

BASE PROSPECTUS



## N.V. Bank Nederlandse Gemeenten

(Incorporated in the Netherlands with limited liability and having its statutory domicile in The Hague)

**Euro 90,000,000,000**

### **Debt issuance programme**

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N.V. Bank Nederlandse Gemeenten (the “**Issuer**” or “**BNG Bank**”) may from time to time offer debt instruments (the “**Notes**”) pursuant to a programme of issuance established on 7 December 1993 (as amended) (the “**Programme**”). The sum of the aggregate principal amount of Notes outstanding at any time under the Programme will not exceed Euro 90,000,000,000 (or its equivalent in other currencies). The Programme amount may be increased from time to time subject to the preparation of a supplemental prospectus which shall be subject to the prior approval of the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the “**AFM**”).

The Programme has been rated AAA by Standard & Poor’s Credit Market Services Europe Limited (“**Standard & Poor’s**”), AAA by Fitch Ratings Limited (“**Fitch**”) and (P)Aaa by Moody’s Investors Service Limited (“**Moody’s**”). Tranches (as defined herein) of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme or the Issuer. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The rating of a certain Series or Tranche of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to a relevant Series or Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 of 16 September 2009 on credit rating agencies, as amended (the “**CRA Regulation**”) will be disclosed clearly and prominently in the Final Terms. Each of Standard & Poor’s, Fitch and Moody’s is established in the European Union and registered under the CRA Regulation as of the date of this base prospectus (the “**Base Prospectus**”).

The Base Prospectus has been approved by the AFM, which is the Netherlands competent authority for the purpose of Directive 2003/71/EC (the “**Prospectus Directive**”, which term includes amendments thereto, including Directive 2010/73/EU (the “**2010 PD Amending Directive**”)) to the extent implemented in a relevant Member State of the European Economic Area to which is referred) and relevant implementing measures in the Netherlands, as a base prospectus issued in compliance with the Prospectus Directive, Commission Regulation (EC) No. 809/2004 (the “**Prospectus Regulation**”, which term includes amendments thereto, including Commission Delegated Regulation (EU) No. 486/2012 and Commission Delegated Regulation (EU) No. 862/2012) and relevant implementing measures in the Netherlands for the purpose of giving information with regard to the issue of Notes under the Programme during the period of twelve months after the date hereof.

Application may be made for Notes issued under the Programme to be admitted to trading on NYSE Euronext in Amsterdam (“**Euronext Amsterdam**”), the regulated market of Euronext Amsterdam N.V., the SIX Swiss Exchange and the regulated market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system.

The AFM has been requested by the Issuer to provide the Luxembourg *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or any U.S. state securities laws and the Notes may not be offered, sold or delivered within the United States, or to or for the account or benefit of U.S. persons (as defined in Regulation S (“**Regulation S**”) under the Securities Act), except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws, or pursuant to an effective registration statement. The Notes may be offered and sold (a) in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act and (b) in registered form within the United States to persons who are “qualified institutional buyers” (“**QIBs**”) in reliance on Rule 144A (“**Rule 144A**”) under the Securities Act. Prospective purchasers who are QIBs are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Base Prospectus, see “*Plan of Distribution*” and “*Transfer Restrictions*”. The Notes in bearer form are subject to United States tax law requirements.

**PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE FACTORS DESCRIBED UNDER THE SECTION HEADED “RISK FACTORS” IN THIS BASE PROSPECTUS.**

This Base Prospectus must be read and construed together with any supplement hereto and with any documents incorporated by reference herein (which can be found on the website of the Issuer, <http://www.bng.nl/smartsite.shtml?id=51928>) and in relation to any Tranche (as defined herein) of Notes, this Base Prospectus should be read and construed together with the applicable Final Terms.

*Arranger*

**RBC Capital Markets**

*Principal Dealers*

**Bank Nederlandse Gemeenten**

**BofA Merrill Lynch**

**Citigroup**

**Credit Suisse**

**Goldman Sachs International**

**ING**

**Landesbank Baden-Württemberg**

**Morgan Stanley**

**Rabobank International**

**The Royal Bank of Scotland**

**Barclays**

**BNP PARIBAS**

**Commerzbank**

**Deutsche Bank**

**HSBC**

**J.P. Morgan**

**Mizuho Securities**

**Nomura**

**RBC Capital Markets**

**TD Securities**

The date of this Base Prospectus is 3 July 2013 and it replaces the Base Prospectus dated 13 June 2012.

**NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955 (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

## TABLE OF CONTENTS

SUMMARY OF THE PROGRAMME .....	5
RISK FACTORS .....	16
IMPORTANT NOTICES .....	33
PUBLIC OFFERS OF PUBLIC OFFER NOTES IN THE EUROPEAN ECONOMIC AREA .....	36
ENFORCEMENT OF FOREIGN JUDGMENTS .....	41
FORWARD LOOKING STATEMENTS .....	42
DOCUMENTS INCORPORATED BY REFERENCE .....	43
KEY FEATURES OF THE PROGRAMME .....	45
FORMS OF NOTES .....	51
USE OF PROCEEDS .....	57
TERMS AND CONDITIONS OF THE NOTES .....	58
FORM OF FINAL TERMS .....	87
N.V. BANK NEDERLANDSE GEMEENTEN .....	118
CAPITALIZATION <sup>1</sup> .....	136
OPERATING AND FINANCIAL REVIEW .....	138
EXTRACT OF THE ARTICLES OF ASSOCIATION .....	173
TAXATION .....	177
CERTAIN ERISA AND OTHER CONSIDERATIONS .....	187
PLAN OF DISTRIBUTION .....	188
TRANSFER RESTRICTIONS .....	195
GENERAL INFORMATION .....	199

## SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as “**Elements**”. These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for this type of securities and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary with the mention of 'Not applicable'.

<b>Section A – Introduction and Warnings</b>		
<b>A.1</b>	<b>Introduction and warnings:</b>	<p>This summary should be read as an introduction to the Base Prospectus. Any decision to invest in the Notes should be based on consideration of the Base Prospectus as a whole including any documents incorporated by reference by the investor. Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in the Notes.</p>
<b>A.2</b>	<b>Consent to use of this Base Prospectus:</b>	<p>In connection with any Public Offer of Public Offer Notes, BNG Bank accepts responsibility, in a Public Offer Jurisdiction, for the content of this Base Prospectus under Article 6 of the Prospectus Directive in relation to any Investor to whom an offer of any Public Offer Notes is made by an Authorised Offeror, where the offer is made in compliance with all conditions attached to the giving of the consent. Such consent and conditions are described below under "Consent" and "Common conditions to consent".</p> <p><b>Consent</b></p> <p>Subject to the conditions set out below under "Common conditions to consent":</p> <p>(A) BNG Bank consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of Public Offer Notes in a Public Offer Jurisdiction by the relevant Dealer and by:</p> <ul style="list-style-type: none"> <li>(i) any financial intermediary named as an Initial Authorised Offeror in the applicable Final Terms; and</li> <li>(ii) any financial intermediary appointed after the date of the applicable Final Terms and whose name is published on BNG Bank's website and identified as an Authorised Offeror in respect of the relevant Public Offer; and</li> </ul> <p>(B) if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", BNG Bank hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of Public Offer Notes in a Public Offer Jurisdiction by any financial intermediary which satisfies the following conditions:</p> <ul style="list-style-type: none"> <li>(i) it is authorised to make such offers under the applicable legislation implementing the MiFID; and</li> <li>(ii) it accepts such offer by publishing on its website a statement that it agrees to use the Base Prospectus in accordance with the Authorised Offeror Terms</li> </ul>

		<p>and subject to the conditions to such consent.</p> <p><b>Common conditions to consent</b></p> <p>The conditions to the Issuer's consent are (in addition to the conditions described in paragraph (B) above if the applicable Final Terms specifies "General Consent" as "Applicable") that such consent:</p> <p>(a) is only valid in respect of the relevant Tranche of Public Offer Notes;</p> <p>(b) is only valid during the Offer Period specified in the applicable Final Terms; and</p> <p>(c) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Public Offer Notes in one or more of the Public Offer Jurisdictions, as specified in the applicable Final Terms.</p> <p>An investor intending to acquire or acquiring Notes in a Public Offer from an Authorised Offeror other than the Issuer will do so, and offers and sales of such Notes to an investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price, allocations, expenses and settlement arrangements.</p> <p><b>Each investor must look to the relevant Authorised Offeror at the time of any such Public Offer for the provision of information regarding the terms and conditions of the Public Offer and the Authorised Offeror will be solely responsible for such information (other than where such information is contained in the Base Prospectus, as completed by the applicable Final Terms).</b></p>
<b>Section B – The Issuer</b>		
<b>B.1</b>	<b>The legal and commercial name of the Issuer:</b>	The legal name of the Issuer is N.V. Bank Nederlandse Gemeenten. The commercial name of the Issuer is BNG Bank.
<b>B.2</b>	<b>The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation:</b>	BNG Bank is a public company with limited liability ( <i>naamloze vennootschap</i> ) incorporated under the laws of the Netherlands, having its statutory seat at The Hague, the Netherlands. BNG Bank is registered in the trade register of the The Hague Chamber of Commerce under no. 27008387.
<b>B.4b</b>	<b>A description of any known trends affecting the Issuer and the industries in which it operates:</b>	<p>BNG Bank's business and results of operations are affected by local and global economic conditions, perceptions of those conditions and future economic prospects. The outlook for the global economy over the near to medium term remains challenging. Many forecasts predict at best only stagnant or modest levels of gross domestic product ("GDP") growth in the European Monetary Union ("EMU") where a relatively robust German economy has been offset by the weakness of other Eurozone economies attributable to factors such as high unemployment, declines in consumer spending and the adoption of austerity measures in response to increased sovereign debt risk. In particular in Greece, Italy, Ireland, Portugal and Spain ("GIIPS"), France and Cyprus economic and GDP growth have been weak.</p> <p>BNG Bank's business is impacted generally by the business and economic environment in which it operates, which itself is impacted by factors such as changes in interest rates, securities prices, credit and liquidity spreads, exchange rates, consumer spending, business investment, real estate valuations, government spending, inflation, the volatility and strength of the</p>

		<p>capital markets and also by terrorism.</p> <p>The introduction of, and changes to, taxes, levies or fees applicable to the Issuer's operations (such as imposition of a financial transaction tax) could have an adverse effect on its business and/or results of operations.</p> <p>BNG Bank cannot predict what impact new rules and regulations will have on its business until such rules and regulations are fully adopted and implemented. Any new or changed regulations may adversely affect BNG Bank's business and/or results of operations.</p>																																																																								
<b>B.5</b>	<b>Description of the Issuer's group and the Issuer's position within the group:</b>	<p>The outstanding shares in the share capital of BNG Bank are held by the Dutch State (50%), with the remainder held by more than 95% of Dutch municipalities, 11 of the 12 Dutch provinces, and one water board.</p> <p>BNG Bank has a number of wholly owned subsidiaries that provide services ancillary to the principal activity of BNG Bank of lending to the public sector. These subsidiaries are:</p> <ul style="list-style-type: none"> <li>• BNG Vermogensbeheer B.V. (previously BNG Capital Management B.V.)</li> <li>• BNG Gebiedsontwikkeling B.V.</li> <li>• Hypotheekfonds voor Overheidspersoneel B.V.</li> </ul>																																																																								
<b>B.9</b>	<b>Profit forecast or estimate:</b>	Not applicable. BNG Bank has not made any public profit forecasts or profit estimates.																																																																								
<b>B.10</b>	<b>Qualifications in the Auditors' report:</b>	Not applicable. The audit reports with respect to BNG Bank's audited financial statements as of and for the financial years ended 31 December 2012, 31 December 2011 and 31 December 2010 incorporated by reference in this Base Prospectus are unqualified.																																																																								
<b>B.12</b>	<b>Selected Financial Information - Material/Significant Change:</b>	<p>The selected historical key financial information for BNG Bank is set out below:</p> <table border="1"> <thead> <tr> <th></th> <th>2012</th> <th>2011</th> <th>2010</th> <th>2009</th> <th>2008</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="5" style="text-align: center;"><b>(€millions, except percentages, per share and employee data)</b></td> </tr> <tr> <td>Total Assets</td> <td>142,228</td> <td>136,460</td> <td>118,533</td> <td>104,496</td> <td>101,365</td> </tr> <tr> <td>Loans and Advances</td> <td>90,725</td> <td>90,775</td> <td>86,851</td> <td>79,305</td> <td>75,699</td> </tr> <tr> <td>of which granted to or guaranteed by public authorities</td> <td>79,666</td> <td>78,548</td> <td>75,247</td> <td>67,164</td> <td>64,782</td> </tr> <tr> <td>of which reclassified from the financial assets available-for-sale item</td> <td>2,603</td> <td>3,219</td> <td>3,724</td> <td>4,226</td> <td>4,569</td> </tr> <tr> <td>Equity excluding Unrealised Revaluation</td> <td>2,718</td> <td>2,450</td> <td>2,321</td> <td>2,204</td> <td>2,008</td> </tr> <tr> <td>of which Unrealised Revaluation</td> <td>34</td> <td>(533)</td> <td>(62)</td> <td>49</td> <td>(29)</td> </tr> <tr> <td>Equity per share (in Euros)<sup>1</sup></td> <td>48.81</td> <td>44.00</td> <td>41.68</td> <td>39.58</td> <td>36.06</td> </tr> <tr> <td>Equity as a % of Total Assets<sup>1</sup></td> <td>2.0%</td> <td>1.8%</td> <td>2.0%</td> <td>2.1%</td> <td>2.0%</td> </tr> <tr> <td>BIS-Ratio core capital (tier 1)<sup>2</sup></td> <td>22%</td> <td>20%</td> <td>20%</td> <td>19%</td> <td>18%</td> </tr> <tr> <td>BIS-Ratio total capital<sup>3</sup></td> <td>22%</td> <td>21%</td> <td>20%</td> <td>20%</td> <td>20%</td> </tr> </tbody> </table>		2012	2011	2010	2009	2008		<b>(€millions, except percentages, per share and employee data)</b>					Total Assets	142,228	136,460	118,533	104,496	101,365	Loans and Advances	90,725	90,775	86,851	79,305	75,699	of which granted to or guaranteed by public authorities	79,666	78,548	75,247	67,164	64,782	of which reclassified from the financial assets available-for-sale item	2,603	3,219	3,724	4,226	4,569	Equity excluding Unrealised Revaluation	2,718	2,450	2,321	2,204	2,008	of which Unrealised Revaluation	34	(533)	(62)	49	(29)	Equity per share (in Euros) <sup>1</sup>	48.81	44.00	41.68	39.58	36.06	Equity as a % of Total Assets <sup>1</sup>	2.0%	1.8%	2.0%	2.1%	2.0%	BIS-Ratio core capital (tier 1) <sup>2</sup>	22%	20%	20%	19%	18%	BIS-Ratio total capital <sup>3</sup>	22%	21%	20%	20%	20%
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		Profit before tax	460	339	337	350	182
		Net Profit	332	256	257	278	158
		Profit per Share (in Euros)	5.96	4.60	4.61	4.98	2.84
		Dividend (in Cash)	83	64	128	139	79
		Dividend as a % of Consolidated Net Profit	25%	25%	50%	50%	50%
		Dividend per Share (in Euros)	1.49	1.15	2.30	2.49	1.42
		Additional Payment	–	–	–	–	–
		Additional Payment per Share	–	–	–	–	–
		Employees (in FTEs) at Year-End <sup>4</sup>	279	278	276	277	274
		– of which Subsidiaries	36	41	45	58	51
		<hr/> <p><sup>1</sup> Excluding the revaluation reserve.</p> <p><sup>2</sup> Core (Tier 1) capital as a percentage of risk-weighted amounts.</p> <p><sup>3</sup> Total capital as a percentage of risk-weighted amounts.</p> <p><sup>4</sup> As of 2010, this includes only those FTEs that affect BNG Bank's staff costs. The comparative figures have been adjusted.</p> <p><b>Material/Significant Change</b>  There has been no material adverse change in the prospects of BNG Bank since 31 December 2012, nor has there been any significant change in the financial or trading position of BNG Bank or its subsidiaries, taken as a whole, which has occurred since 31 December 2012.</p>					
<b>B.13</b>	<b>Recent material events particular to the Issuer's solvency:</b>	Not applicable. There are no recent events particular to BNG Bank which are to a material extent relevant to the evaluation of BNG Bank's solvency.					
<b>B.14</b>	<b>Extent to which the Issuer is dependent upon other entities within the group:</b>	BNG Bank has a number of wholly owned subsidiaries that provide services ancillary to the principal activity of BNG Bank of lending to the public sector.					
<b>B.15</b>	<b>Principal activities of the Issuer:</b>	BNG Bank is a specialised lender to local and regional authorities as well as to public-sector institutions such as utilities, housing, healthcare, welfare and educational institutions, and is the largest public-sector lender in the Netherlands and the principal bank for the Dutch public sector in terms of loans, advances and inter-governmental money transfers. BNG Bank also provides limited lending to public-private partnerships.					
<b>B.16</b>	<b>Extent to which the Issuer is directly or indirectly owned or controlled:</b>	BNG Bank's shareholders are exclusively Dutch public authorities. The Dutch State's shareholding is 50%, with the remainder held by more than 95% of Dutch municipalities, 11 of the 12 Dutch provinces, and one water board.					



B.17	<b>Credit ratings assigned to the Issuer or its debt securities:</b>	<p>The senior outstanding public long-term debt of BNG Bank is rated AAA by Standard &amp; Poor's, AAA by Fitch and Aaa by Moody's. BNG Bank has been awarded the highest individual rating by Fitch, being A. Moody's confirmed BNG Bank's Aaa rating in January 2012.</p> <p>Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme and/or BNG Bank. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p> <p>The Programme has been rated AAA by Standard &amp; Poor's, AAA by Fitch and (P)Aaa by Moody's. Tranches of Notes issued under the Programme may be rated or unrated. Where a tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme and/or BNG Bank.</p> <p>In January 2012, while confirming the AAA rating, Standard &amp; Poor's placed BNG Bank on "negative outlook" following the outlook designated to the State of the Netherlands.</p> <p>In February 2013, while confirming the AAA rating, Fitch revised its outlook from "stable" to "negative", also following the outlook designated to the State of the Netherlands.</p>
<b>Section C – Securities</b>		
C.1	<b>Type and class of the Notes and Security Identification Number(s):</b>	<p>The Notes described in this summary are debt securities which may be issued under the EUR 90,000,000,000 Programme.</p> <p>The Notes are issued in series (each a "Series") comprising one or more Tranches of Notes of that Series, and each Series will be the subject of the final terms (each the "Final Terms") prepared by or on behalf of BNG Bank. The Notes of each Series will be intended to be interchangeable among themselves and will all be subject to identical terms (other than in respect of the date of issue, the issue price and the date of first payment of interest), whether as to currency, denomination, interest or maturity or otherwise. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.</p> <p>The Notes may be issued in bearer form ("<b>Bearer Notes</b>") or in registered form ("<b>Registered Notes</b>"). Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single series or Tranche may comprise both Bearer Notes and Registered Notes.</p> <p>A Note may be a Note bearing interest on a fixed rate basis ("<b>Fixed Rate Note</b>"), a Note bearing interest on a floating rate basis ("<b>Floating Rate Note</b>"), a Note issued on a non-interest bearing basis ("<b>Zero Coupon Note</b>"), a Note in respect of which interest is or may be payable in one or more currencies other than the Specified Currency in which it is denominated ("<b>Dual Currency Interest Note</b>") depending on the Interest Basis indicated in the applicable Final Terms. A Note may be a Note redeemable in installments ("<b>Installment Note</b>") depending on the Redemption/Payment Basis indicated in the applicable Final Terms.</p> <p>The security identification number(s) will be specified in the applicable Final</p>

		Terms.
<b>C.2</b>	<b>Currencies:</b>	Notes may be denominated in any currency (including, without limitation, the Euro, the Japanese yen, the New Zealand dollar, the British pound, the Swiss franc, the Chinese Renminbi and the United States dollar) subject to compliance with all applicable legal or regulatory requirements. Notes may be issued as Dual Currency Interest Notes.
<b>C.5</b>	<b>A description of any restrictions on the free transferability of the Notes:</b>	<p>BNG Bank and the Dealers have agreed certain customary restrictions on offers, sale and delivery of Notes and of the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, the Netherlands, the Republic of Italy, France, Spain, Japan, the People's Republic of China, Hong Kong and Singapore.</p> <p>Bearer Notes will be issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Code (the "<b>D Rules</b>") unless the applicable Final Terms state that Notes are issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(C) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Code (the "<b>C Rules</b>").</p> <p>There are restrictions on the transfer of (i) Regulation S Notes prior to the expiration of the relevant distribution compliance period (as defined in Regulation S) and (ii) Rule 144A Notes.</p>
<b>C.8</b>	<b>Description of the rights attached to the Notes:</b>	<p><b>Ranking (status)</b> The Notes of each Series constitute direct and unsecured obligations of the Issuer and rank pari passu without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory operation of law.</p> <p><b>Negative Pledge</b> So long as any Notes remain outstanding, the Issuer will not secure any other loan or indebtedness represented by bonds, notes or any other publicly issued debt securities which are, or are capable of being, traded or listed on any stock exchange or over-the-counter or similar securities market without securing the Notes equally and rateably with such other loan or indebtedness.</p> <p><b>Taxation</b> All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Notes, will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Netherlands or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or charges is required by law. In that event, subject to certain exceptions the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holders after such withholding or deduction shall equal the respective amounts which would have been receivable in the absence of such withholding or deductions.</p> <p><b>Events of Default</b> The terms and conditions of the Notes contain the following events of default:</p> <p>(i) if default is made in the payment of any interest due on the Notes or any of them and such default continues for a period of 30 days; or</p> <p>(ii) if the Issuer fails to perform or observe any of its other obligations under the Notes and (except where such failure is incapable of remedy, when no such notice will be required) such failure continues for a period of 60 days</p>

		<p>next following the service on the Issuer of notice requiring the same to be remedied; or</p> <p>(iii) if any order shall be made by a competent court or other authority or resolution passed for the dissolution or winding-up of the Issuer or for the appointment of a liquidator or receiver of the Issuer or of all or substantially all of its respective assets or if the Issuer enters into a composition with its creditors or a declaration in respect of the Issuer is made to apply the emergency regulation (<i>noodregeling</i>) under Chapter 3, Section 3.5.5.1 of the Dutch Financial Supervision Act (<i>Wet op het financieel toezicht</i>) as amended, modified or re-enacted from time to time, admits in writing that it cannot pay its debts generally as they become due, initiates a proceeding in bankruptcy, or is adjudicated bankrupt.</p> <p><b>Meetings</b> Meetings of Noteholders may be convened to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.</p> <p><b>Governing Law</b> The Notes and all related contractual documentation will be governed by, and construed in accordance with, the laws of the Netherlands.</p>
C.9	<p><b>Interest, maturity and redemption provisions, yield and representative of the Noteholders:</b></p>	<p><b>Interest</b> Notes may be interest-bearing and/or non-interest-bearing. Interest (if any) may be at a fixed or floating rate and may vary during the lifetime of the relevant Series. In each case, the interest will be payable on such date or dates as may be agreed between BNG Bank and the relevant Dealer at the time of issue of the Notes, specified in the applicable Final Terms and summarised in the relevant issue-specific summary annexed to the applicable Final Terms. In addition, the interest rate and yield in respect of Notes bearing interest at a fixed rate will also be so agreed, specified and summarised.</p> <p>Fixed interest will be payable in arrear on the date or dates in each year specified in the applicable Final Terms.</p> <p>Floating Rate Notes will bear interest either at a rate determined on the same basis as the floating rate under a notional interest-rate swap transaction in the Specified Currency or on the basis of a reference rate appearing on the agreed screen page of a commercial quotation as indicated in the applicable Final Terms. The Relevant Margin, if any, will be specified in the applicable Final Terms.</p> <p>Interest Payments (whether at maturity or otherwise) in respect of Dual Currency Interest Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the applicable Final Terms.</p> <p>Floating Rate Notes may have a maximum interest rate, a minimum interest rate or both. Interest on Notes in respect of each Interest Period, as determined prior to issue by the Issuer and the relevant Dealer (if any), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be determined by the relevant Issuer and the relevant Dealer (as indicated in the applicable Final Terms).</p> <p>Zero Coupon Notes will not bear interest other than in relation to interest due after the Maturity Date.</p> <p><b>Maturities</b> Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements as</p>

		<p>agreed between BNG Bank and the relevant Dealer at the time of issue of the relevant Notes, specified in the applicable Final Terms and summarised in the relevant issue-specific summary annexed to the applicable Final Terms.</p> <p>For fixed rate Renminbi Notes where Interest Payment Dates are subject to modification, the maturity date will be the Interest Payment Date falling in or nearest to the relevant month and year.</p> <p>Unless previously redeemed or purchased and cancelled earlier, each Note will be redeemed by BNG Bank at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date and summarised in the relevant issue-specific summary annexed to the applicable Final Terms.</p> <p><b>Early Redemption</b> BNG Bank will be permitted to redeem all (but not some only) Notes (i) as a result of any change in or amendment to applicable law (which change or amendment is announced and becomes effective on or after the Issue Date of the first Tranche of such Notes) and for (ii) taxation reasons.</p> <p>In addition, the Notes may be redeemed prior to their maturity date in certain circumstances, including pursuant to an Issuer Call Option and an Investor Put Option.</p> <p>The terms under which the Notes may be redeemed early will be agreed between BNG Bank and the relevant Dealer at the time of issue of the relevant Notes, specified in the applicable Final Terms and summarised in the relevant issue-specific summary annexed to the applicable Final Terms.</p> <p><b>Representative of the Noteholders</b> Not applicable.</p>
<b>C.10</b>	<b>Derivative component in interest payments:</b>	Not applicable. The securities issued under the Programme do not have a derivative component in the interest payment.
<b>C.11</b>	<b>Listing and admission to trading:</b>	The Notes may be admitted to listing on the regulated market of the Luxembourg Stock Exchange, Euronext Amsterdam, or the SIX Swiss Exchange or may be issued on an unlisted basis.
<b>C.21</b>	<b>Indication of the market where the securities will be traded and for which prospectus has been published:</b>	See the above element, C.11.
<b>Section D – Risks</b>		
<b>D.2</b>	<b>Key information on the key risks that are specific to the Issuer:</b>	By investing in Notes issued under the Programme, investors assume the risk that BNG Bank may become insolvent or otherwise unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in BNG Bank becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur. The inability of BNG Bank to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons. Additional risks and uncertainties not presently known to the Issuer or that it currently believes to

		<p>be immaterial could also have a material impact on its business operations. BNG Bank has identified a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.</p> <p>These factors include:</p> <ul style="list-style-type: none"> <li>• local and global economic and financial market conditions;</li> <li>• the continuing economic crisis in Europe;</li> <li>• liquidity risks and adverse capital and credit market conditions;</li> <li>• volatility in interest rates, credit spreads and markets;</li> <li>• rating downgrades;</li> <li>• risk management through derivatives and other risk management methods;</li> <li>• counterparty risk exposure;</li> <li>• changes or increases in the financial services laws and/or regulations;</li> <li>• amendments to the regulation on Treasury Banking;</li> <li>• IT and other systems; and</li> <li>• third parties to which it has outsourced.</li> </ul>
<p><b>D.3</b></p>	<p><b>Key information on the key risks that are specific to the Notes:</b></p>	<p>There are also risks associated with the Notes. These include:</p> <p>Risks related to the market for the Notes:</p> <ul style="list-style-type: none"> <li>• liquidity risk;</li> <li>• exchange rate risk and exchange controls;</li> <li>• interest rate risk; and</li> <li>• credit rating risk.</li> </ul> <p>Factors which might affect an investor's ability to make an informed assessment of the risks associated with Notes issued under the Programme.</p> <p>Risks related to the structure of a particular issue of Notes:</p> <ul style="list-style-type: none"> <li>• an optional redemption feature of Notes is likely to limit their market value;</li> <li>• risks related to Dual Currency Interest Notes in particular.</li> </ul> <p>Risks related to Notes generally:</p> <ul style="list-style-type: none"> <li>• modification and waiver;</li> <li>• tax consequences;</li> <li>• risks related to Notes held in global form;</li> <li>• restrictions on transfer;</li> </ul>

		<ul style="list-style-type: none"> <li>• risks related to nominee arrangements;</li> <li>• possible change to Dutch law or administrative practice;</li> <li>• implemented and proposed banking legislation for ailing banks;</li> <li>• decrease of net proceeds on the Notes received by an investor due to the EU Savings Directive; and</li> <li>• application of FATCA to an investment in the Notes.</li> </ul> <p>In addition to the above, there are risks specific to Renminbi-denominated Notes:</p> <ul style="list-style-type: none"> <li>• Renminbi is not freely convertible - Capital account convertibility restrictions may affect the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.</li> <li>• Limited availability of Renminbi outside the People's Republic of China - The limited availability of the Renminbi outside the People's Republic of China (due to restrictions) may affect the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.</li> <li>• Investment is subject to exchange rate and interest rate risks - Changes in economic and political conditions may have an impact on the value of the Renminbi against the U.S. dollar. Furthermore, changes in policies may also heighten the interest rate volatility. These factors could result in a decline of the value of a holder's investment.</li> <li>• Restricted methods of payment - All payments will be made in accordance with the modes of payment prescribed in the terms and conditions and no other means of payment may be utilised by the Issuer.</li> </ul>
<b>Section E – Offer</b>		
<b>E.2b</b>	<b>Reasons for the offer and use of proceeds:</b>	The net proceeds of the issue of each Tranche of Notes will be used by the Issuer for general corporate purposes. If reasons for the offer are different from making profit/and or hedging certain risks, those will need to be specified in the applicable Final Terms and summarised in the relevant issue-specific summary annexed to the applicable Final Terms.
<b>E.3</b>	<b>Terms and Conditions of the Offer:</b>	The terms and conditions of each offer of Notes, if applicable, will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the applicable Final Terms and summarised in the relevant issue-specific summary annexed to the applicable Final Terms. An investor intending to acquire or acquiring any Notes in a Public Offer from an Authorised Offeror other than the Issuer will do so, and offers and sales of such Notes to an investor by such Authorised Offeror will be made in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price, allocations, expenses and settlement arrangements. The investor must look to the relevant Authorised Offeror for the provision of such information and the Authorised Offeror will be responsible for such information. BNG Bank has no responsibility or liability to an investor in respect of such information.

<b>E.4</b>	<b>Interests of natural and legal persons involved in the issue of the Notes:</b>	<p>The relevant Dealer(s) may be paid commission or other agreed deductibles (if any) in relation to any issue of Notes under the Programme. In addition, in the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the maintenance of the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.</p> <p>A description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest will be specified in the applicable Final Terms and summarised in the relevant issue-specific summary annexed to the applicable Final Terms. This description may be satisfied by disclosure that, except for the commissions payable to the Dealers, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.</p>
<b>E.7</b>	<b>Estimated expenses charged by the Issuer or any Authorised Offeror:</b>	<p>There are no expenses charged to the investor by the Issuer or any Authorised Offeror; however, such expenses may be charged to investors in connection with a specific issue of Notes. If so, details will be specified in the applicable Final Terms and summarised in the relevant issue-specific summary annexed to the applicable Final Terms.</p>

## RISK FACTORS

*Prospective investors should read the entire Base Prospectus.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons. The risks described below are not the only risks the Issuer faces. Additional risks and uncertainties not presently known to the Issuer or that it currently believes to be immaterial could also have a material impact on its business operations. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

*Words and expressions defined in the Conditions or elsewhere in this Base Prospectus have the same meanings in this section, unless otherwise stated. Prospective investors should consider, among other things, the following.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under the Notes**

*BNG Bank's business and results of operations may be negatively affected by actual or perceived local and global economic and financial market conditions.*

BNG Bank's business and results of operations are affected by local and global economic conditions, perceptions of those conditions and future economic prospects. The outlook for the global economy over the near to medium term remains challenging. Many forecasts predict at best only stagnant or modest levels of gross domestic product ("GDP") growth in the European Monetary Union ("EMU") where a relatively robust German economy has been offset by the weakness of other Eurozone economies attributable to factors such as high unemployment, declines in consumer spending and the adoption of austerity measures in response to increased sovereign debt risk. In particular in Greece, Italy, Ireland, Portugal and Spain ("GIIPS"), France and Cyprus economic and GDP growth have been weak.

BNG Bank's business is impacted generally by the business and economic environment in which it operates, which itself is impacted by factors such as changes in interest rates, securities prices, credit and liquidity spreads, exchange rates, consumer spending, business investment, real estate valuations, government spending, inflation, the volatility and strength of the capital markets and also by terrorism. Volatility in these factors and market disruption over the past several years have created a less favorable environment for BNG Bank's public sector clientele. Austerity measures initiated by the Dutch government combined with weak economic conditions resulting in high unemployment rates, depressed property markets and pressure on disposable incomes, have slowed investment and consumer spending, which in turn has had an adverse effect on the financing requirements of BNG Bank's public sector clients. Certain of BNG Bank's primary clients, including social housing corporations and provincial and municipal authorities, either reduced investment in their programs or experienced reduced access to particular funding structures in response to economic uncertainty. New lending in the social housing sector was restricted due to limited investment opportunities available to social housing associations caused by a depressed real estate market, while certain municipal and provincial authorities sold off equity shares in utility companies to increase cash flow and opted for short-term financing as they waited for the real estate market to pick up. As a result of the foregoing, BNG Bank experienced a decrease in its lending activities in 2011 and 2012. Although, at €1.1 billion, new long-term lending in 2012 was higher than budgeted, it decreased by 10% compared with 2011 and long-term lending volumes have not returned to pre-global economic and financial crisis levels and investment levels of BNG Bank's public sector clients remain under pressure. For example, lending in the housing sector is expected to decline due to the continuing impact of the global economic and financial crisis together with the European sovereign debt crisis and certain recent regulations which will limit the level of funding that will be guaranteed by the State and the scope of activities of non-general economic interests in which housing associations may participate. In addition, investment levels in the housing sector are expected to be negatively affected by the increased tax on housing associations. The healthcare sector is also experiencing lower financing requirements, mainly due to the reform of the Dutch healthcare system, which entailed strong cost-cutting incentives for healthcare institutions. Higher financial risks in the healthcare sector could lead to restrictions by the Healthcare Sector Guarantee Fund (*Waarborgfonds voor de Zorgsector*, "WFZ") on guaranteed funding, which may limit access to this particular funding structure for BNG Bank's clients in the healthcare sector. Furthermore, the future financing needs of the public sector may be affected when the Dutch Sustainability of Public Finances Act (*Wet houdbare*



*overheidsfinanciën*), for which the legislative proposal is currently pending before the Lower House of the Dutch Parliament (*Tweede Kamer*) is implemented. This Act will be the statutory basis of national and European budgetary rules. Such statutory instruments are intended to lead to sustainable public finances and the budgetary rules fit in the broader policy of lowering EMU debt. The Act also contains budgetary rules for local and regional authorities, which could negatively affect the investment levels of provincial and municipal authorities. Further, BNG Bank's subsidiary BNG Gebiedsontwikkeling B.V. has been affected by the continuing problems in regional development due to the weak economic conditions, which have caused project deferments, standstills in land sales and lower than expected land yields. These problems are also expected to result in losses for the municipalities, many of which have traditionally viewed revenues from regional development as a regular source of income. While BNG Bank's position as a specialised lender to local and regional authorities as well as public-sector institutions means it has a low-risk weighted portfolio, it also means that the diversification of its loan portfolio is limited. Accordingly, any reduction in BNG Bank's primary clients' financing requirements may in turn negatively affect BNG Bank's financial condition and results of operation. In particular, BNG Bank has a strong concentration in lending to housing associations (upward of 50% of its total lending portfolio).

BNG Bank's business and results of operations are also affected by financial market conditions. Although capital and credit markets around the world were more stable during 2012, they remained volatile and subject to intermittent and prolonged periods of disruption. In particular, during the first half of 2012, continuing risk of sovereign default relating to certain European Union ("EU") member states, notably in the GIIPS and Cyprus, had a negative impact on capital and credit markets and resulted in higher credit spreads, particularly for these countries. Financial markets are expected to remain volatile, and the challenging economic and market conditions continue to place strain on funding needs and may continue to cause significant volatility to funding costs.

BNG Bank's results of operations have been adversely impacted by these conditions over the past several years. If the levels of market disruption and volatility experienced in the past few years continue or recur, and the pace of economic recovery, particularly in the Netherlands, remains weak, BNG Bank may experience further reductions in business activity, increased funding costs and funding pressures, decreased asset values and/or lower profitability. As a result of changing market conditions and the influence of financial, economic and/or other cycles, BNG Bank's results of operations are subject to volatility that may be outside the control of BNG Bank. BNG Bank's financial condition and results of operations may, therefore, vary significantly from year to year depending on market and general economic conditions.

*The continuing economic crisis in Europe may adversely affect BNG Bank's business and results of operations.*

In Europe, GIIPS and Cyprus have been particularly affected by macroeconomic and financial conditions. Although the risk of sovereign default reduced in the latter part of 2012 due to actions of the European Central Bank ("ECB") and the EU, the risk of default remains. This default risk and the impact it would have on the Eurozone countries, including the possibility that some countries (albeit those with a relatively small GDP) could leave the Eurozone (either voluntarily or involuntarily), raises concerns about the ongoing viability of the euro currency and the EMU. The recent need to bail-out Cyprus, including the bail-in of certain deposits, is an example of this ongoing risk. Uncertainty over the best way forward for the highly indebted Eurozone persists and continues to pose a serious threat to global economic recovery. Despite the various rescue packages and other stabilizing measures adopted throughout Europe to deal with the Eurozone sovereign debt crisis, financial markets are expected to remain volatile, with the risk of contagion unlikely to dissipate in the near term.

The effects on the Dutch, European and global economies of an exit of one or more EU member states from the EMU, a potential dissolution of the EMU and a consequent re-introduction of individual currencies in one or more EMU member states, are impossible to predict. However, if any such event were to occur it would likely:

- result in significant market dislocation;
- heighten counterparty risk;
- result in downgrades of credit ratings for European borrowers, giving rise to increases in credit spreads and decreases in security values;

- disrupt and adversely affect the economic activity of the Dutch and other European markets; and
- adversely affect the management of market risk and in particular asset and liability management due, in part, to the redenomination of financial assets and liabilities and the potential for mismatch.

The occurrence of any of these events could have a material adverse effect on BNG Bank's prospects, financial condition and results of operations.

*BNG Bank is subject to liquidity risks and adverse capital and credit market conditions may impact BNG Bank's ability to access liquidity as well as the cost of credit.*

Liquidity risk is the risk that BNG Bank, although solvent, is at any given moment unable to meet its payment obligations due to insufficient financial resources or can only secure such financial resources at excessive cost. BNG Bank requires liquidity in its day-to-day business activities primarily to replace or repay its maturing liabilities, pay interest on its debt and pay its operating expenses. The principal source of liquidity for BNG Bank is the wholesale lending markets, although further liquidity is available through deposits and entrusted funds and cash flow from its investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash, by using it as collateral for lending from the ECB. A significant amount of collateral is permanently deposited at the ECB for immediate use in case of severe market stress.

Credit markets worldwide experienced a material reduction in the availability of financing as a result of the global economic and financial crisis in 2008/2009. Continuing disruption, particularly in Europe during 2010, 2011 and the first part of 2012, mainly due to the sovereign debt crises associated with the GIIPS, resulted in liquidity and term-funding remaining difficult to obtain and terms for certain borrowers continuing to remain less favorable than prior to the global economic and financial crisis. In particular, in the second half of 2011, as the EU sought to agree on a further financial assistance program for Greece, there was a significant liquidity problem as the interbank market, a traditional source of unsecured short-term funding, was severely disrupted and U.S. dollar funding for European banks was largely unavailable. Only the intervention of the ECB and its long-term refinancing operations made available in December 2011 and February 2012 reduced this liquidity problem that was adversely affecting banks across Europe and had shut many European banks out of the wholesale public markets. Although the efforts of the ECB with the support of central banks has had a positive impact, global credit markets continue to be volatile and credit spreads have not fully returned to pre-global economic and financial crisis levels.

In addition, the market perception of counterparty risk between banks has changed significantly as a result of the global economic and financial crisis. Uncertainty regarding the perception of credit risk across financial institutions has led to, and may continue to lead to, reductions in access to traditional sources of liquidity, such as the wholesale lending markets, or increases in the costs of accessing such liquidity.

Although credit markets generally improved during 2012 and BNG Bank's total long-term funding volumes increased in 2012, if any of the problems discussed above continue or recur, BNG Bank's access to the wholesale lending markets, which is its principal source of liquidity could be restricted or available only at a higher cost.

The availability and cost of financing depends on a variety of factors such as the market conditions referred to above, as well as the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, counterparty risk, an issuer's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of an issuer's long- or short-term financial prospects. BNG Bank's access to funds and the cost of such funds is significantly influenced by the views of rating agencies. If BNG Bank's access to the capital markets were to decline or the cost of accessing such markets should increase significantly or if BNG Bank is unable to attract other sources of financing, these developments could have an adverse effect on BNG Bank's financial condition and results of operations and could, in turn, impair BNG Bank's access to liquidity.

*Volatility in interest rates, credit spreads and markets may adversely affect BNG Bank's prospects, financial condition and results of operations.*

BNG Bank is exposed to market risk and in particular to interest rate risk. Changes in the absolute level of interest rates, credit spreads included in interest rates (caused by the market perception of credit risk, liquidity risk or other risks) and changes between different types of interest rates may negatively affect BNG Bank's prospects, financial condition and results of operations by decreasing its interest income or decreasing demand for loans. In a period of changing interest rates (and higher and more volatile credit spreads), interest expense may increase at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease interest result, BNG Bank's primary source of revenue. In addition, an increase in interest rates (or credit spreads) may decrease the demand for loans. Changes in interest rates may negatively affect the value of BNG Bank's assets and its ability to realize gains or avoid losses from the sale of those assets, all of which also ultimately affect profit. BNG Bank's revenues and exposure to interest rate risk also depend on its ability to properly identify and mark-to-market changes in the value of financial instruments caused by changes in market prices, rates and spreads. The volatile market conditions over the past several years have resulted in significant changes in the value of marked-to-market assets. While BNG Bank recorded an (unrealised) positive market value adjustment in 2012, it recorded (unrealised) negative market value adjustments in 2010 and 2011 due to changes in credit and liquidity spreads. Changes in interest rates may also result in unrealised losses which may be required to be recognised in the income statement or in equity on the balance sheet.

Continued market disruption makes it extremely difficult to value certain financial instruments for which observable market data is not available. In addition, market volatility may result in significant unrealised losses or impairment losses on such instruments. If observable prices or inputs are not available for certain classes of financial instruments, fair value is determined in these cases using valuation techniques BNG Bank believes to be appropriate for the particular instrument. The application of valuation techniques to determine fair value involves estimation and management judgment, the extent of which will vary with the degree of complexity of the instrument and liquidity in the market. Management judgment is required in the selection and application of the appropriate parameters, assumptions and modeling techniques. If any of the assumptions change due to negative market conditions or for other reasons, subsequent valuations may result in significant changes in the fair values of financial instruments, requiring BNG Bank to record losses.

*Rating downgrades could have an adverse impact on BNG Bank's operations and financial condition.*

Ratings are important to BNG Bank's business for a number of reasons. Among these reasons are its ability to issue debt instruments and the risk weighting of certain assets held by BNG Bank. BNG Bank has credit ratings from Standard & Poor's, Fitch and Moody's. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. In January 2012, while confirming the AAA rating, Standard & Poor's placed BNG Bank on "negative outlook," following the outlook designated to the State of the Netherlands. In November 2012, Standard & Poor's lowered its rating of the Dutch banking sector and placed BNG Bank's long term rating on credit watch, but cancelled this action one month later based on a reassessment of BNG Bank's role in relation to the Dutch government from very important to critical. Due to BNG Bank's public-sector role, Standard & Poor's considers BNG Bank a "government-related entity" with an almost certain likelihood of extraordinary government support and accordingly links BNG Bank's rating to that of the State of the Netherlands. Notwithstanding Standard & Poor's view that BNG Bank is a "government-related entity," investors should note that BNG Bank is not a government entity and its debt (including the Notes) are not direct or indirect obligations of the State of the Netherlands or guaranteed in any way by the State of the Netherlands. In February 2013, while confirming the AAA rating, Fitch revised its outlook from "stable" to "negative", also following the outlook designated to the State of the Netherlands. Any rating action taken with respect to the State of the Netherlands can be expected to impact BNG Bank's ratings, and while BNG Bank has not experienced significant negative effects as a result of the recent rating actions, any adverse rating actions may adversely affect BNG Bank. In the event of a downgrade or a notice of a possible downgrade or negative outlook, BNG Bank's cost of issuing debt instruments might increase, having an adverse effect on net profit and potentially impacting BNG Bank's competitive position with its clients in the public sector and its financial condition.

*BNG Bank may be unable to manage its risks successfully through derivatives.*

BNG Bank employs various economic hedging strategies with the objective of mitigating the market risks that are inherent in its business and operations. These risks include currency fluctuations, changes in the fair value of its investments and the impact of interest rate and credit and liquidity spread changes as well as other factors described in this section. BNG Bank seeks to mitigate these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts. To limit the volatility in year-on-year earnings, BNG Bank uses micro and macro fair value hedging under IFRS as well as economic activities hedging.

Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate BNG Bank from all risks associated with market fluctuations and market stresses. BNG Bank's hedging strategies inevitably rely on assumptions and projections regarding its assets and liabilities, general market factors and the creditworthiness of its counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, BNG Bank's hedging activities may not have the desired beneficial impact on its financial condition, results of operations or in limiting volatility in earnings. Poorly designed strategies or improperly executed transactions could actually increase BNG Bank's risks and lead to financial losses. If BNG Bank terminates a hedging arrangement, it may also be required to pay additional costs, such as transaction fees or breakage costs. BNG Bank's hedging strategies and the derivatives that it uses and may use may not adequately mitigate or offset the risk of interest rate and currency volatility, and BNG Bank's hedging transactions may result in losses.

*BNG Bank has significant counterparty risk exposure, which could negatively affect BNG Bank's financial condition and results of operations.*

BNG Bank is subject to general credit risks, including counterparty risks of borrowers. Third parties that owe BNG Bank money, securities or other assets may not pay or perform under their obligations. These parties include borrowers under loans issued by BNG Bank, the issuers whose securities BNG Bank holds, customers, trading counterparties, counterparties under swap and credit and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to BNG Bank due to bankruptcy, lack of liquidity, downturns in the economy, operational failure, systemic failure or for other reasons. Any such defaults could lead to losses for BNG Bank which could have a material adverse effect on BNG Bank's financial condition and results of operations.

*BNG Bank's risk management methods may leave it exposed to unidentified, unanticipated, or incorrectly quantified risks, which could lead to material losses or material increases in liabilities.*

In the course of its business activities, BNG Bank is exposed to a variety of risks, the most significant of which are market risk, in particular, interest rate risk, liquidity risk, credit and counterparty risk, model risk and operational risk. While BNG Bank believes it has implemented, and will continue to implement, the appropriate policies, systems and processes to control and mitigate these risks, including to manage fluctuations in fair value, investors should note that any failure to adequately control these risks could result in adverse effects on BNG Bank's financial condition, results of operations and reputation.

BNG Bank devotes significant resources to developing risk management policies, procedures and assessment methods for its banking business. BNG Bank uses value-at-risk (VaR) models, duration analysis and susceptibility to interest rate fluctuation per time interval (delta) analysis as well as other risk assessment methods, such as scenario analysis and stress testing. Together, these risk assessment methods provide a basis for ensuring the transparency and manageability of risks. Nonetheless, such risk management techniques and strategies may not be fully effective in mitigating risk exposure in all economic market environments or against all types of risk, including risks that BNG Bank fails to identify or anticipate. Some of BNG Bank's qualitative tools and metrics for managing risk are based upon use of observed historical market behavior. BNG Bank applies statistical and other tools to these observations to arrive at quantifications of risk exposures. These tools and metrics may fail to predict or incorrectly predict future risk exposures. Moreover, these observations or information may not be accurate, complete, up-to-date or properly evaluated in all cases. Thus BNG Bank's losses could be significantly greater than such measures would indicate. In addition, BNG Bank's quantified modeling does not take all risks into account. BNG Bank's more qualitative approach to managing risks takes into account a broader set of risks, but is less precise than quantified modeling and could prove insufficient. In addition, certain risks could be greater than BNG Bank's empirical data would otherwise indicate. There can, therefore, be no

assurance that BNG Bank's risk management and internal control policies and procedures will adequately control, or protect BNG Bank against, all credit and other risks. Unanticipated or incorrectly quantified risk exposures could result in material losses for BNG Bank.

*While BNG Bank manages its operational risks, these risks remain an inherent part of BNG Bank's businesses and failure to manage these risks could harm BNG Bank's business and reputation.*

BNG Bank's business inherently generates operational risks. Its business is dependent on processing a large number of complex transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes.

The operational risks that BNG Bank faces include the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, including inadequate compliance with internal and external laws, errors resulting from faulty computer or telecommunications systems, employee misconduct and external events such as fraud. These events could result in financial loss and harm BNG Bank's reputation. Additionally, the loss of key personnel could adversely affect BNG Bank's operations and results.

Although BNG Bank has devoted substantial resources to developing its operational risk management policies and procedures, and expects to continue to do so in the future, there can be no assurance that these will be adequate or effective. Any material deficiency in BNG Bank's operational risk management or other internal control policies or procedures may expose BNG Bank to significant credit, liquidity, or market risks, which may in turn have a material adverse effect on BNG Bank's business, results of operations and financial condition.

*BNG Bank operates in a highly regulated industry. There could be changes or increases in the financial services laws and/or regulations governing BNG Bank's business, which may adversely affect its operations or profitability.*

BNG Bank is subject to detailed banking and other financial services laws and government regulation in the Netherlands. The DNB and the AFM have broad administrative power over many aspects of the financial services business, including liquidity, capital adequacy, permitted investments, ethical issues, anti-money laundering, privacy, record keeping, and marketing and selling practices. Banking and other financial services laws, regulations and policies currently governing BNG Bank may also change at any time in ways which have an adverse effect on BNG Bank's business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. As a relatively small organization, BNG Bank is heavily burdened financially and operationally by the pressure of increasing regulations which need to be reconciled and implemented in line with BNG Bank's business and the heightened duty to provide reports to its regulators. In light of the responses to the global economic and financial crisis, financial institutions have been confronted with a succession of new legislation and regulations, including, in particular, rules and regulations regarding capital adequacy, liquidity, leverage, accounting and other factors affecting banks.

Specifically, in December 2010 the Basel Committee on Banking Supervision published its final standards on the revised capital adequacy framework known as "**Basel III**". These standards are significantly more stringent than the existing requirements. In order to facilitate the implementation of the Basel III capital and liquidity standards for banks and investment firms, on 20 July 2011 the European Commission proposed a legislative package to strengthen the regulation of the banking sector. On 26 March 2013 the Council and the European Parliament reached agreement on a compromise text on a package known as "**CRD IV**". CRD IV will replace the current Capital Requirements Directives (2006/48 and 2006/49) with a Directive and a Regulation (the "**CRR**") and aims to contribute to the safety and soundness of the financial system. On 16 April 2013, the European Parliament approved the proposed CRD IV. The CRD IV-directive governs among other things the access to deposit-taking activities while the CRD IV-regulation establishes the majority of prudential requirements for institutions. On 24 April 2013 the Dutch Ministry of Finance published the consultation version for the legislative proposal for the Act implementing CRD IV for public consultation.

It is expected that the implementation of CRD IV will become effective in national legislation on 1 January 2014 and that the application in full of all measures under CRD IV will have to be completed before 1 January 2019.

CRD IV, in implementing Basel III, intends to increase the quality and quantity of capital, to require increased capital against derivative positions and to introduce a capital conservation buffer, a counter-cyclical buffer, a new liquidity framework as well as a leverage ratio and a liquidity coverage ratio. The leverage ratio is defined as regulatory capital divided by a measure of non-risk weighted assets. If Basel III is followed under CRD IV, the leverage ratio may not fall below 3%, though there is still uncertainty as to the exact implementation of the leverage ratio under CRD IV. The ultimate aim of Basel III/CRD IV is to reduce leverage in order to bring institutions' assets more in line with their capital. The liquidity coverage ratio (LCR) addresses the sufficiency of high quality liquid assets to meet short-term liquidity needs under a specified acute stress scenario which may not fall below 100% of the estimated net cash outflows for the following 30 days. In addition to the capital requirements, CRD IV also deals with the market access and license requirements for banks. The definition of 'bank' is laid down in the CRR, the regulation which will have direct effect in the Netherlands. As a consequence thereof, the Dutch consultation proposal includes a definition of bank and banking license requirement that merely refers to the definition in the CRR, which means that the notion of a bank and the question whether an entity falls within the scope of the banking license requirement is primarily decided at EU level.

Further, the expansion and adjustments of several IFRS measures announced by the International Accounting Standards Board could have an adverse impact on BNG Bank's reported results and financial condition. The revised IFRS 13; Fair Value Measurement, took effect on 1 January 2013 and has resulted in an adjustment to the valuation of certain derivatives that BNG Bank uses for hedging currency and interest rate risks and that it generally holds to maturity. These derivatives must now be valued based on overnight interest rates (the "Overnight Index Swap Curve" or "OIS"), which is expected to have a material effect on hedge accounting and to permanently increase the volatility of BNG Bank's annual results. The deadline for implementation of IFRS 9; Financial Instruments, Classification and Measurement, which will replace IAS 39, Financial Instruments Recognition and Measurement, was deferred from early 2013 to early 2015. However, BNG Bank assumes implementation at the end of 2013 in order to ensure the availability of comparable figures for 2014. The change in accounting standards with respect to impairment and hedge accounting included in IFRS are in particular expected to have a material effect on the volatility of BNG Bank's reported results and financial condition. In response to these accounting changes BNG Bank will need to make adjustments to its risk management processes which will require investment in new systems and additional staff.

In addition, the introduction of, and changes to, taxes, levies or fees applicable to BNG Bank's operations (such as the imposition of a financial transactions tax and bank levy) could have an adverse effect on its business and/or results of operations. For example, in 2012 a Dutch bank tax was introduced, which, at an amount of €32 million for 2012, had a significant adverse impact on BNG Bank's results of operations.

Although scheduled implementation deadlines are commonly not met, no reversals of proposed new laws and regulations should be expected. Nearly all of the proposals will increase, either directly or indirectly, the burden on financial institutions. In addition to the implementation costs, measures such as the bank levy, the obligation to centrally clear swap transactions imposed by the European Market Infrastructure Regulation, and the significant increase in disclosure requirements will result in permanently higher costs. BNG Bank expects to be most affected by the Basel III/CRD IV proposals and the expansion and adjustments of IFRS. In addition, the government decision to obligate local governments to treasury banking from mid-2013 will eventually impact BNG Vermogensbeheer. See "*Amendments to the regulation on Treasury Banking may adversely affect BNG Bank's financial condition and results of operations*".

BNG Bank cannot predict what impact such new rules and regulations will have on its business until such rules and regulations are fully adopted and implemented. Any new or changed regulations may adversely affect BNG Bank's business and/or results of operations.

*Amendments to the regulation on Treasury Banking may adversely affect BNG Bank's financial condition and results of operations.*

As a public sector bank, BNG Bank attracts funds from and lends funds to local and regional authorities. In this respect, the developments under Dutch regulation of 'treasury banking' may have an impact on BNG Bank. Treasury banking means the structuring of funds of Dutch ministries, social security funds and a large number of (semi) public organizations, whereby the Dutch State Treasury Agency ("DSTA") is viewed as the central treasury. In February 2013 the explanatory memorandum to the legislative proposal to amend the Local and Regional Authorities Funding Act (the "**Funding Act**") (*Memorie van*

*Toelichting Wijziging van de Wet financiering decentrale overheden*, TK 2012-2013, 33 540, nr. 3 (the "Explanatory Memorandum") was published. This legislative proposal contains new rules on mandatory treasury banking (*verplicht schatkistbankieren*), which is one of the measures announced in the national budget for 2013. With the introduction of mandatory treasury banking for local and regional authorities, the government aims to decrease the EMU debt of the public sector. If the legislative proposal is adopted and the Funding Act comes into effect, local and regional authorities, including water boards, will be required to hold all their gross surplus liquid funds and investments above the threshold of 0.75% of the total budget with accounts held at the Netherlands Ministry of Finance (*Ministerie van Financiën*). The legislative proposal provides for local and regional authorities to use these surplus liquid funds and investments to discharge debts or - under certain conditions - to grant loans to other local or regional authorities. These amendments aim to decrease the external funding needs of the State of the Netherlands, which is intended to result in a cut on public debt. Within the Ministry of Finance, treasury banking will be executed by the DSTA. The participating local and regional authorities would be required to conclude agreements under private law with the DSTA. The legislative proposal is currently pending before the Lower House of the Dutch Parliament (*Tweede Kamer*). Public sector banks such as BNG Bank and the local and regional authorities will be consulted regarding the implementation of the envisaged new system of mandatory treasury banking. According to the Explanatory Memorandum, the implementation of mandatory treasury banking is not expected to have a significant effect on public sector banks. Public sector banks such as BNG Bank are intended to maintain their core business of financing local and regional authorities and the semi-public sector. Furthermore, the share ownership of the State of the Netherlands in the public sector banks is not subject to debate. However, if mandatory treasury banking were to be introduced in the Netherlands, there can be no assurance that this would not negatively impact BNG Bank's financial condition and results of operations.

*The IT and other systems on which BNG Bank depends for its day-to-day operations may fail for a variety of reasons that may be outside its control.*

BNG Bank's operations are highly dependent on its ability to process and monitor, on a daily basis, a large number of transactions, some of which are complex, while complying with applicable laws and regulations. BNG Bank's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or may become disabled, which may have an adverse effect on BNG Bank's ability to process transactions or provide services. Other factors which could cause BNG Bank's operating systems to fail or not operate properly include a deterioration in the quality of IT development, support and operations processes and, in particular, high turnover of employees, resulting in an inadequate number of personnel to handle the growth and increasing complexity of operations. Critical system failure and/or prolonged loss of service could cause serious damage to BNG Bank's ability to service its clients and could cause long-term damage to BNG Bank's business and reputation. For example, any breach in security of BNG Bank's systems from increasingly sophisticated attacks by cybercrime groups, could have a significant negative effect on BNG Bank's reputation, result in the disclosure of confidential information, and create potential financial and legal exposure. Despite BNG Bank's significant expenditures on its IT systems, there can be no assurance that these expenditures will be sufficient or that its IT systems will function as planned. Any disruption in, or any breach in security of, BNG Bank's IT or other systems may have a material adverse effect on its business, financial condition or results of operations.

*BNG Bank is reliant on third parties to which it has outsourced certain functions.*

BNG Bank relies on a third party provider for substantial parts of its IT services. Any interruption in the services of this third party or deterioration in its performance of the outsourced services could impair the timing and quality of BNG Bank's services to its clients. Furthermore, if the contract with this third party provider is terminated (or with any third party provider of critical services in the future), BNG Bank may not find alternative service providers on a timely basis or on as favorable terms or may suffer disruption as a result of the transition of functions to the new services provider. The occurrence of any of these events could adversely affect BNG Bank's business, reputation, results of operation or financial condition.

#### **Risks related to the market for the Notes**

Set out below is a description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit rating risk.

### *Liquidity risk*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Liquidity could be affected by a number of factors, including the introduction of a financial transactions tax. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes will generally have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market value of Notes.

### *Exchange rate risk and exchange controls*

The Issuer will pay principal and interest on the Notes in the currency specified in the applicable Final Terms (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (i) the Investor’s Currency-equivalent yield on the Notes, (ii) the Investor’s Currency-equivalent value of the principal payable on the Notes and (iii) the Investor’s Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### *Interest rate risk*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

### *Credit rating risk*

As of the date of this Base Prospectus, the Programme has been rated AAA by Standard & Poor’s, AAA by Fitch and Aaa by Moody’s. Tranches of Notes that may be issued under the Programme can be rated or unrated. Where a Tranche of Notes issued under the Programme is rated, the applicable rating(s) will be specified in the applicable Final Terms. Such ratings will not necessarily be the same as the rating(s) assigned to the Programme, the Issuer or to Notes already issued. One or more independent credit rating agencies may also assign credit ratings to the Notes and/or BNG Bank.

Credit or corporate ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of any Tranche of Notes. In addition, any negative change in the credit rating of BNG Bank could adversely affect the trading price of the Notes. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. In the event a rating assigned to the Notes and/or BNG Bank is lowered for any reason, the market value of the Notes may be adversely affected, but no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes.

### **Factors which might affect an investor’s ability to make an informed assessment of the risks associated with Notes issued under the Programme**

Each potential investor in the Notes must be able to make an informed assessment of the Notes, based upon full knowledge and understanding of the facts and risks. Each potential investor must determine the suitability of that investment in light of its own circumstances. The following factors might affect a potential investor’s ability to appreciate the risk factors outlined below, placing such potential investor at a greater risk of receiving a lesser return on its investment:



- (i) if such an investor does not have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits of investing in the Notes in light of the risk factors outlined below;
- (ii) if such an investor does not have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of his particular financial situation, the significance of these risk factors and the impact the Notes will have on its overall investment portfolio;
- (iii) if such an investor does not have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential Investor's Currency;
- (iv) if such an investor does not understand thoroughly the terms of the Notes and is not familiar with the behavior of any relevant indices in the financial markets (including the risks associated thereof) as such an investor is more vulnerable from any fluctuations in the financial markets generally; and
- (v) if such an investor is not able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

**Risks related to the structure of a particular issue of Notes**

Several types of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments but as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

*Notes subject to optional redemption by the Issuer*

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes will generally not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*Dual Currency Interest Notes*

The Issuer may issue Notes with interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Prospective investors should be aware that:

- (i) the market price of such Notes may be very volatile;
- (ii) they may receive no interest; and
- (iii) payment of interest may occur at a different time or in a different currency than expected.

## **Risks related to Notes generally**

### *Modification and waiver*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

### *Tax consequences of holding the Notes*

Any potential investor should consult its own independent tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in its particular circumstances, which could follow from, amongst others, the EU Savings Directive. See “*Taxation*”.

Bearer Notes generally may not be offered or sold in the United States or to U.S. persons. Unless an exemption applies, a U.S. person holding a Bearer Note or Coupon will not be entitled to deduct any loss on the Bearer Note or Coupon and must treat as ordinary income any gain realised on the sale or other disposition (including the receipt of principal) of the Bearer Note or Coupon.

### *Notes held in global form*

The Notes will initially be held by a common depositary or, as the case may be, a common safekeeper on behalf of Euroclear and/or Clearstream, Luxembourg and/or by a custodian on behalf of DTC in the form of either a Global Note or a Global Note Certificate which will be exchangeable for Definitive Notes or, as the case may be, Individual Note Certificates only in limited circumstances as more fully described in the section headed “*Form of the Notes*” below. Notes held by a custodian on behalf of DTC must be in registered form. For as long as any Notes are represented by a Global Note or a Global Note Certificate held by a common depositary or a common safekeeper on behalf of Euroclear and/or Clearstream, Luxembourg and/or by a custodian on behalf of DTC, payments of principal, interest (if any) and any other amounts due in respect of the Notes will be made through Euroclear and/or Clearstream, Luxembourg and/or DTC (as the case may be) against presentation or surrender (as the case may be) of the relevant Global Note or, as applicable, Global Note Certificate and, in the case of a Temporary Global Note, certification as to non-U.S. beneficial ownership. In the case of Bearer Notes, the bearer of the relevant Global Note, being the common depositary or, as the case may be, common safekeeper for Euroclear and/or Clearstream, Luxembourg, shall be treated by the Issuer and any Paying Agent as the sole holder of the relevant Notes represented by such Global Note with respect to the payment of principal, interest (if any) and any other amounts payable in respect of the Notes. In the case of Registered Notes, each Note represented by a Global Note Certificate will be registered in the name of a nominee for Euroclear and Clearstream, Luxembourg or DTC and such nominee shall be treated by the Issuer and any Paying Agent as the sole holder of the relevant Notes represented by such Global Note Certificate with respect to the payment of principal, interest (if any) and any other amounts payable in respect of such Notes. A holder of a beneficial interest in a Global Note or a Global Note Certificate must rely on the procedures of Euroclear, Clearstream, Luxembourg and/or DTC to receive payments under the relevant Notes.

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination (a “**Stub Amount**”) may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination. As long as the Stub Amount is held in the relevant clearing system, the Noteholder will be unable to transfer this Stub Amount.

Notes which are represented by a global Note or a Global Note Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be.

### *Restrictions on transfer*

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and the Notes may not be offered, sold or delivered within the United States, or to or for the account or benefit of U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws, or pursuant to an effective registration statement. The Notes and the Issuing and Paying Agency Agreement (as defined in the Conditions) will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exemptions under the Securities Act. In addition, any offer, sale or transfer of Notes into the United States may be made only to QIBs. Investors must ensure that their offers and sales of the Notes within the United States and other countries comply with all applicable laws, including securities laws. Bearer Notes are subject to United States tax law requirements. Subject to certain exceptions, Bearer Notes may not be offered, sold or delivered within the United States or to United States persons, as those terms are defined in the U.S. Internal Revenue Code of 1986, as amended (the “Code”), and by the U.S. Treasury Regulations thereunder. See “Plan of Distribution” and “Transfer Restrictions”. Investors must ensure that their offers and sales of the Notes within the United States and other countries comply with all applicable laws, including, amongst others, the laws mentioned above. If offers and sales of Notes do not comply with all applicable laws in relevant jurisdictions, Notes may not be able to be sold, transferred or delivered to certain investors and investors may not be able to sell, transfer and deliver Notes to third parties who are residents, citizens or holders of securities accounts in such jurisdictions.

### *Nominee arrangements*

Where, in the case of an issue of Notes a nominee service provider is used by an investor to hold the relevant Notes or such investor holds interests in any Series of Notes through accounts with a clearing system (such as Euroclear, Clearstream, Luxembourg or DTC), such investor will receive payments in respect of principal, interest, (if any) or any other amounts due, as applicable, solely on the basis of the arrangements entered into by the investor with the relevant nominee service provider or clearing system, as the case may be. Furthermore, such investor must rely on the relevant nominee service provider or clearing system to distribute all payments attributable to the relevant Notes which are received from the Issuer. Accordingly, such an investor will be exposed to the credit risk of, and default risk in respect of, the relevant nominee service provider or clearing system, as well as the Issuer.

For the purposes of (a) distributing any notices to Noteholders, and (b) recognizing Noteholders for the purposes of attending and/or voting at any meetings of Noteholders, the Issuer will recognise as Noteholders only those persons who are at any time shown as accountholders in the records of Euroclear and/or Clearstream, Luxembourg and/or DTC as persons holding a principal amount of the relevant Series of Notes. Accordingly, an investor must rely upon the nominee service provider which is the accountholder with the relevant clearing system through which the investor made arrangements to invest in the Notes (and, if applicable, the domestic clearing system through which the Notes are held), to forward notices received by it from Euroclear and/or Clearstream, Luxembourg and/or DTC and to return the investor’s voting instructions or voting certificate application to Euroclear and/or Clearstream, Luxembourg and/or DTC. Accordingly, such an investor will be exposed to the risk that the relevant nominee service provider or clearing system may fail to pass on the relevant notice to, or fail to take relevant instructions from, the investor.

In addition, such a Noteholder will only be able to sell any Note held by it prior to its stated maturity date with the assistance of the relevant nominee service provider.

None of the Issuer, the Arranger, any Dealer to be appointed under the Programme or the Agent shall be responsible for the acts or omissions of any relevant nominee service provider or clearing system nor makes any representation or warranty, express or implied, as to the services provided by any relevant nominee service provider or clearing system.

### *Change of law and jurisdiction*

The conditions of the Notes are governed by Dutch law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to Dutch law or administrative practice after the date of this Base Prospectus.

Prospective investors should note that the courts of the Netherlands shall have jurisdiction in respect of any disputes involving any Series of Notes. Noteholders may take any suit, action or proceedings arising out of or in connection with the Notes against the Issuer in any court of competent jurisdiction. The laws of the Netherlands may be materially different from the equivalent law in the home jurisdiction of prospective investors in its application to the Notes.

*Implemented and proposed banking legislation for ailing banks give regulators resolution powers and powers to write down debt (including the Notes).*

The Dutch Act on special measures regarding financial undertakings (*Wet bijzondere maatregelen financiële ondernemingen* or *Interventiewet*, hereinafter the “**Special Measures Financial Institutions Act**”) entered into force on 13 June 2012 (with the exception of some provisions which have entered into or will enter into force on a later date). Under the Special Measures Financial Institutions Act, substantial new powers are granted to DNB and the Dutch Minister of Finance enabling them to deal with, *inter alia*, ailing Dutch banks with the aim to avoid their insolvency. The Special Measures Financial Institutions Act aims to empower DNB or the Minister of Finance, as applicable, to commence proceedings leading to: (i) the transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) the transfer of all or part of the business of the relevant bank to a ‘bridge bank’; (iii) the transfer of the shares of the relevant bank to a ‘bridge bank’; and (iv) public ownership (nationalization) of all or part of the relevant bank or of all or part of its shares or other securities (including the Notes). Subject to certain exceptions, as soon as any of these proposed proceedings have been initiated by DNB or the Minister of Finance, as applicable, the relevant counterparties of such bank would not be entitled to invoke events of default or set off their claims against the bank. The Minister of Finance may, after consultation with DNB, take immediate measures which may deviate from statutory provisions or from the articles of association of the institution concerned. Within the context of the resolution tools provided by the Special Measures Financial Institutions Act, holders of debt securities of a bank (including Noteholders) subject to resolution could be affected by issuer substitution or replacement, transfer of debt, expropriation, modification of terms and/or suspension or termination of listings. The Special Measures Financial Institutions Act has retroactive effect as of 20 January 2012.

On 6 June 2012, the European Commission published a proposal for a new directive on crisis management in the financial sector (the “**Crisis Management Directive**”) which contains a number of legislative proposals similar to the Special Measures Financial Institutions Act. The Crisis Management Directive includes proposals to give regulators resolution powers to, *inter alia*, write down debt (which may also include the Notes) of failing banks and certain investment firms (or to convert such debt into equity) to strengthen their financial position and allow such undertakings to continue as a going concern subject to appropriate restructuring measures being taken. It is currently unclear whether measures ultimately adopted in this area will apply to any debt currently in issue, or whether grandfathering rules will apply. As used in these risk factors, “Crisis Management Directive” means any relevant laws and regulations applicable to BNG Bank at the relevant time pursuant to, or which implement, or are enacted with the context of, a directive and/or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, of which a draft was published on 14 February 2013.

It is possible that, given the entering into force of the Special Measures Financial Institutions Act and/or upon the entering into force of the Crisis Management Directive in its current form or other resolution or recovery rules which may be applicable to BNG Bank in the future (including, but not limited to, CRD IV), the relevant regulator may use its powers under the new regime in a way that could result in subordinated and/or senior debt instruments of BNG Bank, such as the Notes, absorbing losses. Pursuant to the exercise of any statutory loss absorption measures, the Notes could, in certain circumstances, become subject to a determination by the relevant authority or BNG Bank that all or part of the principal amount of the Notes, including accrued but unpaid interest in respect thereof, must be written off, converted into regulatory capital or otherwise be applied to absorb losses. The rules and regulations giving effect to such statutory loss absorption are likely to provide that such determination shall not constitute an event of default and Noteholders will have no further claims in respect of any amount so written off or otherwise as a result of such statutory loss absorption. Any determination that all or part of the principal amount of the Notes will be subject to statutory loss absorption may be inherently unpredictable and may depend on a number of factors which may be outside the Issuer's control. Accordingly, trading behaviour in respect of Notes which are subject to statutory loss absorption is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication

that Notes will become subject to statutory loss absorption could have an adverse effect on the market price of the relevant Notes. Potential investors should consider the risk that a Noteholder may lose all of its investment in such Notes, including the principal amount plus any accrued but unpaid interest, if those statutory loss absorption measures were to be taken.

The Special Measures Financial Institutions Act and/or the entering into force of the Crisis Management Directive could also in other ways negatively affect the position of the Noteholders and the credit rating attached to the Notes, in particular if and when any of the above rescue proceedings would be commenced against BNG Bank, since the application of any such new legislation may affect the rights and effective remedies of the Noteholders as well as the market value of the Notes. In addition, the rescue measures could increase BNG Bank's cost of funding and thereby have an adverse impact on BNG Bank's financial position and results of operation.

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC (the “**EU Savings Directive**”) on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35% which may decrease the net proceeds on the Notes received by an investor. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. The Luxembourg government has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

The Issuer has undertaken to maintain at all times a Paying Agent in a EU member state that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive. If any payment is made by a Paying Agent that is obliged to withhold tax pursuant to the EU Savings Directive, the Issuer will not be required to pay any additional amounts in respect of such withholding pursuant to Condition 8 (*Taxation*).

*After 31 December 2016, BNG Bank or other intermediaries may be required to withhold FATCA tax on payments made to certain institutions on Notes that are issued or materially modified after 31 December 2013.*

Under certain provisions of the U.S. Internal Revenue Code (commonly referred to as “**FATCA**”), BNG Bank may be subject to 30% U.S. withholding tax on certain payments it receives unless it enters into an agreement (a “**FATCA agreement**”) with the U.S. Internal Revenue Service (the “**IRS**”) pursuant to which it agrees to report to the IRS information about any of its “**United States accounts**” and comply with certain procedures. BNG Bank has not yet determined whether it will enter into a FATCA agreement and thereby become a participating foreign financial institution (“**participating FFI**”) if it is required to do so in order to avoid any such withholding. Under FATCA and the U.S. Treasury regulations thereunder BNG Bank, if BNG Bank enters into a FATCA agreement, or a non-U.S. intermediary that is a participating FFI, may be required to withhold 30% from certain payments made after 31 December 2016 to the extent such payments are considered to be “**foreign passthru payments**” (which term is not yet defined in FATCA), but only if such payments are made to a “**foreign financial institution**” that is not a participating FFI and are made on Notes issued or materially modified on or

after the later of 1 January 2014 and the date that is six months after the date on which final U.S. Treasury regulations defining the terms “foreign passthru payments” are issued. It is not yet clear whether or to what extent payments on securities such as the Notes will be treated as foreign passthru payments.

In addition, the U.S. Treasury Department is negotiating intergovernmental agreements with a number of countries (including the Netherlands). In the event that an intergovernmental agreement were applicable to BNG Bank, BNG Bank may not need to enter into a FATCA agreement with the IRS and BNG Bank may not be required to withhold on any foreign passthru payment made by it. Prospective investors should consult their tax advisers regarding the application of FATCA to an investment in the Notes. See “*Taxation—United States Federal Income Taxation—Potential U.S. FATCA withholding after 31 December 2016.*”

### **Risks related to Renminbi Notes**

Notes denominated in Renminbi (“**Renminbi Notes**”) may be issued under the Programme. Renminbi Notes contain particular risks for potential investors, including:

*Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of Renminbi Notes.*

Renminbi is not freely convertible at present. The government of the People's Republic of China (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan, the “**PRC**”) (the “**PRC Government**”) continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong have been permitted to engage in the settlement of current account trade transactions in Renminbi under a pilot scheme introduced in July 2009 which originally applied to approved pilot enterprises in five cities in the PRC. The pilot scheme was extended in August 2011 to cover the whole nation and to make the settlement of current account trade transactions in Renminbi available worldwide.

However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

On 12 October 2011, the Ministry of Commerce of the PRC (“**MOFCOM**”) promulgated the “Circular on Certain Issues Concerning Direct Investment Involving Cross border Renminbi” (商务部关于跨境人民币直接投资有关问题的通知) (the “**MOFCOM Circular**”). Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts were authorised to approve Renminbi foreign direct investments (“**FDI**”) with certain exceptions based on, amongst others, the size and industry of the investment. The MOFCOM Circular also stipulates that the proceeds of FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in domestic companies listed in the PRC through private placements or share transfers by agreement.

On 13 October 2011, the People's Bank of China (the “**PBoC**”) promulgated the “Administrative Measures on Renminbi Settlement of Foreign Direct Investment” (外商直接投资人民币结算业务管理办法) (the “**PBoC FDI Measures**”) as part of the implementation of the PBoC's detailed FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBoC further issued the implementing rules for the PBoC FDI Measures. Under the PBoC FDI Measures, special approval for FDI and shareholder loans from the PBoC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBoC is still necessary.

As the MOFCOM Circular and the PBoC FDI Measures are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC Government will continue to gradually liberalise control over crossborder remittance of Renminbi in the future, that the pilot scheme introduced in July 2009 (as extended) will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. If funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service such Renminbi Notes.*

As a result of the restrictions by the PRC Government on cross border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Since February 2004, in accordance with arrangements between the PRC Government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi denominated banking services to Hong Kong residents and designated business customers. The PBoC has also established a Renminbi clearing and settlement mechanism for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (the "**Settlement Agreement**") between the PBoC and the Bank of China (Hong Kong) Limited as the Renminbi clearing bank (the "**Renminbi Clearing Bank**") to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong, there is no longer any limit on the ability of corporations to convert Renminbi and there is no longer any restriction on the transfer of Renminbi funds between different accounts in Hong Kong.

However, the current size of Renminbi denominated financial assets outside the PRC is limited. According to statistics published by the Hong Kong Monetary Authority (the "**HKMA**"), as of 30 November 2012, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately Renminbi 571,028 million. In addition, participating authorised institutions are also required by the HKMA to maintain a total amount of Renminbi (in the form of cash, its settlement account balance and/or fiduciary account balance with the Renminbi Clearing Bank) of no less than 25 per cent. of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. They are only allowed to square their open positions with the Renminbi Clearing Bank after consolidating the Renminbi trade position of banks outside Hong Kong that are in the same bank group of the participating banks concerned with their own trade position, and the Renminbi Clearing Bank has access to onshore liquidity support from the PBoC only for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross border trade settlement, for individual customers of up to Renminbi 20,000 per person per day and for designated business customers who receive Renminbi in exchange for providing their services. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that no new PRC regulations will be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all. If Renminbi is not available in certain circumstances as described in the Conditions applicable to Renminbi Notes, the Issuer can make payments in U.S. dollars.

*Investment in Renminbi Notes is subject to exchange rate risks.*

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar

terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

In the event that access to Renminbi becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (as defined in Condition 9(m)), the Issuer is unable, or it is impractical for it, to pay interest or principal in Renminbi, the Conditions allow the Issuer to elect in the applicable Final Terms to make payment in U.S. dollars at the prevailing spot rate of exchange, all as provided in more detail in Condition 9(m). As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a holder's investment in U.S. dollar or other foreign currency terms will decline.

*An investment in Renminbi Notes is subject to interest rate risk.*

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Renminbi Notes will vary with fluctuations in interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes before their maturity, they may receive an offer that is less than the amount invested.

*Payments in respect of Renminbi Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes.*

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by Global Notes held with the common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong, or (ii) for so long as the Renminbi Notes are represented by Notes in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).



## IMPORTANT NOTICES

The Issuer has confirmed that this Base Prospectus contains all information regarding the Issuer and (subject to being completed by any final terms (each the “**Final Terms**”) as referred to on page 87-116 hereof) the Notes to be issued under the Programme which is (in the context of the Programme and the issue of the Notes) material and such information is true and accurate in all respects and is not misleading. The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or
- (ii) in the circumstances described under “*Public Offers of Public Offer Notes in the European Economic Area*” below.

Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained or incorporated by reference in this Base Prospectus or any Final Terms or as approved in writing for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Dealers.

Neither the Dealers nor any of their respective affiliates (excluding the Issuer) have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. The delivery of this Base Prospectus or any Final Terms and the offering, sale or delivery of any Notes shall not in any circumstances create any implication that there has been no adverse change in the financial situation of the Issuer since the date hereof or, as the case may be, the date upon which the Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Base Prospectus and other offering material relating to the Notes see “*Plan of Distribution*” below.

In particular, the Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and the Notes may not be offered, sold or delivered within the United States, or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws, or pursuant to an effective registration statement. Bearer Notes are subject to United States tax law requirements. Subject to certain exceptions, Bearer Notes may not be offered, sold or delivered within the United States or to United States persons, as those terms are defined in the Code, and by the U.S. Treasury Regulations thereunder.

The Notes may be offered and sold (A) in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S and (B) in registered form within the United States to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes, see “*Plan of Distribution*” and “*Transfer Restrictions*”.

The Programme and the Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the “SEC”), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Notes or the accuracy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States.

This Base Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes and should not be considered as a recommendation by the Issuer or the Dealers that any recipient of this Base Prospectus should subscribe for or purchase any Notes. Each recipient shall be taken to have made its own investigation and appraisal of the financial condition of the Issuer.

The Issuer has given undertakings in connection with the listing of the Notes on the regulated market of the Luxembourg Stock Exchange and Euronext Amsterdam to the effect that, so long as any Note remains outstanding and listed on the regulated market of the Luxembourg Stock Exchange or Euronext Amsterdam (as the case may be), in the event of any material adverse change in the financial condition of the Issuer which is not reflected in this Base Prospectus or if a significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus arises or is noticed, the Issuer will prepare a supplement to the Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes to be listed on the regulated market of the Luxembourg Stock Exchange or Euronext Amsterdam (as the case may be). If the terms of the Programme are modified or amended in a manner which would make the Base Prospectus, as supplemented, inaccurate or misleading, a new Base Prospectus or a supplement to the Base Prospectus will be prepared.

In connection with the issue of Notes under the Programme, the Dealer or Dealers (if any) specified in the Final Terms as the Stabilizing Manager(s) (or any person acting for the Stabilizing Manager(s)) in relation to the relevant series of Notes may over-allot Notes or effect transactions with a view to supporting the market price of the Notes of such Series at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on any Stabilizing Manager (or any agent of a Stabilizing Manager) to do this. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Such stabilizing or over-allotment shall be in compliance with all applicable laws, regulations and rules.

#### **AVAILABLE INFORMATION**

The Issuer has agreed that, for so long as any Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to sections 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, furnish to each holder of such Notes in connection with any resale thereof and to any prospective purchaser of such Notes from such holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

## **PUBLIC OFFERS OF PUBLIC OFFER NOTES IN THE EUROPEAN ECONOMIC AREA**

Certain Tranches of Notes with a denomination of less than EUR 100,000 ("**Public Offer Notes**") may, subject as provided below, be offered in a Relevant Member State in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to in this Base Prospectus as a "**Public Offer**".

This Base Prospectus has been prepared on a basis that permits Public Offers of Public Offer Notes in Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom (together, the "**Public Offer Jurisdictions**"). Any person making or intending to make a Public Offer of Public Offer Notes in a Public Offer Jurisdiction on the basis of this Base Prospectus must do so only with the Issuer's consent - see "*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*" below.

If the Issuer intends to make or authorise any Public Offer of Public Offer Notes to be made in one or more Relevant Member States other than in a Public Offer Jurisdiction, it will prepare a supplement to this Base Prospectus specifying such Relevant Member State(s) and any additional information required by the Prospectus Directive in respect thereof. Such supplement will also set out provisions relating to the Issuer's consent to use this Base Prospectus in connection with any such Public Offer.

Save as provided above, neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any Public Offer of Notes in circumstances in which an obligation arises for either the Issuer or any Dealer to publish or supplement a prospectus for such offer.

### **Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)**

In the context of any Public Offer of Public Offer Notes in a Public Offer Jurisdiction, the Issuer accepts responsibility for the content of this Base Prospectus also with respect to subsequent resale or final placement of securities by any financial intermediary which was given consent to use this Base Prospectus (an "**Authorised Offeror**"), where the offer is made in compliance with all conditions attached to the giving of the consent. Such consent and conditions are described below under "*Consent*" and "*Common conditions to consent*". Neither the Issuer nor any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such Public Offer.

**Save as provided below, neither the Issuer nor any Dealer (other than the Swiss Dealers) has authorised the making of any Public Offer and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Public Offer of Public Offer Notes. Any Public Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.** If, in the context of a Public Offer, any person (an "**Investor**") to whom an offer of any Public Offer Notes is made is offered Public Offer Notes by a person which is not an Authorised Offeror, the Investor should check with such person whether anyone is responsible for this Base Prospectus for the purpose of Article 6 of the Prospectus Directive in the context of the Public Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

The Issuer will publish information with respect to Authorised Offerors unknown at the time of the approval of the Base Prospectus or the filing of the applicable Final Terms, as the case may be, on its website.

### **Consent**

Subject to the conditions set out below under "*Common conditions to consent*":

- A. the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of Public Offer Notes in a Public Offer Jurisdiction by the relevant Dealer(s) and by:

- (i) any financial intermediary named as an Initial Authorised Offeror in the applicable Final Terms; and
  - (ii) any financial intermediary appointed after the date of the applicable Final Terms and whose name and address is published on the Issuer's website and identified as an Authorised Offeror in respect of the relevant Public Offer; and
- B. if (and only if) Part A of the relevant Final Terms specifies "*General Consent*" as "*Applicable*", the Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of Public Offer Notes in a Public Offer Jurisdiction by any financial intermediary which satisfies the following conditions:
- (i) it is authorised to make such offers under the applicable legalisation implementing the MiFID; and
  - (ii) it accepts such offer by publishing on its website the following statement (with the information in square brackets completed with the relevant information):

*"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Public Offer Notes] (the "Notes") described in the Final Terms dated [insert date] (the "Final Terms") published by N.V. Bank Nederlandse Gemeenten (the "Issuer"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom] (the "Public Offer") in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Public Offer accordingly."*

The "**Authorised Offeror Terms**" are that the relevant financial intermediary:

- (I) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer and the relevant Dealer(s) that it will, at all times in connection with the relevant Public Offer:
  - (a) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "Rules") from time to time including, without limitation, Rules relating to both the appropriateness or suitability of any investment in the Public Offer Notes by any person and disclosure to any potential Investor, and will immediately inform the Issuer and the relevant Dealer(s) if at any time such financial intermediary becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
  - (b) comply with the restrictions set out under "*Plan of Distribution*" in this Base Prospectus which would apply as if it were a Dealer;
  - (c) ensure that any fee (and any other commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Public Offer Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
  - (d) hold all licenses, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Public Offer Notes under the Rules;
  - (e) comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Public Offer Notes by the Investor), and will not permit any application for Public Offer Notes in circumstances where the financial intermediary has any suspicions as to the source of the application moneys;

- (f) retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so required, make such records available to the relevant Dealer(s) and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer(s) in order to enable the Issuer and/or the relevant Dealer(s) to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer and/or the relevant Dealer(s);
- (g) ensure that no holder of Public Offer Notes or potential Investor in Public Offer Notes shall become an indirect or direct client of the Issuer or the relevant Dealer(s) for the purposes of any applicable Rules from time to time, and, to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- (h) cooperate with the Issuer and the relevant Dealer(s) in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (f) above) upon written request from the Issuer or the relevant Dealer(s) as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the Issuer or the relevant Dealer(s):
  - (i) in connection with any request or investigation by the AFM and/or any relevant regulator of competent jurisdiction in relation to the Public Offer Notes, the Issuer or the relevant Dealer(s); and/or
  - (ii) in connection with any complaints received by the Issuer and/or the relevant Dealer(s) relating to the Issuer and/or the relevant Dealer(s) or another Authorised Offeror, including, without limitation, complaints as defined in rules published by the AFM and/or any relevant regulator of competent jurisdiction from time to time: and/or
  - (iii) which the Issuer or the relevant Dealer(s) may reasonably require from time to time in relation to the Public Offer Notes and/or as to allow the Issuer or the relevant Dealer(s) fully to comply within its own legal tax and regulatory requirements,

in each case, as soon as is reasonably practicable and, in any event, within any timeframe set by any such regulator or regulatory process;

- (i) during the primary distribution period of the Public Offer Notes: (i) not sell the Public Offer Notes at any price other than the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer(s)); (ii) not sell the Public Offer Notes otherwise than for the settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer(s) and the Issuer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Public Offer Notes (unless otherwise agreed with the relevant Dealer(s)); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer(s).
- (j) either (i) obtain from each potential Investor an executed application for the Public Offer Notes, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case, prior to making any order for the Public Offer Notes on their behalf, and, in each case, maintain the same on its files for so long as is required by any applicable Rules;
- (k) ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer(s) to breach any Rule or subject the Issuer or the relevant Dealer(s) to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;

- (l) comply with the conditions to the consent referred to under "*Common conditions to consent*" below and any further requirements relevant to the Public Offer as specified in the applicable Final Terms;
  - (m) make available to each potential Investor in the Public Offer Notes the Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with this Base Prospectus; and
  - (n) if it conveys or publishes any communication (other than the Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purpose of the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (i) is fair, clear and not misleading and complies with the Rules, (ii) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer nor the relevant Dealer(s) accept any responsibility for such communication and (iii) does not, without the prior written consent of the Issuer or the relevant Dealer(s) (as applicable), use the legal or publicity names of the Issuer or, respectively, the relevant Dealer(s) or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Public Offer Notes on the basis set out in this Base Prospectus;
- (II) agrees and undertakes to indemnify each of the Issuer and the relevant Dealer(s) (in each case, on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation of defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it or any information which has not been authorised for such purposes by the Issuer or the relevant Dealer(s); and
- (III) agrees and accepts that;
- (a) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Public Offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, the laws of the Netherlands; and
  - (b) the competent courts of The Hague, the Netherlands are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) and accordingly submits to the exclusive jurisdiction of such courts.

**Any financial intermediary falling within sub-paragraph (B) above who wishes to use this Base Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website the statement (duly completed) specified at paragraph (B)(ii) above.**

### **Common conditions to consent**

The conditions to the Issuer's consent are (in addition to the conditions described in paragraph (B) above if Part B of the applicable Final Terms specifies "*General Consent*" as "*Applicable*") that such consent:

- (a) is only valid in respect of the relevant Tranche of Public Offer Notes;
- (b) is only valid during the Offer Period specified in the relevant Final Terms; and
- (c) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Public Offer Notes in one or more of Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom, as specified in the applicable Final Terms.

### **ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS**

**AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY PUBLIC OFFER NOTES IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR OTHER THAN THE ISSUER WILL DO SO, AND OFFERS AND SALES OF SUCH PUBLIC OFFER NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE PUBLIC OFFER NOTES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK AT THE RELEVANT AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. NEITHER THE ISSUER NOR ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OF LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.**

#### **Public Offers: Issue Price and Offer Price**

Public Offer Notes to be offered pursuant to a Public Offer will be issued by the Issuer at the Issue Price specified in the applicable Final Terms. The Issue Price will be determined by the Issuer in consultation with the relevant Dealer(s) at the time of the relevant Public Offer and will depend, amongst other things, on the interest rate applicable to the Public Offer Notes and prevailing market conditions at any time. The offer price of such Public Offer Notes will be the Issue Price or such other price as may be agreed between an Investor and the Authorised Offeror making the offer of the Public Offer Notes to such Investor. The Issuer will not be party to arrangements between an Investor and an Authorised Offeror, and the Investor will need to look to the relevant Authorised Offeror to confirm the price at which such Authorised Offeror is offering the Public Offer Notes to such Investor.



## **ENFORCEMENT OF FOREIGN JUDGMENTS**

The Issuer is a limited liability company incorporated under the laws of the Netherlands. All of the officers and directors named herein reside outside of the United States and all or a substantial portion of the assets of the Issuer and its officers and directors are located outside the United States. As a result, prospective investors may have difficulties effecting service of process in the United States upon the Issuer or such persons in connection with any lawsuits related to the Notes, including actions arising under the federal securities laws of the United States. In addition, investors may have difficulties in enforcing original actions brought in courts in jurisdictions outside the United States, liabilities predicated upon U.S. securities laws.

In the absence of an enforcement treaty between the Netherlands and the United States, a judgment of a United States court cannot be enforced in the Netherlands. In order to obtain a judgment that can be enforced in the Netherlands against the Issuer, the dispute will have to be re-litigated before the competent Netherlands court. This court will have discretion to attach such weight to a United States judgment as it deems appropriate. According to current practice, based on case law, the Netherlands courts will in all probability recognise, give '*res judicata*' effect to, and render in accordance with a judgment of a United States court, provided such judgment meets the following requirements: (i) the relevant United States court has jurisdiction (ii) proper service of process has been given, (iii) the proceedings before the relevant United States court have complied with principles of proper procedure (*behoorlijke rechtspleging*), (iv) such judgment is not contrary to the public policy of the Netherlands, and (v) such judgment is final and not open to appeal.

## FORWARD LOOKING STATEMENTS

This Base Prospectus includes “forward-looking statements”. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the Issuer’s financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements are identified by their use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will” and similar terms and phrases, including references to assumptions.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements, or industry results to be materially different from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following:

- economic and financial market conditions, in particular, the Dutch and European economies;
- perceived risk of sovereign default in the European Union and associated risks relating to the Euro and the possible exit of certain countries from the Eurozone;
- negative occurrences in the markets in which the Issuer’s loan portfolio is concentrated;
- volatility in interest rates;
- a downgrade in the Dutch State’s or the Issuer’s credit ratings;
- operational risk;
- credit and counterparty risk;
- liquidity risk and adverse capital and credit market conditions;
- the Issuer’s inability to manage risks through derivatives;
- the occurrence of catastrophic events, terrorist attacks and similar events;
- significant adverse regulatory developments;
- an interruption, failure or breach of the Issuer’s operational system including the Issuer’s IT systems and other systems on which it depends;
- the ineffectiveness of the Issuer’s risk management policies and procedures; and
- failure to deliver by third parties to which the Issuer has outsourced certain functions.

The Issuer’s risks are more specifically described under “*Risk Factors*”. If one or more of these risks or uncertainties materialise, or if underlying assumptions prove incorrect, the Issuer’s actual results, performance or achievements or industry results may be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer’s present and future business strategies and the environment in which the Issuer will operate in the future. These forward-looking statements speak only as of the date of this Base Prospectus (or any supplement hereto) or as of such earlier date at which such statements are expressed to be given. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein (or in any supplement) to reflect any change in the Issuer’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents have been filed with the AFM and shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- The annual reports of the Issuer for the years ended 31 December 2010, 31 December 2011 and 31 December 2012, that include the audited financial statements (including the notes) and the audit report of Ernst & Young delivered in connection therewith on the following pages:

Annual Report	Audit report	Financial Statements (including the Notes)
2010	Page 120	Pages 43-118
2011	Page 108	Pages 33-106
2012	Pages 232-233	Pages 66-230

- The Articles of Association of the Issuer.
- The terms and conditions as referred to on pages 10 up to and including 25 of the information memorandum of the Issuer relating to the Programme, dated 3 December 2003 (the “**2003 Terms and Conditions**”).
- The terms and conditions as referred to on pages 10 up to and including 25 of the information memorandum of the Issuer relating to the Programme, dated 2 December 2004 (the “**2004 Terms and Conditions**”).
- The terms and conditions as referred to on pages 16 up to and including 31 of the base prospectus of the Issuer relating to the Programme, dated 11 July 2005 (the “**2005 Terms and Conditions**”).
- The terms and conditions as referred to on pages 16 up to and including 32 of the base prospectus of the Issuer relating to the Programme, dated 21 July 2006 (the “**2006 Terms and Conditions**”).
- The terms and conditions as referred to on pages 20 up to and including 37 of the base prospectus of the Issuer relating to the Programme, dated 23 July 2007 (the “**2007 Terms and Conditions**”).
- The terms and conditions as referred to on pages 21 up to and including 38 of the base prospectus of the Issuer relating to the Programme, dated 24 July 2008 (the “**2008 Terms and Conditions**”).
- The terms and conditions as referred to on pages 21 up to and including 39 of the base prospectus of the Issuer relating to the Programme, dated 29 July 2009 (the “**2009 Terms and Conditions**”).
- The terms and conditions as referred to on pages 38 up to and including 61 of the base prospectus of the Issuer relating to the Programme, dated 12 August 2010 (the “**2010 Terms and Conditions**”).
- The terms and conditions as referred to on pages 43 up to and including 67 of the base prospectus of the Issuer relating to the Programme, dated 2 August 2011 (the “**2011 Terms and Conditions**”).
- The terms and conditions as referred to on pages 43 up to and including 67 of the base prospectus of the Issuer relating to the Programme, dated 13 June 2012 (the “**2012 Terms and Conditions**”).

Any other information which is contained in any document mentioned above but not specifically stated as being incorporated by reference is either not relevant for investors or covered elsewhere in the Base Prospectus.

The Issuer will, at the specified offices of the Paying Agents for the Notes, provide, without charge, to any person, upon the oral or written request of such person, a copy of any or all of the documents incorporated herein by reference as well as the Issuing and Paying Agency Agreement and a copy of this Base Prospectus and, where appropriate, English translations of any or all such documents (*i.e.* Deutsche Bank London (phone number: +44 20 754 58000, department: Trust and Securities Services), ABN AMRO Bank N.V., e-mail address: [corporate.banking@nl.abnamro.com](mailto:corporate.banking@nl.abnamro.com), or Deutsche Bank Luxembourg (phone number: +35 24 212 2639, e-mail address: [ctas.pricings@db.com](mailto:ctas.pricings@db.com), department: CTAS Paying Agency). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or, in the case of Notes listed on the regulated market of the Luxembourg Stock Exchange or Euronext Amsterdam, the specified office of the Listing Agent in Luxembourg or the Listing Agent in Amsterdam, respectively.

Documents incorporated by reference may also be found on the investor relations section of the BNG Bank website (<http://www.bng.nl/smartsite.shtml?id=51928>).

## KEY FEATURES OF THE PROGRAMME

The following is a brief summary only and should be read, in relation to any Series of Notes, in conjunction with the applicable Final Terms and, to the extent applicable, the Terms and Conditions of the Notes set out below.

<b>Issuer:</b>	N.V. Bank Nederlandse Gemeenten
<b>Description:</b>	Debt Issuance Programme
<b>Programme Amount:</b>	The sum of the aggregate principal amount of Notes outstanding at any time under the Programme will not exceed Euro 90,000,000,000 (or its equivalent in other currencies). The Programme amount may be increased from time to time subject to the preparation of a supplemental Base Prospectus which shall be subject to the prior approval of the AFM.
<b>Programme Arranger:</b>	RBC Europe Limited
<b>Registration Agent:</b>	UBS AG
<b>Principal Dealers:</b>	N.V. Bank Nederlandse Gemeenten, Barclays Bank PLC, BNP PARIBAS, Citigroup Global Markets Limited, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International), Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Merrill Lynch International, Mizuho International plc, Morgan Stanley & Co. International plc, Landesbank Baden-Württemberg, Nomura International plc, RBC Europe Limited, The Royal Bank of Scotland plc and The Toronto-Dominion Bank.
<b>Swiss Dealers:</b>	BNP Paribas (Suisse) SA, Credit Suisse AG, Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Zurich Branch and Goldman Sachs Bank AG.
<b>Other Dealers:</b>	Any other dealer appointed from time to time by the Issuer, either generally in relation to the Programme or in relation to a particular Series of Notes. Any such further dealers, together with the Principal Dealers and the Swiss Dealers, are referred to as “ <b>Dealers</b> ” in this Base Prospectus.
<b>Issuing and Paying Agent:</b>	Deutsche Bank AG, London Branch
<b>U.S. Registrar and U.S. Paying and Transfer Agent:</b>	Deutsche Bank Trust Company Americas
<b>Non-U.S. Registrar</b>	Deutsche Bank Luxembourg S.A.
<b>Non-U.S. Paying Agents and Transfer Agents:</b>	ABN AMRO Bank N.V. and Deutsche Bank Luxembourg S.A.
<b>Form of Notes:</b>	Notes may be issued in bearer form or in registered form. Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.  <i>Bearer Notes</i>  In respect of each Tranche of Bearer Notes, unless otherwise

specified in the applicable Final Terms, the Issuer will deliver either a Temporary Global Note or a Permanent Global Note, in each case as specified in the applicable Final Terms. Each Global Note which is not intended to be issued in new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the applicable Final Terms, will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system (including Clearstream Banking AG) and each global Note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the applicable Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Such Temporary Global Note will be exchangeable for interests in a Permanent Global Note or for Definitive Notes in accordance with (i) its terms, (ii) applicable law and (iii) the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearing system. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with (i) its terms, (ii) applicable law and (iii) the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearing system, at the cost and expense of the Issuer. Definitive Notes (as defined below) will be in the standard euromarket form. Interest-bearing Notes may have interest coupons and, if applicable, a talon for further coupons attached.

#### *Registered Notes*

Each Tranche of Registered Notes will be represented by either:

- (i) Individual Note Certificates; or
- (ii) one or more Unrestricted Global Note Certificates in the case of Regulation S Notes and/or one or more Restricted Global Note Certificates in the case of Rule 144A Notes,

in each case, as specified in the applicable Final Terms.

Each Note represented by an Unrestricted Global Note Certificate will either be: (a) in the case of an Unrestricted Global Note Certificate which is not to be held under the new safekeeping structure (“**New Safekeeping Structure**” or “**NSS**”), registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg, registered in the name of Cede & Co. as nominee for DTC if such Unrestricted Global Note Certificate will be held for the benefit of Euroclear and/or Clearstream through DTC and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common depository or such other nominee or custodian; or (b) in the case of an Unrestricted Global Note Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Each Note represented by a Restricted Global Note Certificate will be registered in the name of Cede & Co. (or such other entity as is

specified in the applicable Final Terms) as nominee for DTC and the relevant Restricted Global Note Certificate will be deposited on or about the issue date with the DTC Custodian. Save as otherwise specified in the applicable Final Terms, beneficial interests in Notes represented by a Restricted Global Note Certificate may only be held through DTC at any time.

#### *Swiss Franc Notes*

Notes denominated in Swiss francs (“**Swiss Franc Notes**”) will be issued in bearer form and will be represented exclusively by a permanent global Note which shall be deposited with SIX SIS AG, Olten, Switzerland (“**SIS**”), or such other depository as may be approved by the SIX Regulatory Board of the SIX Swiss Exchange. The permanent global Note will be exchangeable for definitive Notes only if (i) Euroclear and/or Clearstream, Luxembourg and/or SIS and/or any other agreed-upon clearing system, as applicable, has informed the Issuer that it has or they have, as the case may be, ceased or will cease to act as the clearing system(s) in respect of the Permanent Global Note, or (ii) any of the events referred to in Condition 7 (*Events of Default*) takes place, unless such event is remedied within seven days of its occurrence but not at the request of the Holder of the Permanent Global Note, or (iii) the principal Swiss paying agent considers, after consultation with the Issuer, the printing of Definitive Notes to be necessary or useful, or (iv) the presentation of Definitive Notes and Coupons is required by Swiss or other applicable laws or regulations in connection with the enforcement of rights of Noteholders or (v) such exchange is required by the Issuer as a result of changes to the tax regime in the United States of America, except that in each case a permanent global Note which forms part of a securities deposit (*girodepot*) with Euroclear Netherlands shall only be exchangeable within the limited circumstances as described in the Netherlands Securities Giro Act (*Wet giraal effectenverkeer*) and such exchange will be made in accordance therewith, the Euroclear Netherlands’ terms and conditions and operational documents.

#### **Noteholder’s Direct Rights:**

On the occurrence of any of the events referred to in Condition 7 (*Events of Default*), or if Euroclear and/or Clearstream, Luxembourg and/or DTC and/or any other agreed clearing system, as applicable, cease to act as the clearing systems for the Notes, in the case of Bearer Notes, the relevant Permanent Global Note will become exchangeable for Definitive Notes or, in the case of Registered Notes, the relevant Global Note Certificate(s) will become exchangeable for Individual Note Certificates, except that in each case a Note which forms part of a securities deposit (*girodepot*) with Euroclear Netherlands shall only be exchangeable within the limited circumstances as described in the Netherlands Securities Giro Act (*Wet giraal effectenverkeer*) and such exchange will be made in accordance therewith, the Euroclear Netherlands’ terms and conditions and operational documents. If any Permanent Global Note or, as the case may be, Global Note Certificate is not duly exchanged, the terms of such Permanent Global Note or Global Note Certificate, as the case may be, will provide a mechanism for relevant account holders with Euroclear or Clearstream, Luxembourg or DTC and/or any other agreed clearing system(s) to whose securities account(s) with such clearing system(s) the Notes represented by such Permanent Global Note or Global Note Certificate, as the case may be, are credited to be able

to enforce rights directly against the Issuer.

<b>Interest:</b>	Notes may be interest-bearing and/or non-interest-bearing. Interest (if any) may be at a fixed or floating rate and may vary during the lifetime of the relevant Series.
<b>Fixed Rate Notes:</b>	Fixed interest will be payable in arrear on the date or dates in each year specified in the applicable Final Terms. The yield of a specific Tranche of Notes is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
<b>Floating Rate Notes:</b>	Floating Rate Notes will bear interest either at a rate determined on the same basis as the floating rate under a notional interest-rate swap transaction in the Specified Currency or on the basis of a reference rate appearing on the agreed screen page of a commercial quotation as indicated in the applicable Final Terms. The Relevant Margin, if any will be specified in the applicable Final Terms.
<b>Dual Currency Interest Notes:</b>	Interest Payments (whether at maturity or otherwise) in respect of Dual Currency Interest Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the applicable Final Terms.
<b>Zero Coupon Notes:</b>	Zero Coupon Notes will not bear interest other than in relation to interest due after the Maturity Date.
<b>Installment Notes:</b>	The applicable Final Terms may provide that Notes may be repayable in two or more installments in such amounts and on such dates as indicated therein.
<b>Other provisions in relation to Interest-bearing Notes:</b>	Floating Rate Notes may have a maximum interest rate, a minimum interest rate or both. Interest on Notes in respect of each Interest Period, as determined prior to issue by the Issuer and the relevant Dealer (if any), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be determined by the relevant Issuer and the relevant Dealer (as indicated in the applicable Final Terms).
<b>Cross Default:</b>	None.
<b>Negative Pledge:</b>	The Issuer will give a negative pledge in respect of bonds, notes or other publicly issued debt securities which are (or are capable of being) traded or listed on any stock exchange, over-the-counter or similar securities market.
<b>Events of Default:</b>	The events of default under the Notes are as specified in Condition 7 ( <i>Events of Default</i> ).
<b>Status of the Notes:</b>	The Notes will constitute direct and unsecured obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory operation of law.
<b>Currencies:</b>	Notes may be denominated in any currency (including, without limitation, the Euro, the Japanese yen, the New Zealand dollar, the British pound, the Swiss franc, the Chinese Renminbi and the United States dollar) subject to compliance with all applicable legal or regulatory requirements. Notes may, subject to compliance as aforesaid, be issued as Dual Currency Interest Notes.

Condition 9(m)(ii) may, if so specified in the applicable Final



Terms, apply to Renminbi Notes. Although the Issuer's primary obligation is to make all payments in respect of such Notes in Renminbi, in the event that, by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy in full payments of principal or interest in respect of Renminbi Notes when due in Renminbi, it may settle any such payment (in whole or in part) in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi amount, all as provided for in more detail in Condition 9(m)(ii).

<b>Redenomination:</b>	The applicable Final Terms may specify if redenomination is applicable in respect of Notes denominated in the currency of a member state of the European Union, as more fully set out under Condition 10.
<b>Issue Price:</b>	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par. The Issue Price will be disclosed in the Final Terms.
<b>Issuance in Series:</b>	Notes will be issued in Series comprising one or more Tranches of Notes of that Series. The Notes of each Series will be intended to be interchangeable among themselves and will all be subject to identical terms (other than in respect of the date of issue, the issue price and the date of first payment of interest), whether as to currency, denomination, interest or maturity or otherwise. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
<b>Maturities</b>	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
<b>Denominations:</b>	Notes will be issued in such denominations as may be specified in the applicable Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
<b>Early Redemption for Taxation Reasons:</b>	The Issuer will be permitted to redeem the Notes (in whole, but not in part) for taxation reasons as mentioned in Condition 6(b) ( <i>Early Redemption for Taxation Reasons</i> ).
<b>Optional Redemption:</b>	If so specified in the applicable Final Terms, Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders.
<b>Taxation:</b>	Payments in respect of Notes will be made without withholding in respect of taxes imposed by or in the Netherlands or, if such taxes are required to be withheld, will be increased, subject to the exceptions set out in Condition 8 ( <i>Taxation</i> ).
<b>Governing Law:</b>	The Notes and all related contractual documentation will be governed by, and construed in accordance with, the laws of the Netherlands.
<b>Ratings:</b>	The senior outstanding public long-term debt of the Issuer is rated, AAA by Standard & Poor's, AAA by Fitch and Aaa by Moody's. The Issuer has been awarded the highest individual rating by Fitch, being A. Moody's confirmed BNG Bank's Aaa rating in January 2012. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme and/or the Issuer. A security rating is not a recommendation to buy,

sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The Programme has been rated AAA by Standard & Poor's, AAA by Fitch and (P)Aaa by Moody's. Tranches of Notes issued under the Programme may be rated or unrated.

Each of Standard & Poor's, Fitch and Moody's is established in the European Union and registered under the CRA Regulation as of the date of this Base Prospectus.

The European Securities and Markets Authority ("ESMA") is obliged to maintain on its website, [www.esma.europa.eu](http://www.esma.europa.eu), a list of credit rating agencies registered and certified in accordance with the CRA Regulation. The ESMA website is not incorporated by reference into, nor does it form part of, this Base Prospectus. This list must be updated within five working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. Therefore, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

- Listing:** Each Series may be admitted to listing on the regulated market of the Luxembourg Stock Exchange, Euronext Amsterdam, or the SIX Swiss Exchange or may be unlisted.
- Terms and Conditions:** The Terms and Conditions applicable to each Series will be as agreed between the Issuer and the relevant Dealer or other purchaser at or prior to the time of issuance of such Series, and will be specified in the applicable Final Terms. A form of the Final Terms is set out below. See "*Form of Final Terms*".
- Selling Restrictions:** There are selling restrictions in relation to the United States of America, the European Economic Area, the United Kingdom, Japan, the Netherlands, Republic of Italy, Republic of France and Spain, in connection with the offer, sale and/or transfer of Notes. See "*Plan of Distribution*".
- Bearer Notes that have a term of more than 365 days (taking into account any unilateral right to extend or rollover) will be issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Code (the "**D Rules**") unless the applicable Final Terms state that such Notes are issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(C) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Code (the "**C Rules**").
- Transfer Restrictions:** There are restrictions on the transfer of (i) Regulation S Notes prior to the expiration of the relevant distribution compliance period (as defined in Regulation S) and (ii) Rule 144A Notes. See "*Transfer Restrictions*".

## FORMS OF NOTES

The Notes will either be issued as Global Notes, without interest coupons attached, or Global Note Certificates, without interest coupons attached. Bearer Notes will be issued outside the United States to non-U.S. persons in reliance on Regulation S and Registered Notes may be issued outside the United States to non-U.S. persons in reliance on Regulation S and/or within the United States to QIBs in reliance on Rule 144A.

### Bearer Notes

Each Tranche of Bearer Notes will (unless otherwise indicated in the applicable Final Terms) be initially represented by a Temporary Global Note (or, if so specified in the applicable Final Terms, a Permanent Global Note), without interest coupons or talons, which, if it is intended to be issued in CGN form, as specified in the applicable Final Terms, will be delivered to a common depository for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing systems and each Global Note which is intended to be issued in NGN form, as specified in the applicable Final Terms, will be deposited on or around the Issue Date of the relevant Tranche of Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the ECB announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the Euro (the “**Eurosystem**”); *provided* that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The applicable Final Terms will specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended (the “**C Rules**”) or the D Rules (as defined below) are applicable in relation to the Notes.

Whilst any Bearer Note issued in accordance with the United States Treasury Regulation §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended (the “**D Rules**”) is represented by a Temporary Global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of such Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by the relevant clearing system(s) and the relevant clearing system(s) has or have given a like certification (based on the certifications it has or they have received) to the Issuing and Paying Agent. Any reference in this section to the relevant clearing system(s) shall mean the clearing and/or settlement system(s) specified in the applicable Final Terms.

On and after the date (the “**Exchange Date**”) which will be 40 days after the date on which the Temporary Global Note is issued, interests in the Temporary Global Note will be exchangeable (free of charge) upon request as described therein, either for interests in a Permanent Global Note without receipts, interest coupons or talons, or for Definitive Notes (as indicated in the applicable Final Terms) in each case (if the Bearer Notes are subject to the D Rules) against certification as to non-U.S. beneficial ownership unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for Definitive Bearer Notes is improperly withheld or refused.

If the applicable Final Terms specifies the form of Bearer Notes as being “Temporary Global Note exchangeable for Definitive Bearer Notes” and also specifies that the C Rules are applicable, then the Bearer Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Bearer Notes from 40 days after the issue date of the relevant Tranche of Notes.

If the applicable Final Terms specifies the form of Bearer Notes as being “Temporary Global Note exchangeable for Definitive Bearer Notes” and also specifies that the D Rules are applicable, then the Bearer Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Bearer Notes from 40 days after the issue date of the relevant Tranche of Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of Bearer Notes to which the D Rules apply cannot be collected without such certification of non-U.S. beneficial ownership.

In case of Bearer Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Bearer Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. So long as such Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, these Bearer Notes will be tradable only in the minimum Specified Denomination increased with integral multiples of such a smaller amount, notwithstanding that Definitive Notes shall only be issued up to, but excluding, twice the minimum Specified Denomination.

Definitive Notes will be in the standard euromarket form.

Payments of principal and interest (if any) on a Permanent Global Note will be made through the relevant clearing system(s) against presentation or surrender (as the case may be) of the Permanent Global Note to or to the order of any Paying Agent at its office outside the United States without any requirement for certification. A Permanent Global Note will be exchangeable in whole but not in part for Definitive Notes (i) if Euroclear and/or Clearstream, Luxembourg or any other agreed clearing system, as applicable, has informed the Issuer that it has or they have, as the case may be, ceased or will cease to act as the clearing system(s) in respect of the relevant Permanent Global Note or, (ii) if any of the events referred to in Condition 7 takes place, unless such event is remedied within seven days of its occurrence, or (iii) if so specified in the applicable Final Terms at any time at the request of the Holder of the relevant Permanent Global Note, except that in each case a Permanent Global Note which forms part of a securities deposit (*girodepot*) with Euroclear Netherlands shall only be exchangeable within the limited circumstances as described in the Netherlands Securities Giro Act (*Wet giraal effectenverkeer*) and such exchange will be made in accordance therewith, the Euroclear Netherlands’ terms and conditions and operational documents. In order to make a request in the case of (iii) above the Holder must, not less than forty-five days before the date on which delivery of Definitive Notes is required, deposit the relevant Permanent Global Note with the Issuing and Paying Agent at its specified office outside the United States for the purposes of the Notes with the form of exchange notice endorsed thereon duly completed. In the event that the relevant Permanent Global Note is not, in the case of (i) or (ii) above, duly exchanged for Definitive Notes or, in the case of (iii) above, duly exchanged for Definitive Notes by 6:00 p.m. (London time) on the thirtieth day after the time at which the preconditions to such exchange are first satisfied then the terms of such Permanent Global Note provide for relevant account holders with Euroclear and Clearstream, Luxembourg and any other agreed clearing system as applicable, to be able to enforce against the Issuer all rights which they would have had if they had been holding Definitive Notes to the relevant value at the time of such event. Payments by the Issuer to the relevant account holders will be considered as payments to the relevant Noteholder and operate as full and final discharge to the Issuer in this respect.

The following legend will appear on all Global Notes, Definitive Notes and interest coupons (including talons) which are issued in compliance with the D Rules:

**“Any United States person who holds this obligation will be subject to limitation under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code of 1986.”**

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes or interest coupons.

A Bearer Note may be accelerated by the Holder thereof in certain circumstances described in Condition 7 of the Notes. In such circumstances, where any Note is still represented by a Global Note and a holder of an interest in such Note so represented and credited to his account with the relevant clearing system(s) gives notice that it wishes to accelerate such Note, unless within a period of 15 days from the giving of such notice payment has been made in full of the amount due in accordance with the terms of such Global

Note, holders of interests in such Global Note credited to their accounts with the relevant clearing system(s) will become entitled to proceed directly against the Issuer on the basis of statements of account provided by the relevant clearing system(s) on and subject to the terms of the relevant Global Note.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg and/or another relevant clearing system as specified in the applicable Final Terms.

### **Registered Notes**

Registered Notes will be represented by either:

- (i) Individual Note Certificates; or
- (ii) one or more Unrestricted Global Note Certificate(s) in the case of Regulation S Notes and/or one or more Restricted Global Note Certificate(s) in the case of Rule 144A Notes,

in each case as specified in the applicable Final Terms, and references in this Base Prospectus to “**Global Note Certificates**” shall be construed as a reference to Unrestricted Global Note Certificates and/or Restricted Global Note Certificates.

In a press release dated 22 October 2008, “Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations”, the ECB announced that it had assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under such structure (the “**New Safekeeping Structure**” or “**NSS**”) would be in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the Eurosystem, subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Note represented by an Unrestricted Global Note Certificate will either be: (a) in the case of a Certificate which is not to be held under the New Safekeeping Structure, registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg, registered in the name of Cede & Co. as nominee for DTC if such Unrestricted Global Note Certificate will be held for the benefit of Euroclear and/or Clearstream through DTC and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common depository or such other nominee or custodian; or (b) in the case of an Unrestricted Global Note Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Each Note represented by a Restricted Global Note Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the applicable Final Terms) as nominee for DTC and the relevant Restricted Global Note Certificate will be deposited on or about the issue date with the custodian for DTC (the “**DTC Custodian**”). Save as otherwise specified in the applicable Final Terms, beneficial interests in Notes represented by a Restricted Global Note Certificate may only be held through DTC at any time.

If the applicable Final Terms specifies the form of Notes as being “Individual Note Certificates”, then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the applicable Final Terms specifies the form of Notes as being “Global Note Certificate exchangeable for Individual Note Certificates”, then the Notes will initially be represented by one or more Global Note Certificates each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the applicable Final Terms;

- (ii) at any time, if so specified in the applicable Final Terms ; or
- (iii) if the applicable Final Terms specifies “in the limited circumstances described in the Global Note Certificate”, then:
  - a. in the case of any Global Note Certificate held by or on behalf of DTC, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Note Certificate or DTC ceases to be a “clearing agency” registered under the Exchange Act or if at any time DTC is no longer eligible to act as such, and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC;
  - b. in the case of any Global Note Certificate held by or on behalf of Euroclear, Clearstream Luxembourg or any other relevant clearing system, if Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and
  - c. in any case, if any of the circumstances described in Condition 7 occurs.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the relevant Registrar (through the relevant clearing system) with such information as the Issuer and the relevant Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person’s holding). In addition, whenever a Restricted Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in the Restricted Global Note Certificate must provide the relevant Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Note Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Note Certificate will bear the legends and be subject to the transfer restrictions set out under “*Transfer Restrictions*”.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the relevant Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the relevant Registrar.

Such exchange will be effected in accordance with the provisions of the Issuing and Paying Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Issuing and Paying Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the relevant Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the Conditions and the provisions of the applicable Final Terms which supplement, amend and/or replace the Conditions.

### **Summary of Provisions relating to the Notes while in Global Form**

#### *Clearing System Accountholders*

In relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to “Noteholder” are references to the holder of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other

relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Global Note Certificates, references in the Terms and Conditions of the Notes to “Noteholder” are references to the person in whose name the relevant Global Note Certificate is for the time being registered in the Register which (a) in the case of a Restricted Global Note Certificate held by or on behalf of DTC, will be Cede & Co. (or such other entity as is specified in the applicable Final Terms) as nominee for DTC; and (b) in the case of any Unrestricted Global Note Certificate which is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an “**Accountholder**”) must look solely to DTC, Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Note Certificate.

#### *Transfers of Interests in Global Notes and Global Note Certificates*

Transfers of interests in Global Notes and Global Note Certificates within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Registrars, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Note Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Transfer Restrictions*”, transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the relevant Registrar and the Issuing and Paying Agent.

On or after the issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Note Certificates will be effected

through the Issuing and Paying Agent, the DTC Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Note Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the relevant Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Notes, see “*Plan of Distribution*” and “*Transfer Restrictions*”.

Upon the issue of a Restricted Global Note Certificate to be held by or on behalf of DTC, DTC or the DTC Custodian will credit the respective nominal amounts of the individual beneficial interests represented by such Global Note Certificate to the account of DTC participants. Ownership of beneficial interests in such Global Note Certificate will be held through participants of DTC, including the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in such Global Note Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee. DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes represented by a Global Note Certificate held by or on behalf of DTC (including, without limitation, the presentation of such Global Note Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in such Global Note Certificate are credited, and only in respect of such portion of the aggregate nominal amount of such Global Note Certificate as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the relevant Global Note Certificate for Individual Note Certificates (which will bear the relevant legends set out in “*Transfer Restrictions*”).

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and account holders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Registrars, the Dealers or the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Note Certificate is lodged with DTC, Euroclear, Clearstream, Luxembourg or any relevant clearing system, Individual Note Certificates for the relevant Series of Notes will not be eligible for clearing and settlement through such clearing systems.



## **USE OF PROCEEDS**

The net proceeds of the issue of each Tranche of Notes will be used by the Issuer for general corporate purposes.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of the Notes which (subject to completion) will be attached to or incorporated by reference into each Global Note and each Global Note Certificate and which will be attached to or endorsed upon each definitive Note and each Individual Note Certificate. The applicable Final Terms will be endorsed or incorporated by reference into or attached to each Global Note, each Global Note Certificate and each definitive Note, and will be applicable to each Individual Note Certificate.*

The Notes are issued in accordance with an amended and restated issuing and paying agency agreement (the “**Issuing and Paying Agency Agreement**”, which expression shall include any supplement thereto) dated 7 December 1993 and most recently amended and restated on 3 July 2013 and made between N.V. Bank Nederlandse Gemeenten (the “**Issuer**”), Deutsche Bank AG, London Branch (Winchester House, 1 Great Winchester Street, London EC2N 2DB, England), in its capacity as issuing and paying agent (the “**Issuing and Paying Agent**”, which expression shall include any successor to Deutsche Bank AG, London Branch in its capacity as such), Deutsche Bank Trust Company Americas as U.S. registrar (the “**U.S. Registrar**”, which expression shall include any successor U.S. registrar appointed from time to time in connection with the Notes), Deutsche Bank Luxembourg S.A. as non-U.S. registrar (the “**Non-U.S. Registrar**”, which expression shall include any successor non-U.S. registrar appointed from time to time in connection with the Notes, and together with the U.S. Registrar, the “**Registrars**” and each a “**Registrar**”), the paying agents named therein (the “**Paying Agents**”, which expression shall include the Issuing and Paying Agent and any substitute or additional paying agents appointed in accordance with the Issuing and Paying Agency Agreement) and the transfer agents named therein (together with the Registrars, the “**Transfer Agents**”, which expression shall include any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions, references to the “**Agents**” are to the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them. A copy of the Issuing and Paying Agency Agreement is available for inspection at the specified office of each of the Paying Agents. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of and to be bound by all of the provisions of the Issuing and Paying Agency Agreement insofar as they relate to the relevant Notes.

For the purposes of Notes denominated in Swiss francs (the “**Swiss Franc Notes**”), the Issuer will, together with the Issuing and Paying Agent and the Swiss paying agent specified in the Final Terms relating to the relevant issue of Notes as principal Swiss paying agent (the “**Principal Swiss Paying Agent**”), enter into a supplemental issuing and paying agency agreement. In addition, all references in the Terms and Conditions of the Notes to the “Issuing and Paying Agent” and the “Paying Agents” shall, so far as the context permits, be construed as references only to the relevant Swiss paying agents, as set out in Part B of the Final Terms and references in the Terms and Conditions of the Notes to “Euroclear” and/or “Clearstream, Luxembourg” shall be construed as including references to SIX SIS AG, the Swiss securities services corporation in Olten, Switzerland (“**SIS**”), which expression shall include any other clearing institution recognised by the SIX Swiss Exchange with which the Permanent Global Note may be deposited from time to time), which shall be considered an additional or alternative clearing system for the purposes of the final paragraph of Condition 1(d) of the Terms and Conditions of the Notes.

The Notes are issued in series (each a “**Series**”), and each Series will be the subject of the final terms (each the “**Final Terms**”) prepared by or on behalf of the Issuer, a copy of which will be available free of charge at the specified office of each of the Paying Agents and:

- (i) a copy of which will, in the case of a Series in relation to which application has been made for admission to the regulated market of the Luxembourg Stock Exchange, be lodged with the Luxembourg Stock Exchange; or
- (ii) a copy of which will, in the case of a Series in relation to which application has been made for admission to NYSE Euronext in Amsterdam (“**Euronext Amsterdam**”), the regulated market of Euronext Amsterdam N.V., be lodged with Euronext Amsterdam N.V.; or
- (iii) a copy of which will, in the case of a Series in relation to which application has not been made for admission to any such listing, be attached to or incorporated by reference into each Note of such Series.

## 1. FORM AND DENOMINATION

- (a) The Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”). Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single series or Tranche may comprise both Bearer Notes and Registered Notes. A Note may be a Note bearing interest on a fixed rate basis (“**Fixed Rate Note**”), a Note bearing interest on a floating rate basis (“**Floating Rate Note**”), a Note issued on a non-interest bearing basis (“**Zero Coupon Note**”) or a Note in respect of which interest is or may be payable in one or more currencies other than the Specified Currency in which it is denominated (“**Dual Currency Interest Note**”) depending on the Interest Basis indicated in the applicable Final Terms. A Note may be a Note redeemable in installments (“**Installment Note**”) depending on the Redemption/Payment Basis indicated in the applicable Final Terms. All payments in respect of such Note shall, without prejudice to Article 8.1 of Council Regulation no. 974/98 of 3 May 1998, be made in the currency shown on its face unless it is stated on its face to be a Dual Currency Interest Note or a Note where Condition 10 has been applied, in which case payments shall be made on the basis stated in the applicable Final Terms.
- (b) Notes may be denominated in any currency (including, without limitation, the Australian dollar, the Euro, the Japanese yen, the New Zealand dollar, the British pound, the Swiss franc and the United States dollar) subject to compliance with all applicable legal or regulatory requirements.

### *Bearer Notes*

Paragraphs (c) to (j) of this Condition 1 shall apply to Bearer Notes only.

- (c) Bearer Notes will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Code (the “D Rules”), unless the applicable Final Terms specify that the Notes will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(C) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Code (the “C Rules”), or, in the case of Bearer Notes with a term of one year or less (including unilateral rights to roll over or extend), that neither the C Rules nor D Rules apply. Unless otherwise specified in the Final Terms, Bearer Notes will be represented upon issue by a temporary global note (a “**Temporary Global Note**”) in substantially the form (subject to amendment and completion) scheduled to the Issuing and Paying Agency Agreement. On or after the date (the “**Exchange Date**”) which will be 40 days after the original issue date of the Notes of the relevant Series and provided, in the case of Notes issued in accordance with the D Rules, certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in the form set out in the Temporary Global Note) has been received, interests in the Temporary Global Note may be exchanged for:
- (i) interests in a permanent global note (a “**Permanent Global Note**”) representing the Notes in that Series of Bearer Notes and in substantially the form (subject to amendment and completion) scheduled to the Issuing and Paying Agency Agreement; or
- (ii) if so specified in the applicable Final Terms, definitive Bearer Notes (“**Definitive Notes**”) in substantially the form (subject to amendment and completion) scheduled to the Issuing and Paying Agency Agreement.
- (d) If any date on which a payment of interest is due on the Bearer Notes of a Series occurs whilst any of the Notes of that Series are represented by the Temporary Global Note, the related interest payment will, in the case of Notes issued in accordance with the D Rules, be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in the form set out in the Temporary Global Note) has been received by Euroclear Bank SA/NV (“**Euroclear**”) or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) or any other agreed clearing system, as applicable. Payments of principal or interest (if any) on a Permanent Global Note will be made without any requirement for certification. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

- (e) The Permanent Global Note will be exchangeable in whole but not in part for Definitive Notes (i) if Euroclear and/or Clearstream, Luxembourg or any other agreed clearing system, as applicable, has informed the Issuer that it has or they have, as the case may be, ceased or will cease to act as the clearing system(s) in respect of the relevant Permanent Global Note or, (ii) if any of the events referred to in Condition 7 takes place, unless such event is remedied within seven days of its occurrence, or (iii) if so specified in the applicable Final Terms at any time at the request of the Holder of the relevant Permanent Global Note, except that in each case a Permanent Global Note which forms part of a securities deposit (*girodepot*) with Euroclear Netherlands shall only be exchangeable within the limited circumstances as described in the Netherlands Securities Giro Act (*Wet giraal effectenverkeer*) and such exchange will be made in accordance therewith, the Euroclear Netherlands' terms and conditions and operational documents. In order to make such request the Holder must, not less than forty-five days before the date on which delivery of Definitive Notes is required, deposit the relevant Permanent Global Note with the Issuing and Paying Agent at its specified office for the purposes of the Notes with the form of exchange notice endorsed thereon duly completed. In the event that the relevant Permanent Global Note is not, in the case of (i) or (ii) above, duly exchanged for Definitive Notes or, in the case of (iii) above, duly exchanged for Definitive Notes by 6:00 p.m. (London time) on the thirtieth day after the time at which the preconditions to such exchange are first satisfied then the terms of such Permanent Global Note provide for relevant account holders (which, for purposes hereof, shall be deemed to be the Holder of the relevant Note as referred to in Condition 7 below) with Euroclear and Clearstream, Luxembourg and any other agreed clearing system as applicable, to be able to enforce against the Issuer all rights which they would have had if they had been holding Definitive Notes to the relevant value at the time of such event. Payments by the Issuer to the relevant account holders will be considered as payments to the relevant Noteholder and operate as full and final discharge to the Issuer in this respect.
- (f) If so specified in the Final Terms, the Bearer Notes may be represented upon issue by one or more Permanent Global Notes.
- (g) Swiss Franc Notes will be represented exclusively by a Permanent Global Note which shall be deposited with SIS or such other depository as may be approved by the Regulatory Board of the SIX Swiss Exchange. The Permanent Global Note will be exchangeable for Definitive Notes only if (i) Euroclear and/or Clearstream, Luxembourg and/or SIS and/or any other agreed clearing system, as applicable, has informed the Issuer that it has or they have, as the case may be, ceased or will cease to act as the clearing system(s) in respect of the Permanent Global Note, or (ii) any of the events referred to in Condition 7 (*Events of Default*) takes place, unless such event is remedied within seven days of its occurrence but not at the request of the Holder of the Permanent Global Note, or (iii) the principal Swiss paying agent considers, after consultation with the Issuer, the printing of Definitive Notes to be necessary or useful, or (iv) the presentation of Definitive Notes and Coupons is required by Swiss or other applicable laws or regulations in connection with the enforcement of rights of noteholders, or (v) such exchange is required by the Issuer as a result of changes to the tax regime in the United States of America, except that in each case a Permanent Global Note which forms part of a securities deposit (*girodepot*) with Euroclear Netherlands shall only be exchangeable within the limited circumstances as described in the Netherlands Securities Giro Act (*Wet giraal effectenverkeer*) and such exchange will be made in accordance therewith, the Euroclear Netherlands' terms and conditions and operational documents. Holders of Swiss Franc Notes will not have the right to request delivery of definitive notes.
- (h) Interest-bearing Definitive Notes will, if so specified in the applicable Final Terms, have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Definitive Notes will be in the standard euromarket form. Definitive Notes and Global Notes will be bearer instruments.
- (i) Bearer Notes will be in the denomination or denominations (each of which denominations must be integrally divisible by each smaller denomination) specified in the applicable Final Terms ("**Specified Denomination**"). Bearer Notes will be issued in such denominations as may be specified in the applicable Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Bearer Notes of one denomination will not be exchangeable after their initial delivery for Bearer Notes of any other denomination.

- (j) For the purposes of these Terms and Conditions, references to Notes shall, as the context may require, be deemed to be to Temporary Global Notes, Permanent Global Notes, interests in Temporary Global Notes, interests in Permanent Global Notes or, as the case may be, Definitive Notes.

*Registered Notes*

Paragraphs (k) to (m) of this Condition 1 shall apply to Registered Notes only.

- (k) Each Tranche of Registered Notes will be represented by either:
- (i) individual Note Certificates in registered form (“**Individual Note Certificates**”); or
  - (ii) one or more global note certificates (each a “**Global Note Certificate**”),
- in each case as specified in the applicable Final Terms.
- (l) If the applicable Final Terms specifies the form of Notes as being “Global Note Certificate exchangeable for Individual Note Certificates”, then the Notes will initially be represented by one or more Global Note Certificates each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:
- (i) on the expiry of such period of notice as may be specified in the applicable Final Terms;
  - (ii) at any time, if so specified in the applicable Final Terms ; or
  - (iii) if the applicable Final Terms specifies “in the limited circumstances described in the Global Note Certificate”, then:
    - (A) in the case of any Global Note Certificate held by or on behalf of The Depository Trust Company (“**DTC**”), if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Note Certificate or DTC ceases to be a “clearing agency” registered under the United States Securities Exchange Act of 1934, as amended or if at any time DTC is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC;
    - (B) in the case of any Global Note Certificate held by or on behalf of Euroclear, Clearstream, Luxembourg or any other relevant clearing system, if Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and
    - (C) in any case, if any of the circumstances described in Condition 7 (*Events of Default*) occurs.
- (m) Registered Notes will be in such Specified Denomination(s), specified in the applicable Final Terms and which may include a minimum denomination specified in the applicable Final Terms and higher integral multiples of a smaller amount specified in the applicable Final Terms.

**2. TITLE AND TRANSFER**

- (a) The Holder (as defined below) of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such Holder.

*Bearer Notes*

Paragraph (b) of this Condition 2 shall apply to Bearer Notes only.

- (b) Subject as set out below, title to Bearer Notes and Coupons passes *inter alia* by delivery. In the case of Bearer Notes, references herein to the “**Holders**” of Notes or of Coupons or “**Noteholders**” or “**Couponholders**” signify the bearers of such Notes or such Coupons.

*Registered Notes*

Paragraphs (c) to (i) of this Condition 2 shall apply to Registered Notes only.

- (c) A Registrar will maintain a register (the “**Register**”) in respect of each Series of Registered Notes in accordance with the provisions of the Issuing and Paying Agency Agreement. A certificate (each, a “**Note Certificate**”) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, “**Holder**” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly.
- (d) Transfers of beneficial interests in Global Note Certificates will be effected by Euroclear, Clearstream, Luxembourg and/or DTC, as the case may be, and in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Global Note Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Individual Note Certificates or for a beneficial interest in another Global Note Certificate only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Issuing and Paying Agency Agreement.
- (e) Subject to paragraphs (h) and (i) of this Condition 2, Registered Notes represented by an Individual Note Certificate may be transferred upon surrender of the relevant Individual Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the relevant Registrar or any Transfer Agent, together with such evidence as such Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however*, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Individual Note Certificate are the subject of the transfer, a new Individual Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (f) Within five business days of the surrender of a Note Certificate in accordance with paragraph (e) of this Condition 2, the relevant Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the relevant Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (g) The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or either Registrar or any Transfer Agent but against such indemnity as the relevant Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (h) Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- (i) All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Issuing and Paying

Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the relevant Registrar. A copy of the current regulations will be mailed (free of charge) by the relevant Registrar to any Noteholder who requests in writing a copy of such regulations.

### **3. STATUS**

The Notes of each Series constitute direct and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory operation of law.

### **4. NEGATIVE PLEDGE**

So long as any Notes remain outstanding the Issuer will not secure any other loan or indebtedness represented by bonds, notes or any other publicly issued debt securities which are, or are capable of being, traded or listed on any stock exchange or over-the-counter or similar securities market without securing the Notes equally and rateably with such other loan or indebtedness.

### **5. INTEREST**

#### **5A. Interest on Fixed Rate Notes**

- 5A.(1) Fixed Rate Notes shall bear interest from their Issue Date (as specified in the applicable Final Terms) at the rate or rates per annum specified in the applicable Final Terms. Such interest will be payable in arrear on each Interest Payment Date as specified in the applicable Final Terms. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the redemption amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Issuing and Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Calculation Amount or, if so specified in the applicable Final Terms, the Broken Amount.

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Fixed Rate of Interest to the Calculation Amount in respect of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent.

- 5A.(2) This Condition 5A.(2) shall apply to Renminbi Notes which are Fixed Rate Notes only where the Final Terms for such Notes specify that the Interest Payment Dates are subject to adjustment. The relevant Fixed Coupon Amount for such Notes shall be calculated by the Calculation Agent by multiplying the product of the Interest Rate and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, with CNY0.005 being rounded upwards. The Calculation Agent shall cause the relevant Fixed Coupon Amount and the relevant Interest Payment Date to be notified to the Issuer, the Paying Agents, the Registrars (in the case of Registered Notes) and the Holders in accordance with Condition 15 (Notices) and, if the Notes are listed on a stock exchange and the rules of such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the

fourth London Business Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange.

**5B. Interest on Floating Rate Notes**

5B.(1) Floating Rate Notes shall bear interest at the rates per annum determined in accordance with this Condition 5B.

5B.(2) Such Notes shall bear interest from their Issue Date (as specified in the applicable Final Terms). Such interest will be payable on each Interest Payment Date. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the redemption amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Issuing and Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

5B.(3) Where "Screen Rate Determination" is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined (the "**Rate of Interest**"), the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (i) the offered quotation for the Reference Rate (if there is only one quotation on the Relevant Screen Page); or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR or CMS London, or Brussels time, in the case of EURIBOR, EONIA or CMS Brussels) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Relevant Margin (if any), all as determined by the Issuing and Paying Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Issuing and Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Issuing and Paying Agent shall request each of the Reference Banks (as defined below) to provide the Issuing and Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time (as defined below) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issuing and Paying Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Relevant Margin (if any), all as determined by the Issuing and Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Issuing and Paying Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall:

- (i) if the Reference Rate is EURIBOR, LIBOR or EONIA, be the rate per annum which the Issuing and Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Issuing and Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified



Currency for the relevant Interest Period by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR or EONIA) plus or minus (as appropriate) the Relevant Margin (if any) or, if fewer than two of the Reference Banks provide the Issuing and Paying Agent with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Issuing and Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone interbank market (if the Reference Rate is EURIBOR or EONIA) plus or minus (as appropriate) the Relevant Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Relevant Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Relevant Margin relating to the relevant Interest Period, in place of the Relevant Margin relating to that last preceding Interest Period); and

- (ii) if the Reference Rate is CMS Brussels or CMS London, be the rate determined on the basis of the mid-market annual swap rate quotations provided by five leading swap dealers in the inter-bank swap market, as selected by the Calculation Agent in its sole discretion on the Interest Determination Date at approximately the Specified Time. The mid-market annual swap rate as referred to in the preceding sentence means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating EUR interest rate swap transaction with a maturity equal to the term mentioned in the relevant interest rate swap transaction for in an amount that is representative for a single transaction in the relevant market commencing on the first day of the Interest Period with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to 6 months.

In this clause 5B.(3) the expression "**Reference Banks**" means, in the case of a determination of LIBOR or CMS London, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, EONIA or CMS Brussels, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent; and the expression "**Specified Time**" means 11.00 a.m. (London time, in the case of a determination of LIBOR or CMS London, or Brussels time, in the case of a determination of EURIBOR, EONIA or CMS Brussels).

- 5B.(4) Where "ISDA Determination" is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be either the EURIBOR Rate or the LIBOR Rate (as indicated in the applicable Final Terms) plus or minus (as indicated in the applicable Final Terms) the Relevant Margin (if any). "**EURIBOR Rate**" means, with respect to any Interest Determination Date relating to a Floating Rate Note, the rate for Euro swaps with a Designated Maturity for a specified number of years (as indicated in the applicable Final Terms) which appears on Reuters relevant ISDAFIX1 Page as of 11:00 a.m., Brussels time, on the related Interest Determination Date. "**LIBOR Rate**" means, with respect to any Interest Determination Date relating to a Floating Rate Note, the rate for Designated Reference swaps with a Designated Maturity for a specified number of years (as indicated in the applicable Final Terms) which appears on Reuters relevant ISDAFIX1 Page as of 11:00 a.m., London time, on the related Interest Determination Date.

The following procedures will be used if the EURIBOR Rate or the LIBOR Rate cannot be determined as described above:

- (i) If the above rate is no longer displayed on the relevant ISDAFIX1 Page, or if not displayed by 11:00 a.m., Brussels time in the case of an EURIBOR Rate or 11:00 a.m. London time in the case of a LIBOR Rate, on the Interest Determination Date, then the EURIBOR Rate will be the rate for Euro swaps, with the same maturity as the notes designated in the applicable Final Terms, which appears on the relevant ISDAFIX1 Page as of 11:00 a.m., Brussels time, on the Interest Determination Date and the LIBOR Rate will be the rate for

Designated Reference swaps, with the same maturity as the notes designated in the applicable Final Terms, which appears on the relevant ISDAFIX Page as of 11:00 a.m. London time, on the Interest Determination Date.

- (ii) If the information set out under (i) is no longer displayed by 11:00 a.m. Brussels time in the case of an EURIBOR Rate or 11:00 a.m. London time in the case of a LIBOR Rate, on the Interest Determination Date, then the EURIBOR Rate or LIBOR Rate will be a percentage determined on the basis of the mid-market, semi-annual swap rate quotations provided by five leading swap dealers in the Eurozone interbank market at approximately 11:00 a.m., Brussels time with respect to an EURIBOR Rate or in the London interbank market at approximately 11:00 a.m. London time with respect to a LIBOR Rate on the Interest Determination Date. For this purpose, the semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating Euro interest rate swap with respect to an EURIBOR Rate, or fixed-for-floating Designated Reference interest rate swap with respect to a LIBOR Rate transaction with a term equal to the maturity of the notes designated in the applicable Final Terms on that Interest Determination Date with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to the rate for deposits in Euro (with respect to an EURIBOR Rate) or with respect to the Designated Reference (with respect to a LIBOR Rate) with a maturity of three months which appears on the EURIBOR001 page (with respect to EURIBOR Rate) or LIBOR01 page (with respect to LIBOR Rate). The Calculation Agent will select the five swap dealers after consultation with the Issuer and will request the principal Eurozone or London office of each of those dealers to provide a quotation of its rate. If at least three quotations are provided, the EURIBOR Rate or LIBOR Rate for that Interest Determination Date will be the arithmetic mean of the quotations, eliminating the highest and lowest quotations or, in the event of equality, one of the highest and one of the lowest quotations.
- (iii) If fewer than three leading swap dealers selected by the Calculation Agent are quoting as described above, the EURIBOR Rate or LIBOR Rate will remain the EURIBOR Rate or LIBOR Rate, as applicable, in effect on that Interest Determination Date or, if that Interest Determination Date is the first Interest Determination Date, the EURIBOR Rate or LIBOR Rate in effect on the Interest Commencement Date.

For the purposes of this sub-paragraph “**Designated Reference**” means either Swiss Franc, EURLibor, Sterling, Japanese Yen, U.S. Dollars or any other currency (as specified in the applicable Final Terms).

*Minimum and Maximum Rate of Interest*

- 5B.(5) If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with this Condition is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with this Condition is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

*Calculation of interest amount*

- 5B.(6) The Calculation Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the “**Interest Amount**”) payable in respect of the Calculation Amount in respect of such Notes specified in the applicable Final Terms for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to such Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than

Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent.

**5C. Interest on Dual Currency Interest Notes**

In case of Dual Currency Interest Notes payments by the Issuer of interest will be made in another currency or currencies than the Specified Currency. Such currency or currencies and the Rate of Exchange used to calculate payments of interest will be indicated in the applicable Final Terms.

**5D. Interest – Supplemental Provision and Notification of Rates of Interest, Interest Amounts and Interest Payment Dates**

5D.(1) Condition 5D.(2) shall be applicable in relation to Floating Rate Notes and Condition 5D.(3) shall be applicable in relation to all interest-bearing Notes.

5D.(2) The Calculation Agent will cause each Rate of Interest, Floating Rate, Interest Payment Date, final day of a Calculation Period, Interest Amount or Floating Amount, as the case may be, determined by it to be notified to the Paying Agents (from whose respective specified offices such information will be available) as soon as practicable after such determination, but in any event not later than the fourth London Banking Day thereafter and, in the case of Notes admitted to listing on the Luxembourg Stock Exchange and/or Euronext Amsterdam, cause each such Rate of Interest, Floating Rate, Interest Amount or Floating Amount, as the case may be, to be notified to the Luxembourg Stock Exchange and/or Euronext Amsterdam N.V., as the case may be. The Calculation Agent will be entitled to amend any Interest Amount, Floating Amount, Interest Payment Date or last day of a Calculation Period (or to make appropriate alternative arrangements by way of adjustment) without notice in the event of the extension or abbreviation of the relevant Interest Period or Calculation Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

5D.(3) All determinations and calculations made by the Calculation Agent shall be made by it in its sole discretion and in good faith, acting reasonably and on an arms-length basis. All such determinations and calculations so made shall be final and binding (save in the case of manifest error) on all parties. The Calculation Agent shall have no liability or responsibility to any person in relation to the determinations or calculations provided in connection herewith, except in the case of wilful default or bad faith.

**5E. Zero Coupon Notes**

Zero Coupon Notes will not bear interest other than in relation to interest due after the Maturity Date.

**5F. Definitions**

In this Condition 5 the following expressions have the following meanings:

“**Additional Business Centre(s)**” means the city or cities specified as such in the applicable Final Terms;

“**Business Day**” means:

- (iv) in relation to any sum payable in Euro, a TARGET Business Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (v) in relation to any sum payable in a currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Relevant Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the applicable Final Terms and, if so specified in the applicable Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**Floating Rate Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Final Terms as the Specified Period after the calendar month in which the preceding such date occurred; *provided, however*, that:
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Issuing and Paying Agent, or, if different, the entity as specified in the applicable Final Terms.

“**Calculation Amount**” has the meaning given in the Final Terms;

“**CMS**” means fixed-for-floating interest rate swap rate where the rate on one side of the swap is (either fixed or) reset periodically at or relative to a market interest rate and the constant maturity side of the swap is reset each period according to a regularly available fixed maturity market rate;

“**CMS Brussels**” means CMS relating to the Euro-zone inter-bank market;

“**CMS London**” means CMS relating to the London inter-bank market;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the applicable Final Terms and:

- (i) if “**Actual/Actual (ICMA)**” is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:

- (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if “**Actual/Actual (ISDA)**” or “**Actual/365**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
  - (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
  - (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
  - (v) if “**Actual/365L**” is so specified, means the actual number of days in the Calculation Period divided by 366 if the Calculation Period includes February 29th or 365 if the Calculation Period does not contain February 29th;
  - (vi) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vii) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30; and

(viii) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30;

“**Fixed Coupon Amount**” has the meaning given in the applicable Final Terms;

“**Fixed Rate of Interest**” has the meaning given in the applicable Final Terms;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the applicable Final Terms;

“**Interest Determination Date**” means the interest determination date as specified in the applicable Final Terms;

“**Interest Payment Date**” means the date or dates specified as such in, or determined in accordance with the provisions of, the applicable Final Terms and, if a Business Day Convention is specified in the applicable Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the Floating Rate Convention and an interval of a number of calendar months is specified in the applicable Final Terms as being the Specified

Period, each of such dates as may occur in accordance with the Floating Rate Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**Issue Date**” has the meaning given in the applicable Final Terms

“**Reference Rate**” means the rate specified as such in the applicable Final Terms being either CMS London, CMS Brussels, LIBOR, EURIBOR or EONIA;

“**Regular Period**” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“**Relevant Margin**” means the margin applicable to the Notes as may be specified in the applicable Final Terms;

“**Relevant Screen Page**” means such page, section, caption or column or other part of a particular information service as may be specified in the applicable Final Terms;

“**Specified Currency**” has the meaning given in the applicable Final Terms; and

“**Specified Period**” has the meaning given in the applicable Final Terms.

## **6. REDEMPTION AND PURCHASE**

### **(a) Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

### **(b) Early Redemption for Taxation Reasons**

If, in relation to any Series of Notes and as a result of any change in or amendment to applicable law (which change or amendment is announced and becomes effective on or after the Issue Date of the first Tranche of such Notes) or, in the case of a Substituted Debtor which is organized or tax resident in a jurisdiction different to that of the Issuer, the date on which such successor jurisdiction becomes a successor jurisdiction, the Issuer (or Substituted Debtor) determines that it would, on the occasion of the next payment due in respect of such Notes, be required to pay additional amounts in accordance with Condition 8 and that such obligation is not avoidable by the taking of reasonable measures available to the Issuer (or Substituted Debtor), then the Issuer (or Substituted Debtor) may, upon the expiry of the appropriate notice, redeem all (but not some

only) Notes comprising the relevant Series in whole (but not in part) at their Early Redemption Amount referred to in Condition 6(g) below, together with accrued interest (if any) thereon.

(c) **Optional Early Redemption (Issuer Call Option)**

If "Issuer Call Option" is specified in the applicable Final Terms as being applicable, then the Issuer may, upon the expiry of the appropriate notice, redeem all or some only of the Notes of the relevant Series then outstanding on the optional redemption date(s) (the "**Optional Redemption Date(s)**") at the optional redemption amount (the "**Optional Redemption Amount**") specified in the applicable Final Terms. Any such redemption must be of a principal amount not less than the minimum redemption amount ("**Minimum Redemption Amount**") and not more than the maximum redemption amount ("**Maximum Redemption Amount**"), both as indicated in the applicable Final Terms.

(d) **Appropriate Notice**

The appropriate notice referred to in Conditions 6(b) and 6(c) is a notice given by the Issuer to the Issuing and Paying Agent and the Holders of the Notes of the relevant Series (in accordance with Condition 15(a)), which notice shall be duly signed on behalf of the Issuer and shall specify:

- the Series of Notes subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes of the relevant Series which are to be redeemed;
- the due date for such redemption, which shall be a Business Day which is not less than thirty days (or such lesser period as may be specified in the applicable Final Terms) after the date on which such notice is validly given, which is (in the case of a redemption pursuant to Condition 6(b)) not earlier than sixty days before the earliest date on which the Issuer would (if a payment were then to be made in respect of such Notes) be obliged to pay additional amounts in accordance with Condition 8, and which is (in the case of Notes which bear interest at a floating rate) a date upon which interest is payable;
- (in the case of a redemption pursuant to Condition 6(b)) the circumstances giving rise to the Issuer's entitlement to effect such redemption in accordance with Condition 6(b); and
- (in the case of a redemption pursuant to Condition 6(b)) that a named firm of lawyers in the applicable jurisdiction of recognised standing has given an opinion (a copy of which is attached to the notice) to the effect that the Issuer would, on the occasion of the next payment in respect of such Notes, be obliged to pay additional amounts in accordance with Condition 8.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

(e) **Partial Redemption**

If some only of the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 6(c), in the case of Bearer Notes, the Notes to be redeemed shall be drawn by lot in such European city as the Issuing and Paying Agent may specify, or identified in such other manner or in such other place as the Issuing and Paying Agent may approve and deem appropriate and fair, subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Notes may be listed and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date bears to the aggregate principal amount of outstanding Notes on such date, *provided that* for so long as the relevant Notes are represented by a Temporary Global Note and/or a Permanent Global Note or one or more Global Note Certificates, the Notes to be redeemed will be selected in accordance with the rules and procedures of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion) provided further, that any Note



represented by a Temporary Global Note shall only be accepted for redemption upon certification as to non-U.S. beneficial ownership.

(f) **Optional Early Redemption (Investor Put Option)**

If "Investor Put Option" is specified in the applicable Final Terms as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Note of the relevant Series, redeem such Note on the Optional Redemption Date(s) specified in the applicable Final Terms, at its principal amount (or such other Optional Redemption Amount as may be specified in the applicable Final Terms), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date so specified (or such other period as may be specified in the applicable Final Terms), deposit the relevant Note (together, in the case of an interest-bearing Definitive Note, with any unmatured Coupons appertaining thereto) with any Paying Agent, together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, in the case of a Permanent Global Note, with the form of redemption notice endorsed thereon duly completed.

(g) **Early Redemption Amounts**

For the purpose of Condition 6(b) and Condition 7, each Note will be redeemed at its early redemption amount ("**Early Redemption Amount**") calculated as follows:

- (i) in the case of a Note (other than a Zero Coupon Note but including an Installment Note) with a Final Redemption Amount which is or may be less or greater than the principal amount or which is payable in a Specified Currency other than that in which the Note is denominated, at the Early Redemption Amount specified in the applicable Final Terms or, if no such amount is specified in the applicable Final Terms, at its principal amount; or
- (ii) in the case of a Zero Coupon Note, at an amount (the "**Amortized Face Amount**") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

"RP" means the reference price ("**Reference Price**") as indicated in the Final Terms; and

"AY" means the accrual yield ("**Accrual Yield**") as indicated in the Final Terms; and

'y' is a fraction, the numerator of which is equal to the number of days (calculated on the basis of a Day Count Fraction (specified in the applicable Final Terms)) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is calculated on the basis of a Day Count Fraction specified in the applicable Final Terms; or

- (iii) in any other case, at the Final Redemption Amount specified in the applicable Final Terms or if no such amount is specified in the applicable Final Terms, at its principal amount.

(h) **Installment Notes**

Installment Notes will be repaid in the installment amounts ("**Installment Amounts**") and on the installment dates ("**Installment Dates**") specified in the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(g) above.

(i) **Purchase of Notes**

The Issuer may at any time purchase Notes in the open market or otherwise and at any price, provided that, in the case of interest-bearing Definitive Notes, any unmatured Coupons

appertaining thereto are purchased therewith. Notes so purchased by the Issuer may be held or resold or surrendered for cancellation.

(j) **Cancellation of Redeemed Notes**

All unmatured Notes redeemed in accordance with this Condition 6 and, in the case of interest-bearing Definitive Notes, any unmatured Coupons attached thereto or surrendered therewith will be cancelled and may not be reissued or resold.

(k) **Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to this Condition or upon its becoming due and repayable as provided in Condition 7 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6(g) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid;  
and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Issuing and Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 15.

**7. EVENTS OF DEFAULT**

The Holder of any Note may give written notice to the Issuing and Paying Agent that such Note is, and such Note shall accordingly immediately become, without further notice being required, save as indicated in (ii) below, due and repayable at its Early Redemption Amount (as described in Condition 6(g)), together with interest accrued to the date of repayment, upon the occurrence of any of the following events (“**Events of Default**”) unless, prior to the giving of such notice, all Events of Default shall have been cured or otherwise made good:

- (iii) if default is made in the payment of any interest due on the Notes or any of them and such default continues for a period of 30 days; or
- (iv) if the Issuer fails to perform or observe any of its other obligations under the Notes and (except where such failure is incapable of remedy, when no such notice will be required) such failure continues for a period of 60 days next following the service on the Issuer of notice requiring the same to be remedied; or
- (v) if any order shall be made by a competent court or other authority or resolution passed for the dissolution or winding-up of the Issuer or for the appointment of a liquidator or receiver of the Issuer or of all or substantially all of its respective assets or if the Issuer enters into a composition with its creditors or a declaration in respect of the Issuer is made to apply the emergency regulation (*noodregeling*) under Chapter 3, Section 3.5.5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) as amended, modified or re-enacted from time to time, admits in writing that it cannot pay its debts generally as they become due, initiates a proceeding in bankruptcy, or is adjudicated bankrupt.

**8. TAXATION**

- (a) All amounts payable (whether in respect of principal, redemption amount, interest or otherwise), in respect of the Notes, will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Netherlands or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or 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 the Holders after such withholding or deduction shall equal the respective amounts which would have been receivable in the absence of such withholding or deductions, except that no such additional amounts shall be payable in respect of payment in respect of any Note or Coupon under any of the following circumstances:

- (i) the Holder or beneficial owner of the Note or Coupon is liable to such taxes, duties, assessments or charges in respect of such Note or Coupon by reason of its having or having had some connection with the Netherlands other than the mere holding of the Note or Coupon or the mere receipt of payments under such Note or Coupon;
  - (ii) the Holder or beneficial owner of the Note or Coupon would otherwise not be liable or subject to such withholding or deduction by making a declaration of non-residence or other similar claim for exemption or reduction as foreseen in the laws of the Netherlands or in the relevant treaties for the avoidance of double taxation to the relevant tax authorities or could avoid such withholding or deduction by providing information or a certification concerning nationality, residence, or identity or satisfying any other information or reporting requirement imposed by the relevant authority;
  - (iii) the Note or Coupon is presented (where presentation is required) more than 30 days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of 30 days;
  - (iv) where such withholding or deduction is required to be made 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 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, including, but not limited to, any law or measure similar to the requirements set forth in the European Council Directive 2003/48/EC as adopted by Switzerland in relation to this Directive; or
  - (v) the withholding or deduction is imposed on a holder or beneficial holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon (where presentation is required) to another Paying Agent.
- (b) For the avoidance of doubt, no additional amounts will be paid by BNG Bank or any Paying Agent on account of any deduction or withholding from a payment on, or in respect of, the Notes where such deduction or withholding is imposed pursuant to, or in connection with, FATCA (as defined below).
- (c) For the purposes of these Terms and Conditions, the “**Relevant Date**” means the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Issuing and Paying Agent or, in respect of Swiss Franc Notes only, the Principal Swiss Paying Agent on or prior to such due date, it means the first date on which the full amount of such moneys has been so received and notice to that effect shall have been duly given to the Holders of the Notes of the relevant Series in accordance with Condition 15.
- (d) Any reference in these Terms and Conditions to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 or any undertaking given in addition thereto or in substitution therefor.

## **9. PAYMENTS**

- (a) All payments will be subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 8, including any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations thereunder, any official interpretations thereof, any intergovernmental agreement with respect thereto or any law implementing, or relating to, an intergovernmental agreement (“**FATCA**”). Neither BNG Bank nor any Paying Agent will be liable for, or required to pay any additional amounts as a result of the withholding or deduction from a payment on the Notes pursuant to, or in connection with, FATCA.

*Bearer Notes*

Paragraphs (b) to (f) of this Condition 9 shall apply to Bearer Notes only.

- (b) Payment of amounts (including accrued interest) due on the redemption of Bearer Notes will be made against presentation (and in the case of a Temporary Global Note, upon due certification as required therein) and, save in the case of a partial redemption by reason of insufficiency of funds, surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents outside the United States.
- (c) Payment of amounts due in respect of interest on Bearer Notes will be made:
  - (i) in the case of a Temporary Global Note or Permanent Global Note, against presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents outside the United States and, in the case of a Temporary Global Note, upon due certification as required therein;
  - (ii) in the case of Definitive Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Notes at the specified office of any of the Paying Agents outside the United States; and
  - (iii) in the case of Definitive Notes and delivered with Coupons attached thereto, against surrender of the relevant Coupons at the specified office of any of the Paying Agents outside the United States.
  - (iv) Notwithstanding paragraphs (i), (ii) and (iii) above, payments may be made at the specified office of a Paying Agent in the United States if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in United States dollars, (ii) payment of the full amount of such payment at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) If the due date for payment of any amount due (whether in respect of principal, interest or otherwise) in respect of any Notes is not a Payment Business Day in the place of presentation, then the Holder thereof will not be entitled to payment thereof in such place until the next following such Payment Business Day in such place and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Terms and Conditions.
- (e) Each Definitive Note initially delivered with Coupons attached thereto should be surrendered for final redemption together with all unmatured Coupons appertaining thereto, failing which:
  - (i) unmatured Coupons will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time prior to the fifth anniversary of the due date of such final redemption; and
  - (ii) in the case of Definitive Notes which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupons relating to such Definitive Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.
- (f) Payments of amounts due (whether in respect of principal, interest or otherwise) in respect of Notes will be made by cheque drawn on, or by transfer to, an account maintained by the payee with a bank in the Relevant Financial Centre. Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to any applicable fiscal or other laws and regulations.

*Registered Notes*

Paragraphs (g) to (k) of this Condition 9 shall apply to Registered Notes only.

- (g) Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note Certificate at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the Holder appearing in the Register at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Registrar is located) before the relevant due date for payment. Notwithstanding the previous sentence, if (i) a Holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account designated in the Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means (in the case of payment in a Specified Currency other than Euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in Euro) any bank which processes payments in Euro.
- (h) Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the relevant Registrar is located immediately preceding the relevant due date to the Holder of the Registered Note appearing in the relevant Register at the close of business on the Record Date at its address shown in the relevant Register on the Record Date and at his risk. Upon application of the Holder to the specified office of the relevant Registrar not less than three business days in the city where the specified office of the relevant Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the Holder who has made the initial application until such time as the relevant Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.
- (i) Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of any delay in payment resulting from the due date for a payment not being a Payment Business Day or a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the mail.
- (j) If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (k) None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

*Swiss Franc Notes*

Paragraph (l) of this Condition 9 shall apply to Swiss Franc Notes only.

- (l) For Swiss Franc Notes, payments will be made without taking account of any future transfer restrictions and/or regardless of any bilateral or multilateral payment or clearing agreement which may be applicable at the time of such payments.

Payment to the Principal Swiss Paying Agent by the Issuer and the receipt by the Principal Swiss Paying Agent of the due and punctual payment of the funds in Swiss francs in Switzerland shall release the Issuer of its obligations under the Notes and Coupons for the purposes of payment of principal and interest due on the respective payment dates to the extent of such payments.

Payment of principal and/or interest shall be made in freely disposable Swiss francs without collection costs in Switzerland to the Noteholders and/or Couponholders, without any restrictions, whatever the circumstances may be, irrespective of nationality, domicile or residence of the Noteholders and/or Couponholders and without requiring any certification, affidavit or the fulfillment of any other formality.

#### *Renminbi Notes*

- (m) This Condition 9(m) applies to Renminbi Notes only. Notwithstanding the foregoing provisions of this Condition 9:

- (i)
- (A) Payments in Renminbi will be made by credit or transfer to an account denominated in that currency and maintained by the payee with a bank in Hong Kong; and
  - (B) Payments of the U.S. Dollar Equivalent of the relevant Renminbi amount, determined in accordance with this Condition 9(m), will be made by credit or transfer to a U.S. dollar account (or any other account to which U.S. dollar may be credited or transferred) specified by the payee or, at the option of the payee, by a U.S. dollar cheque, *provided, however, that* no payment will be made by transfer to an account in, or by cheque mailed to an address in, the United States.
- (ii) If the applicable Final Terms specify that this Condition 9(m)(ii) applies, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest (in whole or in part) in respect of Renminbi Notes when due in Renminbi, the Issuer may settle any such payment (in whole or in part) in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi amount. Upon the determination that a condition of Inconvertibility, Non-transferability or Illiquidity prevails, the Issuer shall no later than 10:00 a.m. (Hong Kong time) on the Rate Calculation Date, (i) notify the Calculation Agent and the Paying Agents, and (ii) notify the Holders in accordance with Condition 15 (*Notices*) of such determination.

Any payment made in the U.S. Dollar Equivalent of a Renminbi amount under this Condition 9(m) will constitute valid payment, and will not constitute a default in respect of the Renminbi Notes.

For the purposes of these Conditions, "**U.S. Dollar Equivalent**" of a Renminbi amount means the relevant Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Rate Calculation Date as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date.

For this purpose:

- (A) "**Governmental Authority**" means any de facto or de jure government (or any agency or Noteality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong or the PRC;

- (B) "**Illiquidity**" means the general Renminbi exchange market in Hong Kong becomes illiquid, other than as a result of an event of Inconvertibility or Non-transferability, as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two Renminbi Dealers, as a result of which the Issuer cannot, having used its reasonable endeavours, obtain sufficient Renminbi in order fully to satisfy its obligation to pay interest or principal (in whole or in part) in respect of the Renminbi Notes;
- (C) "**Inconvertibility**" means that the Issuer determines (in good faith and in a commercially reasonable manner) that it is impossible or, having used its reasonable endeavours, impracticable, for it to convert any amount due in respect of the Renminbi Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility or impracticability is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible or, having used its reasonable endeavours, impracticable for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);
- (D) "**Non-transferability**" means that the Issuer determines (in good faith and in a commercially reasonable manner) that it is impossible or, having used its reasonable endeavours, impracticable, for it to deliver Renminbi (i) between accounts inside Hong Kong or (ii) from an account outside Hong Kong to an account inside Hong Kong, other than where such impossibility or impracticability is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible or, having used its reasonable endeavours, impracticable for the Issuer due to an event beyond its control, to comply with such law, rule or regulation);
- (E) "**PRC**" means the People's Republic of China;
- (F) "**Rate Calculation Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and New York City;
- (G) "**Rate Calculation Date**" means the day which is two Rate Calculation Business Days before the due date of the relevant amount under these Conditions;
- (H) "**Renminbi**", "**RMB**" or "**CNY**" means the official currency of the People's Republic of China;
- (I) "**Renminbi Dealer**" means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong; and
- (J) "**Spot Rate**" means, for a Rate Calculation Date, the spot USD/RMB exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the spot rate at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date as the most recently available USD/RMB official fixing rate for settlement on the due date for payment reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 9(m) by

the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents, the Registrars (in the case of Registered Notes) and all Holders of Notes and Holders of Coupons.

- (m) For the purposes of these Terms and Conditions:
- (i) “**Additional Financial Centre(s)**” means the city or cities specified as such in the applicable Final Terms;
  - (ii) “**Clearing System Business Day**” means a day on which each clearing system for which the Global Note Certificate is being held is open for business;
  - (iii) “**Eurozone**” means the region comprised of the countries whose lawful currency is the Euro;
  - (iv) “**Payment Business Day**” means:
    - (A) if the currency of payment is Euro, any day which is:
      - (1) in the case of a Definitive Note or an Individual Note Certificate only, a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
      - (2) a TARGET Business Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
    - (B) if the currency of payment is not Euro, any day which is:
      - (1) in the case of a Definitive Note or an Individual Note Certificate only, a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
      - (2) a day on which dealings in foreign currencies may be carried on in the Relevant Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;
  - (v) “**Record Date**” means the 15<sup>th</sup> day (whether or not such 15<sup>th</sup> day is a business day) before the due date of the relevant payment, *provided* that for so long as the Notes are represented by a Global Note Certificate and such Global Note Certificate is held by or on behalf of DTC, Euroclear, Clearstream, Luxembourg or any other relevant clearing system, “Record Date” shall mean the Clearing System Business Day before the due date of the relevant payment.
  - (vi) “**Relevant Financial Centre**” means (unless varied or restated in the applicable Final Terms):
    - in relation to Notes denominated in Australian dollars, Melbourne;
    - in relation to Notes denominated in Japanese yen, Tokyo;
    - in relation to Notes denominated in New Zealand dollars, Auckland and Wellington;
    - in relation to Notes denominated in British pounds, London;
    - in relation to Notes denominated in Swiss francs, Zürich;
    - in relation to Notes denominated in United States dollars, New York City;
    - in relation to Notes denominated in Canadian dollars, Toronto; and



- in relation to Notes denominated in any other currency, such financial center or centers as may be specified in relation to the relevant currency and for the purposes of the definition of "Business Day" in the 2000 or 2006 ISDA Definitions (as amended and updated from time to time), as published by the International Swaps and Derivatives Association, Inc.;
- (vii) "TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and
- (viii) "TARGET Business Day" means a day on which TARGET2 is operating, and, in all cases, as the same may be modified in the applicable Final Terms.

## 10. REDENOMINATION

- (a) Notes denominated in the currency of a member state of the European Union in relation to which "Redenomination" is specified in the applicable Final Terms as being applicable, may be redenominated into Euro in accordance with this Condition 10.
- (b) Notwithstanding the provisions of Condition 14, the Issuer may, without the consent of the Holders of Notes or Coupons, on giving at least 30 days' prior notice to the Holders of Notes and Coupons in accordance with Condition 15, designate a Redenomination Date with respect to a Series of Notes.
- (c) With effect from the Redenomination Date:
- (i) each Note and, in the case of a Fixed Rate Note each amount of interest specified in the Coupons, shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated into such amount of Euro as is equivalent to its denomination in the Specified Currency converted into Euro at the fixed rate for conversion of the relevant currency into Euro established by the Council of the European Union pursuant to Article 123(4) of the Treaty (as defined below) (including compliance with rules relating to roundings in accordance with European Union regulations);
  - (ii) all payments in respect of the Notes, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in Euro, as though references in the Notes to the Specified Currency were to Euro. Such payments will be made in Euro by cheque drawn on or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee;
  - (iii) the Issuer may elect that the Notes shall be exchangeable for Notes expressed to be denominated in Euro in accordance with such arrangements as the Issuer may decide, after consultation with the Issuing and Paying Agent, and as may be specified in the notice, including arrangements under which Coupons unmatured at the date so specified become void and replaced by new Coupons;
  - (iv) if the Notes are Fixed Rate Notes and interest is required to be calculated for a period of less than one year, it will, if the Issuer so decides, be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (A) the number of those days falling in a leap year divided by 366 and (B) the number of those days falling in a non-leap year divided by 365);
  - (v) if the Notes are Floating Rate Notes, the Issuer may adjust the reference rate of the Notes to any of LIBOR, EURIBOR, EONIA, CMS London or CMS Brussels and, if required, any or all Interest Payment Dates as it deems necessary in accordance with the then pertaining market practice taking into account the redenomination and in order to preserve the economic equivalent of the obligations of the Issuer in respect of interest under such Notes; and
  - (vi) such other changes will be made to the Terms and Conditions of the Notes as the Issuer may decide, after consultation with the Issuing and Paying Agent, to conform such Notes to market conventions then applicable to instruments denominated in Euro including, without

limitation, amending the definition of “Business Day” to be a day on which TARGET2 is operating and a day on which commercial banks and foreign exchange markets settle payments in Euro in the place of presentation instead of a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in London and in the relevant currency in the Relevant Financial Centre. Any such changes will not take effect until they have been notified to the Holders of Notes and Coupons and any relevant stock exchange(s) on which the Notes are listed in accordance with Condition 15.

(d) As used in these Terms and Conditions:

“**Redenomination Date**” means a date which:

- (i) in relation to interest-bearing Notes, shall be an Interest Payment Date;
- (ii) is specified by the Issuer in the notice given to the Holders pursuant to this Condition 10; and
- (iii) falls on or after the date on which the country of the relevant currency participates in the third stage of European Economic and Monetary Union; and

“**Treaty**” means the Treaty establishing the European Community, as amended.

(e) In connection with any such redenomination contemplated by this Condition 10, and without prejudice to Condition 15, the Issuer may also from time to time, without the consent of the Holders of Notes or Coupons, consolidate the Notes with one or more issues of other notes (“**Other Notes**”) issued by it, whether or not originally issued in the relevant currency or in Euro, provided that such Other Notes have been redenominated into Euro (if not originally denominated in Euro) and otherwise have, in respect of all periods subsequent to such consolidation, the same or substantially the same terms and conditions as the Notes, and in all cases as set out in full in the applicable notice.

## 11. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within five years after the due date for payment.

## 12. AGENTS

The initial Agents and their respective initial specified offices are specified in the Base Prospectus. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent (including the Issuing and Paying Agent and the Registrars) and to appoint additional or other Agents, *provided that* it will at all times maintain:

- (a) an Issuing and Paying Agent,
- (b) a Registrar,
- (c) a Paying Agent with a specified office in continental Europe,
- (d) so long as any Notes are listed on the Luxembourg Stock Exchange, a Paying Agent with a specified office in Luxembourg,
- (e) so long as any Notes are listed on Euronext Amsterdam, a Paying Agent with a specified office in Amsterdam; and
- (f) a Paying Agent in a EU member state 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.

The Agents reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Agents will be notified promptly to the Holders in accordance with Condition 15.

In respect of Swiss Franc Notes, the Issuer will at all times maintain a Swiss paying agent having a specified office in Switzerland.

### **13. REPLACEMENT OF NOTES, NOTE CERTIFICATES AND COUPONS**

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Issuing and Paying Agent, in the case of Bearer Notes, or the relevant Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

### **14. MEETINGS OF HOLDERS, MODIFICATION AND WRITTEN RESOLUTIONS**

#### **(a) Meetings of holders**

The Issuing and Paying Agency Agreement contains provisions, which are binding on the Issuer and the Holders of Notes or Coupons, for convening meetings of the Holders of Notes of any Series to consider matters affecting their interests, including the modification or waiver of the Terms and Conditions applicable to any Series of Notes. Notice specifying the date, time and place of any such meeting shall be given to the Holders of Notes of the relevant Series by or on behalf of the Issuer in accordance with Condition 15.

#### **(b) Modification**

The Issuer may amend the Notes and these Conditions without the consent of the Holders of the Notes or Coupons to make any change which is of a formal, minor or technical nature or is made to correct a manifest error. In addition, the parties to the Issuing and Paying Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Holders of the Notes or Coupons, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Holders of the Notes or Coupons.

Any such modification shall be binding on the Holders of the Notes or Coupons and any such modification shall be notified to the Holders of the Notes or Coupons by or on behalf of the Issuer in accordance with Condition 15 as soon as practicable thereafter.

#### **(c) Resolutions passed in writing**

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

### **15. NOTICES**

#### **(a) To Holders of Notes and Coupons**

Notices to Holders of Notes and Coupons will be deemed to be validly given if (1) in the case of Bearer Notes, published in a leading daily English language newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, if published in a leading English language newspaper having general circulation in Europe and will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of first such publication) or (2) in the case of Registered

Notes, if sent by first class mail or (if posted to an address overseas) by airmail to the Holders at their respective addresses recorded in the Register and will be deemed to have been validly given on the fourth day after mailing, *provided* that:

- (i) for so long as all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, registered in the name of DTC's nominee or deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been validly given to the Noteholders on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system;
- (ii) in the case of Notes admitted to listing on the Luxembourg Stock Exchange (for as long as the rules of the Luxembourg Stock Exchange require), all notices regarding a Note listed on the Luxembourg Stock Exchange will be published in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*); and
- (iii) For Swiss Franc Notes, notices to Noteholders will be deemed to have been given if published by the Principal Swiss Paying Agent at the expense of the Issuer, (i) by means of electronic publication on the internet website of the SIX Swiss Exchange under the section headed "*Official Notices*" ([http://www.six-exchange-regulation.com/publications/notices/debt\\_securities\\_en.html](http://www.six-exchange-regulation.com/publications/notices/debt_securities_en.html)), or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange. Notices shall be deemed to be validly given on the date of such publication or, if published more than once, on the date of the first such publication.

(b) **To the Issuer**

Notices to the Issuer will be deemed to be validly given if delivered at N.V. Bank Nederlandse Gemeenten, Koninginnegracht 2, 2514 AA, The Hague, the Netherlands and clearly marked on their exterior "Urgent – Attention: TVB Dealing Room" (or at such other address and for such other attention as may have been notified to the Holders of the Notes in accordance with this Condition 15) and will be deemed to have been validly given at the opening of business on the next day on which the Issuer's principal office is open for business.

**16. FURTHER ISSUES**

The Issuer may from time to time, without the consent of the Holders of Notes or Coupons of, as the case may be, any Series of Notes and Coupons, issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the Notes provided that in the case of Notes which were issued in accordance with the D Rules that are initially represented by a Temporary Global Note exchangeable for interests in a Permanent Global Note or Definitive Notes, such consolidation can only occur following the exchange of interests in the Temporary Global Note for interests in the Permanent Global Note or Definitive Notes upon certification of non-U.S. beneficial ownership and provided further that in the case of Registered Notes, such further notes will have a unique CUSIP, ISIN, Common Code and/or any other identifying number unless such additional notes are fungible with the previously issued Notes for U.S. federal income tax purposes.

**17. ADDITIONAL OBLIGATIONS**

If Notes have been admitted to listing on Euronext Amsterdam, the Issuer will, as long as the Notes are listed on Euronext Amsterdam, comply with the provisions set forth in the Rule Books of Euronext Amsterdam N.V. or any amended form of the said provisions as in force at the date of the issue of these Notes.

## 18. SUBSTITUTION OF THE ISSUER

- (a) The Issuer or any previous substitute of the Issuer under this Condition may at any time be replaced and substituted by any company (incorporated in any country in the world) controlling, controlled by or under common control with the Issuer as the principal debtor in respect of any Series of Notes (any such company, the “**Substituted Debtor**”), *provided that*:
- (i) such documents shall be executed by the Substituted Debtor and (if the Substituted Debtor is not the Issuer) the Issuer or any previous substitute as aforesaid as may be necessary to give full effect to the substitution (together the “**Documents**”) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favor of each Noteholder to be bound by these Conditions and the provisions of the Issuing and Paying Agency Agreement as fully as if the Substituted Debtor had been named in the Notes and the Issuing and Paying Agency Agreement as the principal debtor in respect of the Notes in place of the Issuer or any previous substitute as aforesaid;
  - (ii) without prejudice to the generality of sub-paragraph (i) hereof, where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than the Netherlands, or is undertaking its obligations with respect to the Notes through a branch in another such territory (or successor jurisdiction), the Documents shall contain a covenant and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 8 above with the substitution for the references to the Netherlands (or any previously substituted territory as the case may be) with references to the successor jurisdiction;
  - (iii) the Documents shall contain a warranty and representation (a) that the Substituted Debtor and the Issuer (or any previous substitute as aforesaid) have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer of the Guarantee (as defined below) in respect of the obligations of the Substituted Debtor, that the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substituted Debtor of its obligations under the Documents and that all such approvals and consents are in full force and effect and (b) that the obligations assumed by the Substituted Debtor and any Guarantee (as defined below) given by the Issuer are each valid and binding in accordance with their respective terms and enforceable by each Noteholder; and
  - (iv) Condition 7 shall be deemed to be amended so that it shall also be an Event of Default under the said Condition if the Guarantee (as defined below) shall cease to be valid or binding on or enforceable against the Issuer; and upon the Documents becoming valid and binding obligations of the Substituted Debtor the Issuer hereby irrevocably and unconditionally guarantees in favor of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor (such guarantee of the Issuer herein referred to as the “**Guarantee**”).
- (b) In connection with any substitution effected pursuant to this Condition, neither the Issuer nor the Substituted Debtor need have any regard to the consequences of any such substitution for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Noteholder or Couponholder, except as provided in Condition 18(a)(ii), shall be entitled to claim from the Issuer or any Substituted Debtor under the Notes and Coupons any indemnification or payment in respect of any tax or other consequences arising from such substitution.
- (c) Upon the Documents becoming valid and binding obligations of the Substituted Debtor and the Issuer (in respect of its provision of the Guarantee) (as “**Guarantor**”) (and upon a legal opinion to that effect being issued by local counsel of recognised standing in the jurisdiction of incorporation of the Substituted Debtor), the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall, in the case of the substitution of the Issuer as principal debtor, operate to release the Issuer as issuer and, in the case of the substitution of a

Substituted Debtor (if such Substituted Debtor is not the Issuer), operate to release such Substituted Debtor as principal debtor, from all of its obligations as principal debtor in respect of the Notes.

- (d) The documents referred to in paragraph (a) above shall be deposited with and held by the Issuing and Paying Agent for so long as any Notes remain outstanding and for so long as any claim made against the Substituted Debtor or (if the Substituted Debtor is not the Issuer) the Issuer by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and (if the Substituted Debtor is not the Issuer) the Issuer acknowledge the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
- (e) Not later than 15 Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 15.
- (f) For the purposes of this Condition 18, the term “**control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether by contract or through the ownership, directly or indirectly, of voting shares in such company which, in the aggregate, entitle the holder thereof to elect a majority of its directors, and includes any company in like relationship to such first mentioned company, and for this purpose “**voting shares**” means shares in the capital of a company having the right to elect the directors thereof, and “**controlling**”, “**controlled**” and “**under common control**” shall be construed accordingly.

*Any substitution of a Substituted Debtor for the Issuer may be considered for U.S. federal income tax purposes to be an exchange of the Notes for new Notes by the beneficial owners of such Notes, resulting in recognition of taxable gain or loss for U.S. federal income tax purposes and other possible adverse tax consequences. U.S. beneficial owners should consult their own tax advisers regarding the U.S. federal, state and local income tax consequences of any substitution.*

## **19. LAW AND JURISDICTION**

- (a) The Notes and the Issuing and Paying Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes and the Issue and Paying Agency Agreement are governed by, and shall be construed in accordance with, the laws of the Netherlands.
- (b) The Issuer irrevocably submits, for the exclusive benefit of the Holders of the Notes, to the jurisdiction of the Court (*Rechtbank*) and its appellate courts at The Hague, the Netherlands.
- (c) The Issuer is not entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process except in respect of assets located in the Netherlands that have a public utility function (*goederen bestemd voor de openbare dienst*) as reflected in the books and records of the Issuer and the issue of this Note constitutes, and the performance by the Issuer of its obligations hereunder will constitute, commercial acts done and performed for commercial purposes.
- (d) For the purposes of Swiss Franc Notes only, in addition to the submission to the jurisdiction to the courts of the Netherlands, the Issuer agrees to the alternative jurisdiction of the Commercial Court of the Canton of Zurich, the place of jurisdiction being Zurich I, with the right of appeal to the Swiss Federal Court of Justice in Lausanne where the law permits. In connection with the Notes the Issuer designates the Dealer specified in the Final Terms relating to the relevant issue of Notes as its representative for service of judicial documents pursuant to paragraph 30 of the Rules of Civil Procedure of the Canton of Zurich, and elects legal and special domicile pursuant to Article 50 of the Swiss Act on Debt Enforcement and Bankruptcy at the offices of that Dealer specified in the Final Terms. Such Dealer will be required to undertake to transmit to the Issuer as soon as possible any notice received by such Dealer in this connection.

For the purposes of any proceedings brought in Switzerland, Noteholders have the option to be collectively represented (in accordance with all applicable laws and customary practice in Switzerland) and (whether or not collectively represented) have equal status irrespective of their domicile.

## FORM OF FINAL TERMS

Form of Final Terms for an issue by N.V. Bank Nederlandse Gemeenten under the Euro 90,000,000,000 Debt Issuance Programme.

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**N.V. BANK NEDERLANDSE GEMEENTEN**  
*(incorporated with limited liability under the  
laws of the Netherlands and having its  
statutory domicile in The Hague)*

Euro 90,000,000,000

Debt Issuance Programme

Series No.: [●]

Issue of [*Aggregate Nominal Amount of Notes*] [*Title of Notes*] due [*day*] [*month*] [*year*] (the "**Notes**")

### FINAL TERMS

[The Notes will, when and to the extent that the Temporary Global Note (as defined herein) is exchanged for [Definitive Notes/Permanent Global Note] (as defined herein), be consolidated and become fungible and form a single Series with the [*full name of original issue*] issued by the Issuer on [*date*] Series No.[●] [and the [*full name of any reopenings*], which Notes formed the subject matter of a Final Terms dated [*date*].]

The date of these Final Terms is [date] 20[●]

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 38 of Part A below, provided such person is one of the persons mentioned in Paragraph 38 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances].<sup>1</sup>

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]<sup>2</sup>

The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (“**Conditions**”) set forth in page 58 to page 86 of the base prospectus dated 3 July 2013[, as supplemented by the supplemental prospectus[es] dated [•]] (the “**Base Prospectus**”) issued in relation to the Euro 90,000,000,000 debt issuance programme of N.V. Bank Nederlandse Gemeenten which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing, upon the oral or written request of any persons, at the specified offices of the Paying Agent. Copies may be obtained at the specified offices of the Paying Agent . A summary of the Notes is attached to these Final Terms.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an information memorandum/base prospectus with an earlier date. Include correct references to each condition mentioned explicitly by number in the Final Terms to the extent that these number references in the terms and conditions under which the initial tranche was issued differ from number references used in the Conditions set out in full in the Base Prospectus dated 3 July 2013. ]*

[Terms used herein shall be deemed to be defined as such for the purposes of [the terms and conditions as referred to on pages 10 up to and including 25 of the information memorandum of the Issuer relating to the Programme, dated 3 December 2003 (the “**2003 Terms and Conditions**”)] [the terms and conditions as referred to on pages 10 up to and including 25 of the information memorandum of the Issuer relating to the Programme, dated 2 December 2004 (the “**2004 Terms and Conditions**”)] [the terms and conditions

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<sup>1</sup> Include this legend where a public offer of Notes is anticipated.

<sup>2</sup> Include this legend where only an exempt offer of Notes is anticipated.



as referred to on pages 16 up to and including 31 of the base prospectus of the Issuer relating to the Programme, dated 11 July 2005 (the “**2005 Terms and Conditions**”) [the terms and conditions as referred to on pages 16 up to and including 32 of the base prospectus of the Issuer relating to the Programme, dated 21 July 2006 (the “**2006 Terms and Conditions**”) [the terms and conditions as referred to on pages 20 up to and including 37 of the base prospectus of the Issuer relating to the Programme, dated 23 July 2007 (the “**2007 Terms and Conditions**”) [the terms and conditions as referred to on pages 21 up to and including 38 of the base prospectus of the Issuer relating to the Programme, dated 24 July 2008 (the “**2008 Terms and Conditions**”) [the terms and conditions as referred to on pages 21 up to and including 39 of the base prospectus of the Issuer relating to the Programme, dated 29 July 2009 (the “**2009 Terms and Conditions**”) [the terms and conditions as referred to on pages 38 up to and including 61 of the base prospectus of the Issuer relating to the Programme, dated 12 August 2010 (the “**2010 Terms and Conditions**”) [the terms and conditions as referred to on pages 43 up to and including 67 of the base prospectus of the Issuer relating to the Programme, dated 2 August 2011 (the “**2011 Terms and Conditions**”) [the terms and conditions as referred to on pages 43 up to and including 67 of the base prospectus of the Issuer relating to the Programme, dated 13 June 2012 (the “**2012 Terms and Conditions**”) each of which have been incorporated by reference in, and form part of the base prospectus dated 3 July 2013[, as supplemented by the supplemental prospectus[es] dated [•]] (the “**Base Prospectus**”) issued in relation to the Euro 90,000,000,000 debt issuance programme of N.V. Bank Nederlandse Gemeenten which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus, save in respect of the 2003/2004/2005/2006/2007/2008/2009/2010/2011 Terms and Conditions incorporated by reference therein which are attached hereto. Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing, upon the oral or written request of any persons, at the specified offices of the Paying Agent. Copies may be obtained at the specified offices of the Paying Agent . A summary of the Notes is attached to these Final Terms.]

These Final Terms do not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation; and no action is being taken to permit an offering of the Notes or the distribution of these Final Terms in any jurisdiction where such action is required.

[In connection with the issue of Notes under the Programme, the Dealer who is specified in the Final Terms as the Stabilizing Manager (or any person acting for the Stabilizing Manager) in relation to the relevant series of Notes may over-allot Notes or effect transactions with a view to supporting the market price of the Notes of such series at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilizing Manager (or any agent of the Stabilizing Manager) to do this. Such stabilizing shall be in compliance with all applicable laws, regulations and rules.]

[Any stabilization activity in connection with the Notes listed or to be listed on NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V., will be conducted (on behalf of the Stabilizing Manager) by a member of Euronext Amsterdam which shall be [Coöperative Centrale Raiffeisen – Boerenleenbank B.A. (Rabobank International) (“**Rabobank International**”)]<sup>3</sup>. Any loss or profit sustained as a consequence of any such over-allotment or stabilizing shall, as against the Issuer, be for the account of the Stabilizing Manager.]

*[Consider whether a drawdown prospectus is necessary in order to issued fungible Notes where the first tranche was issued pursuant to a previous information memorandum/base prospectus. This could arise in circumstances where, for example, the Final Terms for the original tranche included information which is no longer permitted to be included in final terms under the Prospectus Directive or pursuant to guidance issued by ESMA]*

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs, save in respect of the items in Part B, which may be deleted in accordance with the relevant footnotes. Italics denote guidance for completing the Final Terms.]*

<sup>3</sup> Or any member of Euronext Amsterdam.

*[When completing any final terms, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive]*

## PART A – CONTRACTUAL TERMS

The terms of the Notes are as follows:

1. Issuer: N.V. Bank Nederlandse Gemeenten
2. (i) Series Number: [ ]  
(ii) Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: [ ]  
*(If Notes are being cleared through DTC with interest and or principal payable in a currency other than U.S. dollars, check whether DTC will accept payments in such currency)*
4. Aggregate Nominal Amount: [ ]  
(i) Series: [ ]  
(ii) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. (i) Specified Denomination(s): [ ]  
(ii) Calculation Amount: [ ]
7. (i) Issue Date: [ ]  
(ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Specify date] [For fixed rate Renminbi Notes where Interest Payment Dates are subject to modification, the maturity date will be the Interest Payment Date falling in or nearest to the relevant month and year]
9. Interest Basis: [[•] per cent. Fixed Rate]  
[[LIBOR][EURIBOR][EONIA][CMS London][CMS Brussels] +/- [•] per cent. Floating Rate]  
[Zero Coupon]  
[Dual Currency Interest]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Installment]  
*[For Renminbi Notes only: The provisions of Condition 9(m)(ii) [do not] apply. [If Condition*

*9(m)(ii) is applicable:* The Issuer may settle payments due in Renminbi (in whole or in part) in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi amount in the circumstances described in Condition 9(m)(ii).]

(further particulars specified below)

11. Investor Put/Issuer Call Options: [Not Applicable/Investor Put Option/Issuer Call Option]

(further particulars specified below)

12. Date [Board] approval for issuance of Notes obtained: [Not Applicable/date]

13. *(Only relevant where Board (or similar) authorization is required for the particular tranche of Notes)*

14. Method of distribution: [Syndicated/Non-syndicated]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Fixed Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear

(ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date [, subject to adjustment for payment purposes only in accordance with [[specify applicable Business Day Convention] (as defined in Condition 5F)][with [specify Additional Business Centres] as an Additional Business Centre]

[No Adjustment]

*[Insert the following option for Renminbi Notes if Interest Payment Date is to be modified:* Interest Payment Dates will be adjusted for calculation of interest and for payment purposes in accordance with the [specify applicable Business Day Convention]]

(iii) Fixed Coupon Amount(s): [ ] per Calculation Amount/[Each Fixed Coupon Amount shall be calculated by multiplying the product of the Interest Rate and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards]

(iv) [Party responsible for calculating the Fixed Coupon Amount(s): [The Issue and Paying Agent/other] shall be the Calculation Agent

*(N.B. Include this item for fixed rate Notes*

*which are Renminbi Notes only]*

- (v) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]/Not Applicable]
- (vi) Day Count Fraction: [30/360]  
[Actual/Actual (ICMA)]  
[Actual/Actual (ISDA)]  
[Actual/365 (Fixed)]  
[Actual/365L]
- (vii) Regular Date(s): [[ ] in each year /Not Applicable]
- (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*

**16. Floating Rate Note Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Interest Period(s): [ ]
- (ii) Specified Period: [ ]
- ("Specified Period" and "specified Interest Payment Dates" are alternatives. A "Specified Period", rather than "specified Interest Payment Dates", will only be relevant if the Business Day Convention is the Floating Rate Convention. Otherwise, insert "Not Applicable")*
- (iii) Specified Interest Payment Date(s): [ ]
- ("Specified Period" and "specified Interest Payment Dates" are alternatives. If the Business Day Convention is Floating Rate Convention, insert "Not Applicable")*
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (v) Additional Business Centre(s): [Not Applicable/give details]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]

- (vii) Party responsible for calculating the Floating Rate(s) of Interest and/or Interest Amount(s) (if not the Issuing and Paying Agent): [Not Applicable/[[Name] shall be the Calculation Agent]]
- (viii) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [LIBOR/EURIBOR/EONIA/CMS London/CMS Brussels]
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ]
- Subject to fall-back provisions set out in Condition 5.B
- (ix) ISDA Determination: [Applicable/Not Applicable]
- EURIBOR Rate: [Applicable/Not Applicable]
- Subject to fall-back provisions set out in Condition 5.B
- LIBOR Rate: [Applicable/Not Applicable]
- Subject to fall-back provisions set out in Condition 5.B
- Designated Maturity: [ ]
  - Designated Reference: [ ]
  - Interest Determination Date(s): [ ]
- (x) Relevant Margin (if any): [+/-][ ] per cent. per annum
- (xi) Minimum Rate of Interest: [ ] per cent. per annum
- (xii) Maximum Rate of Interest: [ ] per cent. per annum
- (xiii) Day Count Fraction: [Actual/Actual (ICMA)]  
 [Actual/Actual (ISDA)][Actual/365]  
 [Actual/365 (Fixed)]  
 [Actual/365L]  
 [Actual/360]  
 [30/360]  
 [30E/360/Eurobond Basis]  
 [30E/360 (ISDA)]
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Accrual Yield: [ ]
- (ii) Reference Price: [ ]
- (iii) Day Count Fraction in relation to Early Redemption Amount and late payment: [Actual/Actual (ICMA)]  
[Actual/Actual (ISDA)][Actual/365]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30/360]  
[30E/360/Eurobond Basis]  
[30E/360 (ISDA)]

18. **Dual Currency Interest Note Provisions** [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Rate of Exchange: [ ]
- (ii) Calculation Agent, if any responsible for calculating the interest payable (if other than the Issuing and Paying Agent): [ ]
- (iii) Person at whose option Specified Currenc[y/ies] [is/are] payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

19. Issuer Call Option: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note: [ ] per Calculation Amount
- (iii) If redeemable in part:
  - Minimum Redemption Amount: [ ] per Calculation Amount
  - Maximum Redemption Amount: [ ] per Calculation Amount
- (iv) Notice Period: [ ]

20. Investor Put Option: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
  - (ii) Optional Redemption Amount(s) of [ ] per Calculation Amount each Note:
  - (iii) Notice Period: [ ]
21. Final Redemption Amount : [ ] per Calculation Amount
22. Early Redemption Amount(s) payable per Calculation Amount on redemption (a) for taxation reasons (Condition 6(b)) or (b) on the occurrence of an event of default (Condition 7) [ ] per Calculation Amount

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: [Bearer/Registered] Notes
24. Temporary Global Note exchangeable for Definitive Notes<sup>1</sup>: [Not Applicable/Applicable. The Notes will initially be represented upon issue by a temporary global note (the “**Temporary Global Note**”) in bearer form without interest coupons attached, which will be exchangeable on or after the date falling 40 days after the Issue Date, in accordance with the terms thereof, for definitive notes (“**Definitive Notes**”), upon certification as to non-U.S. beneficial ownership.]
25. Temporary Global Note exchangeable for a Permanent Global Note<sup>2</sup>: [Not Applicable/Applicable. The Notes will initially be represented upon issue by a temporary global note (the “**Temporary Global Note**”) in bearer form without interest coupons attached, which will be exchangeable upon certification as to non-U.S. beneficial ownership 40 days after the Issue Date in accordance with the terms thereof, for interests in a permanent global note (the “**Permanent Global Note**”). ]
- [Where a Global Note is to be cleared through Euroclear, Clearstream Luxembourg or any other relevant clearing system and is exchangeable for Definitive Notes at any time or where Definitive Notes will definitely be issued, the Notes may only be issued in such denominations as Euroclear, Clearstream Luxembourg or any such other relevant clearing system will permit at that time. In particular, the Notes may not have denominations that include integral multiples of an amount if such amount is not divisible by the minimum denomination of such Notes.]
26. Permanent Global Note exchangeable for Definitive Notes: [Not Applicable/Applicable, but only as set out in Condition 1(e), except that in each case a Permanent Global Note which forms part of a securities deposit (*girodepot*) with Euroclear Netherlands shall only be exchangeable within the limited circumstances as described in the Netherlands Securities Giro Act (*Wet*

<sup>1,2</sup> Bearer Notes that have a term of more than 365 days (taking into account any unilateral right to extend or rollover) and that are issued under D Rules must be initially represented by a Temporary Global Note.



*giraal effectenverkeer*) and such exchange will be made in accordance therewith, the Euroclear Netherlands' terms and conditions and operational documents]

[The Notes will be in bearer form and will be represented by a Permanent Global SIS Note (the "**Permanent Global SIS Note**") in substantially the form set forth in the schedule to the supplemental issuing and paying agency agreement dated [date] between the Issuer and the Swiss Paying Agent(s) mentioned in item [8] of Part B below (the "**Supplemental Issuing and Paying Agency Agreement**"). The Permanent Global SIS Note will be deposited with SIX SIS Ltd, the Swiss securities services corporation in Olten, Switzerland ("**SIS**") or, as the case may be, with any other intermediary in Switzerland recognised for such purposes by SIX Swiss Exchange Ltd (SIS or any such other intermediary, the "**Intermediary**"). Once the Permanent Global SIS Note is deposited with the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Notes will constitute intermediated securities (*Bucheffekten*) ("**Intermediated Securities**") in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

Each Holder (as defined below) shall have a quota co-ownership interest (*Miteigentumsanteil*) in the Permanent Global SIS Note to the extent of his claim against the Issuer, provided that for so long as the Permanent Global SIS Note remains deposited with the Intermediary the co-ownership interest shall be suspended and the Notes may only be transferred or otherwise disposed of in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*), *i.e.*, by the entry of the transferred Notes in a securities account of the transferee.

The records of the Intermediary will determine the number of Notes held through each participant in that Intermediary. In respect of the Notes held in the form of Intermediated Securities, the holders of the Notes (the "**Holders**") will be the persons holding the Notes in a securities account in their own name and for their own account.

Neither the Issuer nor the Holders shall at any time have the right to effect or demand the conversion of the Permanent Global SIS Note (*Globalurkunde*) into, or the delivery of, uncertificated securities (*Wertrechte*) or Definitive Notes (*Wertpapiere*).

No physical delivery of the Notes shall be made unless and until Definitive Notes (*Wertpapiere*) are printed. Definitive Notes may only be printed, in whole, but not in part, if the Principal Swiss Paying Agent determines, in its sole discretion, that the printing of the Definitive Notes (*Wertpapiere*) is

- necessary or useful. Should the Principal Swiss Paying Agent so determine, it shall provide for the printing of definitive Notes (*Wertpapiere*) without cost to the Holders. Upon delivery of the Definitive Notes (*Wertpapiere*), the Permanent Global SIS Note will be cancelled and the definitive Notes (*Wertpapiere*) shall be delivered to the Holders against cancellation of the Notes in the Holders' securities accounts.<sup>3]</sup>
27. Registered Notes: [Not Applicable]/[Unrestricted Global Note Certificate registered in the name of [a nominee/common safekeeper] for [a common depository for] Euroclear and Clearstream, Luxembourg, held under the New Safekeeping Structure (NSS) and exchangeable for unrestricted Individual Note Certificates [on [ ] days' notice/at any time/in the limited circumstances described in Condition 1(l)(iii)]
- [and]
- [Restricted Global Note Certificate registered in the name of a nominee for DTC and exchangeable for restricted Individual Note Certificates [on [ ] days' notice/at any time/in the limited circumstances described in Condition 1(l)(iii)]
28. New Global Note: [Applicable/Not Applicable]<sup>4</sup>
29. New Safekeeping Structure: [Applicable; but only as to Unrestricted Global Note Certificate] [Not Applicable]<sup>5</sup>
30. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/*give details*]
- (Note that this paragraph relates to the date and place of payment, and not interest period end date)*
31. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Not Applicable/Applicable [*give dates*]]
32. Details relating to Installment Notes [Applicable/Not Applicable]
- (i) Installment Amount(s): [ ]
- (ii) Installment Date(s): [ ]
- (i) Rate of Exchange: [ ]
33. Redenomination: [Applicable/Not Applicable]

<sup>3</sup> For Swiss Franc Notes only.

<sup>4</sup> Specify "Not Applicable" if the Notes being issued are Bearer Notes which are Classic Global Notes/CGNs.

<sup>5</sup> Specify "Applicable" if the Notes being issued are Registered Notes intended to be held under the New Safekeeping Structure

## DISTRIBUTION

- |     |  |   |
|-----|--|---|
| 34. | Method of distribution                             | Syndicated/Non-syndicated   |
|     | (i) If syndicated, names and addresses of Dealers: | [Not Applicable/ <i>give names and addresses</i> ]  |
|     |  | <i>(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis, and names and addresses of the entities agreeing to place the issue without a firm commitment or under 'best efforts' arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, include a statement of the portion not covered)</i>   |
|     | (ii) Date of [Subscription] Agreement:             | [Not Applicable/ <i>give date</i> ]   |
|     | (iii) Stabilizing Manager(s) (if any):             | [Not Applicable/ <i>give name</i> ]   |
| 35. | If non-syndicated, name and address of Dealer:     | [Not Applicable/ <i>give name and address</i> ]   |
| 36. | Total commission and concession:                   | [ ] per cent. of the Aggregate Nominal Amount   |
| 37. | U.S. Selling Restrictions:                         | [Reg. S Compliance Category 2; TEFRA C Rules <sup>6</sup> /D Rules <sup>7</sup> / C Rules and D Rules not applicable <sup>8</sup> ]   |
| 38. | Public Offer:                                      | [Not Applicable] [A Public Offer of the Notes may be made by the Dealers [and [ <i>specify, if applicable</i> ]] (together [with the Dealers], the " <b>Initial Authorised Offerors</b> ") [and any other Authorised Offerors in accordance with paragraph [ ] below] [Austria/Belgium/Denmark/Finland/France/Germany/Ireland/Italy/Luxembourg/the Netherlands/Norway/Portugal/Spain/Sweden/the United Kingdom/[ ]] (the " <b>Public Offer Jurisdictions</b> ") during the period from [ <i>specify date</i> ] until [ <i>specify date</i> ] (the " <b>Offer Period</b> " [ <i>provided, however, that the Offer Period in Austria will not commence until the day after the registration of the issue terms with the Registration Office (Meldestelle) has been duly made as required by the Austrian Capital Markets Act.</i> ] |
| 39. | General Consent:                                   | [Applicable/Not Applicable]   |
| 40. | Other conditions to consent:                       | [Not Applicable/[ ]]  |

<sup>6</sup> To be used for Notes represented by a Permanent Global SIS Note, which may not be offered or sold in the United States or to U.S. persons.

<sup>7</sup> To be used for Notes represented by a Temporary Global Note exchangeable for a Definitive Note or a Temporary Global Note exchangeable for interests in a Permanent Global Note.

<sup>8</sup> To be used for offerings of Registered Notes or Notes with a term of one year or less (including unilateral rights to roll over or extend).

**PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading on [Euronext Amsterdam/the Luxembourg Stock Exchange/SIX Swiss Exchange] of the Notes described herein] pursuant to the Euro 90,000,000,000 Debt Issuance Programme of the Issuer.

Signed on behalf of N.V. BANK NEDERLANDSE GEMEENTEN:

By: .....  
Duly authorised

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Admission to trading [Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V./the regulated market of the Luxembourg Stock Exchange] with effect from [date].] [The Notes have been provisionally admitted to trading on the SIX Swiss Exchange with effect from [date]. Application for definitive listing on the SIX Swiss Exchange will be made as soon as is reasonably practicable thereafter. The last trading day is on [date]/[Not Applicable]

*(Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading.)*

- (ii) [Estimate of total expenses relating to admission to trading:]<sup>9</sup> [ ]
- (iii) [Duration of trading:]<sup>10</sup> [ ]

### 2. RATINGS

[The Notes have not been rated.]

[The Notes [have been]/[are expected to be] rated:]

[Standard & Poor's: [ ]]

[Fitch: [ ]]

[Moody's: [ ]]

[Other credit rating agency/agencies:[ ]]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

*(Need to include a brief explanation of the meaning of ratings if this has previously been published by the rating provider.)*

[[Insert legal name(s) of "other credit rating agency/agencies" mentioned above] is established in the European Union and registered under Regulation

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<sup>9</sup> Not required for Notes with a denomination per unit of less than EUR 100,000.

<sup>10</sup> For Swiss Franc Notes.

(EC) No 1060/2009 (the "CRA Regulation")]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

*[Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by disclosure of the following statement:*

Except for the commissions payable to the Dealers, described in the first paragraph under "Plan of Distribution" in the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES<sup>11</sup>**

(i) Reasons for the offer:  /Not Applicable]

*(If applicable: (The net proceeds of the issue of each Tranche of Notes will be used by the Issuer for general corporate purposes) - if reasons for offer different from making profit/and or hedging certain risks will need to include those reasons here)*

(ii) Estimated net proceeds:  /Not Applicable]

*(If applicable: if proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) Estimated total expenses:  /Not Applicable]

*(If applicable: include breakdown of expenses)*

5. **INDICATION OF YIELD (Fixed Rate Notes only):**  /Not Applicable]

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **HISTORIC INTEREST RATES (Floating Rate Notes only)<sup>12</sup>**

[Not Applicable/Details of historic [LIBOR/EURIBOR/CMS] rates can be obtained from [indicate the relevant Reuters ISDAFIX1 page].

7. **PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Interest Notes only)<sup>13</sup>**

*[Not Applicable (Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.)]*

<sup>11</sup> Delete if the minimum denomination is at least EUR 100,000.

<sup>12</sup> Delete if the minimum denomination is at least EUR 100,000.

<sup>13</sup> Delete if the minimum denomination is at least EUR 100,000.

8. **OPERATIONAL INFORMATION**

CUSIP Number: [Not Applicable/[ ]]  
*(Select "Not Applicable" if no Restricted Registered Notes will be issued)*

ISIN Code: [ ]

Common Code: [ ]

Valor: [Not Applicable/[ ]]

Clearing System: [Euroclear. Euroclear's offices are situated at 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium]  
[Clearstream, Luxembourg. Clearstream, Luxembourg's offices are situated at 42 Avenue J.F. Kennedy, 1855 Luxembourg.]  
[DTC. The address of DTC is 55 Water Street, New York, NY 10041, United States of America.]  
*(If applicable give name(s), addresses and relevant identification number(s) of any clearing system(s) other than DTC, Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s))*

Delivery: Delivery [against/free of] payment

Names and addresses of Paying Agent(s): [ ]

Intended to be held in a manner which would allow Eurosystem eligibility:

[Not Applicable] *[For Notes not issued in NGN form]*

[Yes. Note that the designation "yes" means that the Instruments are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] *[If this text is selected, the Notes must be issued in NGN form]*

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Instruments are capable of meeting them the Instruments may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper. Note that this does not necessarily mean that the Instruments will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[If this text is selected, the Notes must be issued in NGN form]*

9. **TERMS AND CONDITIONS OF THE OFFER<sup>14</sup>**

[Not Applicable]

Conditions to which the offer is subject:

[Offers of the Notes are conditional on their issue. As between the Authorised Offerors and their customers, offers of the Notes are further subject to conditions as may be agreed between them and/or as specified in the arrangements in place between them.][The Offer Period in Austria shall not commence until the day after the registration of the issue terms with the Registration Office (*Meldestelle*) has been duly made as required by the Austrian Capital Markets Act/*give details*]

Total amount of the offer; if the amount is not fixed, description of the arrangements and time for announcing the definitive amount to the public:

[ ]

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<sup>14</sup> Delete if the minimum denomination is at least EUR 100,000.



Description of the application process, including offer period, including any possible amendments, during which the offer will be open:	[A prospective Noteholder should contact the applicable Authorised Offeror in the applicable Public Offer Jurisdiction prior to the end of the Offer Period. A prospective Noteholder will subscribe for the Notes in accordance with the arrangements existing between such Authorised Offeror and its customers relating to the subscription of securities generally. Noteholders will not be required to enter into any contractual arrangements directly with the Issuer in connection with the subscription of the Notes.] [ ]
Description of possibility to reduce subscriptions:	[Not Applicable/ <i>give details</i> ]
Description of manner for refunding excess amount paid by applicants	[Not Applicable/ <i>give details</i> ]
Details of the minimum and/or maximum amount of application:	[There are no pre-identified allotment criteria. The Authorised Offeror will adopt allotment criteria in accordance with customary market practices and applicable laws and regulations.] [ ]
Details of the method and time limits for paying up and delivering the Notes:	[Investors will be notified by the relevant Authorised Offeror of their allocations of Notes and the settlement arrangements in respect thereof.] [ ]
Manner in and date on which results of the offer are to be made public:	[Investors will be notified by the applicable Authorised Offeror of their allocations of Notes and the settlement procedures in respect thereof on or around <i>[date]</i> .] [ ]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/ <i>give details</i> ]
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	[Offers may be made by the Authorised Offerors in each of the Public Offer Jurisdictions to any person during the Offer Period. In other EEA countries and in all jurisdictions (including the Public Offer Jurisdictions) outside of the Offer Period, offers will only be made by the <i>[Dealers]</i> pursuant to an exemption under the Prospectus Directive, as implemented in such countries. All offers of the Notes will be made in compliance with all applicable laws and regulations.] [ ]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Prospective Noteholders will be notified by the relevant Authorised Offeror in accordance with the arrangements in place between such Authorised Offeror and the prospective Noteholders.]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: The Initial Authorised Offerors identified in paragraph 38 of Part A above [and any additional Authorised Offerors who have or obtain the Issuer's consent to use the Prospectus in connection with the Public Offer and who are identified on the Issuer's website as an Authorised Offeror] (together, the "Authorised Offerors").

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/*give details*]

10. **[Swiss Franc Notes only – DOCUMENTS AVAILABLE**

Copies of the Final Terms and the Base Prospectus are available at [insert as applicable [UBS Investment Bank, division of UBS AG, Prospectus Library, P.O. Box, CH-8098 Zurich, Switzerland, or can be ordered by telephone (+41-44-239 47 03), fax (+41-44-239 69 14) or by e-mail: [swiss-prospectus@ubs.com](mailto:swiss-prospectus@ubs.com)] [•]].

11. **[Swiss Franc Notes only – REPRESENTATIVE**

In accordance with Article 43 of the Listing Rules of the SIX Swiss Exchange, [insert as applicable [UBS AG] [•]] has been appointed by the Issuer as representative to lodge the listing application with the Admission Board of the SIX Swiss Exchange.]

12. **[Swiss Franc Notes only – NO MATERIAL ADVERSE CHANGE / MATERIAL CHANGES SINCE THE MOST RECENT ANNUAL FINANCIAL STATEMENTS**

Except as disclosed in the Base Prospectus, there has been no material adverse change in the financial condition or operations of the Issuer since [•] 20[•], which would materially affect its ability to carry out its obligations under the Notes.]

13. **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Base Prospectus referred to above, contains all information that is material in the context of the issue of the Notes.

14. **THIRD PARTY INFORMATION**

[Not Applicable.]/[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

## SUMMARY OF THE NOTES

Summaries are made up of disclosure requirements known as “**Elements**”. These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for this type of securities and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary with the mention of 'Not applicable'.

<b>Section A – Introduction and Warnings</b>		
<b>A.1</b>	<b>Introduction and warnings:</b>	<p>This summary should be read as an introduction to the Base Prospectus. Any decision to invest in the Notes should be based on consideration of the Base Prospectus as a whole including any documents incorporated by reference by the investor. Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in the Notes.</p>
<b>A.2</b>	<b>Consent to use of this Base Prospectus:</b>	<p>[Not Applicable. No Public Offer of the Notes will be made.] [Not Applicable. The Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency).]<i>Consent:</i> Subject to the conditions set out below, the Issuer consents to the use of the Base Prospectus in connection with a Public Offer (as defined below) of Notes in a Public Offer Jurisdiction by the Dealer[s], [... ] [and] [each financial intermediary whose name is published on the Issuer's website and identified as an Authorised Offeror in respect of the relevant Public Offer] [and any financial intermediary which is authorised to make such offers under the applicable legalisation implementing the Directive 2004/39/EC (the "<b>MiFID</b>")] and publishes on the following statement (with the information in square brackets completed with the relevant information):</p> <p><i>"We [insert legal name of financial intermediary], refer to the [insert title of relevant Public Offer Notes] (the "Notes") described in the Final Terms dated [insert date] (the "Final Terms") published by N.V. Bank Nederlandse Gemeenten (the "Issuer"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom] (the "Public Offer") in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Public Offer accordingly."</i></p> <p>A "<b>Public Offer</b>" of Notes is an offer of Notes (other than pursuant to Article 3(2) of the Prospectus Directive) in [Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway,</p>

		<p>Portugal, Spain, Sweden and the United Kingdom] during the Offer Period specified below. Those persons to whom the Issuer gives its consent in accordance with the foregoing provisions are the "<b>Authorised Offerors</b>" for such Public Offer.</p> <p>The Issuer's consent referred to above is given for Public Offers of Notes during the period from [...] to [...] (the "<b>Offer Period</b>").</p> <p><i>Conditions to consent:</i></p> <p>The conditions to the Issuer's consent are [(in addition to the conditions referred to above)] such that such consent (a) is only valid in respect of the relevant Tranche of Notes; (b) is only valid during the Offer Period; [and] (c) only extends to the use of the Base Prospectus to make Public Offers of the relevant Tranche of Notes in [Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom] [and (d) [...]].</p> <p>An investor intending to acquire or acquiring Notes in a Public Offer from an Authorised Offeror other than the Issuer will do so, and offers and sales of such Notes to an investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price, allocations, expenses and settlement arrangements.</p> <p><b>Each investor must look to the relevant Authorised Offeror at the time of any such Public Offer for the provision of information regarding the terms and conditions of the Public Offer and the Authorised Offeror will be solely responsible for such information (other than where such information is contained in the Base Prospectus, as completed by the applicable Final Terms).</b></p>
<b>Section B – The Issuer</b>		
<b>B.1</b>	<b>The legal and commercial name of the Issuer:</b>	The legal name of the Issuer is N.V. Bank Nederlandse Gemeenten. The commercial name of the Issuer is BNG Bank.
<b>B.2</b>	<b>The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation:</b>	BNG Bank is a public company with limited liability ( <i>naamloze vennootschap</i> ) incorporated under the laws of the Netherlands, having its statutory seat at The Hague, the Netherlands. BNG Bank is registered in the trade register of the The Hague Chamber of Commerce under no. 27008387.
<b>B.4b</b>	<b>A description of any known trends affecting the Issuer and the industries in which it operates:</b>	BNG Bank's business and results of operations are affected by local and global economic conditions, perceptions of those conditions and future economic prospects. The outlook for the global economy over the near to medium term remains challenging. Many forecasts predict at best only stagnant or modest levels of gross domestic product (" <b>GDP</b> ") growth in the European Monetary Union (" <b>EMU</b> ") where a relatively robust German economy has been offset by the weakness of other Eurozone economies attributable to factors such as high unemployment, declines in consumer spending and the adoption of austerity measures in response to increased sovereign debt risk. In particular in Greece, Italy, Ireland, Portugal and Spain (" <b>GIIPS</b> "), France and Cyprus economic and GDP growth have been weak.

		<p>BNG Bank's business is impacted generally by the business and economic environment in which it operates, which itself is impacted by factors such as changes in interest rates, securities prices, credit and liquidity spreads, exchange rates, consumer spending, business investment, real estate valuations, government spending, inflation, the volatility and strength of the capital markets and also by terrorism.</p> <p>The introduction of, and changes to, taxes, levies or fees applicable to the Issuer's operations (such as imposition of a financial transaction tax) could have an adverse effect on its business and/or results of operations.</p> <p>BNG Bank cannot predict what impact new rules and regulations will have on its business until such rules and regulations are fully adopted and implemented. Any new or changed regulations may adversely affect BNG Bank's business and/or results of operations.</p>																																																						
<b>B.5</b>	<b>Description of the Issuer's group and the Issuer's position within the group:</b>	<p>The outstanding shares in the share capital of BNG Bank are held by the Dutch State (50%), with the remainder held by more than 95% of Dutch municipalities, 11 of the 12 Dutch provinces, and one water board.</p> <p>BNG Bank has a number of wholly owned subsidiaries that provide services ancillary to the principal activity of BNG Bank of lending to the public sector. These subsidiaries are:</p> <ul style="list-style-type: none"> <li>• BNG Vermogensbeheer B.V. (previously BNG Capital Management B.V.)</li> <li>• BNG Gebiedsontwikkeling B.V.</li> <li>• Hypotheekfonds voor Overheidspersoneel B.V.</li> </ul>																																																						
<b>B.9</b>	<b>Profit forecast or estimate:</b>	Not applicable. BNG Bank has not made any public profit forecasts or profit estimates.																																																						
<b>B.10</b>	<b>Qualifications in the Auditors' report:</b>	Not applicable. The audit reports with respect to BNG Bank's audited financial statements as of and for the financial years ended 31 December 2012, 31 December 2011 and 31 December 2010 incorporated by reference in this Base Prospectus are unqualified.																																																						
<b>B.12</b>	<b>Selected Financial Information - Material/Significant Change:</b>	<p>The selected historical key financial information for BNG Bank is set out below:</p> <table border="1"> <thead> <tr> <th></th> <th>2012</th> <th>2011</th> <th>2010</th> <th>2009</th> <th>2008</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="5" style="text-align: center;"><b>(€millions, except percentages, per share and employee data)</b></td> </tr> <tr> <td>Total Assets</td> <td>142,228</td> <td>136,460</td> <td>118,533</td> <td>104,496</td> <td>101,365</td> </tr> <tr> <td>Loans and Advances</td> <td>90,725</td> <td>90,775</td> <td>86,851</td> <td>79,305</td> <td>75,699</td> </tr> <tr> <td>of which granted to or guaranteed by public authorities</td> <td>79,666</td> <td>78,548</td> <td>75,247</td> <td>67,164</td> <td>64,782</td> </tr> <tr> <td>of which reclassified from the financial assets available-for-sale item</td> <td>2,603</td> <td>3,219</td> <td>3,724</td> <td>4,226</td> <td>4,569</td> </tr> <tr> <td>Equity excluding Unrealised Revaluation</td> <td>2,718</td> <td>2,450</td> <td>2,321</td> <td>2,204</td> <td>2,008</td> </tr> <tr> <td>of which Unrealised Revaluation</td> <td>34</td> <td>(533)</td> <td>(62)</td> <td>49</td> <td>(29)</td> </tr> <tr> <td>Equity per share (in Euros)<sup>1</sup></td> <td>48.81</td> <td>44.00</td> <td>41.68</td> <td>39.58</td> <td>36.06</td> </tr> </tbody> </table>		2012	2011	2010	2009	2008		<b>(€millions, except percentages, per share and employee data)</b>					Total Assets	142,228	136,460	118,533	104,496	101,365	Loans and Advances	90,725	90,775	86,851	79,305	75,699	of which granted to or guaranteed by public authorities	79,666	78,548	75,247	67,164	64,782	of which reclassified from the financial assets available-for-sale item	2,603	3,219	3,724	4,226	4,569	Equity excluding Unrealised Revaluation	2,718	2,450	2,321	2,204	2,008	of which Unrealised Revaluation	34	(533)	(62)	49	(29)	Equity per share (in Euros) <sup>1</sup>	48.81	44.00	41.68	39.58	36.06
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		Equity as a % of Total Assets <sup>1</sup>	2.0%	1.8%	2.0%	2.1%	2.0%
		BIS-Ratio core capital (tier 1) <sup>2</sup>	22%	20%	20%	19%	18%
		BIS-Ratio total capital <sup>3</sup>	22%	21%	20%	20%	20%
		Profit before tax	460	339	337	350	182
		Net Profit	332	256	257	278	158
		Profit per Share (in Euros)	5.96	4.60	4.61	4.98	2.84
		Dividend (in Cash)	83	64	128	139	79
		Dividend as a % of Consolidated Net Profit	25%	25%	50%	50%	50%
		Dividend per Share (in Euros)	1.49	1.15	2.30	2.49	1.42
		Additional Payment	–	–	–	–	–
		Additional Payment per Share	–	–	–	–	–
		Employees (in FTEs) at Year-End <sup>4</sup>	279	278	276	277	274
		– of which Subsidiaries	36	41	45	58	51
		<p><sup>1</sup> Excluding the revaluation reserve.</p> <p><sup>2</sup> Core (Tier 1) capital as a percentage of risk-weighted amounts.</p> <p><sup>3</sup> Total capital as a percentage of risk-weighted amounts.</p> <p><sup>4</sup> As of 2010, this includes only those FTEs that affect BNG Bank's staff costs. The comparative figures have been adjusted.</p> <p><b>Material/Significant Change</b> There has been no material adverse change in the prospects of BNG Bank since 31 December 2012, nor has there been any significant change in the financial or trading position of BNG Bank or its subsidiaries, taken as a whole, which has occurred since 31 December 2012.</p>					
<b>B.13</b>	<b>Recent material events particular to the Issuer's solvency:</b>	Not applicable. There are no recent events particular to BNG Bank which are to a material extent relevant to the evaluation of BNG Bank's solvency.					
<b>B.14</b>	<b>Extent to which the Issuer is dependent upon other entities within the group:</b>	BNG Bank has a number of wholly owned subsidiaries that provide services ancillary to the principal activity of BNG Bank of lending to the public sector.					
<b>B.15</b>	<b>Principal activities of the Issuer:</b>	BNG Bank is a specialised lender to local and regional authorities as well as to public-sector institutions such as utilities, housing, healthcare, welfare and educational institutions, and is the largest public-sector lender in the Netherlands and the principal bank for the Dutch public sector in terms of loans, advances and inter-governmental money transfers. BNG Bank also provides limited lending to public-private partnerships.					
<b>B.16</b>	<b>Extent to</b>	BNG Bank's shareholders are exclusively Dutch public authorities. The Dutch					

	<b>which the Issuer is directly or indirectly owned or controlled:</b>	State's shareholding is 50%, with the remainder held by more than 95% of Dutch municipalities, 11 of the 12 Dutch provinces, and one water board.
<b>B.17</b>	<b>Credit ratings assigned to the Issuer or its debt securities:</b>	The Notes to be issued[have been]/[are expected to be] specifically rated [ ] by [ ]./The Notes to be issued have not been rated.
<b>Section C – Securities</b>		
<b>C.1</b>	<b>Type and class of the Notes and Security Identification Number:</b>	<p>Type: debt instruments</p> <p>The Notes are [Fixed Rate Notes]/[Floating Rate Notes]/[Zero Coupon Notes]/[Dual Currency Interest Notes]/[Installment Notes] and are in [bearer/registered] form.</p> <p>The Notes are issued as Series Number [ ], Tranche Number [ ]. The Aggregate Nominal Amount of the Notes is [ ].</p> <p>[ISIN Code: [ ]]</p> <p>[Common Code: [ ]]</p> <p>[CUSIP: [ ]]</p>
<b>C.2</b>	<b>Currencies:</b>	The Specified Currency of the Notes is [ ]
<b>C.5</b>	<b>A description of any restrictions on the free transferability of the Notes:</b>	<p>The Issuer and the [Dealer] have agreed certain customary restrictions on offers, sale and delivery on offers, sale and delivery of Notes and of the distribution of offering material in [insert relevant jurisdictions]</p> <p>U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C Rules/D Rules/C Rules and D Rules not applicable]</p>
<b>C.8</b>	<b>Description of the rights attached to the Notes:</b>	<p><b>Ranking (status)</b></p> <p>The Notes constitute direct and unsecured obligations of the Issuer and rank pari passu without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory operation of law.</p> <p><b>Negative Pledge</b></p> <p>So long as any Notes remain outstanding the Issuer will not secure any other loan or indebtedness represented by bonds, notes or any other publicly issued debt securities which are, or are capable of being, traded or listed on any stock exchange or over-the-counter or similar securities market without securing the Notes equally and rateably with such other loan or indebtedness.</p> <p><b>Taxation</b></p> <p>All amounts payable (whether in respect of principal, redemption amount, interest or otherwise), in respect of the Notes, will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Netherlands or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or 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 the Holders after such withholding or deduction shall equal the</p>

		<p>respective amounts which would have been receivable in the absence of such withholding or deductions.</p> <p><b>Events of Default</b> The terms and conditions of the Notes contain the following events of default:</p> <p>(i) if default is made in the payment of any interest due on the Notes or any of them and such default continues for a period of 30 days; or</p> <p>(ii) if the Issuer fails to perform or observe any of its other obligations under the Notes and (except where such failure is incapable of remedy, when no such notice will be required) such failure continues for a period of 60 days next following the service on the Issuer of notice requiring the same to be remedied; or</p> <p>(iii) if any order shall be made by a competent court or other authority or resolution passed for the dissolution or winding-up of the Issuer or for the appointment of a liquidator or receiver of the Issuer or of all or substantially all of its respective assets or if the Issuer enters into a composition with its creditors or a declaration in respect of the Issuer is made to apply the emergency regulation (<i>noodregeling</i>) under Chapter 3, Section 3.5.5.1 of the Dutch Financial Supervision Act (<i>Wet op het financieel toezicht</i>) as amended, modified or re-enacted from time to time, admits in writing that it cannot pay its debts generally as they become due, initiates a proceeding in bankruptcy, or is adjudicated bankrupt.</p> <p><b>Meetings</b> Meetings of Noteholders may be convened to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.</p> <p><b>Governing Law</b> The Notes and all related contractual documentation will be governed by, and construed in accordance with, the laws of the Netherlands.</p>
C.9	<p><b>Interest, maturity and redemption provisions, yield and representative of the Noteholders:</b></p>	<p>(Complete the relevant section and delete those which are not applicable)</p> <p><b>Interest</b> [Fixed Rate Notes: The Notes are Fixed Rate Notes. The Notes bear interest from [ ] at a rate of [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear on [ ] in each year. Indication of yield: [[ ]/Not applicable]/[ ] per cent. per annum.]</p> <p>[Floating Rate Notes: The Notes are Floating Rate Notes. The Notes bear a floating rate of interest from [ ] of [LIBOR/EURIBOR/EONIA/CMS London/CMS Brussels] [+/-][ ] per cent. [per annum] payable [annually/semi-annually/quarterly/monthly] in arrear on [ ] in each year, subject to adjustment in accordance with the [ ] Business Day Convention.]</p> <p>[Zero Coupon Notes: The Notes are Zero Coupon Notes and do not bear interest. The Accrual Yield is [ ] per cent. per annum.]</p> <p>[Dual Currency Interest Notes: The Notes are Dual Currency Interest Notes. Payments of interest will be made in the following currency: [ ] and based on the following rate of exchange: [ ].</p> <p><b>Maturity</b> The maturity date of the Notes is [[ ]/the Interest Payment Date falling in or nearest to the relevant month and year: [ ]]. Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at [ ] per</p>



		<p>Calculation Amount in <i>[insert specified currency]</i> on [ ].</p> <p><b>Early Redemption</b>  BNG Bank will be permitted to redeem all (but not some only) Notes (i) as a result of any change in or amendment to applicable law (which change or amendment is announced and becomes effective on or after the Issue Date of the first Tranche of such Notes) and for (ii) taxation reasons.</p> <p>In addition, the Notes may be redeemed prior to their maturity date in certain circumstances, including pursuant to an Issuer Call Option and an Investor Put Option.</p> <p><b>Issuer Call Option</b>  [Applicable/Not applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i></p> <p>Optional Redemption Date(s): [ ]  Optional Redemption Amount(s) of each Note: [ ] per Calculation Amount  If redeemable in part:  Minimum Redemption Amount: [ ] per Calculation Amount  Maximum Redemption Amount: [ ] per Calculation Amount  Notice Period: [ ]</p> <p><b>Investor Put Option</b>  [Applicable/Not applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i></p> <p>Optional Redemption Date(s): [ ]  Optional Redemption Amount(s) of each Note: [ ] per Calculation Amount  Notice Period: [ ]</p>
C.10	<b>Derivative component in interest payments:</b>	Not applicable. The securities issued under the Programme do not have a derivative component in the interest payment.
C.11	<b>Listing and admission to trading:</b>	[Application has been made]/[Application is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on [ ] with effect from [ ]/[Not applicable. The Notes are not intended to be admitted to trading]
C.21	<b>Indication of the market where the securities will be traded and for which prospectus has been published:</b>	See the above element, C.11.
<b>Section D – Risks</b>		
D.2	<b>Key information on the key risks that are specific to the Issuer:</b>	By investing in Notes issued under the Programme, investors assume the risk that BNG Bank may become insolvent or otherwise unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in BNG Bank becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur. The inability of BNG Bank to pay interest, principal or other amounts on or in connection

		<p>with any Notes may occur for other reasons. Additional risks and uncertainties not presently known to the Issuer or that it currently believes to be immaterial could also have a material impact on its business operations. BNG Bank has identified a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.</p> <p>These factors include:</p> <ul style="list-style-type: none"> <li>• local and global economic and financial market conditions;</li> <li>• the continuing economic crisis in Europe;</li> <li>• liquidity risks and adverse capital and credit market conditions;</li> <li>• volatility in interest rates, credit spreads and markets;</li> <li>• rating downgrades;</li> <li>• risk management through derivatives and other risk management methods;</li> <li>• counterparty risk exposure;</li> <li>• changes or increases in the financial services laws and/or regulations;</li> <li>• amendments to the regulation on Treasury Banking;</li> <li>• IT and other systems; and</li> <li>• third parties to which it has outsourced.</li> </ul>
<p><b>D.3</b></p>	<p><b>Key information on the key risks that are specific to the Notes:</b></p>	<p>There are also risks associated with the Notes. These include:</p> <p>Risks related to the market for the Notes:</p> <ul style="list-style-type: none"> <li>• liquidity risk;</li> <li>• exchange rate risk and exchange controls;</li> <li>• interest rate risk; and</li> <li>• credit rating risk.</li> </ul> <p>Factors which might affect an investor's ability to make an informed assessment of the risks associated with Notes issued under the Programme.</p> <p>Risks related to the structure of a particular issue of Notes:</p> <ul style="list-style-type: none"> <li>• an optional redemption feature of Notes is likely to limit their market value;</li> <li>• [risks related to Dual Currency Interest Notes in particular];</li> </ul> <p>Risks related to Notes generally:</p> <ul style="list-style-type: none"> <li>• modification and waiver;</li> <li>• tax consequences;</li> <li>• [risks related to Notes held in global form];</li> </ul>

		<ul style="list-style-type: none"> <li>• restrictions on transfer;</li> <li>• risks related to nominee arrangements;</li> <li>• possible change to Dutch law or administrative practice;</li> <li>• implemented and proposed banking legislation for ailing banks;</li> <li>• decrease of net proceeds on the Notes received by an investor due to the EU Savings Directive; and</li> <li>• application of FATCA to an investment in the Notes.</li> </ul> <p>[In addition to the above, there are risks specific to Renminbi-denominated Notes:</p> <ul style="list-style-type: none"> <li>• Renminbi is not freely convertible - Capital account convertibility restrictions may affect the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.</li> <li>• Limited availability of Renminbi outside the People's Republic of China - The limited availability of the Renminbi outside the People's Republic of China (due to restrictions) may affect the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.</li> <li>• Investment is subject to exchange rate and interest rate risks - Changes in economic and political conditions may have an impact on the value of the Renminbi against the U.S. dollar. Furthermore, changes in policies may also heighten the interest rate volatility. These factors could result in a decline of the value of a holder's investment.</li> <li>• Restricted methods of payment - All payments will be made in accordance with the modes of payment prescribed in the terms and conditions and no other means of payment may be utilised by the Issuer.</li> </ul>
<b>Section E – Offer</b>		
<b>E.2b</b>	<b>Reasons for the offer and use of proceeds:</b>	[The net proceeds of the issue of the Notes will be used by the Issuer for general corporate purposes]/[ ]

E.3	<b>Terms and Conditions of the Offer:</b>	<p>[Not Applicable]</p> <p>Conditions to which the offer is subject: [Offers of the Notes are conditional on their issue. As between the Authorised Offerors and their customers, offers of the Notes are further subject to conditions as may be agreed between them and/or as specified in the arrangements in place between them.][The Offer Period in Austria shall not commence until the day after the registration of the issue terms with the Registration Office (<i>Meldestelle</i>) has been duly made as required by the Austrian Capital Markets Act/<i>give details</i>]</p> <p>Total amount of the offer; if the amount is not fixed, description of the arrangements and time for announcing the definitive amount to the public: [ ]</p> <p>Description of the application process, including offer period, including any possible amendments, during which the offer will be open: [A prospective Noteholder should contact the applicable Authorised Offeror in the applicable Public Offer Jurisdiction prior to the end of the Offer Period. A prospective Noteholder will subscribe for the Notes in accordance with the arrangements existing between such Authorised Offeror and its customers relating to the subscription of securities generally. Noteholders will not be required to enter into any contractual arrangements directly with the Issuer in connection with the subscription of the Notes.][ ]</p> <p>Description of possibility to reduce subscriptions: [Not applicable/<i>give details</i>]</p> <p>Description of manner for refunding excess amount paid by applicants: [Not applicable/<i>give details</i>]</p> <p>Details of the minimum and/or maximum amount of application: [There are no pre-identified allotment criteria. The Authorised Offeror will adopt allotment criteria in accordance with customary market practices and applicable laws and regulations.][ ]</p> <p>Details of the method and time limits for paying up and delivering the Notes: [Investors will be notified by the relevant Authorised Offeror of their allocations of Notes and the settlement arrangements in respect thereof.][ ]</p> <p>Manner in and date on which results of the offer are to be made public: [Investors will be notified by the applicable Authorised Offeror of their allocations of Notes and the settlement procedures in respect thereof on or around <i>[date]</i>. [ ]</p> <p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/<i>give details</i>]</p> <p>Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Offers may be made by the Authorised Offerors in each of the Public Offer Jurisdictions to any person during the Offer Period. In other EEA countries and in all jurisdictions (including the Public Offer Jurisdictions) outside of the Offer Period, offers will only be made by the [Dealers] pursuant to an exemption under the Prospectus Directive, as implemented in such countries. All offers of the Notes will be made in compliance with all applicable laws and regulations.][ ]</p>
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		<p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Prospective Noteholders will be notified by the relevant Authorised Offeror in accordance with the arrangements in place between such Authorised Offeror and the prospective Noteholders.]</p> <p>Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: The Initial Authorised Offerors identified in paragraph 38 of Part A above [and any additional Authorised Offerors who have or obtain the Issuer's consent to use the Prospectus in connection with the Public Offer and who are identified on the Issuer's website as an Authorised Offeror] (together, the "<b>Authorised Offerors</b>").</p> <p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/<i>give details</i>]</p>
<b>E.4</b>	<b>Interests of natural and legal persons involved in the issue of the Notes:</b>	[Except for the commissions payable to the Dealers, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.][ ]
<b>E.7</b>	<b>Estimated expenses charged by the Issuer or any Authorised Offeror:</b>	[There are no expenses charged to the investor by the Issuer or any Authorised Offeror]/[The following expenses are to be charged to the investor by the Issuer or any Authorised Offeror: [ ]]

## N.V. BANK NEDERLANDSE GEMEENTEN

### Overview

BNG Bank is a specialised lender to local and regional authorities as well as to public-sector institutions such as utilities, housing, healthcare, welfare and educational institutions, and is the largest public-sector lender in the Netherlands and the principal bank for the Dutch public sector in terms of loans, advances and inter-governmental money transfers. BNG Bank also provides limited lending to public-private partnerships.

In addition to its financing activities, BNG Bank offers advisory and consultancy services, such as assisting public authorities in the design of their treasury, portfolio and asset and liability management functions. BNG Bank also offers investment funds, which are managed through a wholly-owned subsidiary, BNG Vermogensbeheer B.V. Investment in the funds are mainly marketed to municipalities with budgetary surpluses. Furthermore, BNG Bank provides electronic fund transfer and payment services to its public-sector customers. Further, through its wholly-owned subsidiary, BNG Gebiedsontwikkeling B.V., BNG Bank participates in regional planning projects by taking a risk-bearing interest in such projects and providing operational plan management capacity.

As of and for the year ended 31 December 2012, BNG Bank had total assets of €142 billion, total equity of €2.8 billion and net profit of €332 million.

### History and Corporate Organization

BNG Bank was incorporated on 23 December 1914 as a “*naamloze vennootschap*” (a public company with limited liability) under the laws of the Netherlands and is a statutory limited company under Dutch law (“*structuurvennootschap*”). Its legal name is N.V. Bank Nederlandse Gemeenten and its trade name is BNG Bank. The duration of BNG Bank is unlimited. It is registered in the Commercial Register of the The Hague Chamber of Commerce and Industry (“*Kamer van Koophandel*”) under No. 27008387. BNG Bank’s ownership is restricted to the Dutch public sector and its shareholders are exclusively Dutch public authorities. The Dutch State’s shareholding is 50%, and has been unchanged since 1921, with the remainder held by more than 95% of Dutch municipalities, 11 of the 12 Dutch provinces, and one water board. BNG Bank is established in The Hague and has no branches. BNG Bank’s registered office is at Koninginnegracht 2, 2514 AA The Hague, the Netherlands. Its telephone number is +31 70-3750750.

### Purpose

BNG Bank’s activities continue to be based on its unique character as the principal Dutch public sector financial agency. As BNG Bank’s shareholders are public authorities, BNG Bank is positioned as part of the public sector. BNG Bank serves exclusively as a specialised bank for local, regional and functional public authorities and for public sector institutions by providing made-to-measure banking services. These services range from loans and advances and funds transfer to consultancy, electronic banking and investment services. BNG Bank is also active in the sector of public-private partnerships and provides ancillary services, such as project development assistance.

BNG Bank’s principal business activities include granting credit to its statutory counterparties and facilitating payments between the central government and the public authorities listed below.

Pursuant to Article 2 of BNG Bank’s Articles of Association (“*statuten*”), the object of BNG Bank is to serve as banker on behalf of public authorities (as described below). Accordingly, BNG Bank may engage in, among other things receiving deposits and lending money, granting credits in other ways, providing guarantees, arranging the flow of payments, conducting foreign exchange transactions, acting as adviser and broker in the issue of, and trade in securities, and keeping, managing and administering securities and other assets for third parties. BNG Bank may also incorporate and participate in other enterprises and/or legal entities, whose object is connected with or conducive to any of BNG Bank’s mandated activities. BNG Bank is empowered to perform all acts which may be directly or indirectly conducive to its object. The term public authorities, as referred to above, means:

- (a) municipalities and other legal persons in the Netherlands under public law as referred to in Article 1, Paragraphs 1 and 2, of Book 2 of the Dutch Civil Code;

- (b) the European Communities and other bodies possessing legal personality to which part of the function of the European Communities has been entrusted pursuant to the treaties establishing the European Communities;
- (c) Member states of the European Communities and other bodies possessing legal personality to which part of the administrative function of such a member state has been entrusted pursuant to the law of that member state; or
- (d) legal persons under private law; (i) half or more of whose managing directors are appointed directly or indirectly by one or more of the bodies referred to at a, b and c above; and/or (ii) half or more of whose share capital is provided directly or indirectly by one or more of the bodies referred to at a, b and c above; and/or – half or more of the income side of whose operating budget is provided or secured directly or indirectly by one or more of the bodies referred to at a, b and c on the basis of a scheme, bye-law or law adopted by one or more of such bodies; and/or (iii) whose operating budget is adopted or approved directly or indirectly by one or more of the bodies referred to at a, b and c above on the basis of a scheme, bye-law or law adopted by one or more of such bodies; and/or (iv) whose obligations towards the Issuer are guaranteed directly or indirectly by one or more of the bodies referred to at a, b and c above or will be guaranteed pursuant to a scheme, bye-law or law adopted by one or more of such bodies, for which purpose obligations include non-guaranteed obligations resulting from prefinancing or other financing which, after novation, will create obligations that will be guaranteed by one or more of such bodies pursuant to a scheme, bye-law or law adopted by one or more of such bodies; and/or (v) who execute a part of the governmental function pursuant to a scheme, bye-law or law adapted by one or more of the bodies referred to at a, b and c above.

### **Strategy**

As the bank of and for local authorities and public sector institutions, BNG Bank's specialised financial services help to minimise the costs of providing social services to the public. In this regard, BNG Bank plays an essential role in the Dutch public sector. BNG Bank's strategic objectives are to retain a substantial market share in the Dutch public and semi-public sectors, and to achieve a reasonable return for its public shareholders. To achieve these objectives, BNG Bank must maintain an excellent credit rating, retain a competitive funding position and manage its operations efficiently and effectively. Solvency-free lending (that is, lending to local authorities and other public entities that have a zero-percent risk weighting from DNB) remains BNG Bank's core activity, with local authorities, housing associations and healthcare institutions being the most important client groups. Expanding its substantial market shares is one of BNG Bank's goals, and BNG Bank aims to provide over half of the overall long-term, solvency-free lending to local authorities, associations and healthcare institutions, while maintaining profitability.

Looking forward, BNG Bank will seek to reinforce its position as the leading financial agency to the Dutch public sector. BNG Bank's strategy is aimed at responding to its client's needs by closely monitoring government policies and offering tailored solutions for the financing of sustainable investments. Although the global financial crisis temporarily slowed lending, BNG Bank expects a partial shift to non-guaranteed lending or, as the case may be, lending subject to solvency requirements in almost all sectors. Examples of this include initiatives to set up more public-private partnerships in almost all sectors and changes in legislation requiring educational institutions to assume responsibility for funding the maintenance and construction of their buildings. BNG Bank contributes knowledge and expertise in order to offer solutions in public-private partnerships. This creates new opportunities for finance arrangements within such partnerships.

In 2012, BNG Bank continued to focus its lending exclusively on the Dutch market, although investments in public securities from EU countries will be made if the securities fit within BNG Bank's liquidity management policy and the country's credit rating is at least AA/Aa3 on the acquisition date. Preconditions for this strategy are the careful monitoring of the risk profile, operational effectiveness and efficiency and maintenance of BNG Bank's strong financial position.

### **Competition**

BNG Bank's main competitor is Nederlandse Waterschapsbank N.V. ("NWB Bank"), a Dutch public sector lender, and, to a lesser extent, the commercial banks. Other competitors are insurance companies

and pension funds.<sup>15</sup> Due to the small margins generally earned on public sector lending and in part due to the economic crisis, a number of banks that competed in this market have withdrawn.

As at 31 December 2012, BNG Bank had a market share of approximately 64% of the municipal sector as measured by aggregate loans and advances made. BNG Bank also benefits from high market shares in lending to housing associations (47%) and healthcare entities (36%) as measured by aggregate loans and advances. A large portion of the long-term loans to the healthcare sector are guaranteed by Waarborgfonds voor de Zorgsector (“**WfZ**”), a guarantee fund backed by the Dutch government and set up to allow this sector to borrow with a lower cost of funds, and are zero-percent risk weighted by DNB. BNG Bank competes on the basis of maintaining its high creditworthiness, which permits BNG Bank to fund its operations at relatively low cost, and offering its public sector clients interest rates that are only slightly higher than its own cost of long-term funding (see “*Products and Services – Loans and Advances*”). Due to demand for loans with longer maturities, which BNG Bank’s competitors were unable or unwilling to provide, BNG Bank’s market share in 2010, 2011 and 2012 increased over prior years.

## **Products and Services**

### *Loans and Advances*

BNG Bank’s primary business is providing loans and advances to public sector institutions. Under its Articles of Association lending is limited to public authorities within the European Union. Lending to public authorities outside the Netherlands is limited by internal guidelines to a maximum of 15% of BNG Bank’s total assets and represented only 1% of the loan portfolio in 2012. BNG Bank’s credit exposure on loans and advances to public authorities is extremely low as the majority of the loans and the securities portfolio consist of receivables from or guaranteed by public authorities with a zero-percent risk weighting.

Despite the weak economic conditions in recent years and the resulting decrease in the availability of funds, BNG Bank continued to fulfill its role as the primary lender to local authorities and public sector institutions. While most of BNG Bank’s competitors reduced their long-term credit to public authorities and institutions, BNG Bank was able to continue to support its public clientele in large part because it was able to continue to finance itself in the financial markets and due to its strong capital position.

BNG Bank’s total long-term lending portfolio to clients based on principal amount increased by €0.9 billion to €81.1 billion in 2012, primarily due to the pay-out in 2012 of loans to local governments contracted in previous years.

New long-term lending to client groups was €1.1 billion, €2.3 billion and €16.3 billion in 2012, 2011 and 2010, respectively. At €1.1 billion, new long-term lending in 2012 was slightly higher than budgeted although a decrease of 10% compared to 2011. The decrease was mainly due to reduced demand from public authorities due to implementation of austerity measures and falling revenues caused by weak economic conditions. These weak economic conditions with the resulting high unemployment rates, depressed property markets and pressure on disposable incomes, have slowed investment and consumer spending, which in turn had an adverse effect on the demand for long-term lending in almost all segments of the public sector during 2012. In 2011, new long-term lending volumes declined following the very high levels of 2010, particularly in the public housing sector. Housing associations refinanced significant parts of their 2011 needs during 2010 in anticipation of new regulations regarding future guarantee options for clients in the housing sector. The demand for new long-term lending to the healthcare sector remained stable in 2012 compared with 2011 and in 2011 compared to 2010. Given the increased risks, the bank was forced to approach demand from this sector, particularly with respect to transactions with solvency requirements, with caution. Following the peak in 2010, and the decline in 2011, new long-term lending to the housing sector returned to more customary levels in 2012.

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<sup>15</sup> These comparisons with BNG Bank’s competitors are mainly based on an analysis of (i) figures provided by CBS (*Centraal Bureau voor Statistiek*), (ii) figures provided by WSW (*Stichting Waarborgfonds Sociale Woningbouw*) and WfZ (*Stichting Waarborgfonds voor de Zorgsector*), respectively and (iii) publications, such as annual reports, of BNG Bank’s main competitors like NWB.



Demand for lending subject to solvency requirements fell in 2012 (2012: €1.1 billion; 2011: €2 billion), particularly in the local government and housing sector, which was principally attributable to the deteriorating economic conditions and continuing high risk spreads.

The table below sets forth loans and advances made by BNG Bank in 2012 and 2011 and the total outstanding to each client group as of December 31, 2012.<sup>16</sup>

Long-term lending	Total As of	Total As of	New Lending		Of which subject to capital adequacy requirements	
	31 December 2012	31 December 2011	2012	2011	2012	2011
	(measured at nominal value in € millions)					
Public sector (municipalities, provincial authorities and municipal joint ventures)	27,017	26,078	4,180	5,285	-	26
Housing associations	41,506	41,654	5,046	4,144	64	191
Energy, water and telecom	1,614	1,708	305	273	305	272
Healthcare sector	7,111	6,882	1,251	1,882	501	1,021
Transport, logistics and environment	1,351	1,438	186	296	108	163
Education	830	792	21	282	20	272
Design, build, finance and maintenance	1,198	1,131	66	87	66	87
Miscellaneous	503	551	10	23	1	-
<b>Total</b>	<b>81,130</b>	<b>80,234</b>	<b>11,065</b>	<b>12,272</b>	<b>1,065</b>	<b>2,032</b>
Growth in new long-term lending	n.a.	n.a.	(10%)	( 25%)	(48%)	21%
of which solvency-free	n.a.	n.a.	90%	83%		

#### **Public sector (Local authorities)**

One of BNG Bank's most significant client bases is comprised of municipal and provincial governments. Dutch local authorities are not individually rated by ratings agencies and generally are unable to access the capital markets directly. Accordingly, local authorities generally manage their funding needs by borrowing from individual lenders such as BNG Bank and NWB Bank. The local authorities repay their loans using income raised from local taxes and fees received for local services. The financial relationship between the central and local government(s) in the Netherlands is such that the credit quality of the Dutch municipalities is equal to the State of the Netherlands (AAA). Loans to Dutch municipalities are therefore zero-percent risk weighted by DNB.

#### **Housing associations**

BNG Bank provides long-term lending to social housing associations which is guaranteed by Waarborgfonds Sociale Woningbouw ("WSW"), a social housing guarantee fund ultimately guaranteed by the Dutch central government and municipalities. WSW guarantees ("zich borg stellen") payment obligations of registered institutions that fulfill certain conditions set by WSW and are registered participants of WSW. The Dutch State and a number of Dutch municipalities have committed to provide WSW with interest free loans in case WSW's liquidity forecast shows that, taking into account reasonably expected claims against WSW in its capacity as guarantor and any other reasonably expected claims against WSW, the net assets of WSW would be less than 0.25% of the total amount guaranteed by

<sup>16</sup> [Derived from BNG Bank's internal management information.]

WSW.<sup>17</sup> Social housing associations provide approximately 30% of all available housing in the Netherlands. The housing associations meet their funding needs through borrowing from banks, and generate income through the collection of rents and through the sales of housing and condominium projects, which includes both rental properties and privately owned homes. The Central Fund for Public Housing (“CFV”) is responsible for the financial supervision of this sector. In accordance with the Capital Requirements Directive, WSW guaranteed loans are zero-percent risk weighted by DNB. Housing associations are and may be further restricted in their activities by sector specific legislation. In 2010, the European Commission announced that more stringent guidelines would apply to assets guaranteed by government funds, some of which would apply to the social housing sector, commencing 1 January 2011. The interim State aid scheme for housing associations took effect on 1 January 2011. It defines activities that are eligible for State aid and the conditions to which they are subject. Clarification of the restrictions imposed by the legislation is expected as the regulations are developed further. For example, there is expected to be a delineation of the extent to which housing associations can participate in activities that are not designated as services of general economic interest. Furthermore, legislation was adopted in 2012 severely restricting housing associations' ability to use derivatives. The ultimate impact of this legislation on the volume of guaranteed social housing loans is not yet known.

### ***Healthcare institutions***

BNG Bank has provided financing alternatives to public and semi-public healthcare institutions since the establishment in 1999 of WfZ, a guarantee fund for healthcare institutions. WfZ guarantees (*zich borg stellen*) payment obligations of accredited (*toegelaten*) healthcare institutions who fulfill the conditions set by WfZ and are registered participants of WfZ. Subject to certain other conditions, the Dutch State has committed to provide WfZ with loans if WfZ's assets less liabilities (as calculated pursuant to WfZ's agreement with the Dutch State) fall below certain predetermined levels.<sup>18</sup> As a result, loans covered by WfZ guarantees are zero-percent risk weighted by DNB. In July 2012, Standard & Poor's confirmed its AAA rating of WfZ. As is the case with BNG Bank, Standard & Poor's assigned WfZ a negative outlook due to its link to the Dutch State.

### ***Education institutions***

BNG Bank also provides limited financing solutions to education institutions following changes in Dutch law applicable to educational institutions that require such education institutions to be responsible for their own buildings. The majority of BNG Bank's loans to education institutions are to finance the building of school facilities or for the expansion of campuses. Loans to educational institutions are guaranteed by Stichting Waarborgfonds Bve, the guarantee fund for professional and adult education and repaid through income generated from tuitions and government funding. In July 2012, Moody's confirmed its Aa1 rating of Stichting Waarborgfonds Bve, but it changed Stichting Waarborgfonds Be's outlook from stable to negative due to its link with the Dutch State. Loans which are guaranteed by Stichting Waarborgfonds Bve are twenty-percent risk weighted by DNB.

### ***Public utilities***

BNG Bank provides project finance for public utilities and alternative energy development companies owned by the Dutch municipalities and provinces. These public utilities have their own credit ratings. Depending on the nature of the loans to public utilities they will carry a risk weighting by DNB of between 20% and 100%.

### ***Regional Development***

BNG Bank, through its subsidiary BNG Gebiedsontwikkeling B.V. (formerly *Ontwikkelings- en Participatiebedrijf Publieke Sector*), is dedicated to regional development and participates in planning projects which prepare parcels of commercial real estate for construction, building or development. This is done in close cooperation with government parties taking public interests into account. Risk sharing and limitation structures are set up in such a manner so that the control of these government parties is not impaired, thereby safeguarding the interests of the municipalities and society. At the end of 2012, BNG Gebiedsontwikkeling was participating in 24 partnership structures. In 2012, four projects were completed and one new project was started.

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<sup>17</sup> This information is based on public information provided by WSW through [www.wsw.nl](http://www.wsw.nl).

<sup>18</sup> This information is based on public information provided by WfZ through [www.wfz.nl](http://www.wfz.nl).

### ***Consultancy***

BNG Advies carries out consultancy assignments for various parties including municipalities, provinces, housing associations and healthcare institutions. BNG Advies supports BNG Bank's clients in making strategic public-sector investments. In an increasingly complex environment, public organizations are faced with financing challenges where multiple interests must be balanced. BNG Advies provides the knowledge and expertise to help its clients achieve innovative solutions and make well-considered decisions, particularly in a market where there are reduced levels of funds available. The involvement of private partners in public projects is becoming increasingly important in this area. BNG Advies supports clients in finding these solutions and in translating public ambitions into feasible plans. BNG Advies specialises in the translation of spatial planning projects into financial plans in public-private partnership and in the public decision-making process.

### ***Asset Management***

BNG Bank's Asset Management division is operated by BNG Vermogensbeheer B.V. BNG Vermogensbeheer B.V. offers money market and capital market investment funds, which totaled €6.4 billion at the end of 2012, and provides tailored solutions in the form of discretionary asset management mandates. Apart from asset management services for municipalities, urban regions and provinces, BNG Vermogensbeheer B.V. increasingly provides asset management services for educational institutions, housing associations and other similar organizations.

As at 31 December 2012, assets under management by BNG Vermogensbeheer B.V. amounted to €6.4 billion compared to €5.9 billion as at 31 December 2011 and €4.1 billion as at 31 December 2010. BNG Vermogensbeheer B.V. invests primarily in investment grade bonds within Europe for both individually tailored investment profiles and investment funds. In 2012, assets under management rose by €0.5 billion as a result of the expansion of the existing portfolio. The higher level of assets under management in 2011 compared to 2010 was a result of two new mandates in 2011, while a temporary mandate expired in 2010.

### ***Payment Services and E-Banking***

BNG Bank provides products and services that enable clients to organise their payments and liquidity management electronically. A pivotal role in the service is played by the "My BNG" ("*Mijn BNG*") web portal, which enables BNG Bank clients to process their payments quickly and safely through the internet.

Since 2008, the BNG Bank web portal has been suitable for single and bulk money transfers in connection with the Single Euro Payments Area ("**SEPA**"). SEPA was developed in order to make payment transactions within the Eurozone effective and inexpensive for consumers, business users and banks. With effect from 1 February 2014, bank transfers and direct debits in the Netherlands must be processed in accordance with SEPA guidelines. BNG Bank is responding to these developments and will continue to provide its clients with extra advice and support in 2013, including with regard to the introduction of new SEPA products such as SEPA Direct Debit.

### ***Ratings***

BNG Bank's senior outstanding public long-term debt securities are rated AAA by Standard & Poor's, Aaa by Moody's and AAA by Fitch. In addition, BNG Bank has been awarded the highest individual rating by Fitch, being A. Moody's confirmed BNG Bank's Aaa rating in January 2012. In January 2012, while confirming the AAA rating, Standard & Poor's placed BNG Bank on "negative outlook" following the outlook designated to the State of the Netherlands. In November 2012, Standard & Poor's lowered its rating of the Dutch banking sector and placed BNG Bank's long-term rating on credit watch, but cancelled this action one month later based on a reassessment of BNG Bank's role in relation to the Dutch government from very important to critical. Due to BNG Bank's public-sector role, Standard & Poor's considers BNG Bank a government-related entity with an almost certain likelihood of extraordinary government support and accordingly links BNG Bank's rating to that of the State of the Netherlands. In February 2013, while confirming the AAA rating, Fitch revised its outlook from "stable" to "negative", also following the outlook designated to the State of the Netherlands. Any rating action taken with respect to the State of the Netherlands can be expected to impact BNG Bank's ratings and while BNG Bank has not experienced any significant negative effects as a result of the recent rating action, any further adverse rating actions may adversely affect BNG Bank as described above. See "*Risk Factors—Risks Related to*

*the market generally—Credit Rating Risks” and “Risk Factors—Factors that may affect the Issuer’s ability to fulfill its obligations under the Notes—Rating downgrades could have an adverse impact on BNG Bank’s operations and financial condition”.*

## **Employees**

Including its subsidiaries, BNG Bank employed on a full-time equivalent basis, 279 employees as at 31 December 2012, all of which were employed in the Netherlands. Substantially all of BNG Bank’s employees are subject to collective labor agreements covering the banking industries. BNG Bank believes that its employee relations are good.

## **Subsidiaries**

BNG Bank has a number of wholly owned subsidiaries that provide services ancillary to the principal activity of BNG Bank of lending to the public sector. These subsidiaries are:

- *BNG Vermogensbeheer B.V.* (previously BNG Capital Management B.V.) Provides and develops specialised financial services in the fields of securities brokerage, consultancy, the management of investment funds with a FIDO (Local and Regional Government Financing Act, *Wet Financiering Decentrale Overheden*) hallmark and customised asset management services to public authorities and public interest institutions.
- *BNG Gebiedsontwikkeling B.V.* (formerly *Ontwikkelings- en Participatiebedrijf Publieke sector B.V.*) Directly or indirectly provides (venture) capital to public authorities and directly or indirectly participates in and/or co-operates with area development projects, either with or on behalf of public authorities.
- *Hypotheekfonds voor Overheidspersoneel B.V.* Finances mortgage loans being taken out by civil servants in the employ of a public or municipal organisation with which a co-operation agreement has been reached. Due to changed market conditions, BNG Bank has decided to no longer offer this product and not to accept new clients from 2013.

## **Risk Management**

### **General**

BNG Bank’s risk management is based on BNG Bank’s objective to offer its shareholders a reasonable return, subject to the key condition that it maintains its current credit rating. BNG Bank reports to DNB, its primary regulator, in conformity with Basel II regulations. With regard to credit risk, the ‘standardised approach’ is applied, which refers to a set of credit risk measurement techniques proposed under Basel II capital adequacy rules for banking institutions. For operational risk the ‘basic indicator approach’ is applied, which refers to a set of operational risk measurement techniques proposed under Basel II capital adequacy rules for banking institutions. In addition, BNG Bank has developed internal rating models to improve the quality of the credit process and to monitor credit quality of its counterparties and uses these models to assess the creditworthiness of counterparties where lending is subject to solvency requirements. BNG Bank’s approach in assessing its risks internally is in line with the Basel II regulations. See “*Risk Factors – BNG Bank’s risk management methods may leave it exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities*”. For a discussion of the application of Basel III to BNG Bank, see “*Supervision and Regulation*”.

### **Management of Risk**

Risk management is concentrated within the Risk Control department. This department classifies, quantifies and monitors the risks and reports to the responsible committees. These risks include credit risk, market risk, liquidity risk, operational risk and other risks. Alongside, the Credit Risk Assessment department, independently of BNG Bank’s commercial departments, is responsible for assessing and advising on the risks with regard to credit revision proposals by clients and financial counterparties. The special credit activities of BNG Bank, relating to guidance, management and settlement of problem loans, are also the responsibility of the Credit Risk Assessment Department.

The Internal Audit Department (“**IAD**”) regularly carries out operational audits to assess the design, operation and effectiveness of the risk management systems, and to verify compliance with the relevant laws and regulations. IAD has an independent position within BNG Bank. BNG Bank also has an independent compliance officer, who oversees compliance with relevant laws and regulations. The Executive Board periodically discusses the organization and operation of the internal risk management and control systems with the Supervisory Board and the Audit Committee.

The Banking Code (*Code Banken*) drawn up by the Dutch Association of Banks and originating from recommendations in response to the credit crisis of the Dutch Advisory Committee on the Future of Banks, offers guidance for improving risk management processes. In conformity with the Banking Code, BNG Bank’s Supervisory Board adopts each year a “risk appetite” statement. “Risk appetite” indicates the extent of risk BNG Bank allows in order to create value and it makes BNG Bank’s risk profile transparent. The further refinement of risk processes through the preparation of the risk appetite statement provides risk criteria based on BNG Bank’s strategic objectives and the expectations of its different stakeholders. These principles name the major qualitative and quantitative policy aspects related to each risk. The qualitative criteria encompass those of the DNB and AFM. In addition, BNG Bank examines whether its principal risks are in line with the principles of the Banking Code. The primary objective is to map the risks as well as the reasons why these risks are being taken and to make sure they are within the risk capacity (the maximum amount of risk that the organisation tolerates). A risk appetite statement is somewhat high level by nature and the real challenge is to align daily risk taking operations with the risk appetite. Therefore BNG Bank applies its risk appetite statement to individual risk limits and business targets that can be monitored on a regular basis. For example, BNG Bank’s periodic monitoring program requires quarterly reports on whether BNG Bank remains within its individual risk appetite limits. In 2012, BNG Bank remained substantially within its risk appetite limits. For 2013, BNG Bank has made certain adjustments to its risk appetite statement mainly to take into account changing economic conditions. Monitoring and adapting the risk appetite statement, if necessary, will be a continuous activity.

#### *Internal credit risk assessment models*

Since October 2010, BNG Bank uses three credit risk assessment models for Public Housing, Energy, Water, Telecommunications, Transport, Logistics and Environment and Healthcare and Education. Three more models were added in 2011 for Project Finance, Area Development and Financial Counterparties. These models have replaced the more qualitative systems of internal ratings previously used. The aim of these models is to make the credit assessment process more objective and transparent. This need arose due to the increasing complexity of the bank’s non-guaranteed lending.

For further information on BNG Bank’s risk management policies please refer to Note 30 “Risk section” in the annual report for 2012 incorporated by reference herein.

### **Executive Board and Supervisory Board**

#### *General*

BNG Bank’s Executive Board consists of three members and its Supervisory Board currently consists of nine members. The tables below set forth the members of the Executive Board and the Supervisory Board, their year of birth, the year of their initial appointment and their position. The members of the Supervisory Board are appointed by the General Meeting of Shareholders on the nomination of the Supervisory Board, and the members of the Executive Board are appointed and dismissed by the Supervisory Board. All members of the Executive Board and the Supervisory Board have their address at the registered office of BNG Bank.

#### *Executive Board*

<b>Name</b>	<b>Born</b>	<b>Appointed</b>	<b>Position</b>
C. van Eykelenburg	1952	2005	Chairman
J.J.A. Leenaars	1952	2002	Member
J.C. Reichardt	1958	2008	Member

### ***Supervisory Board***

<b>Name</b>	<b>Born</b>	<b>Appointed</b>	<b>Position</b>
H.O.C.R. Ruding	1939	2004	Chairman
Mrs. S.M. Dekker	1942	2007	Vice-Chairman (and Secretary)
H.H. Apotheker	1950	2002	Member
T.J.F.M. Bovens	1959	2012	Member
W.M. van den Goorbergh	1948	2003	Member
Mrs. P.H.M. Hofsté	1961	2013	Member
J.J. Nooitgedagt	1953	2012	Member
R.J.J.M. Pans	1952	2003	Member
Mrs. M. Sint	1949	2012	Member

Set out below are brief biographies of the members of the Executive Board and the Supervisory Board.

### ***Executive Board***

#### *C. van Eykelenburg, Chairman*

Appointed to the Executive Board on 1 January 2005 and appointed as Chairman of the Executive Board on 15 October 2008. His appointment as Chairman was extended on 15 October 2012. His appointment as Chairman of the Executive Board is for a four-year period and it can be extended. In connection with his position with BNG Bank, Mr. Van Eykelenburg is a board member and treasurer of the NVB (Dutch Banking Association) and Chairman of the Supervisory Board of BNG Bank subsidiary BNG Gebiedsontwikkeling BV. Mr. Van Eykelenburg is also a member of the Executive Board of the Stichting Pensioenfonds ABP, member of the Internal Supervisory Committee of the Shell Pension Fund, Chairman of the Executive Board of the Society of Government-subsidized Museums and Chairman of the Executive Board of the W.F. Hermans Institute.

#### *J.J.A. Leenaars, Member*

Appointed to the Executive Board on 15 October 2002. His appointment as a member of the Executive Board is for an indefinite period of time. In connection with his position with BNG Bank, Mr. Leenaars is a member of the Supervisory Board of the Stichting Waarborgfonds HBO, a member of the Board of Stichting Centrum voor Onderzoek van de Economie van de Lagere Overheden (COELO), a member of the Supervisory Board of N.V. Trustinstelling Hoewelaken and Chairman of the Supervisory Boards of BNG Bank subsidiaries Hypotheekfonds voor Overheidspersoneel BV and BNG Vermogensbeheer BV. Mr. Leenaars is also Professor of Accounting Information Systems at the University of Amsterdam, Vice-Chairman of the Supervisory Board of the Chassé Theatre in Breda, member of the Supervisory Board of Gerrichhauzen & Partners BV, Chairman of the Advisory Council of ILFA and a member of the Board of Stichting NOAD Advendo Combinatie Breda.

#### *J.C. Reichardt, Member*

Appointed to the Executive Board on 15 October 2008 and reappointed on 15 October 2012. His appointment as a member of the Executive Board is for a four-year period and it can be extended. In connection with his position with BNG Bank, Mr. Reichardt is Chairman of the Supervisory Board of Data B. Mailservice BV, a member of the Supervisory Board of BOEI BV, a member of the Supervisory Affairs Committee of the NVB (Dutch Banking Association) and a member of the Supervisory Boards of

BNG Bank subsidiaries Hypotheekfonds voor Overheidspersoneel BV, BNG Gebiedsontwikkeling BV and BNG Vermogensbeheer BV. In addition, Mr. Reichardt is a member of the Supervisory Board and Chairman of the Audit Committee of the RDW and a member of the National Renovation Platform.

### ***Supervisory Board***

#### *H.O.C.R. Ruding, Chairman*

Appointed on 12 May 2004, reappointed on 28 April 2008, reappointed for the second time on 23 April 2012 and due to retire in 2016. Mr. Ruding is former Vice-Chairman of Citicorp/Citibank, New York and former Minister of Finance of the Netherlands.

#### *Mrs. S.M. Dekker, Vice-Chairman (and Secretary)*

Appointed on 24 May 2007, reappointed on 26 April 2011 and eligible for reappointment in 2015. Mrs. Dekker is former Minister of Housing, Spatial Planning and the Environment. Besides being Vice-Chairman and Secretary of the Supervisory Board of BNG Bank, Mrs. Dekker is also a member of the Supervisory Board of Royal Haskoning DHV Holding BV.

#### *H.H. Apotheker*

Appointed on 16 May 2002, reappointed on 17 May 2006, reappointed for the second time on 26 April 2010 and due to retire in 2014. Mr. Apotheker is Acting Mayor of the Municipality of South-West Friesland. Besides being a member of the Supervisory Board of BNG Bank, Mr. Apotheker is also a member of the Supervisory Board of PPG Industries Fiber Glass BV and Chairman of the Supervisory Board of NHL Hogeschool.

#### *T.J.F.M. Bovens*

Appointed on 23 April 2012 and eligible for reappointment in 2016. Mr. Bovens has been the Queen's Commissioner for the province of Limburg.

#### *W.M. van den Goorbergh*

Appointed on 15 May 2003, reappointed on 24 May 2007, reappointed for the second time on 26 April 2011 and due to retire in 2015. Mr. Van den Goorbergh is a former Vice-Chairman of the Executive Board of Rabobank Nederland. Besides being a member of the Supervisory Board of BNG Bank, Mr. Van den Goorbergh is also Chairman of the Supervisory Boards of DELA, De Welten Groep Holding BV and NIBC Bank NV, a member of the Supervisory Board of Mediq NV and member of the Board of the Catholic University of Nijmegen.

#### *Mrs. P.H.M. Hofsté*

Appointed on 22 April 2013 and eligible for reappointment in 2017. Mrs. Hofsté is a member of the Executive Board and Chief Financial & Risk Officer of APG Group NV.

#### *J.J. Nooitgedagt*

Appointed on 23 April 2012 and eligible for reappointment in 2016. Mr. Nooitgedagt is former Chief Financial Officer and member of the Management Board of AEGON NV.

#### *R.J.J.M. Pans*

Appointed on 15 May 2003, reappointed on 24 May 2007, reappointed for the second time on 26 April 2011 and due to retire in 2015. Mr. Pans is a member of the Council of State (*Raad van State*) of the Netherlands. Besides being a member of the Supervisory Board of BNG Bank, Mr. Pans is Chairman of the Supervisory Board of Coloriet.

#### *Mrs. M. Sint*

Appointed on 20 August 2012 and eligible for reappointment in 2016. Mrs. Sint is also a Chairman of the Executive Board of Isala Clinics in Zwolle. Besides being a member of the Supervisory Board of BNG Bank, Mrs. Sint is Chairman of the Supervisory Board of NV ROVA.

### ***Managing Directors***

*Mrs. P.J.E. Bieringa*, Managing Director, Public Finance  
*G.J. Thomas*, Managing Director, Secretary  
*O. Labe*, Managing Director, Treasury & Capital Markets  
*R. van Woerden*, Managing Director, Processing

### ***Conflicts of Interest***

As of the date of this Base Prospectus, the Issuer is not aware of any conflicts of interest between any duties to the Issuer of the members of the Executive Board, the Supervisory Board and the Managing Directors and their private interests and/or other duties. Should any potential conflicts of interest arise, the procedures set out below would apply.

#### ***Potential conflicts of interest – Executive Board***

The members of the Executive Board aim to avoid any form and semblance of conflicting interests in the performance of their duties. The regulations of the Executive Board contain a provision that a member of the Executive Board who is confronted with a potential conflict of interest must report it. Such member will not participate in the deliberations or decision-making regarding the subject in question. If BNG Bank wishes to enter into a transaction involving a potential conflict of interest, this transaction must, as stipulated by the regulations of the Executive Board, be submitted to the Supervisory Board for approval. Once approved, this transaction shall be required to be carried out in line with normal industry terms and disclosed in the annual report. At the moment there are no potential conflicts of interest.

It should be noted that the possibility cannot be excluded that in the future Executive Board memberships and additional positions of members of the Executive Board can lead to conflicting interests in the performance of duties. Should that be the case, then the above-described procedure will be followed.

#### ***Potential conflicts of interest – Supervisory Board***

The Dutch Corporate Governance Code (*Code Frijns*), to which BNG Bank voluntarily adheres, requires that any conflict of interest or apparent conflict of interest between the Issuer and the Supervisory Board members shall be avoided. Decisions to enter into transactions involving conflicting interests of Supervisory Board members that are of material significance to the Issuer and/or the relevant Supervisory Board members require the approval of the Supervisory Board.

The regulations of the Supervisory Board contain a provision that a Supervisory Board member who is confronted with a potential conflict of interest must report any such instance. It is stipulated that the Supervisory Board member in question will not take part in the deliberations or the decision-making regarding the matter. In addition, he or she shall refrain from any involvement whatsoever in transactions that are of material significance between, on the one hand, BNG Bank and, on the other, the institution where he or she is an executive director or supervises the conduct of business as a member of that institution's supervisory board. Following approval by the Supervisory Board, any such transactions are exclusively carried out under the usual industry-specific terms and disclosed in the annual report. At the moment there are no potential conflicts of interest.

It should be noted that the possibility cannot be excluded that in the future supervisory board memberships and additional positions of members of the Supervisory Board can lead to conflicting interests in the performance of duties. Should that be the case then the above-described procedure will be followed.

### **Share Capital, Voting Rights and Relationship with the Dutch State**

BNG Bank is a statutory limited company under Dutch law (*structuurvennootschap*). Half of BNG Bank's share capital is held by the State of the Netherlands. The other 50% is mainly held by more than 95% of Dutch municipalities, 11 of the 12 provinces as well as one water board in the Netherlands.

For a full description of BNG Bank's capitalization as at 31 December 2012, see "*Capitalization*".

Only the State of the Netherlands, provinces, municipalities, district water authorities and other public bodies thereof may be shareholders of the Issuer.



Since the revision in 2001, there is only one class of share.

## **Dividend**

The long-term dividend policy – as more fully set out in Note 39 of the 2012 Financial Statements incorporated by reference herein – was presented at the Special General Meeting of Shareholders on 25 August 2006. In addition, the shareholders of BNG Bank approved the proposal to make an additional payment of €500 million in mid-December 2006. On 24 May 2007, the General Meeting of Shareholders approved the proposal to make an additional payment of €500 million in mid-December 2007 from the Reserve Retained Profit to the Shareholders. A condition to this proposition was that the strong funding position of the bank in the international capital markets would not be affected in any manner whatsoever by the extra dividend. This implied that all ratings assigned to BNG Bank be retained. These dividends have been duly paid in accordance with the aforesaid approvals and conditions. In 2010, BNG Bank paid out 50% of net profit in accordance with its stated dividend policy, resulting in a dividend of €128 million. As a result of BNG Bank's undertaking to achieve the proposed BASEL III leverage ratio of 3% by 2017 at the latest, BNG Bank revised its dividend policy to 25% of net profit from 50% of net profit, effective from and including the year ended 2011. BNG Bank paid a dividend of €64 million for 2011 and a dividend of €83 million for 2012. BNG Bank expects this adjusted dividend policy to apply to the entire transitional period leading up to 2018, subject to reassessment in light of further regulatory developments or if expectations for growth and/or interest result are not met.

## **Supervision and Regulation**

### ***European Supervision and Regulation***

The EU Financial Services Action Plan 1999-2005 laid down the foundations for a single financial market in the European Union and has resulted in many changes with respect to European supervision. In its Strategy on Financial Services for 2005-2010, the European Commission set out its objectives to achieve an integrated and competitive EU financial market. In that respect, the European Commission proposed to remove remaining barriers, especially in the retail area, to enable the provision of financial services and circulation of capital throughout the European Union in a cost efficient way and without barriers, resulting in a high level of financial stability, consumer benefit and consumer protection. The financial services sector includes EU regulatory policies with respect to three major areas, *i.e.* banking, capital markets and asset management.

### ***Capital Requirements Directive***

The EU Banking Directive (recast) 2006/48/EC ("**Banking Directive**") provides rules concerning the taking up and pursuit of the business of credit institutions and their prudential supervision. Pursuant to the Banking Directive, a bank may offer banking services in all Member States under its banking license ("**European passport**") through the establishment of a branch office or on a cross-border basis after completing a notification procedure with respect to the relevant Member State ("**European Passport**").

The Basel Committee on Banking Supervision provides for recommendations on banking laws and regulations. The Basel II capital accord ("**Basel II**") is the second of the Basel Accords and was published in June 2004. Basel II sets out the details for adopting risk-sensitive minimum capital requirements for banking organisations. It reinforces these risk-sensitive requirements by laying down principles for banks to assess the adequacy of their capital and for supervisors to review such assessments to supervise whether banks have adequate capital to support their risks. It aims to strengthen market discipline by enhancing transparency in banks' financial reporting. Basel II has been implemented into EU law by means of the Capital Requirements Directive ("**Capital Requirements Directive**"). The Capital Requirements Directive consists in turn of the EU Capital Adequacy Directive (recast) 2006/49/EC ("**Capital Directive**") and the Banking Directive. The Capital Requirements Directive is the legal vehicle pursuant to which the Basel II framework has been implemented into EU law. It sets out the capital adequacy requirements that apply to investment firms and credit institutions. The Capital Requirements Directive will be changed. These changes ("**Capital Requirements Directive IV**") will supplement the two sets of revisions that have already been adopted or proposed: that is, the amendments agreed by Member States and the European Parliament in September 2009 ("**Capital Requirements Directive II**") and the amendments agreed by Member States and the European Parliament in November 2010 ("**Capital Requirements Directive III**"). The envisaged changes of the Capital Requirements Directive IV are similar to the Basel III capital accord.

In December 2010 the Basel Committee on Banking Supervision published its final standards on the revised capital adequacy framework known as "**Basel III**". These standards are significantly more stringent than the existing requirements. In order to facilitate the implementation of the Basel III capital and liquidity standards for banks and investment firms, on 20 July 2011 the European Commission proposed a legislative package to strengthen the regulation of the banking sector. On 26 March 2013, the Council and the European Parliament reached agreement on a compromise text on a package known as "**CRD IV**". CRD IV will replace the current Capital Requirements Directives (2006/48 and 2006/49) with a Directive and a Regulation (CRR) and aims to contribute to the safeness and soundness of the financial system. On 16 April 2013, the European Parliament approved the proposed CRD IV. The CRD IV-directive governs among other things the access to deposit-taking activities while the CRD IV-regulation establishes the majority of prudential requirements for institutions. On 24 April 2013, the Dutch Ministry of Finance published the consultation version for the legislative proposal for the Act implementing CRD IV for public consultation.

It is expected that the implementation of CRD IV will become effective in national legislation on 1 January 2014 and that the application in full of all measures under CRD IV will have to be completed before 1 January 2019.

CRD IV, in implementing Basel III, intends to increase the quality and quantity of capital, to require increased capital against derivative positions and to introduce a capital conservation buffer, a counter-cyclical buffer, a new liquidity framework as well as a leverage ratio and a liquidity coverage ratio. The leverage ratio is defined as regulatory capital divided by a measure of non-risk weighed assets. If Basel III is followed under CRD IV, the leverage ratio may not fall below 3%, though there is still uncertainty as to the exact implementation of the leverage ratio under CRD IV. The ultimate aim of Basel III/CRD IV is to reduce leverage in order to bring institutions' assets more in line with their capital. The liquidity coverage ratio (LCR) addresses the sufficiency of high quality liquid assets to meet short-term liquidity needs under a specified acute stress scenario which may not fall below 100% of the estimated net cash outflows for the following 30 days. In addition to the capital requirements, CRD IV also deals with the market access and license requirements for banks. The definition of 'bank' is laid down in the CRR, the regulation which will have direct effect in the Netherlands. As a consequence thereof, the Dutch consultation proposal includes a definition of bank and banking license requirement that merely refers to the definition in the CRR, which means that the notion of a bank and the question whether an entity falls within the scope of the banking license requirement is primarily decided at EU level.

BNG Bank is of the opinion that public sector banks require a bespoke capital requirements framework which takes account of their generally high quality assets. The new leverage ratio may result in excessive capitalisation, which is inefficient and permanently reduces shareholder returns. Since 2010 the Executive Board has been in discussions with the regulatory authorities and expressly objected to applying the 3% leverage ratio. BNG Bank intends, and expects other specialist lenders to the public sector in the Netherlands and other European countries, to advocate a suitable capital requirement for public sector banks. The authorities have taken cognisance of the objections raised by BNG Bank to the leverage ratio. In the 26 March 2013 text of CRD IV it is stated in Recital 69 that when reviewing the impact of the leverage ratio on different business models, particular attention should be paid to business models which are considered to entail low risk, such as mortgage lending and specialised lending with regional governments, local authorities or public sector entities. BNG Bank proposed a plan during 2011 to meet the minimum standard by late 2017 at the latest. It has been concluded that the necessary growth in equity needs to be achieved by retaining a larger part of BNG Bank's annual profit, possibly supplemented by a limited issue of hybrid debt securities with equity characteristics.

The European Commission also adopted a proposal for amendments to the Deposit Guarantee Schemes Directive 94/19/EC. As a result thereof, the amended Deposit Guarantee Schemes Directive 2009/14/EC has come into force, which provides for: (i) an increased minimum coverage level for depositors since 31 December 2010 of €100,000 for the aggregate deposits of each depositor by 31 December 2010; and (ii) a reduction in the payout delay. On 12 July 2010, the European Commission adopted a legislative proposal for a thorough revision of the Deposit Guarantee Schemes Directive 2009/14/EC. The proposal mainly deals with a harmonisation and simplification of protected deposits, faster payouts and improved financing of schemes. A Decree introducing an *ex ante* financial deposit guarantee scheme is currently under discussion in the Dutch Parliament.

### ***MiFID***

In April 2004, the Markets in Financial Instruments Directive 2004/39/EC (“**MiFID**”) came into force. MiFID provides a harmonised regime for investment services and investment activities and aims to increase competition and reinforce investor protection. It streamlines supervision on the basis of home country control and enhances the transparency of markets. Furthermore, MiFID harmonises conduct of business rules, including best execution, conflict of interest, customer order handling rules and rules on inducements. MiFID abolishes the concentration rule, creating a more competitive regime between order execution venues. It furthermore imposes market transparency rules on investment firms, regulated markets and multilateral trading systems for both pre- and post-trading for, *inter alia*, equities. MiFID will be replaced by a second Directive and a Regulation (MiFIR), together known as “**MiFID II**”. Among other things, MiFID II will change the rules in relation to post-trade transparency data, delays in the publication of such data, selling practices for certain financial instruments, investors and intermediaries protection, supervision of tied agents and related issues, pre-trade transparency regime for organised markets, the obligations for systemic internalisers and the application of transparency obligations to equity-like instruments. Certain options and discretions of MiFID will be eliminated. The Regulation will have direct effect in the Netherlands. On 15 April 2013 the Presidency published the latest compromise proposal for MiFID II. The European Commission, the Council and the European Parliament are expected to agree on a final proposal for MiFID II in 2013. MiFID II is expected to be fully transposed into national law in 2015.

### ***PSD***

In November 2007, the Payment Services Directive 2007/64/EC (“**PSD**”) was formally adopted. The PSD aims to open up payment services to competition from newly licensed payments institutions and to increase consumer protection by introducing information requirements and uniform operational rules for payment service providers. The PSD, applicable in the European Union to all payments in Euro and other Member States' currencies, lays the foundation for the creation of a single market in payments and constitutes the legal framework for a single Euro payments area. On 31 March 2012 Regulation (EU) No 260/2012 came into effect, aiming to establish SEPA. The deadline for the migration by banks to the new SEPA instruments is 1 February 2014.

### ***UCITS Directive***

In the area of asset management, the European Union has enacted legislation on pension and investment products. On investment funds, the original Undertakings for Collective Investment in Transferable Securities Directive 1985/611/EEC (“**UCITS Directive**”) has been amended by Directive 2001/107/EC and Directive 2001/108/EC. The first directive regulates the product (*e.g.* types of assets in which to invest) and the second gives management companies a European passport to operate throughout the EU. These amendments to the UCITS Directive were initiated to increase the efficiency of the European investment fund industry. Directive 2009/65/EC (“**UCITS VI**”), which was implemented on 22 July 2011, has resulted in further amendments (concerning, amongst others, cross-border mergers, master-feeder structures and key investor information).

Directive 2011/61/EU of 8 June 2011 on Alternative Investment Fund Managers (“**AIFM Directive**”) envisages a framework for the direct regulation and supervision of the alternative fund industry, particularly hedge funds and private equity funds. The AIFM Directive came into force on 21 July 2012 and must be implemented on or before 22 July 2013.

### ***Anti-Money Laundering***

The third Anti-Money Laundering Directive 2005/60/EC, adopted in November 2005, has the aim to implement 40 recommendations of the Financial Action Task Force (an intergovernmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing). It follows a risk-based approach under which all measures aimed at preventing money laundering must be applied on a proportionate basis, depending on the type of customer, business and other considerations. On 1 January 2007, the regulation which transposes the Financial Action Task Force Special Recommendation VII on “wire transfers” into EU legislation came into force. The regulation sets out rules on information on the payer accompanying transfers of funds, in order to allow basic information to be immediately available to the authorities responsible for combating money laundering and terrorist financing.

### ***Acquisition Directive***

Directive 2007/44/EC (the “**Antonveneta-Directive**”) was adopted in September 2007 and provides for a limited list of grounds for refusal of an application for a declaration of no objection with respect to, amongst others, the acquisition of a qualified holding in a bank. Pursuant to the Antonveneta-Directive, the relevant supervisory authority must assess the suitability of the proposed entity that wishes to acquire a qualified holding and the financial soundness of the proposed acquisition on the basis of criteria such as reputation of the proposed acquirer and whether the bank will be able to comply and continue to comply with prudential requirements (as set out in more detail below). Pursuant to the Antonveneta-Directive, the supervisor may only oppose the proposed acquisition if there are reasonable grounds for doing so on the basis of the exhaustive set of criteria or if the information provided by the proposed acquirer is incomplete. The Antonveneta-Directive specifically mentions the prevention of money laundering and terrorist financing as a ground for refusal. Owing to the principle of maximum harmonisation, the Member States are not permitted to adopt stricter rules.

### ***EMIR***

EU Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories (commonly known as the European Market Infrastructure Regulation, or EMIR) entered into force on 16 August 2012. EMIR is part of the European implementation of the commitments made at the G-20 Pittsburgh summit of September 2009 with regard to over-the-counter (OTC) derivatives. In line with these commitments, EMIR aims to increase transparency regarding OTC derivatives, reduce counterparty credit risks under OTC derivative transactions and reduce operational risks in relation to those transactions. EMIR lays the ground for, among other things, the mandatory clearing of designated OTC derivatives between certain parties through a central counterparty (CCP), risk management of derivatives transactions that are not centrally cleared and the mandatory reporting of all exchange-traded and OTC derivatives to a trade repository. Requirements pertaining to risk management entered into force on 15 March 2013. The mandatory reporting of derivatives to a trade repository may take effect on 23 September 2013 although, in view of the date on which the first trade repositories are expected to be registered, a later date is projected. The mandatory central clearing of OTC-derivatives is not expected to take effect before mid 2014.

### ***Dutch Supervision and Regulation***

The Dutch regulation for financial supervision is laid down in and based on the provisions of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, “**DFSA**”), which came into effect on 1 January 2007. The DFSA is partly based on European directives and regulations.

Dutch financial firms, such as BNG Bank and its subsidiaries, operate under the supervision of DNB and the AFM. The Dutch regulatory supervision consists of prudential supervision and conduct of business supervision. Prudential supervision is performed by DNB, while the conduct supervision is performed by the AFM.

The AFM's conduct supervision focuses on ensuring orderly and transparent financial market processes, proper relationships between market participants and the exercise of due care by financial enterprises in dealing with customers. The conduct supervision intends to realise that financial enterprises treat their customers with due care, in order to minimise the potential information gap between providers of financial services and products, and their customers. In case of breach of conduct rules pursuant to the DFSA, the AFM may, *inter alia*, issue directions, impose fines and publish information on any imposed sanctions and the context thereof.

DNB's prudential supervision is aimed to ensure the financial soundness of financial undertakings, including banks, and contributes to the stability of the financial sector. In order to achieve this, DNB protects the interests of bank creditors, policyholders, investors and financial services customers of financial enterprises. Prudential supervision comprises solvency and liquidity supervision designed to review whether financial enterprises can meet their payment obligations. The supervision aims to reduce the risk of bankruptcy. In case of breach of conduct of business rules of the DFSA, DNB may, *inter alia*, issue directions, impose fines and publish information on any imposed sanctions and the context thereof. The rules on prudential supervision are further described below.

### ***Special Measures Financial Institutions Act***

The Dutch Act on special measures regarding financial undertakings entered into force on 13 June 2012 (with the exception of some provisions which have entered into or will enter into force on a later date). Under the Special Measures Financial Institutions Act, substantial new powers are granted to DNB and the Dutch Minister of Finance enabling them to deal with, *inter alia*, ailing Dutch banks with the aim to avoid their insolvency. The Special Measures Financial Institutions Act aims to empower DNB or the Minister of Finance, as applicable, to commence proceedings leading to: (i) the transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) the transfer of all or part of the business of the relevant bank to a 'bridge bank'; (iii) the transfer of the shares of the relevant bank to a 'bridge bank'; and (iv) public ownership (nationalization) of all or part of the relevant bank or of all or part of the shares of or other securities (which may include Notes) issued by the relevant bank. Subject to certain exceptions, as soon as any of these proposed proceedings have been initiated by DNB or the Minister of Finance, as applicable, the relevant counterparties of such bank would not be entitled to invoke events of default or set off their claims against the bank. The Minister of Finance may, after consultation with DNB, take immediate measures which may deviate from statutory provisions or from the articles of association of the institution concerned. Within the context of the resolution tools provided by the Special Measures Financial Institutions Act, holders of debt securities of a bank (including Noteholders) subject to resolution could be affected by issuer substitution or replacement, transfer of debt, expropriation, modification of terms and/or suspension or termination of listings. The Special Measures Financial Institutions Act has retroactive effect as of 20 January 2012. There is a risk that exercise of powers by DNB or the Minister of Finance under the Special Measures Financial Institutions Act could adversely affect the proper performance by BNG Bank of its payment and other obligations and enforcement thereof under the Terms and Conditions of any series of Notes.

### ***Treasury Banking***

As a public sector bank BNG Bank attracts funds from and lends funds to local and regional authorities. In this respect, the developments under Dutch regulation of 'treasury banking' may have an impact on BNG Bank. See "*Risk Factors - Factors that may affect the Issuer's ability to fulfil its obligations under the Notes - Amendments to the regulation on Treasury Banking may adversely affect BNG Bank's financial condition and results of operations*". Public sector banks such as BNG Bank and the local and regional authorities will be consulted regarding the implementation of the envisaged new system of mandatory treasury banking. According to the Explanatory Memorandum, the implementation of mandatory treasury banking is not expected to have a significant effect on public sector banks. Public sector banks such as BNG Bank are intended to maintain their core business of financing local and regional authorities and the semi-public sector. Furthermore, the share ownership of the State of the Netherlands in the public sector banks is not subject to debate. However, if mandatory treasury banking were to be introduced in the Netherlands, there can be no assurance that this would not negatively impact BNG Bank's financial condition and results of operations.

### ***Dutch banking tax***

In 2012, the Netherlands introduced a Banking Tax Act (*Wet Bankenbelasting*). BNG Bank qualifies as a tax payer under the Dutch Banking Tax Act. In 2012, the tax burden in this respect amounted to €32 million. Based on the methodology and assumptions laid down in the Banking Tax Act, the tax burden for 2013 is expected to be around €33 million.

### ***Rules Regarding Prudential Supervision***

#### **Solvency supervision**

Both the solvency requirements and the liquidity requirements will be amended as a result of the implementation of CRD IV. Please see – "*European Supervision and Regulation*" and *Capital Requirements Directive*" - for additional information.

#### **Liquidity supervision**

Under DNB's liquidity regulation (*Regeling liquiditeit Wft 2011, "Liquidity Regulation"*), banks are in principle required to report their liquidity position on a consolidated level to DNB on a monthly basis. The Liquidity Regulation seeks to ensure, *inter alia*, that banks are able to meet their payment requirements on an ongoing basis, on the assumption that banks would remain solvent. The regulatory report also takes into consideration the liquidity effects of derivatives and the potential drawings under

committed facilities. The Liquidity Regulation places emphasis on the short-term by testing the liquidity position over a period of up to one month with a separate test of the liquidity position in the first week. For observational purposes, several additional maturity bands are included in the liquidity supervision (e.g. one to three months, three to six months, six months to one year and beyond one year). Available liquidity must always exceed required liquidity. Available liquidity and required liquidity are calculated by applying weighting factors to the relevant on- and off- balance sheet items. DNB, as the prudential regulator, can impose additional liquidity requirements on a bank based on periodic reviews by DNB (known as the 'Supervisory Review and Evaluation Process' or 'SREP') of the strategies and procedures for risk management, which include the strategies and procedures of banks aimed at liquidity risk management (the so called 'Internal Liquidity Assessment Process' or 'ILAAP').

### **Liquidity reporting**

On the basis of an evaluation of the current liquidity reporting system, which was also performed in light of the recent economic downturn, DNB's Consultation Document on Changes to Liquidity Reporting (*Consultatiedocument Wijzigingen Liquiditeitsrapportage*) includes proposals for changes to the liquidity reporting system. Under the new proposals, each month a test will be performed to verify if the available liquidity as specified in the liquidity report meets the requisite liquidity level. The new proposals are designed to enable banks under supervision to maintain sufficient liquid assets to sustain prolonged periods of stress without excessive and prolonged recourse to central banks. In addition, they aim to provide more insight into the liquidity risk of several sources, like off-balance sheet activities and the financial resilience in the longer term.

Both the solvency requirements and the liquidity requirements will be amended as a result of the implementation of CRD IV. Please see – *“European Supervision and Regulation and Capital Requirements Directive”*.

### **Structural supervision**

An interest or control of 10% or more (a qualified holding) in a Dutch licensed bank requires a declaration of no objection issued by DNB. In addition, banks require a declaration of no objection for specific acts, for example if it wishes to reduce its own funds or alter its financial or corporate structure. With respect to the rules for obtaining a declaration of no objection, we refer to the Antonveneta-Directive, as mentioned above.

Aside from the declaration of no objection requirement for qualified holdings in financial enterprises, banks holding specific participating interests may also be required to apply for a declaration of no objection. Such is the case if the participating interest exceeds a given threshold value, for example, when the participating interest constitutes more than 1% of the balance sheet total of the receiving bank.

### **BNG Bank and BNG Vermogensbeheer B.V.**

Pursuant to the DFSA, no enterprise or institution established in the Netherlands may pursue the business of a bank unless it has obtained a banking license from DNB. BNG Bank holds a Dutch banking license pursuant to Article 2:11 in conjunction with Article 2:12 of the DFSA to perform banking services in the Netherlands such as granting credits. Therefore BNG Bank is subject to supervision by DNB Bank and must comply with the rules regarding prudential supervision as set out above. Furthermore, BNG Bank provides investment services in the Netherlands through its subsidiary BNG Vermogensbeheer B.V., which is licensed as an investment firm pursuant to Article 2:96 DFSA and is therefore subject to conduct supervision performed by the AFM and prudential supervision performed by DNB.

### **Banking Code**

On 9 September 2009 the Board of the Dutch Banking Association adopted and presented the Banking Code (*Code Banken*). The Banking Code came into effect on 1 January 2010 and has been given a legislative basis by means of a decree (Algemene Maatregel van Bestuur), in the same way as was done previously for the Dutch Corporate Governance Code. The Banking Code applies to all banks holding a banking license and formulates principles for banks relating to, for instance, the bankers' oath, remuneration, internal supervision, risk management and audits. Under this decree banks are obliged to report in their annual report on their compliance with the principles of the Banking Code. Banks are required to state in their annual report how they have applied the principles of the Banking Code in the

previous year and, if they have not applied a principle or not done so in full, to provide a reasoned explanation for this. The auditor is required to confirm if such statements are included in the annual report.

## CAPITALIZATION<sup>1</sup>

	<b>As of 31 December</b>
	<b>2012</b>
	<b>(€millions)</b>
Share Capital	139
Share Premium Reserve	6
Revaluation Reserve	103
Cash Flow Hedge Reserve	(69)
Other Reserves	2,241
Net Profit	332
Currency Translation Account	–
Total Equity	<u>2,752</u>
Subordinated Loans	33
Funds Entrusted	12,139
Debt Securities <sup>2</sup>	99,424
Total Capitalization	<u>114,348</u>

<sup>1</sup> The information in this table is derived from the last published financial information of the Issuer. There has not been any material change in the Issuer's capitalization since 31 December 2012.

<sup>2</sup> As of 31 December 2012, €35,784 million had a maturity of less than one year.



## SELECTED FINANCIAL DATA 2012-2008

	2012	2011	2010	2009	2008
	(€millions, except percentages, per share and employee data)				
Total Assets	142,228	136,460	118,533	104,496	101,365
Loans and Advances	90,725	90,775	86,851	79,305	75,699
of which granted to or guaranteed by public authorities	79,666	78,548	75,247	67,164	64,782
of which reclassified from the financial assets available-for-sale item	2,603	3,219	3,724	4,226	4,569
Equity excluding Unrealised Revaluation <sup>1</sup>	2,718	2,450	2,321	2,204	2,008
Unrealised Revaluations <sup>1</sup>	34	(533)	(62)	49	(29)
Equity per share (in Euros) <sup>1</sup>	48.81	44.00	41.68	39.58	36.06
Leverage ratio <sup>3</sup>	2.0%	1.8%	2.0%	2.1%	2.0%
BIS Tier 1 Ratio <sup>3</sup>	22%	20%	20%	19%	18%
BIS-Ratio <sup>3</sup>	22%	21%	20%	20%	20%
Profit before tax	460	339	337	350	182
Net Profit	332	256	257	278	158
Profit per Share (in Euros)	5.96	4.60	4.61	4.98	2.84
Dividend (in Cash)	83	64	128	139	79
Dividend as a % of Consolidated Net Profit	25%	25%	50%	50%	50%
Dividend per Share (in Euros)	1.49	1.15	2.30	2.49	1.42
Employees (in FTEs) at Year-End <sup>4</sup>	279	278	276	277	274
– of which Subsidiaries	36	41	45	58	51

<sup>1</sup> Excluding the revaluation reserve and the cashflow hedge reserve .

<sup>2</sup> Core (Tier 1) capital as a percentage of risk-weighted amounts.

<sup>3</sup> The solvency ratios are calculated and presented in accordance with the current Basel II regulations.

<sup>4</sup> As of 2010, this includes only those FTEs that affect BNG Bank's staff costs. The comparative figures have been adjusted.

## OPERATING AND FINANCIAL REVIEW

*The following operating and financial review is based on the information contained in BNG Bank's annual reports of 2010, 2011 and 2012 as well as the accounting records of BNG Bank and is intended to convey management's perspective on the operating performance and financial condition of BNG Bank during the period under review, as measured in accordance with IFRS-EU. This disclosure is intended to assist readers in understanding and interpreting the financial statements of BNG Bank incorporated by reference in this prospectus. The discussion should be read in conjunction with the "Selected Financial Data 2012–2008" and the consolidated financial statements of BNG Bank and the accompanying notes which are incorporated by reference in this Base Prospectus. BNG Bank is required to comply with IFRS-EU, and its accounting policies have been established accordingly.*

*This discussion and analysis contains forward-looking statements that involve risks and uncertainties. BNG Bank's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Base Prospectus, particularly under the headings "Risk Factors" and "Cautionary Statement Regarding Forward-looking Statements".*

*In this operating and financial review, references to "2012", "2011" and "2010" refer to the years ended 31 December 2012, 2011, and 2010, respectively.*

### Overview

BNG Bank's net profit for 2012 increased by 29.7% to €32 million compared to €256 million in 2011 and €257 million in 2010. The increase in net profit of €76 million in 2012 compared to 2011 was primarily due to the increase of total income (€88 million in 2012 compared to €406 million in 2011) which, in turn, was attributable to the substantial increase of €175 million in the result of financial transactions in 2012 to a positive €8 million from a negative result of €87 million in 2011. This change was primarily the result of the decreasing concerns about the European sovereign debt crisis in the second half of 2012 with a consequent decline in credit and liquidity spreads and increases in certain asset valuations. Interest result benefitted from the continuing growth of the long-term lending portfolio, improved returns and the continuing steep interest curve. Net profit in 2012 was negatively affected by the introduction of the new bank levy in 2012 resulting in a payment of €2 million (2011: €0) and an impairment on the participation in the associate, Transdev-BNG Bank-Connexion Holding BV ("TBCH"), of €21 million (2011: €0) due to the loss of important public transport concessions. The decrease in net profit of €1 million in 2011 compared to 2010 was primarily due to total income remaining practically unchanged (€406 million in 2011 compared to €400 million in 2010) which, in turn, was attributable to a substantial increase in negative value adjustments from result from financial transactions of €87 million in 2011 compared to €37 million in 2010, an increase of €50 million which offset the improvement in interest result (€62 million in 2011 compared to €410 million in 2010). The increase in negative value adjustments in 2011 was due to the European sovereign debt crisis which adversely affected credit spreads and the fair value of certain investments and structured loans.

In 2012, BNG Bank's results improved despite the continuation of the European sovereign debt crisis. In general, international money and capital markets were more stable during 2012, particularly in the second half of the year and the average spreads on money borrowed by BNG Bank began to decline, though they remained generally high in the period. The first half of 2012 like the second half of 2011, was characterized by a continuation of the European sovereign debt crisis and the EU struggling to agree upon a second rescue package for Greece. Particularly in the latter months of 2011 and early 2012, credit and liquidity spreads on long-term funding increased as a result of the turmoil in the international money and capital markets and BNG Bank was required to pay historically high credit and liquidity spreads on borrowed money. Market access for BNG Bank and other European banks was materially reduced in the second half of 2011, continuing into the first half of 2012. Only following the announcements from the president of the ECB in mid-2012 on the sustainability of the euro did the volatility in the international capital markets begin to taper off.

Despite the difficult market conditions which have persisted over the past three years, BNG Bank continued lending to its core clients: local authorities, housing associations and healthcare and educational institutions. This underscores the importance of BNG Bank's role as a lender to local authorities and public sector institutions in all market conditions. Over the three year period under discussion, the credit and liquidity spreads BNG Bank has been required to pay have remained at levels

above those which prevailed prior to the financial crisis, although such spreads have moved up and down during this period. Long-term rates were volatile during 2012, particularly in the first half of the year, and BNG Bank was required to pay high credit and liquidity spreads to attract longer term funding during this period. Partly as a result, BNG Bank issued a number of relatively small yet long-term tailored investments in various currencies which allowed BNG Bank to attract sufficient long-term funding and ensure adequate liquidity at favorable rates.

Long-term lending was €1.1 billion in 2012 compared to €2.3 billion in 2011 and €6.3 billion in 2010. The overall level of demand for loans in 2012 continued to be impacted by the weak macroeconomic conditions in the Netherlands. The decrease in volume of long-term lending in 2012 of 9.8% was mainly due to the falling demand for credit in the local government sector. This was primarily as a result of the reduction in credit subject to solvency requirements caused by austerity measures and declining revenues, brought about by the worsening economy. The decrease in volume of long-term lending in 2011 of 25% compared with 2010 represented a return to more customary volume levels following the high levels of 2010. This was mainly due to declines in the social housing sector which had pre-funded in 2010 due to legislation to become effective on 1 January 2011 in response to changes in State aid which were expected in 2010 to limit guarantees that could be provided on certain loans.

The total long-term lending portfolio to clients based on nominal amounts lent rose by €0.9 billion to €81.1 billion in 2012. Despite the relatively low levels of new loans to local governments, this rise was almost completely due to the growth of the portfolio in this sector due to funding in 2012 of loans contracted in previous years. The other sectors remained virtually stable. Relative to 2011, the average volume of short-term lending to clients declined by €0.1 billion to €5 billion from €5.1 billion in 2011 (2010: €5.6 billion). Influenced by the low interest rates on long term debt, borrowers have opted to extend maturities to take advantage of these rates (although higher than interest rates on short term debt) resulting in a reduction in the consolidation of short-term lending in the past few years.

From BNG Bank's lending and refinancing perspective, the second half of 2012 saw a return of confidence in healthy banks and the credit markets, although interbank confidence was still limited at year-end 2012. The more stable financial markets together with improved confidence had a favorable effect on the level of the credit and liquidity risk spreads paid by BNG Bank and on the variation in maturity of new issues. These were marked improvements on the conditions in the second half of 2011 and the first half of 2012 when the capital markets were largely closed to European financial institutions due to the continuing European sovereign debt crisis. Despite the market volatility in the periods under review BNG Bank has been able to continue funding in the international capital markets. BNG Bank raised long-term funding of €5.2 billion in 2012 compared to €6.4 billion in 2011 and €8.2 billion in 2010. The average maturity of BNG Bank's debt issuance remained virtually unchanged during 2012 at 6.5 years compared to 6.4 years in 2011, which was a decline from 6.9 years in 2010. BNG Bank has retained its triple A-ratings throughout the financial crisis.

In 2012, despite the continuing low interest rate environment, BNG Bank's interest result increased to €73 million compared with €462 million in 2011 and €410 million in 2010. The rise in 2012 was mainly due to the growth of the long-term lending portfolio and the continuing steep interest curve. The return on the portfolio lagged somewhat behind expectations in 2012 as a result of the relatively high spreads BNG Bank had to pay, especially in the first half of the year, for new long-term funding to refinance the portfolio.

### ***Principal Factors Affecting Results of Operations***

#### ***General economic conditions***

Although the economic consequences of the financial crisis have been considerable, the global economy has been slowly recovering since 2010. A number of financially weaker European countries such as Greece, Ireland, Italy, Portugal and Spain, have, however, experienced problems due to rising government deficits, in most cases as a result of the measures required to rescue local banks. This has led to bail-outs for Ireland, Greece, Portugal and most recently, Cyprus. In 2012, the uncertainty surrounding agreement on a second bail-out package for Greece, the potential risks of contagion associated with a withdrawal of Greece from the euro and concerns regarding the viability and potential for a break-up of the "Eurozone" exacerbated by continued economic weakness, led to ratings downgrades of a number of European countries, including France, while the Netherlands was placed on credit watch. These factors caused

considerable turmoil and volatility on the capital markets which had a net negative impact on certain of BNG Bank's assets valued at fair value in 2011 and 2010.

During 2012, contraction in economic activity was most serious in the southern euro countries, where national governments have implemented substantial austerity measures and economic reforms. Domestic demand in these countries has remained under pressure. Nevertheless, the policies enforced have strengthened the competitive position of various countries. Ireland, Spain and Portugal have lowered labor costs relative to rival countries, thereby improving their export prospects. The current account balances have improved strongly as a result of the economic policy. As a result of the restrictive EU budget policy, the euro zone countries' joint deficit dropped from 4.1% of Gross Domestic Product ("GDP") in 2011 to 3.7% of GDP in 2012. This was still above the reference value of 3% of GDP, but significantly lower than in the United States and several other Western countries. Gross government debt figures for the euro zone rose from 88% to 93% of GDP, clearly well above the reference value of a maximum of 60% of GDP. Growth also slowed in the EU's core countries. Germany, which managed to largely avoid the economic malaise last year, became increasingly vulnerable to the effects of declining demand from the weaker euro countries over the course of the year under review. As a result, GDP in the euro zone's largest economy grew by just 0.7% in 2012 compared with 3% in 2011. Private consumption fell in the region as a whole as a result of additional financial burdens and restrictions in government spending. Unemployment rose from 10.7% to 11.8% of the working population, due in part to the restraint companies are showing in making new investments. While exports did increase, this growth was insufficient to avoid a drop in economic activity in the euro zone. Following an increase of 1.4% in 2011, GDP fell in the year under review by 0.64%. Despite the economic slump, the rate of inflation barely decreased. Influenced by a rise in indirect taxes and other government measures, inflation remained virtually steady at 2.5%.

The economy in the Netherlands has not yet recovered from the global economic and financial crisis and the loss in production sustained during the financial crisis is still far from being restored. In 2012, GDP in the Netherlands fell by 1.0%. The export of goods and services remained strong, growing by 3.3% in 2012 (3.8% in 2011). However, Government consumption remained at the same level in 2012 as in 2011, with municipalities in particular having spent less than initially estimated. Investments declined by 4.6% in 2012 (in particular in housing and civil engineering projects), and household consumption declined by 1.4% linked to a fall in real disposable income of households in the Netherlands resulting from lower employment, higher tax and premium transfers and inflation. At the end of 2012, the number of people unemployed in the Netherlands accounted for 5.8% of the working population (including seasonal adjustments), which was 0.9% higher than at the end of 2011. Unemployment figures continued to rise sharply in the first quarter of 2013. Inflation in the Netherlands increased from 2.3% in 2011 (2010: 1.3%) to 2.5% in 2012, and remained around this level as of the date of this Base Prospectus. The higher inflation rate is largely due to increases in VAT, insurance tax and energy tax rates that came in effect in 2012. In the Eurozone as a whole, inflation decreased from 2.7% at year-end 2011 (2010: 1.6%) to 2.5% at year-end 2012.

As a result of a rise in inflation in 2011 in the eurozone, the ECB decided to lift its official rates in April 2011 for the first time in almost three years from 1% to 1.25%, with a further rate increase of 0.25% in July of 2011. The escalation of the Euro crisis, however, prompted a major shift in monetary policy in the second half of 2011, which included reducing the refinancing rate back to 1.0% in two steps. In July 2012, the ECB lowered its refinancing rate to 0.75% and further lowered it by a cut of 0.25% to 0.50% in May 2013. The current ECB refinancing rate remains at 0.50%. The rate on the deposit facility remains at 0%.

In 2009, the European Commission started an excessive deficit procedure against the Netherlands (and 13 other Member States), as it had exceeded the Maastricht cap of 3% of GDP. The result was that the Netherlands had to reduce its deficit to a level below 3% in a 'credible and sustainable' manner in 2013. In 2012, the deficit was 4.1% of GDP mainly due to continuing challenging economic conditions and due to the nationalization of financial services group SNS Reaal. Despite the implementation of stringent, deficit-reducing measures, based on projections of the CPB in March 2013, the Maastricht criteria of 3% maximum deficit is also expected to be exceeded in 2013 and 2014. The reduction in the deficit between 2012 and 2014, despite the weak economy, is expected to be achieved through sizeable spending cuts and tax increases. These projections did not include additional austerity measures presented by the Dutch cabinet in April and March of 2013. In May 2013, the European Commission granted the Netherlands an additional year to reduce its budget deficit to under 3%.

The economic consequences of the global and economic financial crisis, the continuing European sovereign debt crisis and the weak economic conditions in recent years with the resulting high unemployment rates, depressed property markets and pressure on disposable incomes, have slowed investment and consumer spending, which in turn has had an adverse effect on the financing requirements of BNG Bank's public sector clients. BNG Bank's clients are mainly comprised of national and local authorities or institutions affiliated to such authorities. In addition, as discussed above, the cutbacks announced by the new Dutch government will have consequences for many of BNG Bank's clients. Various local authorities have announced cost reductions. The negative developments in ongoing projects of local authorities and housing associations has led to a cautious approach to starting new activities.

BNG Bank believes that the weak economic and market conditions in the Netherlands and Western Europe in general will continue to affect BNG Bank's results of operations. In particular, BNG Bank's ability to generate revenues and expand its business in the future largely depends on the continuing prospect and speed of economic and market recovery within the Netherlands and Western Europe. For more information relating to macro-economic risks to BNG Bank, see "*Risk Factors – BNG Bank's business and results of operations may be negatively affected by actual or perceived local and global economic and financial market conditions.*" and "*– The continuing economic crisis in Europe may adversely affect BNG Bank's business and results of operations.*"

#### *Borrowing and debt obligations*

The international money and capital markets were volatile during 2011 and 2012, with the first half of 2011 reflecting reasonably favorable financing conditions, and much more difficult conditions in the second half of 2011 carrying through to the first half of 2012, and only improving in the second half of 2012. These conditions were in contrast to the more stable markets during 2010 with a gradual narrowing of credit spreads for many credits. Credit spreads remained stable during the first half of 2011 but increased significantly in the second half of 2011 and the first half of 2012 as the European sovereign debt crisis continued and a number of European countries, including France, had their credit ratings downgraded. Although the Netherlands retained its AAA rating, its rating has been placed on "negative outlook" by Standard & Poor's. When compared to the spreads paid by the Dutch State – which is a key reference point for BNG Bank's clients – BNG Bank's funding position improved slightly in 2010, declined by the latter half of 2011 when the ratings actions were taken by the rating agencies and improved again in the second half of 2012.

BNG Bank benefitted from the benign conditions in 2010 and raised long-term funding of €18.2 billion as average spreads paid for such funding declined during 2010. As a result of the volatile funding conditions that persisted during 2011, BNG Bank utilized most of its long-term funding prior to the end of 2011, turning to short-term borrowings at favorable rates at the end of 2011 to maintain liquidity. As was the case during 2011, the credit and liquidity risk spreads BNG Bank had to pay for funding with long maturities were high during 2012. Partly as a result, BNG Bank issued more relatively small yet long-term tailored loans in various currencies to investors. These developments allowed BNG Bank to attract sufficient long-term funding and thus maintain its liquidity profile at an adequate level in 2012. To cushion any temporary shocks in the availability or the pricing of long-term funding, BNG Bank increased the maximum volume of its ECP program by €5.0 billion to €20 billion in early 2012. BNG Bank continued to enjoy its reputation as a "safe haven" in 2012, resulting in parties preferring to place their temporary excess liquidity with BNG Bank. This in turn allowed BNG Bank to meet its short-term funding needs on very attractive conditions.

BNG Bank, as a AAA-bank, over each of the past three years, has been able to fund itself more easily and under more favorable conditions than many other lenders. Because of these developments BNG Bank has been able to significantly reduce the spreads on long-term lending to clients. Spreads, however, remain higher than in the years before the crisis and in 2011 and 2012 BNG Bank had to pass on increased spreads to its customers, though still offering highly competitive rates in comparison with other financial institutions. BNG Bank was one of a few institutions providing long-term lending (in excess of a thirty-year term) in 2011 and 2012.

#### *Interest rates*

Due to the financial crisis central banks globally, including the ECB, cut key interest rates significantly. Interest rates for the Euro Over Night Index Average fell from 4.25% in the third quarter of 2008 to 0.36% in the third quarter of 2009. Rates remained at that level throughout 2010 but increased to 1.50%

in July 2011 when the ECB raised interest rates in reaction to increased inflation in the Eurozone. The escalation of the Euro crisis resulted in the ECB reducing interest rates to their current level of 0.50% as well as taking additional liquidity easing measures, including the issue in December 2011 and March 2012 of large scale three-year loans to banks. The two loans eventually represented an amount in excess of €1,000 billion.

Fluctuations in short-term and medium- to long-term interest rates impact BNG Bank's interest result differently based upon the repricing profile of its interest-earning assets and interest-bearing liabilities, which is set forth in Note 30, Risk Section – Maturity analysis of financial assets and liabilities on the basis of the remaining contractual period to the 2012 Financial Statements incorporated by reference herein. BNG Bank's repricing profile depends upon the pricing terms applicable to its products (including base interest rates and yield curves), the mix of funding and lending instruments in BNG Bank's portfolio and the extent of BNG Bank's use of interest rate-related derivative contracts. As a general matter, declining short-term interest rates do not affect BNG Bank's interest rate margins significantly, as BNG Bank relies mainly on funding from the capital markets rather than from deposits and current accounts, and BNG Bank's borrowing and lending margins are more closely matched. BNG Bank also uses a variety of derivative products to minimize the risks related to interest rate fluctuations.

### *Hedging*

BNG Bank applies economic hedging in order to minimize foreign exchange risks and keep interest rate risks at desired levels. BNG Bank maintains a system of limits and procedures that are monitored on a daily basis. Foreign exchange and interest rate risks are principally hedged with the aid of derivatives. The treatment of derivatives and hedged items in the balance sheet and income statement is such that they are aligned with the actual economic hedging. BNG Bank processes this hedging relationship under IFRS through micro and portfolio fair value hedging.

Micro fair value hedging ("MH") is applied to individual transactions involved in an economic hedge relationship to offset interest rate risks. Micro hedging relates to individual transactions where interest rate risk exposure is concerned, which transactions become involved in an economic hedge relationship. MH is applied to nearly all debt issuances. In the case of micro hedging, there is a demonstrable one-to-one relationship between the hedged item and the hedging instrument. The foreign exchange and interest rate risks are hedged by means of derivatives, mainly (cross currency) interest rate swaps. The issues are fully offset against the derivatives so that, on a net basis, the fixed coupons of the issues are converted into variable interest amounts in euros. Both the issues and the accompanying derivatives can contain structures such as options which are also fully offset. The revaluation effect of hedged MH transactions with regard to fair value hedging is accounted for in the same balance sheet item as the hedged items.

As of 1 July 2011, BNG Bank applies cash flow hedge accounting to virtually all long-term transactions in foreign currencies in order to protect its result against possible variability in future cash flows due to exchange rate fluctuations. Under IFRS, BNG Bank is obligated to recognize the change in the instrument's fair value in its accounts. Under IFRS, the effects of this accounting mismatch must be recognized in the income statement as value adjustments to derivatives. With the use of cash flow hedge accounting as of 1 July 2011, the effective part of the cash flow hedge is recognized in a cash flow hedge reserve in equity. The interest results of both the hedging instrument and the hedged item are accounted for in the income statement in the same period. At year-end 2012, BNG Bank recognized €69 million negative (2011: €282 million negative) as effective value adjustment of hedging instruments in equity by virtue of cash flow hedging.

In portfolio fair value hedging ("PH"), the interest rate risk of a group of transactions is hedged by means of a group of derivatives. The hedging relationship is constructed and controlled at an aggregate level, thus precluding relationships with individual transactions. Within BNG Bank, the effectiveness of portfolio hedging, like that of micro hedging, has been almost perfect in recent years. To prevent further complexity as well as additional hedging costs BNG Bank decided, as a policy issue, not to involve cash flows with a maturity of less than one year in portfolio hedging. The results arising from this policy are recognized in the income statement. Any ineffectiveness that occurs is also recognized in the income statement. The revaluation of hedged PH items is accounted for under Other financial assets in the balance sheet. In both types of hedge accounting, the derivatives in question are measured at fair value and included in the Other financial assets and Other financial liabilities items.

BNG Bank uses PH and MH respectively to hedge its principal assets (loans and advances and its securities portfolio) as well as respectively its main liabilities (principally borrowings). There can be significant movements in line items although the net effects due to its policy on matching, results in relatively small net movements. Some of the movements in the period under discussion were exacerbated by the financial crisis and the differentials that arose between floating-rate and fixed-rate interest rates.

IFRS 13 came into effect on 1 January 2013 and has resulted in an adjustment to the value of those derivatives for which BNG Bank has entered into agreements with the counterparty with respect to the exchange of daily collateral requirements. These swaps, which the bank uses for hedging currency and interest rate risks and which are therefore generally held to maturity, must be valued as of 2013 based on the 'Overnight Index Swap' ("OIS") curve, which is compiled on the basis of overnight interest rates (Eonia). This is expected to have major consequences for the results from hedge accounting and is likely to permanently increase the volatility of the annual result.

### Results of Operations

The table below sets forth BNG Bank's results of operations for the years ended 31 December 2012, 31 December 2011 and 31 December 2010:

	<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(€millions)		
Interest income	2,115	2,327	1,898
Interest expenses	<u>1,642</u>	<u>1,865</u>	<u>1,488</u>
Interest result	473	462	410
Income from associates and joint ventures	(2)	0	2
Commission income	31	33	35
Commission expenses	<u>6</u>	<u>6</u>	<u>6</u>
Commission result	25	27	29
Result financial transactions <sup>1</sup>	88	(87)	(39)
Other results <sup>2</sup>	<u>4</u>	<u>4</u>	<u>5</u>
Total income	588	406	407
Staff costs	38	35	35
Other administrative expenses	<u>25</u>	<u>23</u>	<u>26</u>
Staff costs and other administrative expenses	63	58	61
Depreciation	<u>1</u>	<u>2</u>	<u>2</u>
Total expenses	64	60	63
Impairments <sup>2</sup>	32	7	7
Bank levy	32	–	–
Profit before tax	<u>460</u>	<u>339</u>	<u>337</u>
Taxes	<u>(128)</u>	<u>(83)</u>	<u>(80)</u>

	Year ended 31 December		
	2012	2011	2010
	(€millions)		
<b>Net Profit</b>	<b>332</b>	<b>256</b>	<b>257</b>

<sup>1</sup> In 2010, BNG Bank changed its presentation, netting out “Other market value adjustments” with “derivatives not involved in a hedge accounting relationship”. In 2012, the foreign exchange results are included in this item (2012: €7 million; 2011: €2 million) whereas in 2011 the foreign exchange results were recognized separately in Other results. The 2011 and 2010 comparative figures have been adjusted accordingly.

<sup>2</sup> In 2012, Impairments (which in 2011 was part of the item entitled “Other results”) is no longer presented as part of the income, but as a separate item. In 2011, Other results included an impairment of €6 million with respect to Investments in associates and joint ventures. In 2012, this amount is recognized in Impairments. Starting in 2012 the item “addition to the incurred loss provision” is also part of the “Impairments” item. The 2011 and 2010 comparative figures have been adjusted accordingly.

### ***Description of key income statement items***

#### *Interest result*

Interest result comprises interest income and interest expenses. Interest income includes the interest income from loans and advances, deposits and investments as well as the results from financial instruments used to hedge interest rate and currency risks, and also other credit related income received. Interest expense, on the other hand, includes the cost of borrowing and related transactions (including the effects of hedging) as well as other interest related charges.

BNG Bank uses PH accounting under IFRS for assets. Hedge instruments are all interest rate swaps. Interest results from derivatives involving PH accounting are included in interest income. These interest rate swaps have a fixed pay component with BNG Bank receiving a floating rate. BNG Bank has a significant portfolio of derivatives and changes in interest rates impact the interest result in part because the entire floating rate portfolio resets with changes in rates, while the fixed-rate portfolio is less sensitive as only new derivatives will carry the higher or lower rates depending on the direction of rates at any point in time.

BNG Bank uses MH accounting under IFRS for liabilities. Hedge instruments are all cross currency swaps or interest rate swaps. Interest results from derivatives involving micro fair value hedge accounting will be shown in interest expenses. These swaps have a floating-rate pay component and a fixed-rate receive component.

#### *Commission result*

Commission result comprises commission income and commission expenses. Commission income includes income received from and to be received for services provided to third parties. Commission expense includes fees paid or to be paid for services rendered by third parties in relation to loans and credit facilities.

#### *Result financial transactions*

Result financial transactions relates to realized and unrealized results from fair value movements of financial instruments that are measured at fair value with movement through the income statement. These movements are almost entirely offset by the market value movements of derivatives entered into as hedges for these transactions. This item also includes the results due to the sale of available-for-sale transactions. In addition, this item also includes the changes in the market value adjustments due to counterparty credit risk (Credit Valuation Adjustment) for interest rate swaps with clients.

#### *Administrative expenses*

Administrative expenses includes staff costs and other administrative expenses. Other administrative expenses includes the cost of outsourcing, rent and maintenance of property and equipment, printing costs, training expenses and advertising costs.



### *Other results*

The Other results include the results not relating to BNG Bank's operational core activities.

### *Impairments*

The Impairments item includes the impairments of financial and non-financial fixed assets. BNG Bank recognizes the changes in the incurred loss provisions (Amounts due from banks and Loans and advances) and impairments of instruments in Financial assets available-for-sale, and impairments of Investments in associates and joint ventures and of non-financial fixed assets in the Impairments item.

Impairments are recognized in the income statement if the book value of a (non-)financial asset or the cash flow generating unit to which the (non-)financial asset pertains exceeds the estimated realizable value. If the (non-)financial asset was provided against collateral, the proceeds minus costs from the sale of that collateral are taken into account in estimating future cash flows. If irrecoverable (non-)financial assets generate cash flows after having been written down, these cash flows are recognized directly in the income statement.

In the case of outstanding loans and receivables to banks and loans and advances carried at amortized cost, BNG Bank creates an incurred loss provision as an expense in the income statement. In determining impairments, a distinction is made between loans and receivables involving an objective indication for impairment, and loans and receivables whereby there is no objective indication for impairment. If an asset is permanently irrecoverable, it is written down to the debit of the impairment provision already created, with any difference being charged or added to the income statement item Impairments.

The impairment of financial assets carried at fair value through BNG Bank's equity can be divided into two groups:

- Investments in equity instruments; and
- Investments in debt instruments.

In addition to the objective indicators for impairment, available-for-sale investments in equity instruments, such as participating interests, also involve objective indications for impairment if the cost persistently exceeds the realizable value, that is, if the fair value is persistently or significantly lower than the cost. If there are objective indications for impairment with regard to available-for-sale investments, the difference between the cost and the current fair value, reduced by any impairments recognized earlier, is first deducted from equity (revaluation reserve for Financial assets available-for-sale) and recognized under Impairments in the income statement.

Investments in debt instruments, such as interest-bearing securities, are assessed for impairment if there are objective indications of financial problems at the counterparty, the loss of a market or other indications. With regard to available-for-sale investments, any impairment in equity (revaluation reserve for Financial assets available-for-sale) is first written off against the Impairments item in the income statement.

Investments in associates and joint ventures are recognized pro rata in accordance with the equity method. Associates are companies over which BNG Bank has significant influence on operational and financial policy but no control. In general, significant influence is assumed when BNG Bank holds between 20% and 50% of the shares or voting rights. Joint ventures are contractual arrangements in which BNG Bank and other parties launch an economic activity over which they exercise joint and proportionate control.

### *Bank levy*

The Bank Tax Act ('Wet Bankenbelasting') took effect on 1 October 2012. Banks have to pay the bank levy in October of every year. In this month, the amount paid is charged to the result as a lump sum.

## **Results of Operations for 2012 compared to 2011**

### *Interest result*

Interest result increased from €462 million in 2011 to €473 million in 2012, an increase of €1 million, or 2.4%. The increase was primarily due to the growth of the long-term lending portfolio, as lower repayments of loans in 2012 offset the decline in new long-term lending in 2012 compared to 2011. Interest result also benefited from the continuing steep interest curve. The return on the long-term lending portfolio lagged behind expectations in 2012 as a result of the high spreads BNG Bank paid for new long-term funding to refinance the long-term lending portfolio.

Interest income and interest expenses both declined in 2012 because of lower overall interest rates on floating rate assets and liabilities compared to 2011 with interest expenses declining in percentage terms more than interest income. In applying hedge accounting, the result is that BNG Bank pays floating rates for funding and receives floating rates for assets.

### *Interest income*

Interest income decreased from €2,327 million in 2011 to €2,115 in 2012, a decrease of €212 million, or 9.1%. The decrease was primarily the result of the continuing low interest rate environment in 2012 and BNG's use of derivatives to hedge its interest rate exposures as well as limited new long-term lending resulting in only modest growth in the long-term lending portfolio.

BNG Bank uses PH accounting to hedge its interest rate exposure of principal assets using interest rate swaps. With these interest rate swaps BNG Bank pays the fixed rate and receives the floating rate. The fixed (longer) rate payable in the PH swaps declined less than the floating rate received in the PH swaps as the decrease in short-term rates was less than the decline in long-term rates. This difference in rates resulted in a negative interest income on the swaps involving PH of €1,722 million in 2012 compared to €1,511 million in 2011.

Interest income on financial assets involved in a fair value hedge accounting relationship was €3,303 million in 2012 compared to €3,219 million in 2011, or an increase of €84 million. This increase was mainly the result of the growth in the portfolio in 2012. The interest income on financial assets at amortized cost declined in 2012 by €21 million compared to 2011 due to the decline in new long term lending and interest rates for floating rate assets. This decline was substantially offset by the increase in interest income attributable to derivatives not involved in a hedge accounting relationship which increased by €13 million to €71 million in 2012 compared to €58 million in 2011. This increase was due to the increase of the number of derivatives not in hedge accounting relationships.

The table below sets forth interest income for the years 2012 and 2011.

	<b>Year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>(€millions)</b>	
Financial assets at fair value through the income statement	70	70
Derivatives not involved in a hedge accounting relationship	171	58
Derivatives involved in a portfolio fair value hedge accounting relationship	(1,722)	(1,511)
Financial assets available-for-sale	21	39
Financial assets involved in a fair value hedge accounting relationship	3,303	3,219
Financial assets at amortized cost	281	402
Other interest income	(9)	50
Total interest income	2,115	2,327

### *Interest expenses*

Total interest expenses decreased from €1,865 million in 2011 to €1,642 million in 2012, a decrease of €223 million, or 12.0%. This decrease was mainly due to the impact of the net interest income of derivatives involved in a micro fair value hedge accounting relationship which reduced interest expenses by €48 million in 2012 compared to 2011.

BNG Bank uses MH accounting to hedge its interest rate risk mainly on its liabilities, principally borrowings, using interest rate swaps and cross currency interest rate swaps. Interest expenses (amounts received) on derivatives involved in a MH accounting relationship increased by €48 million, because of lower short term interest rates in 2012 compared to 2011. The difference between the payable float short term interest rates and the receivable fixed long term interest rates increased in 2012, compared to 2011. BNG Bank pays the floating rate and receives the fixed rate. In 2012, the fixed (longer) rates receivable declined less than the floating (short) rates paid in the MH swaps.

An increase in interest expenses on financial liabilities involved in a MH accounting relationship of €54 million in 2012 compared to 2011, was due to an increase in the size of the long-term lending portfolio, the rise of the average maturity of the long-term lending portfolio and higher costs owing to increased liquidity spreads, offset in part by the decline in interest rates BNG Bank pays on its fixed-rate borrowings. The increase in interest expense on financial liabilities at amortized cost of €80 million was due to increased costs as a result of increased levels of shorter-term funding. This increase in interest expenses was substantially offset by the increase in interest income attributable to derivatives not involved in a hedge accounting relationship which increased by €156 million to €34 million in 2012 compared to (€122) million in 2011. This increase was due to the separation in 2012 of derivatives embedded in debt issues.

The table below sets forth interest expenses for the years 2012 and 2011.

	<b>Year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>(€millions)</b>	
Financial liabilities at fair value through the income statement	52	–
Derivatives not involved in a hedge accounting relationship	(34)	122
Derivatives involved in a micro fair value hedge accounting relationship	(1,714)	(1,466)
Financial liabilities involved in a micro fair value hedge accounting relationship	2,638	2,584
Financial liabilities at amortized cost	681	601
Other interest expenses	19	24
Total interest expenses	<u>1,642</u>	<u>1,865</u>

### *Commission result*

Commission result was €25 million in 2012 and €27 million in 2011. Commission result declined by €2 million as income from loans and credit facilities declined by €2 million, which, in turn, reflected reduced levels of loans made in 2012 compared to 2011.

Commission income was €31 million in 2012 compared to €33 million in 2011. Commission income from the lending business decreased by €2 million (€4 million in 2012 compared to €6 million in 2011). Other commission income was unchanged between 2012 and 2011.

Commission expense was €6 million in 2012 and 2011.

### Result financial transactions

The table below sets out the fair value movements of various financial transactions recorded on the income statement as financial transactions for 2012 and 2011.

	Year ended 31 December	
	2012	2011
(€millions)		
<b>Financial assets at fair value through the income statement</b>		
Market value adjustment as a result of changes in credit and liquidity spreads of which:		
– investments	31	(66)
– derivatives with clients	(11)	–
– structured loans	9	(48)
	<u>29</u>	<u>(114)</u>
<b>Result from hedge accounting</b>		
Financial assets involved in a fair value hedge accounting relationship	3,731	5,123
Financial liabilities involved in a micro fair value hedge accounting relationship	(1,139)	(2,169)
Derivatives involved in a hedge accounting relationship	(2,565)	(2,943)
	<u>27</u>	<u>11</u>
Results from sales of financial assets available-for-sale	11	12
Other market value adjustments <sup>1</sup>	21	4
	<u>88</u>	<u>(87)</u>

<sup>1</sup> In 2010, BNG Bank changed its presentation, netting out “other market value adjustments” with “derivatives not involved in a hedge accounting relationship”. In 2012, the foreign exchange results (2012: €7 million; 2011: €2 million) are included in this item, whereas in 2011, the foreign exchange results were recognized separately in Other results. The 2011 comparative figure has been adjusted accordingly.

Results financial transactions was a net gain of €88 million in 2012 compared to a net loss of €87 million in 2011, an increase of €175 million. This result was due mainly to the net positive unrealized revaluation of interest-bearing securities (investments) and structured loans for which the changes in value were recognized in the income statement. As concerns over the European sovereign debt crisis lessened in the second half of 2012, credit and liquidity spreads decreased considerably resulting in the positive unrealized revaluations.

The change from period to period in financial assets at fair value through the income statement was primarily the result of the continuing European sovereign debt crisis as described above. As a result, market value adjustments went from a negative €14 million adjustment in 2011 to a positive €40 million adjustment in 2012 due to the net positive unrealized revaluation of interest-bearing securities (investments) and structured loans. The credit risk arising from derivative transactions with clients increased in 2012, resulting in an unrealized negative result of €11 million (2011: nil).

The result from hedge accounting was a net gain of €27 million in 2012 compared to a net gain of €11 million in 2011. The bulk of the interest rate risk to which the bank is exposed in relation to its financial

assets or liabilities is customarily hedged through the use of financial instruments. In market value terms, value movements resulting from interest rate fluctuations are offset through the use of derivatives, although there may be significant movements in the individual assets, liabilities and derivatives from year to year. Where the hedge relationship is effective, hedge accounting enables BNG Bank to neutralize in principle the difference in result recognition between the hedging instrument and the hedged item. BNG Bank only uses derivatives as a hedging instrument and these are stated at fair value in the balance sheet.

The other market value adjustments consist of financial assets which was a gain of €1 million in 2012 compared with a gain of €4 million in 2011 and was mainly caused by the positive revaluation of derivatives not involved in hedge accounting. Similar to 2011, 2012 benefited from €1 million of gains from the sale of financial assets available-for-sale (2011: gains of €12 million).

Although BNG Bank's hedge accounting is highly effective the current turbulent market conditions have created levels of result volatility that are unusually high. Positive and negative results from hedge accounting cancel each other out in the longer term.

#### *Other results*

Other results were €4 million of income from consultancy services in each of 2012 and 2011.

#### *Staff costs and other administrative expenses*

Staff costs and other administrative expenses were €63 million in 2012 compared to €58 million in 2011. The €5 million increase was due to increased staff costs and administrative expenses.

The table below sets out staff costs for 2012 and 2011.

	<b>Year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	(€millions)	
Wages and salaries	25	23
Pension costs	4	4
Social security costs	2	2
Addition to provisions	1	0
Other staff costs	6	6
	<hr/> 38	<hr/> 35

Staff costs were €38 million in 2012 and €35 million in 2011. Due to the provision for a necessary reorganization at BNG Gebiedsontwikkeling and the higher payments for social security contributions and pensions, staff costs rose by €3 million in 2012 compared with 2011.

Other administrative expenses increased from €23 million in 2011 to €25 million in 2012, an increase of €2 million. Investments in new systems in 2012 increased IT costs above the 2011 levels.

#### *Impairments*

Impairments of €2 million and €7 million were recognized in 2012 and 2011, respectively. Impairments of €24 million relating to associates were recognized in 2012 (consisting of a €21 million write-off of goodwill of the associate TBCH due to the loss of important public transport concessions and €3 million in impairments of the joint ventures of BNG Gebiedsontwikkeling) and €6 million in 2011. The higher levels in 2012 and 2011 related to a decision by BNG Bank to impair equity invested in several participations whose prospects were greatly impacted by the ongoing economic crisis.

The persistent crisis is still having a relatively limited impact on BNG Bank's high-quality loan portfolio. Nevertheless, in the first half of 2012 a debt of just under €1 million was settled and charged to the incurred loss provision for amounts due from banks and loans and advances. The higher risks in the loan portfolio further prompted an addition of €8 million to the incurred loss provision (€1 million in 2011), which amounted to €39 million at the end of 2012.

#### *Bank Levy*

The Bank Tax Act ("Wet Bankenbelasting") took effect on 1 October 2012. Banks have to pay a lump-sum bank levy on 1 October of every year, which for 2012 amounted to a non-budgeted and non-deductible amount of €32 million. Since the Act took effect on 1 October 2012, no comparative figures can be reported. Based on the methodology and assumptions laid down in the Act, the bank levy owed for 2013 is expected to be around €33 million.

#### *Profit before tax*

Profit before tax increased from €339 million in 2011 to €460 million in 2012, an increase of €121 million. The increase was due to the factors described above. BNG Bank's cost to income ratio (total operating expenses as a percentage of total income) decreased from 15% in 2011 to 11% in 2012.

#### *Taxes*

Tax expenses increased from €83 million in 2011 to €128 million in 2012, an increase of €45 million, or 54.2%. The increase was primarily the result of the increase in profit before tax. In 2012, the tax paid at the effective tax rate of 27.8% was greater than the nominal tax rate of 25%.

#### *Net profit*

As a result of the foregoing, net profit increased from €256 million in 2011 to €332 million in 2012, an increase of €76 million, or 29.7%.

### **Results of Operations for 2011 compared to 2010**

#### *Interest result*

Interest result increased from €410 million in 2010 to €462 million in 2011, an increase of €52 million, or 12.7%. The increase was primarily due to:

- a net increase in the long-term lending portfolio as lower repayments of loans in 2011 offset the decline in new long-term lending in 2011 compared to 2010; and
- continuing improved returns on the lending portfolio as BNG Bank continued to benefit from improved interest margins that accrued to BNG Bank due to the continuing steep interest curve.

#### *Interest income*

Interest income increased from €1,898 million in 2010 to €2,327 million in 2011, an increase of €429 million, or 22.6%. The increase was primarily the result of the growth of the long-term lending portfolio and the improved return on the portfolio as a whole.

In 2011 the fixed (longer) rates declined and the floating (short) rates rose. This positive change meant that the amounts received on derivatives involved in a portfolio hedge accounting relationship increased, although the result was still negative because the payable fixed rates remained higher than the receivable floating rates. The interest income on financial assets at amortized cost rose in 2011 because of a net increase in the long-term lending portfolio and improved returns on the portfolio as a whole.

Interest income on financial assets involved in a fair value hedge accounting relationship was €3,219 million in 2011 compared to €3,154 million in 2010, or an increase of €65 million. This increase was mainly the result of the growth in the portfolio in 2011. Financial assets at amortized cost increased by €126 million in 2011 compared to 2010 primarily due to the growth in the lending portfolio.

The table below sets forth interest income for the years 2011 and 2010.

	<b>Year ended 31 December</b>	
	<b>2011</b>	<b>2010</b>
	<b>(€millions)</b>	
Financial assets at fair value through the income statement	70	68
Derivatives not involved in a hedge accounting relationship	58	86
Derivatives involved in a portfolio fair value hedge accounting relationship	(1,511)	(1,757)
Financial assets available-for-sale	39	37
Financial assets involved in a fair value hedge accounting relationship	3,219	3,154
Financial assets at amortized cost	402	276
Other interest income	50	34
<b>Total interest income</b>	<b>2,327</b>	<b>1,898</b>

#### *Interest expenses*

Total interest expenses increased from €1,488 million in 2010 to €1,865 million in 2011, an increase of €377 million, or 25.3%. This increase was mainly due to the impact of the net interest income of derivatives involved in a micro fair value hedge accounting relationship which decreased by €362 million in 2011 compared to 2010.

Interest expenses (amounts received) on derivatives involved in a micro fair value hedge accounting relationship declined by €362 million, because of the maturation of swaps with high coupons. BNG Bank pays the floating rate and receives the fixed rate. In 2011 the fixed (longer) rates declined and the floating (short) rates rose. Although payments received by BNG Bank remained positive, the net amount received declined because the receivable fixed coupons decreased and the payable floating rates increased.

An increase in interest expenses on financial liabilities involved in a micro fair value hedge accounting relationship of €79 million in 2011 compared to 2010, was due to an increase in the size of the portfolio and higher costs owing to increased liquidity spreads, offset in part by the decline in interest rates BNG Bank pays on its fixed-rate borrowings as well as decreased costs due to shorter-term maturities of the portfolio as a whole. The decrease in financial liabilities at amortized cost of €86 million was due to decreased costs as a result of shorter-term funding available on more favorable pricing terms.

The table below sets forth interest expenses for the years 2011 and 2010.

	<b>Year ended 31 December</b>	
	<b>2011</b>	<b>2010</b>
	<b>(€millions)</b>	
Derivatives not involved in a hedge accounting relationship	122	115
Derivatives involved in a micro fair value hedge accounting relationship	(1,466)	(1,828)
Financial liabilities involved in a micro fair value hedge accounting relationship	2,584	2,505
Financial liabilities at amortized cost	601	687
Other interest expenses	24	9
<b>Total interest expenses</b>	<b>1,865</b>	<b>1,488</b>

### Commission result

Commission result was €27 million in 2011 and €29 million in 2010. Commission result declined by €2 million as income from loans and credit facilities declined by €2 million, which, in turn, reflected reduced levels of loans made in 2011 compared to 2010.

Commission income was €33 million in 2011 compared to €35 million in 2010. Commission income from the lending business decreased by €2 million (€16 million in 2011 compared to €18 million in 2010). Other commission income was unchanged between 2011 and 2010.

Commission expense was €6 million in 2010 and 2011.

### Result financial transactions

The table below sets out the fair value movements of various financial transactions recorded on the income statement as financial transactions for 2011 and 2010.

	Year ended 31 December	
	2011	2010
	(€millions)	
<b>Financial assets at fair value through the income statement</b>		
Market value adjustment as a result of changes in credit and liquidity spreads, of which:		
– investments	(66)	(31)
– structured loans	(48)	(14)
	<u>(114)</u>	<u>(45)</u>
<b>Result from hedge accounting</b>		
Financial assets involved in a fair value hedge accounting relationship	5,123	723
Financial liabilities involved in a micro fair value hedge accounting relationship	(2,169)	(359)
Derivatives involved in a hedge accounting relationship	<u>(2,943)</u>	<u>(372)</u>
	11	(8)
Results from sales of financial assets available-for-sale	12	12
Other market value adjustments <sup>1</sup>	2	4
	<u>(87)</u>	<u>(39)</u>

<sup>1</sup> In 2010, BNG Bank changed its presentation, netting out “other market value adjustments” with “derivatives not involved in a hedge accounting relationship”. In 2012, the foreign exchange results were included in this item, whereas in 2011, the foreign exchange results (2011: €2 million positive; 2010: €2 million negative) were recognized separately in Other results. The 2011 and 2010 comparative figures have been adjusted accordingly.

Results financial transactions was a net loss of €87 million in 2011 compared to a net loss of €39 million in 2010, an increase of €48 million. This result was due mainly to the net negative unrealized revaluation of interest-bearing securities and structured loans for which the changes in value were recognized in the income statement. As the European sovereign debt crisis worsened in the last couple of months of 2011, credit and liquidity spreads increased significantly resulting in the negative unrealized revaluations. Despite the continuing pressure on the value of these assets, no impairment was deemed necessary in 2011.



The result from hedge accounting was a net gain of €1 million in 2011 compared to a net loss of €3 million in 2010. The change from period to period in financial assets at fair value through the income statement was primarily the result of the continuing European sovereign debt crisis as described above. As a result, market value adjustments went from a negative €45 million adjustment in 2010 to a negative €14 million adjustment in 2011. The other market value adjustments consist of financial assets not involved in a hedge accounting relationship (2011: gains of €191 million) and were largely offset by derivatives not involved in a hedge accounting (2011: losses of €89 million). The other market value adjustments also consist of the foreign exchange results. 2011 recorded a foreign exchange gain of €2 million compared to a loss of €2 million in 2010. 2011 and 2010 also benefited from €12 million of gains from the sale of financial assets available-for-sale.

#### *Other results*

Other results included €4 million and €5 million of income from consultancy services in each of 2011 and 2010.

#### *Staff costs and other administrative expenses*

Staff costs and other administrative expenses were €8 million in 2011 compared to €6 million in 2010.

The €3 million decrease was primarily due to staff costs being flat year on year (€5 million in 2011 and 2010) as salary increases slowed and there was slower growth in the workforce while administrative expenses declined due to a delay in a large project and lower information technology, temporary employment and consultancy costs.

The table below sets out staff costs for 2011 and 2010.

	<b>Year ended 31 December</b>	
	<b>2011</b>	<b>2010</b>
	<b>(€millions)</b>	
Wages and salaries	23	23
Pension costs	4	4
Social security costs	2	2
Addition to provisions	0	0
Other staff costs	6	6
	<b>35</b>	<b>35</b>

Staff costs were €5 million in 2010 and 2011. There was little change in the overall components of staff costs in each of 2011 and 2010.

Other administrative expenses decreased from €6 million in 2010 to €3 million in 2011, a decrease of €3 million, or 11.5%.

#### *Impairments*

Impairments of €7 million were recognized in 2011 and 2010 as well. Impairments of €6 million and €3 million relating to associates were recognized in each of 2011 and 2010, respectively. The higher levels in 2011 and 2010 related to a decision by BNG Bank to impair equity participations on several participations whose prospects were greatly impacted by the ongoing economic crisis.

The persistent euro crisis had a relatively limited impact on BNG Bank's high-quality loan portfolio. The higher risks in the loan portfolio resulted in an addition of €1 million to the incurred loss provision (€4 million in 2010), which amounted to €32 million at the end of 2011.

### *Profit before tax*

Profit before tax increased from €337 million in 2010 to €339 million in 2011, an increase of € million. The increase was due to the factors described above. BNG Bank's cost to income ratio was 15% in 2011 and 2010.

### *Taxes*

Tax expenses increased from €80 million in 2010 to €83 million in 2011, an increase of € million, or 3.8%. The increase was primarily the result of a one-time positive effect due to a switch by BNG Bank in 2010 to using IFRS valuations for financial instruments in determining tax returns retrospectively to 2005. In 2011, the tax paid was in line with the nominal tax rate of 25%.

### *Net profit*

As a result of the foregoing, net profit decreased from €257 million in 2010 to €256 million in 2011, a decrease of €1 million, or 0.4%.

### **Selected Balance Sheet Items for 2012, 2011 and 2010**

The table below summarizes selected balance sheet items of BNG Bank as of 31 December 2012, 31 December 2011 and 31 December 2010:

	<b>As of 31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>(€millions)</b>		
<b>Assets</b>			
Cash and balances with the central bank	2,834	5,149	1,073
Banks	10,171	8,448	7,382
Loans and advances	90,725	90,775	86,851
Financial assets available-for-sale	9,018	6,919	6,412
Financial assets at fair value through the income statement	3,476	3,322	3,052
Other financial assets	25,824	21,519	13,457
Total Assets	142,228	136,460	118,533
<b>Liabilities</b>			
Banks	6,223	7,469	6,037
Funds entrusted	12,139	10,944	7,677
Debt securities	99,424	100,907	92,321
Financial liabilities at fair value through the income statement	2,730	628	649
Other financial liabilities	18,692	14,367	9,320
Total liabilities	139,476	134,563	116,274

### *Assets*

In 2012, BNG Bank's total assets increased by €5.8 billion to €142.2 billion compared to €136.5 billion in 2011 and €118.5 billion in 2010. The loans and advances item decreased by €0.1 billion to €90.7 billion in 2012. The financial assets available-for-sale item increased by €2.1 billion to €9 billion, mainly

as a result of the expansion of the liquidity portfolio required by the Basel III regulations. Other financial assets increased from €1.5 billion in 2011 to €5.8 billion in 2012.

The main reason for the increase in the balance sheet total is due to the historically low long-term interest rates having major (accounting) consequences. Value changes of swap transactions to hedge the currency and interest rate risks and the associated collateral requirements are stated in the balance sheet. The inclusion in the balance sheet is particularly reflected in the strong rise of the asset item amounts due from banks (increase in collateral requirements) and the other financial liabilities items. The accounting effects will decrease as the general interest rate levels increase to more normalized levels or, in the long term, when the active swaps reach maturity. By contrast, the economic effects are limited as BNG Bank uses these swaps to fully hedge currency risk and largely hedge interest rate risk.

#### *Cash and balances with the central banks, banks and loans and advances*

Cash and balances with the Central Bank comprises all legal tender as well as cash balances and deposits held with the Dutch Central Bank and the ECB. The Banks and loans and advances items comprises all receivables from banks and the extended loans and advances insofar as measured at amortized cost, as well as interest-bearing securities insofar as they are not traded on an active market. The Amounts due from banks and Loans and advances are recognized net of the incurred loss provision.

2012 compared to 2011

Cash and balances with the central bank decreased by €2.3 billion to €2.8 billion in 2012 from €5.1 billion in 2011. This was partially as a result of the increase in BNG Bank's collateral requirements, which reduced excess liquidity that had been placed with the central bank in 2011.

Banks increased by €1.7 billion, to €10.2 billion in 2012 compared with €8.5 billion in 2011. This was primarily due to increased levels of cash collateral held by BNG Bank in connection with swap arrangements with bank counterparties.

Loans and advances decreased by €0 million to €0.7 billion in 2012 compared with €0.8 billion in 2011. This decrease was mainly due to the decrease in new long term lending in 2012.

New long-term lending to client groups decreased by €1.2 billion to €1.1 billion in 2012 from €2.3 billion in 2011. The total long-term lending portfolio to clients based on notional amounts outstanding rose by €0.9 billion to €1.1 billion in 2012. The decrease in new long term lending was mainly attributable to the local government sector. The falling demand for credit in this sector was primarily caused by announced austerity measures, on the one hand, and declining revenues brought about by the worsening economic situation, on the other. Despite the relatively low levels of new loans to local governments, the rise in the total long-term lending portfolio was almost completely due to the growth of the portfolio in this sector driven by the funding in 2012 of loans contracted in previous years.

Following the peak in 2010, due to uncertainties regarding new regulations on WSW guarantee options, and the decline in 2011, demand from the housing association sector returned to a more usual level in 2012. Loans to housing associations attained a higher level in 2012 compared with 2011; primarily involving refinancing arrangements. As a result, BNG Bank's housing association loan portfolio only increased slightly despite the high demand for credit.

The demand in 2012 for new loans and advances from the healthcare sector was lower in scale compared to 2011. The healthcare portfolio showed relatively stable growth with an increase of €0.2 billion. Given the increased risks, BNG Bank was forced to approach demand, mainly from the healthcare sector, particularly with respect to transactions with solvency requirements, with caution in 2012. Credit risks have risen, due in part to the growing influence of market forces and the high turnover in recent years has contributed to an increased concentration risk for this portfolio of BNG Bank.

Due to deteriorating economic conditions and outlook among local governments and housing associations, the demand for lending subject to solvency requirements, which is common with regard to public-private partnerships, fell materially in these sectors in 2012. This development was adversely impacted by the relatively strong rise in credit spreads for these types of loans. Since the economic and financial crisis, this form of lending has been relatively expensive as a result of the necessarily higher risk spreads. The demand for lending subject to solvency requirements has also been under pressure, due to the postponement or even cancellation of investment plans as a result of the worsening economic outlook.

Reflecting these considerations, the volume of lending subject to solvency requirements decreased by €0.9 billion to €1.1 billion in 2012 compared to 2011.

Short-term lending to clients decreased to €5 billion in 2012 compared with €5.1 billion in 2011. Influenced by the low interest rates on long term debt, borrowers have opted to extend maturities to take advantage of these rates (although higher than interest rates on short term debt) resulting in a reduction in the consolidation of short-term lending in the past few years.

2011 compared to 2010

Cash and balances with the Central Bank increased by €4.1 billion to €5.1 billion in 2011 from €1.0 billion in 2010 as a result of BNG Bank's clients placing their excess liquidity with BNG Bank (Funds entrusted increased by €3.3 billion to €0.9 billion in 2011 and debt to Banks increased by €1.4 billion to €7.5 billion in 2011). In addition, BNG Bank obtained additional liquidity through use of its ECP program at the end of 2011. As a result of this excess liquidity and the increasing difficulty in finding suitable counterparties with which to deposit funds for short periods, BNG Bank had increasingly been using the ECB to temporarily deposit excess liquidity.

Banks increased by €1.1 billion, to €8.5 billion in 2011 compared with €7.4 billion in 2010. This was primarily due to increased levels of cash collateral held by BNG Bank in connection with swap arrangements offset in part by a decline in short-term loans to banks.

Loans and advances increased by €3.9 billion to €0.8 billion in 2011 compared with €6.9 billion in 2010. This increase was mainly due to the increase in the long-term lending portfolio. A factor which contributed to that increase was that BNG Bank was one of a select few institutions providing long-term lending (in excess of a thirty-year term) in 2011.

Long-term lending to client groups increased in 2011 by €6.2 billion to €80.2 billion. This rise was largely due to approximately €2.7 billion in lending to both the local government and housing sectors. Despite the lower level of demand, reduced repayments of loans in 2011 compared to 2010 led to an increase in the size of the portfolio. The healthcare portfolio showed relatively stable growth with an increase of €0.6 billion. The other sectors showed a slight increase or remained practically unchanged. Lending subject to solvency requirements, which is common with regard to public-private partnerships, increased by €0.7 billion.

Despite continuing low short-term interest rates, short-term lending to clients decreased to €5.1 billion in 2011 compared with €5.6 billion in 2010, due to lower (albeit fluctuating) long-term interest rates in 2011 and a slight increase in short-term interest rates compared to 2010.

#### *Financial assets available-for-sale*

Financial assets available-for-sale includes fixed and variable rate bonds and other interest-bearing securities issued by public authorities and others and equity instruments (insofar as these are not included in the financial assets at fair value through the income statement).

2012 compared to 2011

Financial assets available-for-sale increased by €2.1 billion to €9.0 billion in 2012 compared to €6.9 billion in 2011 primarily as a result of the expansion of the liquidity portfolio required by the Basel III regulations.

2011 compared to 2010

Financial assets available-for-sale increased by €0.5 billion to €6.9 billion in 2011 compared to €6.4 billion in 2010 primarily as a result of new investments aimed at building an enhanced liquidity portfolio.

#### *Financial assets at fair value through the income statement*

This item includes assets specifically designated as at fair value with changes in fair value recognized in the income statement, and derivatives not involved in a hedge accounting relationship.

2012 compared to 2011

Derivatives not involved in a hedge accounting relationship, which are used to hedge interest rate risk, decreased by €17 million to €73 million in 2012 from €1,090 million in 2011 due to the decline in the European Commercial Paper (ECP) portfolio. Loans and advances at fair value increased by €62 million to €73 million in 2012 from €11 million in 2011 and Securities at fair value increased by €309 million in 2012 to €1,630 million from €1,321 million in 2011 as a result of the low interest rates. The total redemption value of the loans and advances and securities at year-end 2012 is €2,161 million (2011: €2,175 million).

2011 compared to 2010

Derivatives not involved in a hedge accounting relationship increased by €30 million to €1,090 million in 2012 from €60 million in 2011 due to the increase in the ECP portfolio. Loans and advances at fair value increased by €3 million to €11 million in 2012 from €78 million in 2011 and Securities at fair value increased by €7 million in 2012 to €1,321 million from €1,314 million in 2011 as a result of new transactions. The total redemption value of the loans and advances and securities at year-end 2012 is €2,175 million (2011: €2,131 million).

#### *Other financial assets*

Other financial assets includes the fair value of derivatives involved in a hedge accounting relationship and the value adjustments concerning the effective part of the market value adjustment due to interest rate risks of assets hedged at portfolio level.

2012 compared to 2011

Other financial assets increased by €4.3 billion to €5.8 billion in 2012 compared to €1.5 billion in 2011 primarily as a result of the positive market value adjustments of assets hedged at portfolio level caused by lower interest rates compared to 2011.

2011 compared to 2010

Other financial assets increased by €8 billion to €1.5 billion in 2010 compared to €3.5 billion in 2010 primarily as a result of the depreciation of the Euro against the U.S. dollar and British pound and the decline in long-term interest rates.

#### *Liabilities*

In 2012 total liabilities increased by €4.9 billion to €39.5 billion compared to €34.6 billion in 2011 and €16.3 billion in 2010. The increase was largely due to market conditions. In addition, the accounting effect of fair value changes caused by a decline in fixed rates and increased spreads lead to increases in the other financial liabilities item. The continuing Euro sovereign debt crisis resulted in a flight to quality on the part of many of BNG Bank's clients who placed their excess liquidity with BNG Bank in 2011 and 2012. This is visible in the balance sheet item Funds entrusted.

#### *Banks*

2012 compared to 2011

Debts to Banks decreased by €1.3 billion to €6.2 billion in 2012 compared with €7.5 billion in 2011. The decrease was primarily due to lower levels of cash collateral received and lower volumes of deposits from banks.

2011 compared to 2010

Debts to Banks increased by €1.5 billion to €7.5 billion in 2011 compared with €6.0 billion in 2010. The increase was primarily due to BNG Bank's clients depositing their excess liquidity with BNG Bank as a result of continuing confidence in BNG Bank as a safe bank to trust with funds.

### *Funds entrusted*

2012 compared to 2011

The Funds entrusted item increased by €1.2 billion to €2.1 billion in 2012 compared with €0.9 billion in 2011. This increase was primarily due to continuing confidence in BNG Bank as a safe bank to trust with funds, the effect of which is increased during periods of economic uncertainty.

2011 compared to 2010

The Funds entrusted item increased by €3.2 billion to €0.9 billion in 2011 compared with €7.7 billion in 2010 as a result of BNG Bank's clients depositing additional funds with BNG Bank in the flight to quality experienced, particularly in the latter months of 2011.

### *Debt securities*

Debt securities includes debenture loans and other issued negotiable debt instruments, including certificates of deposit.

2012 compared to 2011

Debt securities decreased by €1.5 billion to €9.4 billion in 2012 compared with €10.9 billion in 2011. Debenture loans and Euro notes increased to €9.3 billion in 2012 from €8.9 billion in 2011. This increase was primarily due to the availability at reasonable prices of long-term funding in the capital markets. European commercial paper decreased to €1.1 billion in 2012 compared to €1.2 billion in 2011. The decrease was due to the increase in long-term funding and therefore reduced reliance on funding through the ECP program.

2011 compared to 2010

Debt securities increased by €8.6 billion to €10.9 billion in 2011 compared with €2.3 billion in 2010. Debenture loans and Euro notes increased to €8.9 billion in 2011 from €1.7 billion in 2010. This increase was primarily due to the depreciation of the Euro against the U.S. dollar and British pound and the decline in long-term interest rates. European commercial paper increased to €1.2 billion in 2011 compared to €0.6 billion in 2010. The increase was due to an increased use of BNG Bank's ECP program at the end of 2011 to raise short-term funding at favorable pricing as a precaution against the further narrowing of liquidity in the capital markets. BNG Bank uses its commercial paper program to fund a portion of its long-term lending to take advantage of low short-term rates.

### *Financial liabilities at fair value through the income statement*

This item includes liabilities specifically designated at fair value with changes in fair value recognized in the income statement, and derivatives not involved in a hedge accounting relationship.

2012 compared to 2011

Derivatives increased by €794 million in 2012 to €1,422 million from €628 million in 2011 as a result of lower interest rates. Debt securities was €1,308 million in 2012 (€0 million in 2011). The total redemption value of the debt securities at year-end 2012 was €1,054 million (€0 million in 2011). These interest-bearing securities were previously recognized under Debt Securities and the classification was adjusted in 2012.

2011 compared to 2010

Derivatives decreased by €21 million to €628 million in 2011 from €649 million in 2010.

### *Other financial liabilities*

2012 compared to 2011

Other financial liabilities includes the fair value of derivatives involved in a hedge accounting relationship. Other financial liabilities increased by €4.3 billion to €18.7 billion in 2012 compared to

€4.4 billion in 2011 primarily as a result of value changes of swap transactions to hedge the currency and interest rate risks caused by lower interest rates in 2012 compared to 2011.

2011 compared to 2010

Other financial liabilities includes the fair value of derivatives involved in a hedge accounting relationship. Other financial liabilities increased by €5.1 billion to €14.4 billion in 2011 compared to €9.3 billion in 2010 primarily as a result of the depreciation of the Euro against the U.S. dollar and British pound and the decline in long-term interest rates.

### **Information on Financial Assets**

The table below provides information on banks and loans and advances as at 31 December 2012, 2011 and 2010.

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>(€millions)</b>		
Banks	10,171	8,448	7,382
Loans and advances	90,725	90,775	86,851
	<u>100,896</u>	<u>99,223</u>	<u>94,233</u>
Of which an incurred loss provision is included in the <i>loans and advances</i> item	(39)	(32)	(31)
<i>The analysis of banks and loans and advances by remaining contractual term to maturity is as follows:</i>			
Up to three months	15,659	13,324	13,615
Longer than three months but not longer than one year	11,550	12,071	9,566
Longer than one year but not longer than five years	38,496	40,447	39,602
Longer than five years	35,191	33,381	31,450
	<u>100,896</u>	<u>99,223</u>	<u>94,233</u>
<i>The Movement in the incurred loss provision</i>			
Opening balance	(32)	(31)	(27)
Additions during the financial year	(8)	(1)	(4)
Withdrawals during the financial year	1	–	–
Closing balance	<u>(39)</u>	<u>(32)</u>	<u>(31)</u>

The tables below break down the financial assets carried on the balance sheet, including by market segment.

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(€millions)		
	<b>Balance sheet value</b>	<b>Balance sheet value</b>	<b>Balance sheet value</b>
Banks and loans and advances	100,896	99,223	94,233
Financial assets at fair value through the income statement	3,476	3,322	3,052
Financial assets available-for-sale	9,018	6,919	6,412
Other financial assets	25,824	21,519	13,457
	<u>139,214</u>	<u>130,983</u>	<u>117,154</u>
Of which derivatives and market value adjustments hedge accounting	(26,697)	(22,609)	(14,317)
	<u>112,517</u>	<u>(108,374)</u>	<u>102,837</u>

	<b>As at 31 December</b>					
	<b>2012</b>		<b>2011</b>		<b>2010</b>	
	<b>Balance sheet value</b>	<b>Of which not solvency free</b>	<b>Balance sheet value</b>	<b>Of which not solvency free</b>	<b>Balance sheet value</b>	<b>Of which not solvency free</b>
	(€millions)					
Public sector	35,872	522	33,128	682	33,378	677
Housing	42,812	1,023	42,920	1,195	40,085	1,222
Energy, Water and Telecom	2,054	2,010	2,083	2,033	2,074	2,017
Healthcare	7,956	2,319	7,747	2,292	7,325	1,919
Transport, Logistics and the Environment	1,921	880	1,914	948	1,801	829
Education	1,152	1,022	1,144	1,002	1,146	965
Credit institutions	11,310	3,876	8,978	4,947	6,616	5,293
Other financial institutions	6,165	4,982	7,683	6,016	8,073	6,426
Miscellaneous	3,275	1,713	2,777	1,644	2,339	1,628
	<u>112,517</u>	<u>18,347</u>	<u>108,374</u>	<u>20,759</u>	<u>102,837</u>	<u>20,976</u>



### *Interest-bearing securities portfolio*

The table below includes the assets on the basis of outstanding principal amounts and classified by type. The assets originate from the balance sheet items: banks, loans and advances, financial assets available-for-sale and financial assets at fair value through the income statement.

	<b>As at 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>(€millions)</b>	
<b>Domestic</b>		
Government bonds	1,000	425
IBS with government guarantee	88	91
IBS with National Mortgage Guarantee	1,259	1,542
Covered Bonds	460	435
Building society	450	937
Medium Term Notes	77	140
ABS/MBS	443	811
Miscellaneous	322	443
	<hr/>	<hr/>
	4,099	4,824
<b>Foreign</b>		
Government bonds	2,791	2,424
Supranational institutions	723	425
European Investment Bank	535	–
IBS with government guarantee	1,538	1,497
Covered Bonds	1,300	1,425
Medium Term Notes	122	140
ABS/MBS	1,548	1,859
Miscellaneous	543	881
	<hr/>	<hr/>
	9,100	8,651
<b>Total</b>	<hr/>	<hr/>
	<u>13,199</u>	<u>13,475</u>

At 31 December 2012 over 87% of the securities portfolio had ratings of A or better (over 95% in 2011) with over 47% of the securities portfolio carrying ratings of AAA (over 50% in 2011) and 14% carrying ratings of AA (24% in 2011).

At the end of 2012 the exposure related to the financially weaker EU countries was as follows:

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Non- investment grade</u>	<u>Total</u>
<b>Ireland</b>						
ABS/MBS		22	228	92	7	349
		22	228	92	7	349
<b>Italy</b>						
Government bonds			843			843
ABS/MBS	78		88	74		240
Loans and Advances						
IBS with government guarantee				24	28	52
	78		931	98	28	1,135
<b>Portugal</b>						
ABS/MBS			74			74
Loans and Advances					132	132
Covered bonds				25		25
IBS with government guarantee					134	134
			74	25	266	365
<b>Spain</b>						
Government Bonds				50		50
ABS/MBS	115		395	229	102	841
Loans and Advances				102	20	122
Covered bonds			477	632		1,109
IBS with government guarantee	2		21		46	69
Medium Term Notes					60	60
	117		893	1,013	228	2,251
<b>Total exposure</b>	217		2,126	1,228	529	4,100

## Liquidity and Capital Resources

### Cash flow analysis for BNG Bank for 2012, 2011 and 2010

The following table sets out selected cash flow information for 2012, 2011 and 2010.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	<u>(€millions)</u>		
Total cash flow from operating activities	(670)	1,300	(2,942)
Total cash flow from investing activities	(139)	832	60
Total cash flow from financing activities	(1,380)	1,815	3,392
Net movement in cash and cash equivalents	(2,189)	3,947	510

### Cash flow from operating activities

BNG Bank's total cash flow from operating activities was a cash outflow of €670 million in 2012 compared with a cash inflow of €1,300 million in 2011 and a cash outflow of €2,942 million in 2010. The

change in 2012 was due to increased net cash outflows as a result of increases in amounts due from banks and due to banks (an outflow of €2,791 million in 2012 compared with an inflow of €429 million in 2011) mainly due to more cash collateral paid (obligations) and less cash collateral received. Cash inflows on funds entrusted decreased to €619 million in 2012 compared with €2,676 million in 2011 due to lower interest rates. In addition, the movement in derivatives caused largely by the depreciation of the Euro against the U.S. dollar, resulted in a cash outflow of €990 million in 2012 compared to a cash outflow of €322 million in 2011. The overall effect of these movements was offset in part by the net cash inflow on loans and advances of €2,668 million compared to cash outflow of €1,333 million in 2011 due to lower interest rates and more redemptions than in 2011.

The change in 2011 was primarily due to net cash outflows from increases in loans and advances (€1,333 million in 2011 compared to €5,042 million in 2010), due to reduced levels of cash inflows from movement in banks (€429 million in 2011 compared to €1,239 million in 2010) and due to increased levels of funds entrusted (€2,676 million in 2011 compared to €72 million in 2010). The overall effect of these movements was offset in part by movement in derivatives which contributed a cash outflow of €322 million in 2011 compared to a cash inflow of €884 million in 2010.

#### *Cash flow from investing activities*

Cash flows from investing activities were outflows of €139 million in 2012 compared with inflows of €332 million in 2011 and inflows of €60 million in 2010. The flows from investing activities are principally related to the acquisitions and disposals, repayments and redemptions of financial assets at fair value through the income statement and financial assets available-for-sale as compared to the cash inflows for investments and acquisitions and financial assets at fair value through the income statement and financial assets available-for-sale. The results in 2012 were largely due to the stabilized investment activities of BNG Bank following the results in 2011 and 2010, which were largely due to the increased activity during the period of depressed market prices for financial assets.

#### *Cash flow from financing activities*

Cash flows from financing activities were outflows of €1,380 million in 2012, inflows of €1,815 million in 2011 and inflows of €3,392 million in 2010. Net borrowings in 2012 reflected cash outflows of €1,195 million (repayments of debt securities exceeding borrowings). Net borrowings in 2011 reflected cash inflows of €1,947 million (borrowings exceeding repayments of debt securities). Net borrowings in 2010 reflected cash inflows of €3,614 million as substantial borrowing exceeded repayments to support high levels of lending. BNG Bank paid dividends of €64 million, €128 million and €139 million in 2012, 2011 and 2010 respectively.

#### ***External sources of funding, financing and indebtedness***

BNG Bank's long-term funding is almost entirely carried out through the issuance of bonds under this standardized Program with €90 billion (or the equivalent in other currencies) available to be issued under the Program. At 31 December 2012, the equivalent of €84.1 billion had been issued under this Program. BNG Bank's funding policy is designed to provide it flexibility to respond to investor demand. This approach seeks to strengthen relations with investors and enable the bank to attract funding on competitive terms. BNG Bank raises loans in several currencies, with the terms and conditions tailored to the needs of both institutional and private investors. In addition to the Debt Issuance Program, BNG Bank has a Kangaroo Medium Term Note program for issuing up to AUD 5 billion denominated in Australian and New Zealand dollars. At 31 December 2012, AUD 1.7 billion had been issued under this program.

As confidence in financial institutions began to recover in 2010, BNG Bank's funding activities in the international capital markets also increased. The increase in confidence combined with the monetary easing policies of many governments had a positive effect on the credit and liquidity risk spreads paid by BNG Bank and on the variation in the terms of new issues during the second half of 2010. BNG Bank benefitted from the benign conditions in 2010 and raised long-term funding of €18.2 billion as average spreads paid for such funding declined during 2010. These favorable trends for BNG Bank carried over into the first half of 2011.

The second half of 2011 was marked by reduced activity in the capital markets, which were largely closed to European financial institutions many of whom experienced difficulty raising long-term debt at customary spreads due to the continuing European sovereign debt crisis. As a result, the credit and

liquidity spreads BNG Bank paid on long-term funding increased during the last two months of 2011. As a result of the volatile funding conditions that persisted during 2011, BNG Bank utilized most of its long-term funding prior to the end of 2011, turning to short-term borrowings at favorable rates at the end of 2011 to maintain liquidity. As a precaution against the further narrowing of liquidity in the capital markets, BNG Bank increased use of its ECP program at the end of 2011 with €12 billion outstanding at the end of the year.

As was the case during 2011, the credit and liquidity risk spreads BNG Bank had to pay for funding with long maturities were high during 2012. Partly as a result, BNG Bank issued more relatively small yet long-term tailored loans in various currencies to investors. These developments allowed BNG Bank to attract sufficient long-term funding and thus maintain its liquidity profile at an adequate level in 2012. To cushion any temporary shocks in the availability or the pricing of long-term funding, BNG Bank increased the maximum volume of its ECP program by €5.0 billion to €20 billion in early 2012. BNG Bank continued to enjoy its reputation as a “safe haven” in 2012, resulting in parties preferring to place their temporary excess liquidity with BNG Bank. This in turn allowed BNG Bank to meet its short-term funding needs on very attractive conditions. BNG Bank has been able to improve its liquidity profile since 2010, particularly in the first half of 2011 and the second half of 2012, attracting long-term funding with relatively long maturities and reducing the use of its short-term Euro commercial paper program to a more normal level, which was €10.1 billion at the end of 2012, a reduction of €1.9 billion from €12 billion at the end of 2011.

BNG Bank obtained long-term funding for its lending and refinancing purposes in 2012 of €5.2 billion (2011: €6.4 billion; 2010: €8.2 billion) by means of 187 issues (2011: 122 issues; 2010: 154 issues). The weighted average maturity of the issues throughout 2011 decreased in comparison to 2010 by 0.5 years from 6.9 years in 2010 to 6.4 years in 2011 and increased slightly to 6.5 years in 2012. In 2012, the bank issued in 13 different currencies and in 2011 and 2010 the bank issued in 12 and 11 different currencies, respectively.

The currency and interest risks of bonds are fully hedged.

The following table sets out certain details of BNG Bank’s funding for each of the last three years.

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Volume (€billions)	15.2	16.4	18.0
Average duration (yr)	6.49	6.36	6.95
Number of trades	187	122	154
Percentage of volume by currency			
EUR	43.2%	48.9%	48.9%
USD	34.1%	35.5%	26.4%
GBP	4.2%	6.6%	6.8%
JPY	0.0%	0.1%	0.0%
CHF	0.7%	2.2%	6.0%
Kangaroo AUD	1.8%	1.6%	0.8%
Other AUD	1.8%	1.1%	5.7%
Kauri NZD	0.0%	0.3%	0.0%
Other NZD	0.6%	0.1%	0.4%
Maple CAD	0.0%	0.0%	0.8%

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Other CAD	0.9%	0.5%	1.0%
HKD	0.0%	0.0%	0.3%
Nordic fx	4.1%	2.4%	2.4%
Emerging fx	8.5%	0.8%	0.4%
Number of currencies	13	12	11
Plain Vanilla	83.7%	93.8%	93.5%
Structured	16.3%	6.2%	6.5%
Public	82.3%	72.1%	85.7%
Private	17.7%	27.9%	14.3%
New issues	78.1%	80.3%	85.3%
Taps	21.9%	19.7%	14.7%
Benchmarks	66.0%	57.9%	58.2%
Other	34.0%	42.1%	41.8%

Each year, BNG Bank issues a number of benchmark loans so that BNG Bank yield curves in Euros and U.S. dollars continue to be available to institutional investors. In 2012 BNG Bank issued five benchmark loans in Euros and U.S. dollars with amounts ranging from 1.0 to 2.5 billion. In 2011, BNG Bank issued eight benchmark loans in euros and U.S. dollars with amounts ranging between 1.0 to 2.0 billion. In 2010, BNG Bank issued 11 benchmark loans in Euros and U.S. dollars with amounts ranging between 1.0 to 2.0 billion. The Euro equivalent of the total amount of issued benchmark loans (including taps of benchmark loans) in 2012 was €8.9 billion compared to €9.3 billion in 2011 and €10.5 billion in 2010. The share of Euro-denominated issues amounted to 43.2% in 2012 (48.9% in 2011). Apart from the Euro, bonds were principally denominated in U.S. dollars (34.1% in 2012 and 35.5% in 2011).

The following table presents BNG Bank's long-term funding by currency of issuance as at 31 December for each of the last three years.

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>(€billions)</b>		
Euros	44.4	41.8	35.1
U.S. dollars	23.1	23.5	23.4
British pounds	6.0	6.1	6.1
Australian and New Zealand dollars	5.3	5.6	5.4
Swiss francs	5.7	5.6	5.4
Japanese yen	2.6	3.0	2.4
Other	6.2	3.8	3.8
Total (in Euros)	93.3	89.4	81.7

BNG Bank also obtained funding through borrowings from banks and funds entrusted. In 2012 borrowings from Banks decreased by €1.3 billion to €6.2 billion mainly as a result of reductions in deposits and cash collateral received from collateral obligations related to derivative contracts. In 2011 borrowings from Banks increased by €1.5 billion to €7.5 billion primarily as a result of increased deposits by BNG Bank's clients. In addition, during 2012 the funds entrusted item increased to €12.1 billion from €10.9 billion in 2011, which was itself an increase from €7.7 billion in 2010. These increases are due to continuing deposits by various financial institutions, which have since the end of 2009, placed their surplus funds with BNG Bank.

***Analysis of financial liabilities according to remaining contractual terms to maturity***

The amounts shown represent all non-discounted future cash flows of the financial liabilities as at 31 December 2012.

	Up to three months	Longer than three months but not longer than one year	Longer than one year but not longer than five years	Longer than five years	Total
	(€millions)				
Banks	(4,034)	(1,090)	(1,104)	–	(6,228)
Financial liabilities at fair value through the income statement (excluding derivatives)	(48)	(293)	(293)	(910)	(1,544)
Funds entrusted	(4,098)	(841)	(2,017)	(10,703)	(17,659)
Debt securities	(10,154)	(17,281)	(50,664)	(29,126)	(107,225)
Subordinated debts	(1)	(2)	(9)	(47)	(59)
Other liabilities	(75)	-	-	-	(75)
Total liabilities	(18,410)	(19,507)	(54,087)	(40,786)	(132,790)

***Irrevocable commitments and secured assets***

The following table sets forth BNG Bank's irrevocable facilities.

	<u>As at 31 December</u>	
	<u>2012</u>	<u>2011</u>
	(€millions)	
<b>Irrevocable facilities</b>		
This includes all irrevocable commitments that may lead to the granting of loans and advances.		
Master agreements concerning the unused part of credit facilities	4,502	4,418
Contracted loans and advances to be extended in the future	2,868	3,994
Total	<u>7,370</u>	<u>8,412</u>

These contracted loans and advances are granted in accordance with the contracts, as follows:

	<u>As at 31 December</u>	
	<u>2012</u>	<u>2011</u>
	(€millions)	
<b>Irrevocable facilities</b>		
Up to three months	1,190	1,290
Longer than three months but not longer than one year	1,146	1,612
Longer than one year but not longer than five years	532	1,092
Total	<u>2,868</u>	<u>3,994</u>

In view of the security provided for money market transactions and lending transactions, parts of BNG Bank's assets are not freely disposable.

	<u>As at 31 December</u>	
	<u>2012</u>	<u>2011</u>
	(€millions)	
<b>Encumbered assets</b>		
BNG Bank has extended debenture loans and subordinated loans to DNB as collateral for funds withdrawn	14,144	12,929
Security extended to other financial institutions	15	15
Total	<u>14,159</u>	<u>12,944</u>

### *Solvency and Capital*

The standards under Basel II set by DNB for the principal capital ratios are based on the Capital Adequacy Directives of the European Union and the Basel Committee for Banking Supervision. These ratios compare the bank's total capital and core capital with the total of risk-weighted assets and off-balance sheet items as well as the market risk of the trading portfolios. The minimum requirements for the bank's total capital and core capital are 8% and 4% of the risk-weighted assets respectively. BNG Bank's policy is to maintain low funding costs in order to achieve its target. BNG Bank has set a minimum limit of 18% for the BIS-ratio core capital (tier 1) within its capitalization and dividend policy. At the end of 2012, BNG Bank's BIS-ratio core capital (tier 1) was 22%, and its core capital was €2,576 million.

The table below gives an overview of the available capital and the minimum required capital according to the standards of DNB.

	<u>31 December 2012</u>		<u>31 December 2011</u>		<u>31 December 2010</u>	
	<u>Minimum requirement</u>	<u>Present</u>	<u>Minimum requirement</u>	<u>Present</u>	<u>Minimum requirement</u>	<u>Present</u>
Total capital (€millions)	938	2,576	932	2,431	895	2,280
BIS-ratio total capital	8%	22%	8%	21%	8%	20%
Core capital	469	2,576	466	2,356	447	2,190
BIS-ratio core capital						
Tier 1	4%	22%	4%	20%	4%	20%

### ***Basel III***

Under Basel III, a number of new liquidity ratios will be introduced. In addition to the leverage ratio, BNG Bank will also report the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR indicates to what extent BNG Bank can absorb a stressed net outgoing cash flow over a 30-day period with an adequate liquid assets buffer. The NSFR is a ratio for liquidity over a one-year period. This ratio is calculated by dividing the available stable funding by the required stable funding. Both the LCR and the NSFR should be at least 100%. BNG Bank meets these minimum requirements. The 3% leverage ratio stipulated by Basel III in respect of 2018 is a greater challenge.

This ratio is a full percent higher than the 2% which BNG Bank has applied until now. The manner in which the leverage ratio of Basel III should be implemented is still far from clear. The European Banking Authority has been asked to carry out a monitoring procedure in order to determine the effect of this ratio on the banking sector. A final decision on the format and introduction of this ratio is not expected until the end of 2015. As this ratio includes 100% of all loans and advances, irrespective of their creditworthiness, the ratio will have a profound impact on BNG Bank because its lending largely consists of loans free of credit risk that are granted to or guaranteed by Dutch government authorities at a national or local level.

BNG Bank has developed a Basel III migration plan which describes how BNG Bank intends to comply with this ratio. In this context, BNG Bank decided in 2012 to reduce the dividend to a pay-out percentage of 25%. The possibility of issuing hybrid capital that qualifies as Tier 1 capital is also part of the migration plan. By taking these measures, BNG Bank aims to prevent threats to client lending due to constrictive capital ratios.

### ***Hedging risks with derivatives***

BNG Bank applies economic hedging in order to eliminate nearly all foreign exchange risks and keep interest rate risks at the desired level. It has put in place a system of limits and procedures that are strictly adhered to and monitored on a daily basis. Foreign exchange and interest rate risks are principally hedged with the aid of derivatives. The treatment of derivatives and hedged items in the balance sheet and income statement is such that they are aligned with the actual economic hedging. BNG Bank processes this hedging relationship under IFRS in two ways: micro and portfolio fair value hedging. In the paragraph on the accounting principles the conditions are described that need to be met before these forms of hedge accounting can be applied.

Although BNG Bank uses derivatives for economic hedging purposes as permitted by IFRS, it is not always possible to include these in a hedge accounting relationship. The fair values of the derivatives that are not involved in a hedge accounting relationship are stated in the balance sheet item financial assets at fair value through the income statement if the value is positive, or the balance sheet item financial liabilities at fair value through the income statement if the value is negative. For the few derivatives where this is the case, the hedged item is also designated as a financial asset at fair value through the income statement so that, on a net basis, the volatility of the result arising from derivatives is limited.

The derivatives are included in various balance sheet items, depending on their treatment under IFRS. Derivatives are always recognized in the balance sheet at fair value. Derivatives contracts with a positive fair value are stated as assets on the balance sheet while derivatives with a negative value are stated as liabilities.

As of 1 July 2011, BNG Bank applies cash flow hedge accounting to virtually all long-term transactions in foreign currencies in order to protect the bank's result against possible variability in future cash flows due to exchange rate fluctuations. Under IFRS, BNG Bank is obligated to recognize the change in the instrument's fair value in its accounts. Under IFRS, the effects of this accounting mismatch must be recognized in the income statement as value adjustments to derivatives. With the use of cash flow hedge accounting as of 1 July 2011, the effective part of the cash flow hedge is recognized in a cash flow hedge reserve in equity. The interest results of both the hedging instrument and the hedged item are accounted for in the income statement in the same period. At year-end 2012, BNG Bank recognized €69 million negative (2011: €282 million negative) as effective value adjustment of hedging instruments in equity by virtue of cash flow hedging.



## **Off Balance Sheet Arrangements and Contingent Liabilities**

### ***Off balance sheet arrangements***

BNG Bank has no off balance sheet arrangements, as determined for purposes of IFRS-EU.

### ***Contingent liabilities***

This includes all commitments arising from transactions for which the bank has issued guarantees on behalf of a third party. For a limited part these guarantees are covered by a counter-guarantee from public authorities. This mainly relates to letters of credit with a remaining contractual term of more than five years, which the bank has issued on behalf of clients in the utility sector. BNG Bank records contingent liabilities at the maximum accounting loss that would need to be compensated in the event of the counterparty defaulting. BNG Bank's contingent liabilities in 2012 were €289 million (2011: €482 million; 2010: €478 million).

## **Critical Accounting Policies and Estimates**

The preparation of BNG Bank's consolidated financial statements requires it to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are described in the principle accounting policies that can be found in the Notes to the 2012 financial statements included in BNG Bank's 2012 annual report which is incorporated by reference in this Base Prospectus.

## CONSOLIDATED BALANCE SHEET

(€millions)

<b>Assets</b>	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Cash and cash equivalents	2,834	5,149	1,073
Banks	10,171	8,448	7,382
Loans and advances	90,725	90,775	86,851
Financial assets at fair value via the income statement	3,476	3,322	3,052
Financial assets available-for-sale	9,018	6,919	6,412
Other financial assets	25,824	21,519	13,457
Associates and joint ventures	89	108	109
Property and equipment	18	19	21
Other assets	73	201	176
Assets held for sale	–	–	
<i>Total assets</i>	<u>142,228</u>	<u>136,460</u>	<u>118,533</u>
<b>Liabilities</b>			
Banks	6,223	7,469	6,037
Funds entrusted	12,139	10,944	7,677
Subordinated loans	33	93	92
Debt securities	99,424	100,907	92,321
Financial liabilities at fair value via the income statement	2,730	628	649
Other financial liabilities	18,692	14,367	9,320
Other liabilities	235	155	178
<i>Total liabilities</i>	<u>139,476</u>	<u>134,563</u>	<u>116,274</u>
Equity	2,752	1,897	2,259
<i>Total liabilities and equity</i>	<u>142,228</u>	<u>136,460</u>	<u>118,533</u>

## CONSOLIDATED INCOME STATEMENT

(€millions)

	<i>2012</i>	<i>2011</i>	<i>2010</i>
Interest income	2,115	2,327	1,898
Interest expenses	1,642	1,865	1,488
Interest result	473	462	410
Income from associates and joint ventures	(2)	0	2
Commission income	31	33	35
Commission expenses	6	6	6
Commission result	25	27	29
Result financial transactions	88	(87)	(39)
Other results	4	4	5
<i>Total income</i>	<b>588</b>	<b>406</b>	<b>407</b>
Staff costs	38	35	35
Other administrative expenses	25	23	26
Staff costs and other administrative expenses	63	58	61
Depreciation	1	2	2
<i>Total expenses</i>	<b>64</b>	<b>60</b>	<b>63</b>
Impairments	32	7	7
Bank levy	32	-	-
<i>Profit before tax</i>	460	339	337
Taxes	(128)	(83)	(80)
<b>Net profit</b>	<b>332</b>	<b>256</b>	<b>257</b>

**CONSOLIDATED CASH FLOW STATEMENT**  
(€millions)

	<i>2012</i>	<i>2011</i>	<i>2010</i>
<b>Cash flow from operating activities</b>			
Profit before tax	460	339	337
<i>Adjustments for:</i>			
– Depreciation	1	2	2
– Impairment	32	6	3
– Associates and joint ventures	–	–	(2)
– Unrealised results through the income statement	(75)	101	49
– Additions to provisions	–	1	4
	(42)	110	56
<i>Cash flow generated from operations</i>	418	449	393
– Movement in banks (not due on demand)	(2,791)	429	1,239
– Movement in loans and advances	2,688	(1,333)	(5,042)
– Movement in funds entrusted	619	2,676	72
– Movement in derivatives	(990)	(322)	884
– Taxes received/paid	(28)	(104)	(37)
– Other movements in cash flow from operating activities	(534)	(495)	(451)
Bank Levy	(32)	–	–
	(1,088)	851	(3,335)
Total cash flow from operating activities	(670)	1,300	(2,942)
<b>Cash flow from investing activities</b>			
<i>Investments and acquisitions</i>			
– Financial assets at fair value via the income statement and financial assets available-for-sale	(2,142)	(2,527)	(1,373)
– Associates and joint ventures	(2)	(5)	(3)
– Property and equipment	–	–	(1)
	(2,144)	(2,532)	(1,377)
<i>Disposals, repayments and redemptions</i>			
– Financial assets at fair value via the income statement and financial assets available-for-sale	2,005	3,364	1,436
– Associates and joint ventures	–	–	–
– Property and equipment	–	–	1
	2,005	3,364	1,437
Total cash flow from investing activities	(139)	832	60
<b>Cash flow from financing activities</b>			
Receipts in respect of debt securities	25,359	27,353	27,629
Repayments in respect of debt securities	(26,554)	(25,406)	(24,015)
Repayments of financial liabilities at fair value through the income statement	(56)	–	–
Subordinated loans	(65)	(4)	(83)
Dividend paid	(64)	(128)	(139)
Total cash flow from financing activities	(1,380)	1,815	3,392
<b>Net movement in cash and cash equivalents</b>	(2,189)	3,947	510
Cash and cash equivalents as of January 1	5,022	1,075	565
<b>Cash and cash equivalents as of December 31</b>	2,833	5,022	1,075
<i>Cash and cash equivalents as of December 31 is comprised of the following:</i>			
Cash and cash equivalents	2,834	5,149	1,073
Cash equivalents under the bankers (asset) item	2	4	2
Cash equivalents under the bankers (liability) item	(3)	(131)	–
	2,833	5,022	1,075

## **EXTRACT OF THE ARTICLES OF ASSOCIATION**

N.V. Bank Nederlandse Gemeenten (referred to for purposes of this section, “*Extract of the Articles of Association*” as the “**Company**”) was established in the Netherlands by Deed dated 23 December 1914.

Set out below are translated extracts of the Articles of Association of N.V. Bank Nederlandse Gemeenten as last altered by Deed dated 21 June 2005 and effective as per that date, a Ministerial declaration of non-objection having been granted on 27 May 2005.

### **Article 6**

#### **Shareholders and shares**

1. Only the following may be shareholders: the State of the Netherlands, provinces, municipalities, water control corporations and other public bodies.

### **Article 8**

#### **Executive board**

1. The management of the Company shall be entrusted to an Executive Board consisting of two or more members, including a president, under the supervision of a Supervisory Board.
2. The president and the other members of the Executive Board shall be appointed and dismissed by the Supervisory Board, and may be suspended individually or collectively by the Supervisory Board at all times. In the event of suspension the time and conditions of the suspension shall also be determined.
3. The Company operates a policy for remuneration of the members of the Executive Board. The policy shall be determined by the general meeting of shareholders on a motion submitted by the Supervisory Board. The remuneration policy shall include as a minimum the subjects described in Article 383(c) to 383(e) of Book 2 of the Civil Code, insofar as they concern members of the Executive Board. The remuneration policy shall be submitted in writing to the general meeting of shareholders and at the same time submitted for inspection by the Works Council.
4. The remuneration of members of the Executive Board shall be determined by agreement to be concluded between the Company – represented in this matter by the Supervisory Board – and each of the members.
5. The meetings of the Executive Board shall be presided over by the President of the Executive Board.
6. The members of the Executive Board shall regulate their duties among themselves, after consultation with the Supervisory Board.

### **Article 9**

1. The Executive Board shall have power to represent the Company.  
This power of representation shall also be vested in:
  - (a) two members of the Executive Board acting jointly;
  - (b) one member of the Executive Board together with a holder of a power of attorney.
2. The Executive Board may, subject to the approval of the Supervisory Board, confer on members of the Executive Board and employees of the Company the power to represent the Company, subject to the Executive Board’s responsibility and with due observance of the limitations which it considers necessary, and shall determine the titles to be carried by them.

### **Article 11**

1. Without prejudice to the approvals required elsewhere in these Articles of Association, the prior approval of the Supervisory Board shall be required for resolutions of the Executive Board concerning:

- (a) the issue and acquisition of the Company's shares and debentures or of debentures of a limited partnership or general partnership in which the Company is a general partner with unlimited liability;
  - (b) application for a listing or cancellation of a listing for the items referred to at a in the price list of any stock exchange;
  - (c) the taking up of a loan with a maturity of over twenty years on the strength of an acknowledgement of debt signed under hand if the loan exceeds an amount specified by the Supervisory Board, and the conditions of such a loan;
  - (d) the conclusion or termination of lasting cooperation between the Company or a dependent company on the one hand and another company or legal person on the other or as general partner with unlimited liability in a limited partnership or general partnership, if this cooperation or termination is of far-reaching significance for the company;
  - (e) the acquisition of a holding worth at least one fourth of the amount of the issued capital with reserves, according to the balance sheet with explanatory notes of the Company, by it or a dependent company in the capital of another company, and any significant expansion or reduction of such a holding;
  - (f) investments which require an amount equal to at least one fourth of the Company's issued capital with reserves, according to its balance sheet with explanatory notes;
  - (g) a resolution to amend the articles of association;
  - (h) a resolution to dissolve the Company;
  - (i) a petition for liquidation and application for a suspension of payment of debts;
  - (j) termination of the employment of a substantial number of employees of the Company or of a dependent company at the same time or within a short space of time;
  - (k) a far-reaching change in the working conditions of a substantial number of employees of the Company or of a dependent company;
  - (l) a resolution to reduce the issued capital;
  - (m) the acquisition, encumbering and alienation of immovable property and other property subject to registration on behalf or at the expense of the company;
2. Notwithstanding the approvals required elsewhere in these articles of association, the approval of the general meeting of shareholders is required for resolutions of the Executive Board concerning an important change in the identity or the character of the Company or the business, including as a minimum:
- (a) transfer of the business or nearly the entire business to a third party;
  - (b) concluding or terminating a long-term collaboration of the Company or a subsidiary with another artificial person or company or as a completely liable partner in a limited partnership or general partnership, if this cooperation or termination is of far-reaching significance to the Company;
  - (c) acquiring or disposing by the Company or a subsidiary of a participating interest in the capital of a company with a value of at least one third of the amount of the issued capital with the reserves in accordance with the balance sheet with explanatory notes or, if the Company prepares a consolidated balance sheet, in accordance with the consolidated balance sheet as included in its most recently adopted annual accounts, as well as significantly increasing or decreasing such a participating interest;
  - (d) investments or disinvestments to at least the amount referred to under c.

The absence of the approval of the general meeting of shareholders of a resolution referred to in this paragraph does not affect the authority of the entire Executive Board or its individual members to represent the Company.

3. The Executive Board shall inform the general meeting of shareholders in time about developments and insights within the company or the business which may result in a significant change in the identity or the character of the Company or business.

## **Article 12**

### **Supervisory board**

1. The Supervisory Board shall determine the number of its members, being at least nine and not more than eleven members.
2. The Supervisory Board shall determine the number of its members. An incomplete Board shall nevertheless retain its powers.
3. The Supervisory Board shall draw up a profile of its size and composition, taking into account the nature of the Company, its activities and the required expertise and background of the supervisory directors. The Board shall discuss the profile for the first time upon adoption, and thereafter each time when there is a change in the general meeting of shareholders, and with the Works Council.
4. Notwithstanding the provisions of paragraph 7, the members of the Supervisory Board shall be appointed by the general meeting of shareholders on the nomination of the Supervisory Board. The Supervisory Board shall announce the nomination to the general meeting of shareholders and to the Works Council at the same time. Reasons must be given for the nomination.
5. The general meeting of shareholders and the Works Council may recommend persons to the Supervisory Board for nomination as Supervisory Director. For this purpose the Supervisory Board shall inform them in due time when, as a result of what and in accordance with which profile a vacancy must be filled. If for the vacancy the new powers to nominate one-third of the members making up the Supervisory Board referred to in paragraph 5 apply, the Supervisory Board must also give notice of this.
6. The Works Council shall recommend the nomination of one third of the members of the Supervisory Board. The Supervisory Board shall place such nominations on a list, unless it objects to the nomination because it anticipates that the recommended person will be unsuitable for the duties of supervisory director or that the Supervisory Board following appointment in accordance with the nomination will not be properly constituted. If the number of Supervisory Board members cannot be divided by three, the nearest lower number that can be divided by three shall be considered for determining the number of members to which the new powers of the Works Council apply.
7. If the Supervisory Board objects, it shall inform the Works Council of this, stating reasons. The Supervisory Board shall consult the Works Council without delay to reach agreement on the nomination. If the Supervisory Board establishes that no agreement can be reached, a representative of the Supervisory Board designated for that purpose shall request the Enterprise Section to declare the objection unfounded. The Supervisory Board shall place the recommended person on the list of candidates if the Enterprise Section declares the objection well-founded. If the Enterprise Section declares the objection well-founded, the Works Council may make a new nomination in accordance with the provisions of paragraph 5.
8. The general meeting of shareholders may reject the nomination by an absolute majority of the votes cast representing at least one third of the issued capital.

If not at least one third of the issued capital was represented at the meeting, a new meeting may be convened at which the nomination can be rejected by an absolute majority of the votes cast. In that case the Supervisory Board shall draw up a new list of nominations. Paragraphs 4, 5 and 6 apply. If the general meeting of shareholders does not appoint the nominated person and does not resolve to reject the nomination, the Supervisory Board shall make the appointment.

## **Article 23**

### **Appropriation of profits**

1. Profits shall be distributed after adoption by the general meeting of shareholders of the annual accounts showing that this is permissible.
2. The company may make payments to the shareholders from the profits available for distribution only in so far as its equity capital exceeds the amounts of the paid-up part of the capital plus the reserves which have to be kept by law.
3. First of all, if possible, the profits available for distribution shall be used to add an amount of ten per cent (10%) of the profit of the financial year as evidenced by the annual accounts to the general reserve; out of any surplus remaining thereafter, the shareholders shall, if possible, be paid five per cent (5%) of the nominal amount of their shareholding.
4. The remainder shall be paid to the shareholders in proportion to the nominal amount of their shareholdings, in so far as the general meeting of shareholders does not allocate this to reserves.
5. The company shall be empowered to make interim distributions of profits, subject to the provisions of Article 105, paragraph 4, of Book 2 of the Civil Code.

## **Article 25**

### **Alteration of the Articles of Association and dissolution**

1. Resolutions to alter the Articles of Association and to dissolve the company may be passed only at a general meeting of shareholders at which over half of the issued capital is represented and also at least two thirds of the votes validly cast are in favor of the proposed alteration or dissolution.
2. If the requisite issued capital is not represented at the meeting referred to in paragraph 1, a new meeting shall be called within a period of at least fourteen days, not including the day of the notice and that of the meeting, and no more than one month; the day, time and place of the meeting shall be immediately determined by the executive board or the supervisory board. A resolution may be passed at this meeting, irrespective of the capital represented there, provided that it is passed by at least two thirds of the votes cast.



## TAXATION

### Netherlands Taxation

#### *General*

The following is a general summary of certain Netherlands tax consequences of the acquisition, holding and disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as investors that are subject to taxation in Bonaire, Sint Eustatius and Saba and trusts or similar arrangements) may be subject to special rules. In view of its general nature, it should be treated with corresponding caution. Holders or prospective holders should consult with their tax advisors with regard to the tax consequences of investing in the Notes in their particular circumstances. The discussion below is included for general information purposes only.

Except as otherwise indicated, this summary only addresses Netherlands national tax legislation and published regulations, as in effect on the date hereof and as interpreted in published case law until this date, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

#### *Withholding tax*

All payments of principal and/or interest made by the Issuer under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, unless the Notes qualify as equity of the Issuer for Netherlands tax purposes.

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

Please note that the summary in this section does not describe the Netherlands tax consequences for:

- (i) holders of Notes if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest or deemed substantial interest in the Issuer under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in the Netherlands Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) holds rights to acquire, directly or indirectly, such interest; or (iii) holds certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis; and
- (ii) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in the Netherlands Corporate Income Tax Act 1969; *Wet op de vennootschapsbelasting 1969*) and other entities that are exempt from Netherlands corporate income tax.

#### *Residents of the Netherlands*

Generally speaking, if the holder of the Notes is an entity that is a resident or deemed to be resident of the Netherlands for Netherlands corporate income tax purposes, any payment under the Notes or any gain or loss realised on the disposal or deemed disposal of the Notes is subject to Netherlands corporate income tax at a rate of 25% (a corporate income tax rate of 20% applies with respect to taxable profits up to €200,000 in the 2013 tax year).

If a holder of the Notes is an individual, resident or deemed to be resident of the Netherlands for Netherlands income tax purposes (including the non-resident individual holder who has made an election for the application of the rules of the Netherlands Income Tax Act 2001 as they apply to residents of the

Netherlands), any payment under the Notes or any gain or loss realised on the disposal or deemed disposal of the Notes is taxable at the progressive income tax rates (with a maximum of 52%), if:

- (i) the Notes are attributable to an enterprise from which the holder of the Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise without being a shareholder (as defined in the Netherlands Income Tax Act 2001); or
- (ii) the holder of the Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Notes that are (otherwise) taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above-mentioned conditions (i) and (ii) do not apply to the individual holder of the Notes, such holder will be taxed annually on a deemed income of 4% of his/her net investment assets for the year at an income tax rate of 30%. The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The Notes are included as investment assets. A tax free allowance may be available. An actual gain or loss in respect of the Notes is as such not subject to Netherlands income tax.

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

A holder of the Notes will not be subject to Netherlands taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain or loss realised on the disposal or deemed disposal of the Notes, *provided that*:

- (i) such holder is neither resident nor deemed to be resident of the Netherlands nor has made an election for the application of the rules of the Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands;
- (ii) such holder does not have an interest in an enterprise or deemed enterprise (as defined in the Netherlands Income Tax Act 2001 and the Netherlands Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are attributable; and
- (iii) in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the Notes that go beyond ordinary asset management activities and does not derive benefits from the Notes that are (otherwise) taxable as benefits from other activities in the Netherlands.

#### ***Gift and inheritance taxes***

##### *Residents of the Netherlands*

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of such Notes who is resident or deemed resident of the Netherlands at the time of the gift or his/her death.

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

No Netherlands gift or inheritance taxes will arise on the transfer of Notes by way of gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident in the Netherlands, unless the transfer is construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

#### ***Value added tax (VAT)***

No Netherlands VAT will be payable by the holders of the Notes on any payment in consideration for the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

### ***Other taxes and duties***

No Netherlands registration tax, customs duty, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable by the holders of the Notes in respect of or in connection with the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC (the “**EU Savings Directive**”) on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35% which may decrease the net proceeds on the Notes received by an investor. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

The Issuer has undertaken to maintain at all times a Paying Agent in a EU member state that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive. If any payment is made by a Paying Agent that is obliged to withhold tax pursuant to the EU Savings Directive, the Issuer will not be required to pay any additional amounts in respect of such withholding pursuant to Condition 8 (*Taxation*).

### **United States Federal Income Taxation**

*This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Notes. This tax disclosure was written in connection with the promotion or marketing of the Notes by the Issuer, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (the “Code”). Holders should seek their own advice based on their particular circumstances from independent tax advisers.*

The following is a discussion of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Registered Notes by U.S. Holders as described below. This disclosure does not address Bearer Notes, which generally may not be offered or sold in the United States or to U.S. Holders. Unless an exemption applies, a U.S. Holder of a Bearer Note or Coupon will not be entitled to deduct any loss on the Bearer Note or Coupon and must treat as ordinary income any gain realized on the sale or other disposition (including the receipt of principal) of the Bearer Note or Coupon. This discussion only applies to Notes that are purchased by a U.S. Holder described below who purchases Notes in the relevant offering at the “issue price,” which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money, and holds the Notes as capital assets.

This discussion does not describe all of the tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, nor does it describe all of the tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- regulated investment companies;
- insurance companies;
- real estate investment trusts;
- dealers in securities or foreign currencies;
- traders in securities that elect to use a mark-to-market method of tax accounting;
- persons holding Notes as part of a hedging transaction, straddle, conversion or other integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes; or
- persons carrying on a trade or business in the Netherlands.

If a partnership holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding Notes and partners in a partnership holding Notes should consult their tax advisors.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described herein, possibly with retroactive effect. Persons considering the purchase of Notes are urged to consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

This discussion applies only to Notes that are classified as indebtedness for U.S. federal income tax purposes. This discussion does not apply to every type of Note that may be issued under the Programme, including certain Dual Currency Interest Notes and any other Notes that are subject to different U.S. federal income tax consequences than those described below. Additional or alternative U.S. federal income tax consequences of such Notes may be addressed in a prospectus supplement.

As used herein, the term “U.S. Holder” means a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States or of any political subdivision thereof; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

#### *Payments of Interest*

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes, provided that the interest is qualified stated interest (as defined below). Interest income earned by a U.S. Holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant to a U.S. Holder in calculating the U.S. Holder’s foreign tax credit limitation. Special rules governing the treatment of interest paid with respect to OID Notes, including certain Variable Rate Notes and Foreign Currency Notes (each as defined below), are described under “— *Original Issue Discount and Variable Rate Notes*” and “— *Foreign Currency Notes*” below.

Any amounts withheld with respect to interest paid on the Notes and any additional amounts paid with respect thereto pursuant to the Notes would be treated as ordinary interest income.

### *Original Issue Discount and Variable Rate Notes*

A Note that is issued at an issue price less than its “stated redemption price at maturity” will be considered to have been issued at an original issue discount for U.S. federal income tax purposes (and will be referred to in this section as an “**OID Note**”) unless the Note satisfies a *de minimis* threshold (as described below) or is a Short-Term Note (as defined below). The “stated redemption price at maturity” of a Note will equal the sum of all payments required under the Note other than payments of “qualified stated interest”. “Qualified stated interest” is stated interest unconditionally payable as a series of payments in cash or property (other than in debt instruments of the Issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest or, subject to certain conditions, based on one or more floating rates or indices.

All stated interest on a Variable Rate Note (as defined below) will constitute qualified stated interest if it provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term of the Note that is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually. Therefore, such a Variable Rate Note will not be treated as having been issued with original issue discount unless it is issued at a “true” discount (*i.e.*, at a price below the Note’s stated principal amount in excess of a specified *de minimis* amount). In general, a “**Variable Rate Note**” is a Note that provides for one or more qualified floating rates of interest, a single fixed rate and one or more qualified floating rates, a single objective rate, or a single fixed rate and a single objective rate that is a qualified inverse floating rate, as such terms are defined in applicable Treasury regulations, provided that the issue price of the Note does not exceed the total noncontingent principal payments due under the Note by more than an amount equal to the lesser of (x) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date or (y) 15% of the total noncontingent principal payments.

In general, a “qualified floating rate” is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Rate Note is denominated. An interest rate that is based on the product of a qualified floating rate and a fixed multiple, or that subjects a qualified floating rate to a cap, floor, governor or similar restriction, may also be treated as a qualified floating rate if certain conditions are satisfied. An “objective rate” is generally a rate that is determined using a single fixed formula and that is based on objective financial or economic information. If a Variable Rate Note provides for two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate. If interest on a debt instrument is stated at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate. Two or more qualified floating rates or a fixed rate and a variable rate will be conclusively presumed to meet the requirements of the preceding two sentences if the values of the applicable rates on the issue date are within 1/4 of one percentage point of each other. If a Variable Rate Note is issued at a “true” discount (*i.e.*, at a price below the Note’s stated principal amount) in excess of a specified *de minimis* amount, the U.S. federal income tax treatment of such Note will be more fully described in the applicable Final Terms.

If the difference between a Note’s stated redemption price at maturity and its issue price is less than a *de minimis* amount, *i.e.*, 1/4 of one percent of the stated redemption price at maturity, generally multiplied by the number of complete years to maturity, then the Note will not be considered to have original issue discount.

A U.S. Holder of OID Notes will be required to include any qualified stated interest payments in income in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes, as described under “—*Payments of Interest*”. U.S. Holders of OID Notes will be required to include original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant-yield method based on a compounding of interest. Under this method, U.S. Holders of OID Notes generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including stated interest, original issue discount or *de minimis* original issue discount, and unstated

interest as adjusted by any amortisable bond premium) in accordance with a constant-yield method based on the compounding of interest (a “constant-yield election”).

A Note that matures one year or less from its date of issuance, taking into account any unilateral rights to extend or roll over (a “**Short-Term Note**”) will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest. In general, a cash-method U.S. Holder of a Short-Term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so (but should include in income any stated interest upon receipt). U.S. Holders who so elect and certain other U.S. Holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant-yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange or retirement of the Short-Term Note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant-yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, such U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry Short-Term Notes in an amount not exceeding the accrued discount that has not been included in income.

Under applicable Treasury regulations, if the Issuer or the holder has an unconditional option to redeem a Note prior to its stated maturity, this option will be presumed to be exercised if, by utilizing any date on which the Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Note as the stated redemption price at maturity, in the case of the Issuer’s option, the yield on the Note would be lower than its yield to stated maturity or, in the case of the holder’s option, the yield on the Note would be higher than its yield to stated maturity. If this option is not in fact exercised, the Note would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new note were issued, on the presumed exercise date for an amount equal to the Note’s adjusted issue price on that date. A Note’s adjusted issue price is generally its issue price (as defined above), increased by the amount of any original issue discount includible in gross income and decreased by the amount of any payment previously made on the Note other than payment of qualified stated interest.

#### *Contingent Debt Obligations*

Special rules govern the tax treatment of debt obligations that are treated under applicable Treasury regulations as providing for contingent payments (“**Contingent Debt Obligations**”). These rules generally require accrual of interest income on a constant-yield basis at an assumed yield determined at the time of issuance of the obligation. Adjustments will be required to these accruals when any contingent payments are made that differ from the payments calculated based on the assumed yield. Any gain on the sale, exchange or retirement of a Contingent Debt Obligation will be ordinary income. The U.S. federal income tax treatment of any Notes that are treated as Contingent Debt Obligations will be more fully described in a prospectus supplement.

#### *Amortisable Bond Premium*

If a U.S. Holder purchases a Note for an amount that is greater than the sum of all amounts payable on the Note other than qualified stated interest, the U.S. Holder will be considered to have purchased the Note with amortisable bond premium equal to this excess. The U.S. Holder may elect to amortise this premium, using a constant-yield method, over the remaining term of the Note. Special rules may apply in the case of Notes that are subject to optional redemption. A U.S. Holder may generally use the amortisable bond premium allocable to an accrual period to offset qualified stated interest required to be included in the U.S. Holder’s income with respect to the Note in that accrual period. A U.S. Holder who elects to amortise bond premium must reduce the U.S. Holder’s tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations held by the U.S. Holder on or after the first day of the taxable year in which the election is made and may be revoked only with the permission of the Internal Revenue Service (the “**IRS**”).

If a U.S. Holder makes a constant-yield election (as described under “—*Original Issue Discount and Variable Rate Notes*” above) for a Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the U.S. Holder’s debt instruments with amortisable bond premium and may be revoked only with the permission of the IRS with respect to debt instruments held or acquired after the election.

### *Sale, Exchange or Retirement of the Notes*

Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis in the Note. Gain or loss, if any, will generally be U.S. source for purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes, the amount realised does not include any amount attributable to accrued qualified stated interest, which will be treated as interest as described under "*—Payments of Interest*" above. A U.S. Holder's adjusted tax basis in a Note generally will equal such U.S. Holder's initial investment in the Note increased by any original issue discount included in income and decreased by any bond premium previously amortised and principal payments or payments other than qualified stated interest previously received.

Except as described below, gain or loss realised on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. Exceptions to this general rule apply in the case of a Short-Term Note, to the extent of any accrued discount not previously included in the U.S. Holder's taxable income. See "*—Original Issue Discount and Variable Rate Notes*" above. In addition, other exceptions to this general rule apply in the case of certain Foreign Currency Notes and Contingent Debt Obligations. See "*—Foreign Currency Notes*" below and "*—Contingent Debt Obligations*" above.

### *Foreign Currency Notes*

The rules applicable to Notes denominated in (or the payments on which are determined by reference to) a single currency other than U.S. dollars (referred to in this section as "**Foreign Currency Notes**") could require some or all of the gain or loss on the sale, exchange or retirement of a Foreign Currency Note to be recharacterised as ordinary income or loss. The rules applicable to Foreign Currency Notes are complex and their application may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. Holder should make any of these elections may depend on the U.S. Holder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of Foreign Currency Notes.

A U.S. Holder who uses the cash method of tax accounting and who receives a payment of qualified stated interest (or who receives proceeds from a sale, exchange or retirement attributable to accrued qualified stated interest) in a foreign currency with respect to a Foreign Currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined based on a spot rate on the date the payment is received) regardless of whether the payment is in fact converted into U.S. dollars at that time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency received.

An accrual-method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount, but reduced by amortisable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Foreign Currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder may recognise ordinary income or loss (which will not be treated as interest income or expense, but will be treated as U.S. source income or loss) with respect to accrued interest income on the date the interest payment or proceeds from the sale, exchange or retirement attributable to accrued interest is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined based on a spot rate on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of cash-method U.S. Holders who are required to currently accrue original issue discount on a Foreign Currency Note. An accrual-method U.S. Holder may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Original issue discount and amortisable bond premium on a Foreign Currency Note are to be determined in the relevant foreign currency.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis will reduce interest income in units of the relevant foreign currency. Gain or loss attributable to fluctuations in currency exchange rates will be realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as it would have been treated on the sale, exchange or retirement of the Foreign Currency Note. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any bond premium will be taken into account in determining the overall gain or loss on the Notes and any loss realised on the sale, exchange or retirement of a Foreign Currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium, subject to the discussion of foreign currency loss below.

A U.S. Holder's tax basis in a Foreign Currency Note, and the amount of any subsequent adjustment to the U.S. Holder's tax basis (including adjustments for original issue discount included as income and any bond premium previously amortised or principal payments received), will be the U.S. dollar value of the foreign currency amount paid for such Foreign Currency Note, as discussed below, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. Holder who purchases a Foreign Currency Note with previously owned foreign currency will recognise ordinary income or loss in an amount equal to the difference, if any, between the U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the Foreign Currency Note on the date of purchase.

Gain or loss realised upon the sale, exchange or retirement of a Foreign Currency Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of (or if the Note is traded on an established securities market, on the settlement date if the holder is a cash basis U.S. Holder or an electing accrual basis U.S. Holder); and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on Foreign Currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by a U.S. Holder on the sale, exchange or retirement of the Foreign Currency Note. The foreign currency gain or loss for U.S. Holders will be U.S. source. Any gain or loss realised by a U.S. Holder in excess of the foreign currency gain or loss will be capital gain or loss (except in the case of a Short-Term Note, to the extent of any discount not previously included in the U.S. Holder's income).

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a Foreign Currency Note equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. Provided the Foreign Currency Notes are traded on an established securities market, a cash-method U.S. Holder who buys or sells a Foreign Currency Note is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. An accrual-method U.S. Holder may elect the same treatment for all purchases and sales of Foreign Currency Notes, provided the Foreign Currency Notes are traded on an established securities market. This election cannot be changed without the consent of the IRS. Any gain or loss realised by a U.S. Holder on a sale or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase Foreign Currency Notes) will be ordinary income or loss.

A U.S. Holder may be required to file a reportable transaction disclosure statement with the U.S. Holder's U.S. federal income tax return, if such U.S. Holder realises a loss on the sale, exchange or retirement of a Foreign Currency Note and such loss is greater than applicable threshold amounts, which differ depending on the status of the U.S. Holder. A U.S. Holder that claims a deduction with respect to a Foreign Currency Note should consult its own tax adviser regarding the need to file a reportable transaction disclosure statement.



### *Backup Withholding and Information Reporting*

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Individuals and certain other U.S. Holders may be required to report to the IRS certain information relating to Notes not held through a U.S. financial institution. U.S. Holders who fail to report the required information could be subject to substantial penalties.

### *Potential U.S. FATCA withholding after 31 December 2016*

Under certain provisions of the Code (commonly referred to as "FATCA") and the U.S. Treasury regulations thereunder, BNG Bank, if BNG Bank enters into an agreement (a "FATCA agreement") with the IRS, or a non-U.S. intermediary that has entered into a FATCA agreement (a "participating FFI"), may be required to withhold 30% from certain payments made after 31 December 2016 to the extent such payments are considered to be "foreign passthru payments" (which term is not yet defined in FATCA), but only if such payments are made to a "foreign financial institution" that is not a participating FFI and is made on Notes issued or materially modified on or after the later of 1 January 2014 and the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payments" are issued. It is not yet clear whether or to what extent payments on the Notes may be treated as foreign passthru payments.

In addition, the U.S. Treasury Department is negotiating intergovernmental agreements with a number of countries (including the Netherlands). In the event that an intergovernmental agreement were applicable to BNG Bank, BNG Bank may not need to enter into a FATCA agreement with the IRS and BNG Bank may not be required to withhold on any foreign passthru payment made by it. Prospective investors should consult their tax advisers regarding the application of FATCA to an investment in the Notes.

### **Taxation in Luxembourg**

The comments below are intended as a basic summary of certain withholding tax consequences in relation to the purchase, ownership and disposition of the Notes under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.

#### ***Withholding tax***

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to certain individual Noteholders and to certain entities, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to certain individual Noteholders and to certain entities, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

*Luxembourg non-residents.* Under Luxembourg laws dated 21 June 2005 implementing the European Council Directive 2003/48/EC on the taxation of savings income (the 'Savings Directive') and several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union, a Luxembourg-based paying agent (within the meaning of the Savings Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual or certain "residual entities" resident or established in another Member State or in certain EU dependent or associated territories, unless the beneficiary of the interest payments elects for an exchange of information or, in case of an individual beneficiary, for the tax certificate procedure. "Residual entities" within the meaning of Article 4.2 of the Savings Directive are entities which are not legal persons (the Finnish and Swedish companies listed in Article 4.5 of the Savings Directive are not considered as legal persons for this purpose), whose profits are not taxed under the general arrangements for the business taxation, and that are not and have not opted to be considered as UCITS recognized in accordance with the European Council Directive 85/611/EEC as replaced by the

European Council Directive 2009/65/EC), or similar collective investment funds located in Jersey, Guernsey, the Isle of Man, the Turks and Caicos Islands, the Cayman Islands, Montserrat or the British Virgin Islands.

The current withholding tax rate is 35 per cent. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries.

The European Commission has proposed certain amendments to the Savings Directive which, if implemented, may amend or broaden the scope of requirements described above.

*Luxembourg residents.* In accordance with the law of 23 December 2005, as amended by the law of 17 July 2008, on the introduction of a withholding tax on certain interest payments on savings income, interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents or to certain residual entities that secure interest payments on behalf of such individuals (unless such entities have opted either to be treated as UCITS recognized in accordance with the European Council Directive 85/611/EEC as replaced by the European Council Directive 2009/65/EC or for the exchange of information regime) are subject to a 10 per cent. withholding tax.

#### **The proposed financial transactions tax ("FTT")**

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain transactions relating to the Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution (as defined), and at least one party is established in a participating Member State. A party may be deemed to be "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## CERTAIN ERISA AND OTHER CONSIDERATIONS

### *Benefit Plan Investor Considerations*

The Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), and Section 4975 of the U.S. Internal Revenue Code of 1986, (the “**Code**”), impose certain requirements on (a) employee benefit plans subject to Title I of ERISA, (b) individual retirement accounts, Keogh plans or other arrangements subject to Section 4975 of the Code, (c) entities whose underlying assets include “plan assets” by reason of any such plan’s or arrangement’s investment therein (we refer to the foregoing collectively as “**Plans**”) and (d) persons who are fiduciaries with respect to Plans. In addition, certain governmental, church and non-U.S. plans (“**Non-ERISA Arrangements**”) are not subject to Section 406 of ERISA or Section 4975 of the Code, but may be subject to other laws that are substantially similar to those provisions (each, a “**Similar Law**”).

In addition to ERISA’s general fiduciary standards, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, *i.e.*, “parties in interest” as defined in ERISA or “disqualified persons” as defined in Section 4975 of the Code (we refer to the foregoing collectively as “parties in interest”) unless exemptive relief is available under an exemption issued by the U.S. Department of Labor. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. BNG Bank, and its current and future affiliates, including the calculation agent, may be parties in interest with respect to many Plans. Thus, a Plan fiduciary considering an investment in the Notes should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or Section 4975 of the Code. For example, the Notes may be deemed to represent a direct or indirect sale of property, extension of credit or furnishing of services between BNG Bank and an investing Plan which would be prohibited if BNG Bank is a party in interest with respect to the Plan unless exemptive relief were available.

In this regard, each prospective purchaser that is, or is acting on behalf of, a Plan, and proposes to purchase the Notes, should consider the relief available under the following prohibited transaction class exemptions, or PTCEs: (A) the in-house asset manager exemption (PTCE 96-23), (B) the insurance company general account exemption (PTCE 95-60), (C) the bank collective investment fund exemption (PTCE 91-38), (D) the insurance company pooled separate account exemption (PTCE 90-1) and (E) the qualified professional asset manager exemption (PTCE 84-14). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan neither pays more nor receives less than adequate consideration in connection with the transaction (the so-called “service provider exemption”). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Notes.

Each purchaser or holder of a Note, and each fiduciary who causes any entity to purchase or hold a Note, shall be deemed to have represented and warranted, on each day such purchaser or holder holds such Note, that either (i) it is neither a Plan nor a Non-ERISA Arrangement and it is not purchasing or holding the Note on behalf of or with the assets of any Plan or Non-ERISA Arrangement; or (ii) its purchase, holding and subsequent disposition of such Note shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any provision of Similar Law.

Fiduciaries of any Plans and Non-ERISA Arrangements should consult their own legal counsel before purchasing the Notes. Each purchaser of the Notes will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Notes does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any Similar Law. Nothing herein shall be construed as a representation that an investment in the Notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

## PLAN OF DISTRIBUTION

Under the Programme, Notes may be issued from time to time by the Issuer to any one or more of the Dealers. The Dealers have, in an amended and restated dealer agreement dated 7 December 1993 and most recently amended and restated on 3 July 2013 (the “**Dealer Agreement**”), agreed with the Issuer a basis upon which they or any of them may from time to time agree to subscribe Notes. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the maintenance of the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In addition, in the ordinary course of their business activities, the dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of BNG Bank or BNG Bank’s affiliates. Certain of the dealers or their affiliates that have a lending relationship with BNG Bank and routinely hedge their credit exposure to BNG Bank consistent with their customary risk management policies. Typically, such dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## GENERAL

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the preceding paragraph.

## UNITED STATES OF AMERICA

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and the Notes may not be offered, sold or delivered within the United States, or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws, or pursuant to an effective registration statement.

The Bearer Notes 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 United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended (the “**Code**”) and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Issuing

and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Issuing and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, other than pursuant to Rule 144A or in offshore transactions pursuant to Regulation S, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

The Dealer Agreement provides that any other Dealer may directly or through its respective agents or affiliates arrange for the resale of Restricted Registered Notes in the United States only to qualified institutional buyers pursuant to Rule 144A.

The Bearer Notes will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Code (the “**D Rules**”), unless the applicable Final Terms specify that the Notes will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(C) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Code (the “**C Rules**”).

In respect of Bearer Notes issued or to be issued in accordance with the D Rules, each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that:

- (a) except to the extent permitted under the D Rules, (i) it has not offered or sold, and during the restricted period will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person, and (ii) such Dealer has not delivered and will not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;
- (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if such Dealer is a United States person, it represents that it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and, if such Dealer retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) or any successor provision for purposes of Section 4701 of the Code; and
- (d) with respect to each affiliate (if any) that acquires from such Dealer Bearer Notes for the purposes of offering or selling such Notes during the restricted period, such Dealer either (i) hereby represents and agrees on behalf of such affiliate (if any) to the effect set forth in sub-paragraphs (a), (b) and (c) of this paragraph or (ii) agrees that it will obtain from such affiliate (if any) for the benefit of the Issuer the representations and agreements contained in sub-paragraphs (a), (b) and (c) of this paragraph.

Terms used in the above paragraph have the meanings given to them by the Code and regulations thereunder, including the D Rules.

Notes issued pursuant to the D Rules and any receipts or coupons appertaining thereto will bear the following legend:

“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.”

Where the C Rules are specified in the applicable Final Terms as being applicable in relation to any issue of Bearer Notes, such Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Accordingly, each Dealer has represented and agreed (and each additional Dealer appointed under the programme will be required to represent and agree) in respect of such Notes that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any such Notes within the United States or its possessions in connection with the original issuance. Further, each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) in connection with the original issuance of such Bearer Notes, that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such purchaser is within the United States or its possessions and will not otherwise involve the U.S. office of such Dealer in the offer and sale of Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the C Rules.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it has not entered and will not enter into any contractual arrangements with respect to the distribution or delivery of Notes except with its affiliates (if any) or with the prior written consent of the Issuer.

**PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS DIRECTIVE**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “**an offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending

Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

## **SELLING RESTRICTIONS ADDRESSING ADDITIONAL SECURITIES LAWS**

### **UNITED KINGDOM**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 or sale of any Notes in circumstances in which section 21(1) of the FSMA does not, or in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer; and
- (b) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

### **THE NETHERLANDS**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive if and to the extent Article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the “**FSMA**”) will be applied, unless such offer is made exclusively to qualified investors in The Netherlands as defined in the Prospectus Directive provided that no such offer of Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. For the purposes of this provision, the expressions (i) an “offer of Notes to the public” in relation to any Notes in The Netherlands; and (ii) “Prospectus Directive”, have the meaning given to them above in the paragraph headed with “*Public Offer Selling Restriction Under the Prospectus Directive*”.

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam, admitted in a function on one or more markets or systems held or operated by Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (*Wet inzake Spaarbewijzen*) of 21 May 1985 (as amended). No such mediation is required in respect of (a) in respect of the transfer and acceptance of rights representing an interest in a Global Note or a Global Note Certificate, (b) the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, (c) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (d) the transfer and acceptance of Zero Coupon Notes within, from or into the Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in the Zero Coupon Note in global form) of any particular Series or Tranche are issued outside the Netherlands and are not distributed into the Netherlands in the course of their initial distribution or immediately thereafter. In the event that the Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with and, in addition thereto, if such Zero Coupon Notes in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987, attached to the Royal Decree of 11 March 1987, (*Staatsblad 129*) (as amended), each transfer and acceptance should be recorded in a transaction note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of such Notes. For purposes of this paragraph “**Zero Coupon Notes**” means Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

## REPUBLIC OF ITALY

The offering of the Notes has not been registered pursuant to Italian securities legislation. Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Each of the Dealers has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will not offer, sell or deliver any Notes or distribute copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy except:

- (a) to “Qualified Investors”, pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (“**Decree No. 58**”) and as defined in Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended (“**Regulation No. 11971**”); or
- (b) that it may offer, sell or deliver Notes or distribute copies of any prospectus relating to such Notes in an offer to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, as implemented in Italy under Decree 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of publication of such prospectus; or
- (c) in any other circumstances where an express exemption from compliance with the public offering restrictions applies, as provided under Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (i) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended (“**Decree No. 385**”), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations; and
- (ii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

### Provisions relating to the secondary market in Italy

Investors should also note that, in any subsequent distribution of the Notes in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Notes are placed solely with qualified investors and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Notes were purchased, unless an exemption provided for under Decree No. 58 applies.

## FRANCE

Each Dealer has represented and agreed, and each further Dealer under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in France and that offers and sales of Notes in France will be made only to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) acting for their own account, other than individuals, as defined in Articles L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.



In addition, each Dealer has represented and agreed, and each further Dealer under the Programme will be required to represent and agree, that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France this Base Prospectus or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in France may be made as described above.

## **SPAIN**

Each Dealer has represented and agreed, and each further Dealer under the Programme will be required to represent and agree, that it has only made and will only make an offer of the Notes to the public (*oferta pública*) in Spain in the period beginning on the date of notification of the approval of this Base Prospectus in relation to the Notes by the AFM in the Netherlands to the ‘*Comisión Nacional del Mercado de Valores*’ (CNMV) in Spain, in accordance with the Spanish Securities Market Act (*Ley 24/1988 de 28 de julio, del Mercado de Valores*), as amended (the “**LMV**”), Royal Decree 1310/2005, of 4 November, developing partially the Spanish Securities Market Law as regards admission to listing on official secondary markets, public offers and the prospectus required thereto and the regulations made thereunder, and ending at the latest on the date which is 12 months after the date of the approval of this Base Prospectus.

The Notes may not be offered or sold in Spain other than by institutions authorised under the LMV and Royal Decree 217/2008, of 15 February, on the legal regime applicable to investment services companies, to provide investment services in Spain, and in compliance with the provisions of the LMV and any other applicable legislation.

## **JAPAN**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken, and each further Dealer appointed under the Programme will be required to undertake, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## **THE PEOPLE'S REPUBLIC OF CHINA**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will not be offered or sold directly or indirectly within the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan (the “**PRC**”)). This Base Prospectus or any information contained or incorporated by reference herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This Base Prospectus, any information contained herein or the Notes have not been, and will not be, submitted to, approved by, verified by or registered with any relevant governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC.

The Notes may only be invested by the PRC investors that are authorised to engage in the investment in the Notes of the type being offered or sold. Investors are responsible for obtaining all relevant governmental approvals, verifications, licences or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange, the China Securities Regulatory Commission, the China Banking Regulatory Commission, and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

## **HONG KONG**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or

(b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## **SINGAPORE**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase nor will it offer or sell Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed nor will it circulate or distribute this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:
  - (i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
  - (ii) where no consideration is or will be given for the transfer;
  - (iii) where the transfer is by operation of law; or
  - (iv) as specified in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Share and Debentures) Regulations.

## TRANSFER RESTRICTIONS

*As a result of the following restrictions, purchasers of Notes are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.*

### Regulation S Notes

Each purchaser of Bearer Notes or Unrestricted Registered Notes offered and sold outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and:
  - (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and
  - (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (ii) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:
  - (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or
  - (b) to the Issuer; or
  - (c) in the case of Unrestricted Registered Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB;in each case in accordance with any applicable securities laws of any State of the United States; and
- (iii) it understands that the Issuer, the Registrars, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer.

On or prior to the fortieth day after the relevant issue date, Notes represented by an interest in an Unrestricted Global Note Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in a Restricted Global Note Certificate only upon receipt by the relevant Registrar of a written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Note Certificate, as described above under “*Forms of the Notes*”.

Notes represented by an interest in a Restricted Global Note Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global Note Certificate, but only upon receipt by the relevant Registrar of a written certification from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in a Note represented by an Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Restricted Global Note Certificate will, upon transfer, cease to be an interest in a Note represented by an Unrestricted Global Note Certificate and become an interest in a Note represented by a Restricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Restricted Global Note Certificate.

### Rule 144A Notes

Each purchaser of Restricted Registered Notes in reliance on Rule 144A, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (i) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (ii) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Issuer or any of its affiliates, in each case in accordance with any applicable securities laws of any State of the United States and (2) it will, and each subsequent holder of the Restricted Registered Notes is required to, notify any purchaser of the Restricted Registered Notes from it of the resale restrictions applicable to the Restricted Registered Notes;
- (iii) either (A) it is not, it is not acting on behalf of, and for so long as it holds a Note (or any interest therein), it will not be (i) an “employee benefit plan” that is subject to Title I of ERISA, (ii) an individual retirement account or other arrangement subject to the U.S. Internal Revenue Code of 1986, as amended (the “Code”), (iii) an entity whose underlying assets include plan assets by reason of any such plan’s or arrangement’s investment therein or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (“**Similar Law**”), or (B) its purchase and holding of a Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any Similar Law;
- (iv) the purchaser understands that the Restricted Global Note Certificate and any restricted Individual Note Certificate (a “**Restricted Individual Note Certificate**”) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

“THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF THE NOTES REPRESENTED HEREBY, THE HOLDER (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE NOTES REPRESENTED HEREBY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE NOTES REPRESENTED HEREBY EXCEPT IN ACCORDANCE WITH THE ISSUING AND PAYING AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE ISSUE DATE AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH NOTES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE

EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THE NOTES REPRESENTED HEREBY ARE TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS NOTE CERTIFICATE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE ISSUING AND PAYING AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF BUT UPON NOTICE TO, THE HOLDERS OF THE NOTES REPRESENTED HERBY SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THE NOTES REPRESENTED HEREBY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THE NOTES REPRESENTED HEREBY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THE NOTES REPRESENTED HEREBY AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

BY ITS PURCHASE AND HOLDING OF THE NOTES REPRESENTED HEREBY (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED EITHER THAT (A) IT IS NOT, IT IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THE NOTES REPRESENTED HEREBY (OR ANY INTEREST THEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT SUBJECT TO THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF ANY SUCH PLAN'S OR ARRANGEMENT'S INVESTMENT THEREIN, OR (IV) A GOVERNMENTAL OR CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS PURCHASE AND HOLDING OF THIS SECURITY WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW."

- (v) if it is acquiring any Notes for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (vi) it understands that the Issuer, the Registrars, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer.

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate, or upon specific request for removal of the legend, the Issuer will deliver only a Restricted Global Note Certificate or one or more Restricted Individual Note Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the Issuer and the relevant Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate will, upon transfer, cease to be an interest in a Restricted Global Note Certificate and become an interest in an Unrestricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Note Certificate.

**Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## GENERAL INFORMATION

- The establishment of the Programme was authorised by the Executive Board of the Issuer on 29 November 1993, pursuant to the authorization of the Supervisory Board of the Issuer of 12 November 1993; the increase of the Programme amount to NLG 10,000,000,000 was authorised by the Executive Board on 19 July 1995; pursuant to the authorization of the Supervisory Board of 28 June 1995; a subsequent increase of the Programme amount to NLG 20,000,000,000 was authorised by the Executive Board on 25 March 1996; pursuant to the authorization of the Supervisory Board of 18 March 1996; a subsequent increase of the Programme amount to NLG 30,000,000,000 was authorised by the Executive Board on 7 July 1997, pursuant to the authorization of the Supervisory Board of 4 July 1997; a subsequent increase of the Programme amount to NLG 40,000,000,000 was authorised by the Executive Board on 10 February 1998, pursuant to the authorization of the Supervisory Board of 19 December 1997; a subsequent increase of the Programme amount to NLG 50,000,000,000 was authorised by the Executive Board on 7 September 1998, pursuant to the authorization of the Supervisory Board of 4 September 1998; on 21 December 1998, the Executive Board, pursuant to the authorization of the Supervisory Board of 18 December 1998, resolved to denominate the Programme in Euro and to increase the Programme amount at any time to €50,000,000,000, on 2 December 2002, the Executive Board, pursuant to the authorization of the Supervisory Board of 29 November 2002, resolved to increase the Programme amount to €60,000,000,000, on 1 December 2003, the Executive Board, pursuant to the authorization of the Supervisory Board of 28 November 2003, resolved to increase the Programme amount to €70,000,000,000, on 11 March 2008, the Executive Board, pursuant to the authorization of the Supervisory Board of 2 December 2005, resolved to increase the Programme amount to €80,000,000,000 (or its equivalent in other currencies). On 28 June 2010, the Executive Board, pursuant to the authorization of the Supervisory Board of 25 June 2010, resolved to update the Programme and to issue Notes, which may be offered in accordance with Rule 144A and Regulation S under the United States Securities Act of 1933, as amended, in order to enable BNG Bank to offer securities to qualified institutional buyers (as defined under Rule 144A) inside the United States and to investors outside the United States under the Programme without registration under the United States Securities Act of 1933. On 4 July 2011, the Executive Board resolved to update the Programme. On 18 October 2011, the Executive Board, pursuant to the authorization of the Supervisory Board of 17 October 2011, resolved to increase the maximum aggregate principal amount issued and outstanding under the Programme at any time to Euro 90,000,000,000 (or its equivalent in other currencies). On 14 May 2012, the Executive Board resolved to update the Programme. On 1 July 2013, the Executive Board resolved to update the Programme. Each issue of Notes under the Programme requires a separate resolution of the Executive Board to be passed prior to the date of issue of such Notes.
- There are not and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and its subsidiaries taken as a whole.
- There has been no material adverse change in the prospects of the Issuer since 31 December 2012, nor has there been any significant change in the financial or trading position of the Issuer or its subsidiaries, taken as a whole, which has occurred since 31 December 2012.
- Application may be made to list Notes issued under the Programme on the regulated market of the Luxembourg Stock Exchange. A notice relating to the issue (*Notice Légale*) as well as the Articles of Association (*statuten*) of the Issuer will be lodged with the *Registre de Commerce et des Sociétés à Luxembourg* where such documents may be examined and copies obtained. The Luxembourg Stock Exchange has allocated to the Programme no. 2286 for listing purposes.
- Application may be made to list Notes issued under the Programme on NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V. and on the SIX Swiss Exchange.
- The financial statements of the Issuer have been audited for the three financial years preceding the date of this Base Prospectus by Ernst & Young Accountants LLP, chartered accountants (*registeraccountants*), and unqualified opinions have been reported thereon. Ernst & Young

Accountants LLP is located in Amsterdam at the Antonio Vivaldistraat 150 (1083 HP), the Netherlands. The auditors (*registeraccountants*) of Ernst & Young Accountants LLP are members of the Netherlands Organisation of Accountants (NBA).

The auditor's report in respect of the financial statements for the years ended 31 December 2012, 31 December 2011 and 31 December 2010 (incorporated by reference) are included in the form and context in which they appear with the consent of Ernst & Young, who have authorised the inclusion of these auditor's reports.

7. For the life of the Base Prospectus and for so long as any Notes are outstanding, copies and, where appropriate, English translations of the following documents may be inspected to the extent available at the investor relation section of the website of BNG Bank, <http://www.bng.nl/smartsite.shtml?id=51607>, or alternatively during normal business hours at the specified office of the Paying Agent in Breda, London and Luxembourg, and be obtained free of charge, namely:
  - (a) the Deed of Incorporation and the Articles of Association (statuten) of the Issuer;
  - (b) the Issuing and Paying Agency Agreement (as amended);
  - (c) the audited financial statements for the three financial years preceding the date of the Base Prospectus and the latest audited financial statements and unaudited semi-annual financial statements of the Issuer;
  - (d) a copy of this Base Prospectus and any further prospectus or prospectus supplement prepared by the Issuer for the purpose of updating or amending any information contained herein or therein;
  - (e) each Final Terms in relation to listed issues of Notes; and
  - (f) any press releases that are published in relation to the Issuer or to issues of Notes.
8. The Issuer has no patents, licenses or agreements which are of significance to its business activities or its profit.
9. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.



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