution, trading or market making in respect of those securities, (3) in connection with the satisfaction by the Issuer or any Subsidiary of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants, (4) as a result of a reclassification of the Issuer or any Subsidiary or the exchange or conversion of one class or series of capital stock for another class or series of capital stock, or (5) the purchase of fractional interests in shares of the capital stock of the Issuer or any Subsidiary pursuant to the conversion or exchange provisions of that capital stock or the security being converted or exchanged) for any consideration, or any moneys are paid to or made available for a sinking fund or for redemption of any Junior Securities, Parity Securities or any securities issued by any Subsidiary or Undertaking benefiting from a Junior Guarantee or Parity Guarantee;

“**Market Disruption Event**” means (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or on settlement procedures for transactions in the Payment Capital Securities on the Relevant Stock Exchange) if, in any such case, that suspension or limitation is, in the determination of the Issuer material in the context of the sale of the Payment Capital Securities, (ii) where, in the opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the Payment Capital Securities or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the Payment Capital Securities, (iii) where, pursuant to these Terms and Conditions, moneys are required to be converted from one currency into another currency in respect of any Payment, the occurrence of any event that makes it impracticable to effect such conversion or (iv) where, in the opinion of the Issuer, there shall have been such a change in national or international financial, political or economic conditions or currency exchange rates or exchange controls as would in its view be likely to prejudice materially the success of the offering and distribution of the Payment Capital Securities or dealings in the Payment Capital Securities in the secondary market, if any;

“**Non-callable Securities**” means perpetual securities constituting Tier 1 capital of the Issuer save that such securities shall not be callable at the option of the Issuer;

“**Ordinary Shares**” means ordinary shares of the Issuer or depositary receipts, if any, issued in respect of such Ordinary Shares as the context may require;

“**Outstanding Payment**” means:

- (i) in relation to any Coupon Payment, Deferred Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment, that such payment or amount (a) has either become due and payable or would have become due and payable except for the non-satisfaction on the relevant date of the conditions referred to in Condition 2(b)(i) or the deferral, postponement or suspension of such payment in accordance with any of Conditions 4(a), 4(b) or 6(d) and (b) in any such case has not been satisfied; and
- (ii) in relation to any Accrued Coupon Payment, any amount thereof which has not been satisfied whether or not payment has become due;

“**Parity Guarantee**” means any guarantee, indemnity or other contractual support arrangement entered into by the Issuer in respect of securities (regardless of name or designation) issued by a Subsidiary or an Undertaking which rank on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or in respect of distributions or payment of dividends or any other payments thereon *pari passu* with the Securities;

“**Parity Securities**” means, in respect of the Issuer, any securities of the Issuer which in respect of distributions on a return of assets on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or in respect of distribution or payment of dividends and/or any other amounts thereunder by the Issuer rank *pari passu* with the Securities as regards such distributions or payments;

“**Paying Agents**” means the paying agents appointed pursuant to the Agency Agreement and such term shall, unless the context otherwise requires, include the Principal Paying Agent;

“**Payment**” means any Coupon Payment, Deferred Coupon Payment, Accrued Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment;

“**Payment Capital Securities**” means (i) any Non-callable Securities, (ii) Ordinary Shares, (iii) Preference Shares or (iv) profit participation rights (*winstbewijzen*), which may be issued by the Issuer to satisfy the Alternative Coupon Satisfaction Mechanism set out in Condition 6(a);

“**Preference Shares**” means preference shares of the Issuer;

“**Principal Paying Agent**” means the principal paying agent appointed pursuant to the Agency Agreement;

“**Regulator**” means *De Nederlandsche Bank N.V.* (the Dutch Central Bank) or any successor regulator;

“**Regulatory Event**” means that the Issuer shall have been notified in writing by the Regulator to the effect that at any Coupon Payment Date, the Issuer’s capital adequacy ratio would after payment of the Coupon Payment be less than the minimum capital adequacy requirements as applied and enforced by the Regulator or any other appropriate regulator;

“**Relevant Date**” means (i) in respect of any payment other than a Winding-Up Claim, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the “Relevant Date” means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 15, and (ii) in respect of a Winding-Up Claim, the date which is one day prior to the commencement of the winding-up (*faillissement of vereffening na ontbinding*);

“**Relevant Stock Exchange**” means the exchange or quotation system on which the Payment Capital Securities may have their primary listing from time to time;

“**Securities**” means the Euro 125,000,000 Perpetual Capital Securities, and such expression shall include, unless the context otherwise requires, any further Securities issued pursuant to Condition 16 and forming a single series with the Securities;

“**Senior Creditors**” means present and future creditors of the Issuer (a) who are unsubordinated creditors of the Issuer, or (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise or (c) who are subordinated creditors of the Issuer other than those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders;

“**Subsidiary**” means a subsidiary of the Issuer within the meaning of Section 2:24a of the Dutch Civil Code;

“**TARGET Settlement Day**” means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) system is open;

“**Trust Deed**” means the trust deed dated 3 December 2004 between the Issuer and the Trustee;

“**Trustee**” means Amsterdamsch Trustee’s Kantoor B.V.;

“**Undertaking**” means a body corporate, partnership, limited partnership, cooperative or an incorporated association carrying on a trade or business with or without a view to profit in which the Issuer has a direct or indirect financial, commercial or contractual majority interest; and

“**Winding-Up Claim**” has the meaning ascribed to it in Condition 2(b)(ii).

## FRIESLAND BANK N.V.

### History and Structure

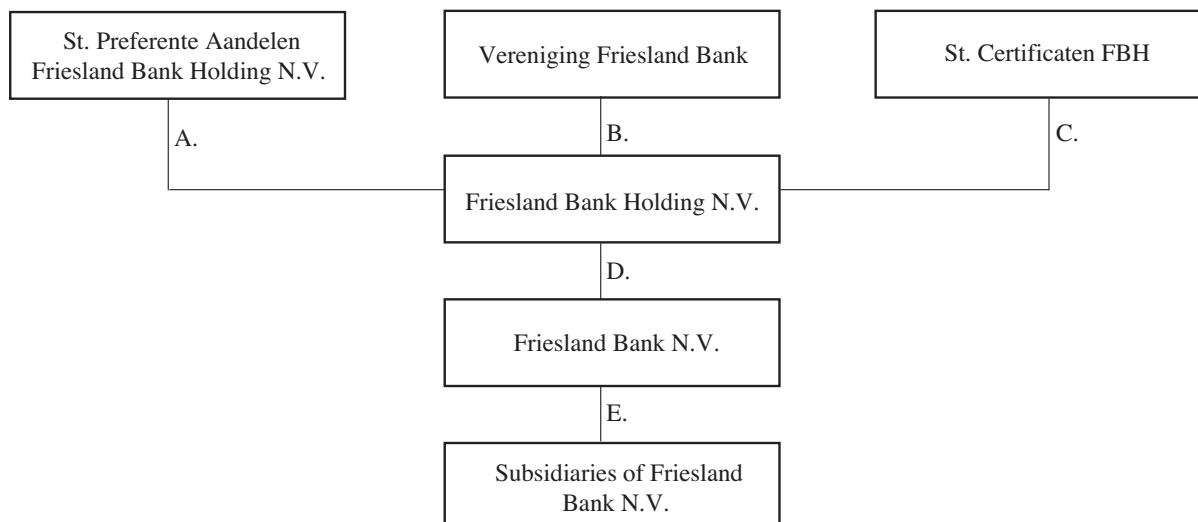
Friesland Bank N.V. was founded in 1913 in Leeuwarden as Coöperatieve Zuivelbank by a number of Frisian co-operative dairy industries to regulate their cash positions and to provide them with short-term credits. Soon the Bank extended its operations to all agrisector business in Friesland organised on a co-operative basis, and to local authorities and water boards. The Bank undertook virtually no retail activities. In its first 50 years, the Bank operated exclusively from its offices at Leeuwarden. From 1963 onwards, the Bank's strategy was fundamentally changed: services were offered also to non-co-operative businesses in Friesland and a retail banking operation was set up. As a result, a network of 60 branches was established throughout Friesland. In 1970, the Bank changed its name to Coöperatieve Vereniging Friesland Bank b.a. to reflect both its regional identity and its character as a general bank.

In 1992, the Bank decided, in view of the ongoing concentration in the Dutch banking industry, to expand its activities to the whole northern part of the Netherlands, to enter into alliances with other financial institutions and to modernise its legal structure. In 1993, a branch was opened in Groningen, followed by branches in Alkmaar (1995) and Assen (1997). In the course of 1999, a branch was opened in Zwolle. To improve efficiency, 20 smaller branches in the province of Friesland were closed in 1999 and in 2000/2001, three further branches were closed. In 2002, a branch was opened in Enschede. At the end of 1994, the Bank entered into an alliance with F. van Lanschot Bankiers N.V. and took a 24.2 per cent. shareholding in the common shares of F. van Lanschot Bankiers N.V. At the end of 2003, this stake amounted to 27 per cent. In 1996, the Bank took a 7.5 per cent. participation in Triodos Bank N.V., a "green" bank which finances environmentally-friendly projects and initiatives and, in 1997, the Bank acquired an 82 per cent. interest in Friesland Bank Securities N.V. (then known as Bank Bangert-Pontier N.V.), a stockbroker in Amsterdam. In the middle of 1999, the participation of the Bank in Friesland Bank Securities N.V. was increased to 100 per cent. During the year 2002, the Bank sold 75 per cent. of Friesland Bank Securities N.V. At the same time Friesland Bank Securities N.V. renamed itself FBS Bankiers N.V. In 1998, the Bank took a 60 per cent. participation in Aecum B.V., a pension consultancy firm and in 1999, it acquired a 5.3 per cent. interest in Kempen & Co. N.V., an Amsterdam-based merchant bank. This stake was increased to almost 14 per cent. in 2000 but sold in July 2001 when Dexia Banque Internationale à Luxembourg société anonyme formally acquired Kempen & Co. N.V. Recently, the Bank announced that it will acquire a 20 per cent. stake in Kempen & Co. N.V. upon its planned divesture from Dexia. The stake in Aecum B.V. was increased in 2000 to 100 per cent. In the same year, Spaar- en Voorschotbank N.V., already a 100 per cent. subsidiary for years, became a legal part of the Bank. Through these acquisitions and participating interests, the Bank intends to keep closely in touch with the developments in various market niches of the Dutch banking sector.

In 1995, the legal structure of the Bank was changed from a co-operative to a company with limited liability, with the share capital held by Vereniging Friesland Bank, a body which comprises the former members of the co-operative. The new structure enabled the Bank to attract new capital. In 1996, the share capital was increased by the issue of €34 million of preference shares. In October 2004, these preference shares are redeemed. In 1997, the legal structure of the Bank was further amended by the introduction of Friesland Bank Holding N.V. At the end of 1999, the share capital of Friesland Bank Holding N.V. was increased by the issue of €45.7 million of preference shares (including share premium). Subsequently, the share capital of the Bank was increased by the issue of €45.7 million of ordinary shares (including share premium).

Friesland Bank Holding N.V. currently holds all of the ordinary shares of Friesland Bank N.V. Vereniging Friesland Bank holds the majority of the share capital of Friesland Bank Holding N.V. (300,000 ordinary shares), the remainder being held by Stichting Preferente Aandelen Friesland Bank Holding (2,163 preference shares) and Stichting Certificaten FBH (10,792 ordinary shares). Depositary receipts of preference shares issued by Stichting Preferente Aandelen Friesland Bank Holding are held, either directly or indirectly, by Dutch institutional investors. The depositary receipts of ordinary shares issued by Stichting Certificaten FBH are held by employees who have exercised options granted to them under the Bank's employee stock option plan.

## Legal structure as at 30 October 2004



- A. Stichting Preferente Aandelen Friesland Bank Holding holds 2,163 preference shares of Friesland Bank Holding N.V.
- B. Vereniging Friesland Bank holds 300,000 ordinary shares of Friesland Bank Holding N.V.
- C. Stichting Certificaten FBH holds 10,792 ordinary shares of Friesland Bank Holding N.V.
- D. Friesland Bank Holding N.V. holds all 37,463 ordinary shares of Friesland Bank N.V.
- E. Friesland Bank N.V. holds shares in a number of subsidiaries and participations including:
- Friesland Bank Assurantiën B.V. (100 per cent.)
  - Aecum B.V. (100 per cent.)
  - Friesland Bank Investments B.V. (100 per cent.)
  - Beheerder Friesland Fund B.V. (100 per cent.)
  - Bewaarder Friesland Fund B.V. (100 per cent.)
  - Van Lanschot N.V. (27 per cent., ordinary shares)
  - FBS Bankiers N.V. (25 per cent.)
  - Kas Bank N.V. (6 per cent.)
  - Triodos Bank N.V. (5 per cent.)

## SELECTED FINANCIAL INFORMATION

The following table shows the development of the business of the Bank and its subsidiaries during the five years ended 31 December 2003.

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
	<i>(In thousands of euros)</i>				
Loans and advances .....	5,526,549	5,056,091	4,460,945	3,802,204	3,289,761
Funds entrusted .....	4,517,604	4,737,061	4,527,284	3,990,808	3,551,092
Group equity .....	555,284	484,343	443,195	358,316	300,496 <sup>(1)</sup>
Group funds .....	853,788	737,200	690,630	602,804	471,686
Total assets .....	<u>7,725,750</u>	<u>6,971,421</u>	<u>6,241,959</u>	<u>5,615,064</u>	<u>4,837,972</u>
Total income .....	<u>168,176</u>	<u>182,374</u>	<u>160,002</u>	<u>158,008</u>	<u>126,185</u>
Operating expenses .....	106,878	106,858	97,781	95,193	85,223
Value adjustments to receivables .....	17,500	25,000	12,500	9,076	7,941
Value adjustments to fixed financial assets .....	0	10,000	4,538	0	0
Movement in FGBR .....	(10,472)	0	0	3,491	3,491
Extra ordinary result .....	0	0	56,633	10,041	12,164
Net profit .....	52,866	48,025	100,963	57,109	39,753
Total income/operating expenses.....	1.57	1.71	1.64	1.66	1.48
Capital ratio in % .....	11.1	10.6	11.1	10.7	9.7
BIS tier 1 capital ratio in % .....	12.0	12.5	11.9	10.9	11.2
BIS total capital ratio in % .....	12.4	12.1	12.6	12.9	12.6

Note:

(1) Including third party interest



## **BUSINESS**

Friesland Bank N.V. is a general bank engaged in both retail and wholesale banking, with a focus on commercial banking in the northern part of the Netherlands. The Bank's mission is to be the leading quality bank for the northern part of the Netherlands. Friesland Bank offers a broad range of financial services to private and corporate customers. The Bank strives to have intimate knowledge of local and regional conditions, to offer direct and effective personal attention and the capability to provide tailor-made solutions at short notice.

### **Retail banking**

Based on its historical presence in the local savings market, retail banking is one of the main activities of Friesland Bank N.V. About 50 per cent. of the Bank's business is represented by retail banking, where Friesland Bank N.V. services individuals, small local businesses and institutions with short-term credits, house financing, savings and investment products and insurance. For payment services, the Bank offers facilities like ATMs, personal electronic banking, on site PIN-code payments, and a range of card facilities.

### **Private banking**

In recent years, Friesland Bank N.V. has developed a separate Private Banking division, in response to strongly increased demand for these individualised type of services. Up to date personal financial planning services are offered, with a range of made-to-measure world-wide investment options and portfolio management.

### **Wholesale banking**

In this segment the greater part of the Bank's clients are medium-sized, privately owned businesses in all types of industry, along with selected large companies, where Friesland Bank N.V. is often active as a second bank alongside the major Dutch banks. It offers all of the usual types of business financing such as short- and medium-term loans, working capital financing, operational and financial lease of equipment, a range of facilities for domestic and foreign payments, project financing and treasury services.

### **Investment banking**

The Bank has longstanding experience in investing in industry, partly through Friese Participatie Maatschappij B.V. and partly by taking direct shareholdings. Its services include acting as a consultant, arranging management buy-outs and buy-ins, take-over financing, and formation of investment syndicates. In 2000, the Bank reorganised the legal structure of its shareholding activities by establishing Friesland Bank Investment B.V. This is the holding company for Friesland Bank Participaties B.V., for Friese Participatie Maatschappij B.V., for Haarlemse Participatiemaatschappij B.V. and for Overijsselse Participatie Maatschappij B.V.

### **Insurance**

Friesland Bank Assurantien B.V. ("FBA") is one of the top 25 insurance brokers in the Netherlands. FBA offers life and general insurance products for retail and corporate clients of Friesland Bank N.V., and also to clients who have no relationship with Friesland Bank N.V. FBA acts as an underwriter for eight large general insurance companies, and as an intermediary for all large domestic life insurance companies. Aecum B.V. is an insurance intermediary, which specialises in group pension plans. Operating as a pension advisory firm, it is complementary to FBA's activities.

### **Brokerage**

Friesland Bank N.V. is active as a securities broker out of the Leeuwarden headquarters, primarily targeted at its retail clients. Friesland Bank holds a 25 per cent. share in the broker FBS Bankiers N.V. ("FBS"). FBS is working for a select group of institutional and private investors in the Netherlands and overseas. Activities



include advice on equities, bonds and derivatives, as well as a range of asset management services, including research. FBS plays an independent role in the execution of large transactions on behalf of institutional investors.

### **Lending**

At the end of December 2003, the loan portfolio of the Bank amounted to €5.53 billion of which €171 million was public lending and €5.36 billion outstanding was with the private sector. The provision for loan losses of the Bank amounted to €87 million.

### **Funding**

The Bank has several sources of funds. Due to its position in the local retail market, relevant sources of funds are the deposits on savings accounts from the Bank's retail customers. In addition, the Bank holds surplus liquidity from local and regional institutions in short- and long-term deposits. Other long-term funds are provided by private placements, public debt and subordinated loans. Short-term money market related lending makes up the balance. In addition, the Bank has launched mortgage backed securities transactions: Eleven Cities No. 1, in July 2002 and Eleven Cities No. 2 in October 2003.

### **Supervisory Board and Management Board**

#### **Supervisory Board**

Prof. K. Wezeman, Chairman

G. Benedictus

L.M.L.H.A. Hermans

J. Keyzer

A. Oosterhof

H. Visser

J. de Vries

#### **Management Board**

A. Offringa, Chairman

T. Branbergen

A. Vlaskamp

In September 2004, Friesland Bank announced that Willem Cramer will succeed Age Offringa as Chairman of the Bank when Mr. Offringa will retire in April 2005.

All members of the Supervisory Board and Management Board have declared their domicile at Friesland Bank N.V., Beursplein 1, 8911 BE Leeuwarden.

### **Outlook for 2004**

At the time of publication of the annual report for 2003, the Bank felt that it was still too early to make any definite projections concerning the profit for 2004. A sufficiently clear picture, based on the favourable developments in the first six months of 2004, has since emerged. Provided there are no drastically different circumstances, the operating result will improve significantly, with marked growth of between 5 and 10 per cent. expected for both the balance sheet and net profit.

## CAPITALISATION

The consolidated capitalisation of Friesland Bank N.V. and its subsidiaries as at 30 June 2004 and as at 31 December 2003 is as follows:

	<i>30 June 2004</i>	<i>31 December 2003</i>
<i>(In thousands of euros)</i>		
Share capital and reserves		
issued and fully paid (share premium included) <sup>(1)</sup> .....	93,177	93,177
reserves .....	481,911	462,107
undistributed profit .....	35,459	–
Group equity .....	610,547	555,284
subordinated liabilities .....	316,281	298,504
Total group funds .....	926,828	853,788
loan capital previous issued <sup>(2)</sup> .....	2,777,557	1,805,145
Total capitalisation .....	3,704,385	2,658,933

Notes:

- (1) As at 31 December 2003 and 30 June 2004, the Bank's issued and fully paid share capital consists of 37,463 ordinary shares of par value €450, the authorised share capital is €67,500,000.
- (2) Including outstanding bonds, medium-term notes, saving certificates and bonds issued by Eleven Cities no. I and II. Eleven Cities is the special purpose vehicle for the RMBS transaction which the Bank has issued in 2002 and in 2003.

In October 2004 Friesland Bank N.V. paid an interim dividend to Friesland Bank Holding N.V. Friesland Bank Holding used this dividend to redeem preference shares issued in 1996.

Except as may be described herein, there has been no material change in the capitalisation of Friesland Bank N.V. since 30 June 2004.

## FINANCIAL STATEMENTS

### Consolidated Balance Sheet at 31 December after profit appropriation

	2003	2002	2001
<i>(In thousands of euros)</i>			
<b>Assets</b>			
Cash .....	200,478	163,269	132,451
Short-dated government paper .....	150,000	100,000	90,000
Banks .....	465,066	224,118	118,359
Loans and advances to the public sector .....	171,250	304,557	132,918
Loans and advances to the private sector .....	5,355,299	4,751,534	4,328,027
Loans and advances .....	5,526,549	5,056,091	4,460,945
Interest-bearing securities .....	749,994	818,620	815,541
Shares .....	162,989	177,843	253,543
Other participating interests .....	215,072	195,728	168,647
Intangible assets .....	12,375	0	0
Property and equipment .....	104,542	96,726	86,956
Other assets .....	70,177	66,263	48,763
Prepayment and accrued income .....	68,508	72,763	66,754
	7,725,750	6,971,421	6,241,959
<b>Liabilities</b>			
Banks .....	363,499	439,977	582,490
Savings accounts .....	1,700,368	1,656,988	1,518,033
Other funds entrusted .....	2,817,236	3,080,073	3,009,251
Funds entrusted .....	4,517,604	4,737,061	4,527,284
Debt securities .....	1,805,145	859,463	288,045
Other liabilities .....	43,450	60,834	52,681
Accruals and deferred income .....	133,013	127,131	91,056
Provisions .....	9,251	9,755	9,773
	6,871,962	6,234,221	5,551,329
Fund for general banking risks .....	0	29,496	29,496
Subordinated liabilities .....	298,504	223,361	217,939
Shareholders' equity .....	555,284	484,343	443,195
Group funds .....	853,788	737,200	690,630
	7,725,750	6,971,421	6,241,959
Contingent liabilities .....	68,818	60,931	61,543
Irrevocable facilities .....	618,468	601,544	605,436

**Consolidated Balance Sheet as at 30 June 2004 (after proposed profit appropriation)**

	<i>30 June</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>
	<i>(Amounts in thousands of euros)</i>	
<b>Assets</b>		
Cash .....	157,548	200,478
Short-dated government paper .....	150,000	150,000
Banks .....	228,493	465,066
Loans and advances to the public sector .....	263,923	171,250
Loans and advances to the private sector .....	5,749,279	5,355,299
Loans and advances .....	6,013,202	5,526,549
Interest-bearing securities .....	898,196	749,994
Shares.....	185,468	162,989
Participating interests .....	217,079	215,072
Intangible assets.....	11,938	12,375
Property and equipment.....	107,225	104,542
Other assets .....	73,068	70,177
Prepayments and accrued income .....	88,530	68,508
	<u>8,130,747</u>	<u>7,725,750</u>
<b>Liabilities</b>		
Banks .....	376,034	363,499
Savings accounts .....	1,782,269	1,700,368
Other funds entrusted .....	2,599,984	2,817,236
Funds entrusted .....	4,382,253	4,517,604
Debt securities .....	2,277,557	1,805,145
Other liabilities .....	39,844	43,450
Accruals and deferred income .....	118,525	133,013
Provisions .....	9,706	9,251
	<u>7,203,919</u>	<u>6,871,962</u>
Subordinated liabilities .....	316,281	298,504
Shareholders' equity .....	610,547	555,284
Group funds .....	926,828	853,788
	<u>8,130,747</u>	<u>7,725,750</u>
Contingent liabilities .....	65,377	68,818
Irrevocable facilities .....	661,363	618,468

The half-year results have not been audited by the external auditors of the Bank.

## Consolidated Profit and Loss Account at 31 December

	<u>2003</u>	<u>2002</u>	<u>2001</u>
	<i>(In thousands of euros)</i>		
<b>Income</b>			
Interest .....	103,980	93,166	82,314
Income from securities and participating interests .....	37,877	58,194	44,045
Commission .....	24,482	27,564	31,852
Results on financial transactions .....	755	1,835	497
Other income.....	1,082	1,615	1,294
Total income .....	<u>168,176</u>	<u>182,374</u>	<u>160,002</u>
<b>Expenses</b>			
Staff costs .....	63,676	64,855	58,975
Other administrative expenses .....	30,504	32,887	31,388
Administrative expenses .....	94,180	97,742	90,363
Depreciation .....	12,698	9,116	7,418
Operating expenses .....	106,878	106,858	97,781
Value adjustments to receivables .....	17,500	25,000	12,500
Value adjustments to fixed financial assets .....	0	10,000	4,538
Movement in the fund for general banking risks .....	(10,472)	0	0
Total expenses.....	<u>113,906</u>	<u>141,858</u>	<u>114,819</u>
Operating result before taxation .....	54,270	40,516	45,183
Taxation on operating result .....	1,404	(7,509)	853
Operating result after taxation .....	52,866	48,025	44,330
Extra ordinary income .....	0	0	56,633
Extra ordinary result after taxation.....	0	0	56,633
Group profit after taxation .....	52,866	48,025	100,963
Net profit.....	<u><u>52,866</u></u>	<u><u>48,025</u></u>	<u><u>100,963</u></u>

## Consolidated Profit and Loss Account for the first half of 2004 and the first half of 2003

	<i>First half 2004</i>	<i>First half 2003</i>
	<i>(Amounts in thousands of euros)</i>	
<b>Income</b>		
Interest .....	53,175	52,300
Income from securities and participating interests .....	30,482	20,962
Commission .....	15,516	14,433
Results on financial transactions .....	349	250
Other income .....	364	576
Total income .....	<u>99,886</u>	<u>88,521</u>
<b>Expenses</b>		
Staff costs .....	30,327	33,871
Other administrative expenses .....	15,579	14,511
Administrative expenses .....	45,906	48,382
Depreciation .....	4,992	5,269
Operating expenses .....	50,898	53,651
Value adjustments to receivables .....	8,750	8,750
Movement in the fund for general banking risks .....	—	(10,472)
Total expenses .....	<u>59,648</u>	<u>51,929</u>
Operating profit before taxation .....	40,238	36,592
Taxation on operating profit .....	2,362	(714)
Net profit .....	<u><u>37,876</u></u>	<u><u>37,306</u></u>

The half-year results have not been audited by the external auditors of the Bank.

## **AUDITORS' REPORT**

In our opinion, the consolidated annual figures for the years 2003, 2002 and 2001 Friesland Bank N.V., as included in this prospectus on pages 34 and 36, are consistent, in all material respects, with the financial statements for those years from which they have been derived. We issued an unqualified opinion on these financial statements on 24 March 2004, 20 March 2003 and 20 March 2002, respectively. These auditors' reports are included in the financial statements for the years referred to.

For a better understanding of financial position and results of Friesland Bank N.V. and of the scope of our audit, the consolidated annual figures should be read in conjunction with the financial statements from which they have been derived and our auditors' reports thereon.

Leeuwarden, 1 December 2004

Ernst & Young Accountants

## NETHERLANDS TAXATION

This section provides a general summary of the principal Dutch tax consequences of acquiring, holding, redeeming and/or disposing of the Securities. This summary provides general information only and is restricted to the matters of Dutch taxation stated herein. The information given below is neither intended as tax advice nor purports to describe all of the Dutch tax considerations that may be relevant to a prospective purchaser of the Securities.

The prospective purchaser should consult his or her own tax advisor regarding the Dutch tax consequences of acquiring, holding, redeeming and/or disposing of the Securities.

This summary is based on the Dutch tax legislation, published case law and other regulations in force as at the date of this Offering Circular, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

This summary does not address the Dutch tax consequences of a holder of Securities who holds a substantial interest in Friesland Bank N.V, within the meaning of Section 4.3 of the Income Tax Act 2001. Generally speaking, an interest in the share capital of Friesland Bank N.V. should not be considered a substantial interest if the holder of such interest, alone or together with his partner (statutory defined term) or certain other related persons, does not hold, whether directly or indirectly, the ownership of, or certain rights over, shares or rights resembling shares representing five per cent. or more of the total issued and outstanding capital, of any class of shares, of Friesland Bank N.V.

### **Withholding tax**

No Dutch withholding tax is due upon payments on the Securities.

### **Taxes on income and capital gains**

#### *Residents of the Netherlands*

If the holder of Securities is subject to Dutch corporate income tax and the Securities are attributable to its (deemed) business assets, income derived from the Securities and gains realised upon the redemption and disposal of the Securities are generally taxable in the Netherlands.

Income received from a Security as well as a gain realised on the disposal or redemption of a Security, by a holder of a Security who is an individual who is a resident or a deemed resident of the Netherlands or has opted to be treated as a resident of the Netherlands, will be subject to Dutch individual income tax at progressive rates up to 52 per cent. (2004 rate) if:

- (i) the individual has an enterprise or an interest in an enterprise, to the assets of which such Security is attributable, or
- (ii) such income or gain qualifies as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include activities with respect to the Security that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If the conditions set out in paragraphs (i) and (ii) above do not apply to a resident individual, actual income received by such individual from a Security as well as gains realised on the disposal or redemption of a Security are not taxable as such. Instead, such holder of Securities will be taxed at a flat rate of 30 per cent. on deemed income from “savings and investments” (*sparen en beleggen*). This deemed income amounts to 4 per cent. of the average of the individual’s “yield basis” (*rendementsgrondslag*) at the beginning of the calendar year and the individual’s yield at the end of the calendar year, insofar the average exceeds a certain threshold. The fair market value of the Securities will be included in the individual’s yield basis.



### *Non-residents of the Netherlands*

A holder of a Security who is neither resident nor deemed to be resident in the Netherlands nor has opted to be treated as a resident in the Netherlands who receives income from a Security or who realises a gain on the disposal or redemption of the Security, will not be subject to Dutch taxation or income or capital gains, unless:

- (i) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in the Netherlands; or
- (ii) the holder is an individual, and such income or gain qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which include activities with respect to the Security that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

### **Taxation of gifts and inheritances**

#### *Residents of the Netherlands*

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of a Security by way of a gift by, or on the death of, a holder of a Security who is a resident or deemed to be a resident of the Netherlands for the purposes of Dutch gift and inheritance tax at the date of the gift or his or her death.

An individual of Dutch nationality is deemed to be a resident of the Netherlands for the purposes of Dutch gift and inheritance tax if he or she has been resident in the Netherlands at any time during the 10 years preceding the date of the gift or his or her death. An individual of any other nationality is deemed to be a resident of the Netherlands for the purposes of Dutch gift tax only if she or she has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

#### *Non-residents of the Netherlands*

There will be no Dutch gift or inheritance tax levied on the acquisition of a Security by way of gift by, or on the death of, a holder of a Security, if the holder of a Security is neither a resident nor a deemed resident of the Netherlands for the purpose of the Netherlands gift and inheritance tax, unless:

- (i) at the time of the gift or death, a Security can be attributed to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in the Netherlands; or
- (ii) in the case of a gift of the Securities by an individual, such individual dies within 180 days of making the gift, and at the time of death is a resident or deemed resident of the Netherlands.

#### *Treaties*

Treaties may limit the Dutch sovereignty to levy gift and inheritance tax.

### **Value added tax**

No value added tax will be due in the Netherlands in respect of payments made in consideration for the issue of a Security, whether in respect of payments of interest and principal or in respect of the transfer of a Security.

### **Other taxes**

There will be no registration tax, capital contribution tax, customs duty, stamp duty, real estate transfer tax or any other similar tax or duty due in the Netherlands by a holder of Securities in respect of or in connection with the issue, transfer, execution or delivery of the Securities.

However, Dutch capital contribution tax at a rate of 0.55 per cent. (2004 rate) will be payable by Friesland Bank N.V. if Payment Capital Securities are issued by Friesland Bank N.V. on the basis of the Alternative Coupon Satisfaction Mechanism which are considered shares for Dutch capital tax purposes.

## **European Union Savings Directive**

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

## SUBSCRIPTION AND SALE

Under a subscription agreement entered into by the Issuer on 1 December 2004 (the “**Subscription Agreement**”), ABN AMRO Bank N.V. and Friesland Bank N.V. (together the “**Managers**”) have agreed to subscribe for the Securities at the issue price of 100 per cent. The Issuer has agreed to pay to the Managers a combined management, underwriting and selling commission of 2 per cent. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Issuer.

### United States

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Securities (i) as part of their distribution at any time, and (ii) otherwise until 40 days after the completion of the distribution of the Securities within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of U.S. persons. The terms used in the preceding paragraph and in this paragraph have the meaning assigned to them by Regulation S under the Securities Act.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings assigned to them by the U.S. Internal Revenue Code of 1986, as amended and U.S. Treasury regulations issued thereunder.

In addition, until 40 days after the completion of the distribution of all Securities, an offer or sale of Securities within the United States by any Manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### United Kingdom

Each Manager has represented and agreed that:

- (i) it has not offered or sold and, prior to the expiry of the period of six months from the date of issue of the Securities, will not offer or sell any Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (“**FSMA**”) with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom; and
- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

### Belgium

Any offer of the Securities to the public in Belgium will be made in accordance with applicable public offer rules in Belgium and after recognition of this Offering Circular and approval of the Belgian Supplement by

the Belgian Banking, Finance and Insurance Commission (“Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financier- en Assurantiewezen”).

Prior to the recognition of this Offering Circular and approval of the Belgian Supplement by the Belgian Banking, Finance and Insurance Commission, no documents whatsoever relating to this offer may be distributed to the public in Belgium. Each Manager has represented and agreed that it will not (i) offer for sale, sell or market in Belgium such Securities by means of a public offer within the meaning of the law of 22 April, 2003 on the public offer of securities; nor (ii) sell Securities to any person qualifying as a consumer within the meaning of Article 1, 7° of the Belgian law of 14 July, 1991 on consumer protection and trade practices unless such sale is made in compliance with this law and its implementing regulation.

### **Germany**

Each Manager has represented and agreed that it shall only offer Securities in the Federal Republic of Germany in compliance with the provisions of the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) or any other laws applicable in the Federal Republic of Germany.

### **Italy**

The offering of the Securities has not been cleared by CONSOB (the “**Italian Securities Exchange Commission**”) pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the notes be distributed in the Republic of Italy, except:

- (a) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July, 1998, as amended; or
- (b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 2 February, 1998 (the “**Financial Services Act**”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May, 2000, as amended.

Any offer, sale or delivery of the Securities or distribution of copies of the Offering Circular or any other document relating to the Securities in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1 September, 1993 (the “**Banking Act**”); and
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (iii) in compliance with any other applicable laws and regulations.

### **General**

Each Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Securities or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any other Manager shall have any responsibility therefor.

Neither the Issuer nor any of the Managers represents that the Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

- (1) The issue of the Securities was duly authorised by a resolution of the Management Board of the Issuer dated 11 November 2004.

### Listing

- (2) Application has been made to list the Securities on the Official Segment of the Stock Market of Euronext Amsterdam N.V.

### Clearing Systems

- (3) The Securities have been accepted for clearance through Euroclear Netherlands. The ISIN Code for this issue is NL0000116457, the Amsterdam Securities Code (*fondscode*) is 11645 and the Common Code is 020532858.

### No material adverse change

- (4) There has been no material adverse change in the financial position of the Issuer other than set out in this Offering Circular since 30 June 2004.

### Auditors

- (5) Ernst & Young Accountants, independent auditors, have audited and rendered unqualified audit reports on the Issuer's financial statements for each of the financial years ended 31 December 2001, 2002 and 2003.

Ernst & Young Accountants have given, and have not withdrawn, their written consent to the inclusion of their report and the references to themselves herein in the form and context in which they are included.

### Use of Proceeds

- (6) The net proceeds of the issue of the Securities, amounting to approximately €122,500,000 will be applied by the Issuer for its general corporate purposes.

### Documents available

- (7) Copies of the following documents will be available free of charge, from the registered office of the Issuer and from the specified office of the Paying Agent for the time being as long as any of the Securities remains outstanding:
  - (a) the English translation of the Articles of Association (*statuten*) of the Issuer;
  - (b) the annual reports and the audited annual consolidated financial statements of the Issuer (in English) in respect of the years ended 31 December 2001, 2002 and 2003;
  - (c) copies of the Trust Deed and the Agency Agreement.

### Litigation

- (8) Neither the Issuer nor any of its subsidiaries are involved in any litigation or arbitration proceedings which have had during the twelve months preceding the date of this Offering Circular, or which to the best of its knowledge may have, a material effect on its financial position nor is the Issuer aware that any such proceedings are pending or threatened.

## **U.S. Tax Legend**

- (9) All Securities will carry a legend to the following effect: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”. The sections referred to in such legend provide that United States persons, with certain exceptions, will not be entitled to deduct any loss, and will not be entitled to capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of a Security.

**REGISTERED AND PRINCIPAL OFFICE OF THE ISSUER**

**Friesland Bank N.V.**

Beursplein 1  
8911 BE Leeuwarden  
The Netherlands

**BOOKRUNNER (STRUCTURER)**

**ABN AMRO Bank N.V.**

Gustav Mahlerlaan 10  
1082 PP Amsterdam  
The Netherlands

**LEGAL ADVISERS**

*To the Issuer*

**Allen & Overy LLP**

Apollolaan 15  
1077 AB Amsterdam  
The Netherlands

*To the Managers*

*as to Dutch law*

**Linklaters**

3rd Floor, Atrium Building  
Strawinskylaan 3051  
1077 ZX Amsterdam  
The Netherlands

*as to Belgian law*

**Linklaters De Bandt**

Brederodestraat 13  
1000 Brussels  
Belgium

**INDEPENDENT PUBLIC AUDITORS**

**Ernst & Young Accountants**

Van der Nootstraat 2  
8913 HV Leeuwarden  
The Netherlands

**CALCULATION AND PAYING AGENT**

**ABN AMRO Bank N.V.**

Kemelstede 2  
4817 ST Breda  
The Netherlands

**AMSTERDAM LISTING AGENT**

**ABN AMRO Bank N.V.**

Gustav Mahlerlaan 10  
1082 PP Amsterdam  
The Netherlands

**TRUSTEE**

**Amsterdamsch Trustee's Kantoor B.V.**

Fred. Roeskestraat 123  
1076 EE Amsterdam  
The Netherlands



