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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

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 AA+ by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), AAA by Fitch Ratings Limited ("**Fitch**") and Aaa by Moody's Investors Service Limited ("**Moody's**"). Tranches (as defined herein) of Notes 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 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 any amendments thereto, 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.

The AFM shall notify the European Securities and Markets Authority ("**ESMA**"), a European Supervisory Authority, of the approval of this Base Prospectus and any supplement hereto at the same time as such approval is notified to the Issuer. In addition, the AFM shall provide ESMA with a copy of this Base Prospectus and any supplement hereto.

Application may be made for Notes to be admitted to trading on Euronext in Amsterdam ("**Euronext Amsterdam**"), the regulated market of Euronext Amsterdam N.V., the SIX Swiss Exchange Ltd and the regulated market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on

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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 in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. 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 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.bngbank.nl/investors) and in relation to any Tranche 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
Crédit Agricole CIB
Daiwa Capital Markets Europe
Goldman Sachs International
ING
Landesbank Baden-Württemberg
Morgan Stanley
Nomura
Rabobank
The Royal Bank of Scotland
Barclays
BNP PARIBAS
Commerzbank
Credit Suisse
Deutsche Bank
HSBC
J.P. Morgan
Mizuho Securities
Natixis
Norddeutsche Landesbank Girozentrale
RBC Capital Markets
TD Securities

The date of this Base Prospectus is 27 May 2015 and it replaces the Base Prospectus dated 19 June 2014.

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.

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SUMMARY

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'.

Section A – Introduction and Warnings		
A.1	**Introduction and warnings:**	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 by the investor including any documents incorporated by reference. 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.
A.2	**Consent to use of the Base Prospectus:**	Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "**Non-exempt Offer**". ***Issue specific summary:*** [Not Applicable. No Non-exempt Offer of the Notes will be made.] [*Consent:* Subject to the conditions set out below, the Issuer consents to the use of the Base Prospectus in connection with a Non-exempt Offer of Notes in a Non-exempt Offer Jurisdiction by the Dealer[s], [,] [and] [*names of specific financial intermediaries listed in final terms*] [and] [each financial intermediary whose name is published on the Issuer's website and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer] [and any financial intermediary which is authorised to make such offers under the applicable legalisation implementing the Directive 2004/39/EC] and publishes 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 Non-exempt 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 "Non-exempt Offer") in accordance and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus accordingly.*" In connection with this Non-exempt Offer, the Issuer accepts responsibility for the consent of the Base Prospectus in relation to any investor to whom an offer of any Notes in this Non-exempt Offer is made by any financial

		intermediary to whom the Issuer has given its consent to use the Base Prospectus (an "**Authorised Offeror**"), provided that such Non-exempt Offer has been made in accordance with all the conditions as described under "*Consent*" above and "*Conditions to consent*" below. *Offer period:* The Issuer's consent referred to above is given for Non-exempt Offers of Notes in [Austria][,][Belgium][,][Denmark][,][Finland][,][France][,][Germany][,][Ireland][,][Italy][,][Luxembourg][,][the Netherlands][,][Norway][,][Portugal][,][Spain][,][Sweden][and][the United Kingdom] (the "**Non-exempt Offer Jurisdiction[s]**") during the period from [ ] to [ ] (the "**Offer Period**"). *Conditions to consent*: The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are 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 Non-exempt Offers of the relevant Tranche of Notes in Non-exempt Offer Jurisdiction[s] [and (d) [*specify any other condition applicable to the Non-exempt Offer of the particular Tranche, as set out in the Final Terms*]]. **An investor intending to acquire or acquiring Notes in a Non-exempt Offer from an Authorised Offeror other than the Issuer will do so, and offers and sales of such Non-exempt 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 Non-exempt Offer or sale of the Non-exempt Offer Notes concerned and, accordingly, the Base Prospectus and any Final Terms will not contain such information.** **Each investor must look to the relevant Authorised Offeror at the time of any such Non-exempt Offer for the provision of information regarding the terms and conditions of the Non-exempt 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).]**
Section B – The Issuer		
B.1	**Legal and commercial name:**	The legal name of the Issuer is N.V. Bank Nederlandse Gemeenten. The commercial name of the Issuer is BNG Bank.
B.2	**Domicile and legal form, applicable legislation and country of incorporation:**	BNG Bank is a public company with limited liability (*naamloze vennootschap*) 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 Chamber of Commerce under no. 27008387.

B.4b	**Description of any known trends affecting the Issuer and the industries in which it operates:**	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 in the near- to medium-term remains uncertain due to several factors, including geopolitical risks, concerns around global growth and price stability. Risks to growth and stability stem mainly from continued imbalances in Europe and elsewhere, low growth levels in foreign markets and conflicts in Ukraine and the Middle East. Furthermore, uncertainty about how economies will respond to lower oil prices and the European Central Bank's (the "**ECB**") monetary policy measures, including the quantitative easing ("**QE**") programme that commenced in March 2015 affect growth and stability. In addition, there is a risk that Europe may suffer from deflation causing consumers and businesses to cut back on spending. The economy in the Netherlands remains 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 other de-stabilising forces such as geopolitical tensions or acts of terrorism. 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) has had and may in the future have an adverse effect on its business and/or results of operations. Although it is difficult for BNG Bank to predict what impact all of the recent regulatory changes, developments and heightened levels of scrutiny will have on BNG Bank, the enactment of legislation and regulations in the Netherlands, changes in other regulatory requirements and the transition to direct supervision by the ECB, have resulted in increased capital and liquidity requirements and increased operating costs and have impacted, and are expected to continue to impact, BNG Bank's business.
B.5	**Description of the Issuer's group and the Issuer's position within the group:**	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. 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.) • BNG Gebiedsontwikkeling B.V. • Hypotheekfonds voor Overheidspersoneel B.V.
B.9	**Profit forecast or estimate:**	Not Applicable. BNG Bank has not made any public profit forecasts or profit estimates.
B.10	**Qualifications in the Auditors' report:**	Not Applicable. The audit reports with respect to BNG Bank's audited financial statements as of and for the financial years ended 31 December 2014, 31 December 2013 and 31 December 2012 incorporated by reference in the Base Prospectus are unqualified.
B.12	**Selected Financial Information - Material/Significant Change:**	The selected historical key financial information for BNG Bank is set out below: **2014 2013 2012 2011 2010** **(€ millions, except percentages, per share and employee data)** Total Assets 153,505 131,183 142,228 136,460 118,533

		Loans and Advances	90,732	92,074	90,725	90,775	86,851
		of which granted to or guaranteed by public authorities .	81,036	81,701	79,666	78,548	75,247
		of which reclassified from the financial assets available-for-sale item	1,779	2,259	2,603	3,219	3,724
		Equity excluding Unrealised Revaluation [1]	2,974	2,918	2,718	2,450	2,321
		of which Unrealised Revaluation [2]	608	512	34	(553)	(62)
		Equity per share (in Euros) [1].....	53.38	52.41	48.81	44.00	41.68
		Leverage Ratio [3]	2.0%[4]	2.3%	2.0%	1.8%	2.0%
		CET 1 Ratio [3].....	24%	24%	22%	20%	20%
		Total Capital Ratio [3].....	24%	24%	22%	20%	20%
		Profit before tax	179	397	460	339	337
		Net Profit	126	283	332	256	257
		Profit per Share (in Euros).....	2.26	5.08	5.96	4.60	4.61
		Dividend (in Cash).....	32	71	83	64	128
		Dividend as a % of Consolidated Net Profit.....	25%	25%	25%	25%	50%
		Dividend per Share (in Euros)	0.57	1.27	1.49	1.15	2.30
		Employees (in FTEs) at Year-End	278	272	279	278	276
		– of which Subsidiaries	27	28	36	41	45

[1] *Excluding the revaluation reserve and the cash flow hedge reserve.*

[2] *This concerns unrealised revaluations within the equity, being the revaluation reserve and the cash flow hedge reserve. For further details, please refer to the report of the Executive Board - Financial review, section Balance sheet - and Notes 14 and 32 to the 2014 Financial Statements.*

[3] *The solvency ratios, leverage ratio, BIS Tier 1 ratio and BIS capital ratio for 2010-2013 were calculated and presented in accordance with the applicable Basel II regulations. The CRD IV/CRR regulations applied from 1 January 2014 and the 2014 solvency ratios, leverage ratio, BIS Tier 1 ratio and BIS capital ratio have therefore been calculated and presented on the basis of these regulations. The comparative figures for 2010-2013 have not been adjusted in line with the new regulations.*

[4] *Excluding revaluation reserve and 2014 net profit. If the revaluation reserve and the 2014 net profit were included in full, the leverage ratio as at 31 December 2014 would have been 2.3%.*

Material/Significant Change
There has been no material adverse change in the prospects of BNG Bank since 31 December 2014.

B.13	**Recent material events particular to the Issuer's solvency:**	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.14	**Dependency of Issuer upon other entities within group:**	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.15	**Principal activities of the Issuer:**	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.16	**Direct or Indirect ownership or**	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.

	control of the Issuer:	
B.17	**Credit ratings assigned to the Issuer or its debt securities:**	The Programme has been rated AA+ by Standard & Poor's, AAA by Fitch and 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. In November 2014, Standard & Poor's confirmed BNG Bank's AA+ rating and stable outlook. In May 2015, Fitch revised BNG Bank's AAA rating to AA+ and changed its outlook from negative to stable, following Fitch's review of sovereign support for banks globally. In March 2015, Moody's confirmed BNG Bank's Aaa rating and revised its outlook to stable from negative, following Moody's final assessment of the Bank Recovery and Resolution Directive (the "**BRRD**"), the Single Resolution Mechanism regulation (Regulation 806/2014, the "**SRM Regulation**") and the application of its new methodology for banks. 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. ***Issue specific summary:*** [The Notes to be issued[have been][are expected to be] specifically rated [*specify rating(s) of Tranche being issued*] by [*specify rating agency*].][The Notes to be issued have not been rated.]
Section C – Securities		
C.1	**Type and class of the Notes and Security Identification Number(s):**	The Notes described in this summary are debt securities which may be issued under the EUR 90,000,000,000 Programme. 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. 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. Notes denominated in Swiss francs ("**Swiss Franc Notes**") will be issued in bearer form and will be represented exclusively by a Permanent Global Note and if such Notes have a term of more than 365 days (taking into account any unilateral right to extend or rollover), issued in compliance 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 Internal Revenue Code of 1986, as amended. 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**"), a Note in respect of which interest is determined on another basis ("**Variable Interest Rate Note**"), 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 specified in the applicable Final Terms. A Note may be a Note redeemable in installments ("**Installment Note**"), a Note in respect of which principal is or may be payable in one or more currencies other than the Specified Currency in which it is denominated ("**Dual Currency Redemption Note**"), depending on the Redemption/Payment Basis specified in the applicable Final Terms. The security identification number(s) will be specified in the applicable Final Terms. ***Issue specific summary:*** Type: debt instruments. The Notes are [Fixed Rate Notes][Floating Rate Notes][Zero Coupon Notes][Dual Currency Interest Notes][Installment Notes][Dual Currency Redemption Notes][Variable Interest Rate Notes] and are in [bearer/registered] form. The Notes are issued as Series Number [*specify Series No.*]. The Aggregate Nominal Amount of the Notes is [*specify Aggregate Nominal Amount*]. *Security Identification Number(s):* [ISIN Code: [ ]] [Common Code: [ ]] [CUSIP: [ ]]
C.2	**Currencies:**	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 and Dual Currency Redemption Notes. ***Issue specific summary:*** The Specified Currency of the Notes is [Euro][Japanese yen][New Zealand dollar][British pound][Swiss franc][Chinese Renminbi][United States dollar][*specify any other currency that is applicable*].
C.5	**A description of any restrictions on the free transferability of the Notes:**	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. ***Issue specific summary:*** *U.S. Selling Restrictions*: [Regulation S Category 2; TEFRA [C [1] /D [2]] Rules applicable][TEFRA C and D Rules not applicable[3]][Regulation S Category 2 and 144A; TEFRA C and D Rules not applicable].
C.8	**Description of**	*Ranking (status)*

[1]To be used for Bearer Notes that are issued as Permanent Global Notes or Definitive Notes, which may not be offered or sold in the United States or to U.S. persons.

[2] 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.

[3] To be used for offerings of Registered Notes, or Bearer Notes with a term of one year or less (including unilateral rights to roll over or extend).

	the rights attached to the Notes:	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. *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. *Taxation* 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. *Events of Default* The Terms and Conditions of the Notes contain the following events of default: (i) if default is made in the payment of any principal or interest due on the Notes or any of them and such default continues for a period of 30 days; or (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 (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 (*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. *Meetings* 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. *Governing Law* The Notes and all related contractual documentation will be governed by, and construed in accordance with, the laws of the Netherlands.

C.9	**Interest, maturity and redemption provisions, yield and representative of the Noteholders:**	*Interest* 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, 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. In addition, the interest rate and yield in respect of Notes bearing interest at a fixed rate will also be so agreed and specified. *Maturities* Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements as agreed between BNG Bank and the relevant Dealer at the time of issue of the relevant Notes, shall be specified in the applicable Final Terms. 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 of such maturity. Unless previously redeemed or purchased and cancelled, 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. Payments of principal (whether at maturity or otherwise) in respect of Dual Currency Redemption Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the applicable Final Terms. *Early redemption* BNG Bank will be permitted to redeem all (but not some only) Notes if, 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), BNG Bank determines that it would or will be required to pay additional amounts in accordance with Condition 8 with respect to payments relating to such Notes. In addition, the Notes may be redeemed prior to their maturity date in certain circumstances, including pursuant to an Issuer Call Option or an Investor Put Option. 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 *Representative of the Noteholders* Not Applicable. ***Issue specific summary:*** [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.] [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.] [Zero Coupon Notes: The Notes are Zero Coupon Notes and do not bear interest. The Accrual Yield is [ ] per cent. per annum.]

[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: [ ].

[Reverse Floater Interest Notes: The Notes are Notes to which the Reverse Floater Interest terms apply.

(*In respect of any Interest Period for which "Fixed Interest Period" is specified as "Applicable" in the applicable Final Terms*)
Each Note bears interest on its outstanding nominal amount from [ ] for each Interest Period specified in the table below (each a "**Fixed Rate Interest Period**") at a fixed rate equal to the Rate of Interest(Fixed)(t).

Interest will be paid [annually/semi-annually/quarterly/monthly] in arrear at this rate on each Interest Payment Date specified in the table below (each a "**Fixed Rate Interest Payment Date**") [to (and including) [ ]][, subject to adjustment for non-business days]. The Fixed Rate Interest Periods, Fixed Rate Interest Payment Dates and the Rate of Interest(Fixed) for each Fixed Rate Interest Period are specified in the table below:

Fixed Rate Interest Period(t) (*Insert period*)	**Fixed Rate Interest Payment Date(t)** (*Insert Date*)	**Rate of Interest(Fixed)(t)** *(Insert rate in respect of each Interest Period(t))*

(*In respect of (i) any Interest Period for which "Fixed Interest Period" is specified as "Not Applicable" in the applicable Final Terms, and (ii) any Variable Rate Interest Period*)

[In respect of each Interest Period thereafter, each] [Each] Note bears interest on its outstanding nominal amount at a variable rate equal to (i) Fix(t) minus (ii) the product of the Multiplier(t) and the Underlying Rate(t), subject to a maximum rate of interest equal to Cap(t) and a minimum rate of interest equal to Floor(t). Interest will be paid [annually/semi-annually/quarterly/monthly] in arrear at this rate on each Interest Payment Date from (and including) [ ] [to (and including) [ ]/[the Maturity Date]][, subject to adjustment for non-business days]. The Interest Periods, Interest Payment Dates Fix, Multiplier, Cap and Floor for each Interest Period are specified in the table below:

Interest Period(t) (*Insert Period*)	**Interest Payment Date(t)** (*Insert Date*)
Fix(t) (*Insert percentage in respect of each Interest Period(t)*)	**Multiplier(t)** (*Insert percentage in respect of each Interest Period(t)*)
Cap(t) (*Insert percentage in respect of each Interest Period(t)*)	**Floor(t)** (*Insert percentage in respect of each Interest Period(t)*)
Underlying Rate(t)	

(Insert rate in respect of each Interest Period(t))

]

[Step-Down Interest Notes: The Notes are Notes to which the Step-Down Interest terms apply.

(In respect of any Interest Period for which "Fixed Interest Period" is specified as "Applicable" in the applicable Final Terms)

Each Note bears interest on its outstanding nominal amount from the Interest Commencement Date for each Interest Period specified in the table below (each, a "**Fixed Rate Interest Period**") at a fixed rate equal to the Rate of Interest(Fixed)(t).

Interest will be paid [annually/semi-annually/quarterly/monthly] in arrear at this rate on each Interest Payment Date specified in the table below (each a "**Fixed Rate Interest Payment Date**") [to (and including) [ ]][, subject to adjustment for non-business days]. The Fixed Rate Interest Periods, Fixed Rate Interest Payment Dates and the Rate of Interest(Fixed) for each Fixed Rate Interest Period are specified in the table below:

Fixed Rate Interest Period(t) (*Insert period*)	**Fixed Rate Interest Payment Date(t)** (*Insert Date*)	**Rate of Interest(Fixed)(t)** *(Insert rate in respect of each Interest Period(t))*

(*If the Final Terms do not specify that Fixed Rate Period is "Applicable", and the Interest Period is the first Interest Period:*)

Each Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date to (but excluding) the Interest Payment Date falling on [ ] [, subject to adjustment for non-business days,] at a fixed rate equal to [ ] per cent. per annum (the "**Rate of Interest(Fixed)(t)**").

(*In respect of (i) the second and any subsequent Interest Period where "Fixed Interest Period" is specified as "Not Applicable" in the applicable Final Terms, or (ii) "Fixed Interest Period" is specified as "Applicable" in the applicable Final Terms but the Fixed Rate Period has ended and such Interest Period is a Variable Rate Interest Period*)

In respect of each Interest Period thereafter, each Note bears interest on its outstanding nominal amount at a variable rate equal to the sum of (i) the rate of interest in respect of the previous Interest Period (and related Interest Payment Date) and (ii) the Step-Down(t). Interest will be paid [annually/semi-annually/quarterly/monthly] in arrear at this rate on each Interest Payment Date from (and including) [ ] [to (and including) [ ]/[the Maturity Date]][, subject to adjustment for non-business days]. The Interest Periods, Interest Payment Dates, and the Step-Down for each Interest Period are specified in the table below:

Interest Period(t) (*Insert Period*)	**Interest Payment Date(t)** (*Insert Date*)

		Step-Down(t) *(Insert percentage in respect of each Interest Period(t))*] [Step-Up Interest Notes: The Notes are Notes to which the Step-Up Interest terms apply. *(In respect of any Interest Period for which "Fixed Interest Period" is specified as "Applicable" in the applicable Final Terms)* Each Note bears interest on its outstanding nominal amount from the Interest Commencement Date for each Interest Period specified in the table below (each, a "**Fixed Rate Interest Period**") at a fixed rate equal to the Rate of Interest(Fixed)(t). Interest will be paid [annually/semi-annually/quarterly/monthly] in arrear at this rate on each Interest Payment Date specified in the table below (each a "**Fixed Rate Interest Payment Date**") [to (and including) [ ]][, subject to adjustment for non-business days]. The Fixed Rate Interest Periods, Fixed Rate Interest Payment Dates and the Rate of Interest(Fixed) for each Fixed Rate Interest Period are specified in the table below: **Fixed Rate Interest Period(t)** (*Insert period*) — **Fixed Rate Interest Payment Date(t)** (*Insert Date*) — **Rate of Interest(Fixed)(t)** *(Insert rate in respect of each Interest Period(t))* (*If the Final Terms do not specify that Fixed Rate Period is "Applicable", and the Interest Period is the first Interest Period:*) Each Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date to (but excluding) the Interest Payment Date falling on [ ] [, subject to adjustment for non-business days,] at a fixed rate equal to [ ] per cent. per annum (the "**Rate of Interest(Fixed)(t)**"). (*In respect of (i) the second and any subsequent Interest Period where "Fixed Interest Period" is specified as "Not Applicable" in the applicable Final Terms, or (ii) "Fixed Interest Period" is specified as "Applicable" in the applicable Final Terms but the Fixed Rate Period has ended and such Interest Period is a Variable Rate Interest Period*) In respect of each Interest Period thereafter, each Note bears interest on its outstanding nominal amount at a variable rate equal to the sum of (i) the rate of interest in respect of the previous Interest Period (and related Interest Payment Date) and (ii) the Step-Up(t). Interest will be paid [annually/semi-annually/quarterly/monthly] in arrear at this rate on each Interest Payment Date from (and including) [ ] [to (and including) [ ]/[the Maturity Date]][, subject to adjustment for non-business days]. The Interest Periods, Interest Payment Dates, and the Step-Up for each Interest Period are specified in the table below: **Interest Period(t)** (*Insert Period*) — **Interest Payment Date(t)** (*Insert Date*)

		Step-Up(t) *(Insert percentage in respect of each Interest Period(t))*] *Maturity* 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 Calculation Amount in [*insert specified currency*] on [ ]. [Dual Currency Redemption Notes: The Notes are Dual Currency Redemption Notes. Payments of principal will be made in the following currency: [ ] and based on the following rate of exchange: [ ]. *Issuer Call Option* [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) 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: [ ] *Investor Put Option* [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)* Optional Redemption Date(s): [ ] Optional Redemption Amount(s) of each Note: [ ] per Calculation Amount Notice Period: [ ]
C.10	**Derivative component in interest payments:**	Not Applicable. The securities issued under the Programme do not have a derivative component in the interest payment.
C.11	**Listing and admission to trading:**	The Notes may be admitted to listing on the regulated market of the Luxembourg Stock Exchange, Euronext Amsterdam, or the SIX Swiss Exchange Ltd or may be issued on an unlisted basis. ***Issue specific summary:*** [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 on a stock exchange.]
C.21	**Market for which a prospectus has been published:**	See the above element, C.11.
Section D – Risks		
D.2	**Key information on**	By investing in Notes issued under the Programme, investors assume the risk that BNG Bank may become insolvent or otherwise unable to make all

	the key risks that are specific to the Issuer:	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 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. These factors include: • local and global economic and financial market conditions; • the weakening of the nascent economic recovery in Europe; • liquidity risks and adverse capital and credit market conditions; • volatility in interest rates, credit spreads and markets; • rating downgrades; • not all market risks may be successfully managed through derivatives; • counterparty risk exposure; • risk management methods may leave exposure to risk; • operational risk exposure; • significant regulatory developments and changes in the approach of BNG Bank's regulators; • amendments to the regulation on Treasury Banking; • failure and inadequacy of IT and other systems; and • failure and inadequacy of third parties to which it has outsourced.
D.3	**Key information on the key risks that are specific to the Notes:**	There are also risks associated with the Notes. These include: Risks related to the market for the Notes: • liquidity risk; • exchange rate risk and exchange controls; • interest rate risk; and • credit rating risk. Factors which might affect an investor's ability to make an informed assessment of the risks associated with Notes issued under the Programme. Risks related to Notes generally: • modification and waiver of the terms and conditions of the Notes; • adverse tax consequences for the holder of Notes; • risks related to Notes held in global form; • risks related to restrictions on transfer; • risks related to nominee arrangements; • risks related to Notes in New Global Note form; • possible change to Dutch law or administrative practice; • implemented and proposed banking legislation for ailing banks; • decrease of net proceeds on the Notes received by an investor due to the EU Savings Directive; and • legal investment considerations that may restrict certain investors. Risks related to the structure of a particular issue of Notes: • an optional redemption feature of Notes by BNG Bank is likely to limit their market value; • risks related to Dual Currency Interest Notes and Dual Currency

		Redemption Notes in particular; • risks related to Variable Interest Rate Notes; and • risks related to Reverse Floater Interest Notes, Step-Up Interest Notes and Step-Down Interest Notes. In addition to the above, there are risks specific to Renminbi-denominated Notes: • 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; • 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; • 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; and • 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.
Section E – Offer		
E.2b	**Reasons for the offer and use of proceeds:**	Unless otherwise specified in the relevant Final Terms, the net proceeds of each issue of Notes will be used by the Issuer for its general corporate purposes. ***Issue specific summary:*** [The net proceeds of the issue of the Notes will be used by the Issuer for general corporate purposes]/[*give details*].
E.3	**Terms and Conditions of the Offer:**	The terms and conditions of each offer of Notes, if applicable, will be determined by agreement between the Issuer and the relevant Dealer(s) at the time of issue and specified in the applicable Final Terms. ***Issue specific summary:*** [Not Applicable. The Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency).] 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: [ ] 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 Non-exempt 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/*give details*] Description of manner for refunding excess amount paid by applicants: [Not Applicable/*give details*] 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.]/[*give details*] 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.]/[*give details*] 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 [*date.*]/[*give details*] Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/*give details*] 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 Non-exempt Offer Jurisdictions to any person during the Offer Period. In other EEA countries and in all jurisdictions (including the Non-exempt 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.]/[*give details*] 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 the Final Terms [and any additional Authorised Offerors who have or obtain the Issuer's consent to use the Prospectus in connection with the Non-exempt 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*]
E.4	**Interests of natural and legal persons involved in the issue of the Notes:**	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. 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. 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. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. ***Issue specific summary:*** [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.]/[ ]
E.7	**Estimated expenses charged by the Issuer:**	There are no expenses charged to the investor by the Issuer.

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 the Notes, 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 and the price of the Notes. 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 in the near- to medium-term remains uncertain due to several factors, including geopolitical risks and concerns around global growth and price stability. Risks to growth and stability stem mainly from continued imbalances in Europe and elsewhere, low growth levels in foreign markets and conflicts in Ukraine and the Middle East. Furthermore, uncertainty about how economies will respond to lower oil prices and the European Central Bank's (the "**ECB**") monetary policy measures, including the quantitative easing ("**QE**") programme that commenced in March 2015 affect growth and stability. In addition, there is a risk that Europe may suffer from deflation causing consumers and businesses to cut back on spending. The economy in the Netherlands remains weak. The Dutch economy improved by 0.8% in 2014, and growth is expected to remain modest at 1.7% in 2015.[4] In 2014, private consumption, business investment and exports increased, albeit only slightly, and the level of growth of business investment was lower compared to 2013. Levels of government consumption and public investment both decreased compared to 2013. The unemployment rate in the Netherlands, which was around 3.8% in 2008 before the global economic and financial crisis, is expected to remain around 6.5% in 2015.[4] Inflation in the Netherlands was approximately 1% in 2014,[5] and projections suggest it is set to remain at approximately 1% in 2015.[4]

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 other de-stabilising forces such as geopolitical tensions or acts of terrorism. Although the Dutch economy improved in 2013 and 2014, volatility resulting from the factors noted above and market disruption over the past several years created a less favourable environment for BNG Bank's public sector clientele. Austerity measures initiated by the Dutch government combined with weakened economic conditions in Europe and, in particular, the Netherlands following the global economic and financial crisis, have resulted in higher unemployment rates, weak property markets, below-target inflation and pressure on disposable incomes, which have slowed investment and consumer spending. This, in turn, has had an adverse effect on the financing requirements of BNG Bank's public sector clients.

These factors, together with volatility in the capital and credit markets during recent years, have had a material impact on BNG Bank's core activities of funding and lending and BNG Bank believes that 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 loan portfolio in the future largely depends on the prospect of economic and market recovery within the Netherlands, which in turn relies on recovery in Western Europe. Long-term lending volumes have not returned to pre-global economic and financial crisis levels and investment levels of BNG Bank's public

[4] CPB Netherlands Bureau for Economic Policy Analysis (*Centraal Planbureau*).

[5] Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

sector clients remain under pressure. During 2014, BNG Bank's lending to housing associations, its largest client base, and to local and regional authorities decreased marginally to €41.9 billion (2013: €42.4 billion). A number of factors resulted in subdued lending to local and regional authorities, housing associations and other parts of the public sector during 2014, and are likely to continue to affect lending volumes in these sectors in the near future. These factors include weak demand generally, budgetary constraints affecting local and regional authorities, a lower level of investments in housing as a result of the anticipated amendments to the Dutch Housing Act (*Woningwet*) (the "**Housing Act**"), the decentralisation of certain tasks from the central government to the municipalities, and, to a lesser extent, increased competition. The amendments to the Housing Act, which are intended to enter into force on 1 July 2015, limit the scope of business activities of housing associations and, in response, housing associations have been postponing and may continue to postpone new near-term investments. They may also sell parts of their housing portfolios. See "*N.V. Bank Nederlandse Gemeenten - Products and Services - Housing Associations*" for more information. During 2014, although BNG Bank's lending to the healthcare sector remained stable at 8.8% of lending, the healthcare sector continued to experience lower financing requirements, mainly due to the effects of a substantial reform of the Dutch healthcare system, which incorporated de-institutionalisation (keeping patients outside healthcare institutions) and strong cost-cutting incentives for healthcare institutions. The insecurity caused by a large number of policy changes has made healthcare institutions hesitant to enter into long-term commitments. Mainly due to the higher financial risks in the healthcare sector, the Healthcare Sector Guarantee Fund (*Waarborgfonds voor de Zorgsector*, "**WFZ**") has become more restrictive in respect of providing guarantees thereby limiting access to the guaranteed funding structure for BNG Bank's clients. In addition to weak demand generally, local and regional authorities' obligation to engage in treasury banking with the Dutch central government effective as of 1 January 2014 (as described in more detail below) resulted in excess cash on deposit being lent between municipalities and/or provinces, which reduced the need for long-term loans in this sector. Furthermore, the Dutch Sustainability of Public Finances Act (*Wet houdbare overheidsfinanciën*), which took effect in December 2013, depressed financing requirements of the Dutch public sector as it imposed budgetary rules for local and regional authorities that fit in the broader policy of lowering European Monetary Union ("**EMU**") debt. This act places a macro-level cap on the local and regional authorities' EMU deficit, thereby limiting their scope for investments and thus financing needs. These factors may continue to reduce demand for long-term loans in the public sector in 2015.

Furthermore, the public sector has been affected by continuing problems in regional development due to weak economic conditions, which have caused project deferments, standstills in land sales and lower than expected land yields. 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 operations.

BNG Bank's business and results of operations are also affected by financial market conditions. Although capital and credit markets around the world have been relatively stable since 2012, financial markets experienced high volatility in the last quarter of 2014 and periods of volatility continued in the first quarter of 2015. The lingering risk of a sovereign default continues to pose a threat to financial markets. In particular, the Greek government elected in January 2015 is seeking to re-negotiate the terms of its bail-out with the EU. Although an extension of the bail-out by four months (from the end of February 2015) has been agreed between Greece and its creditors, the risk remains that the failure to ultimately reach an agreement could result in a sovereign default by Greece. See "*A weakening of the nascent economic recovery in Europe, and a renewed threat of default by certain Eurozone countries, may adversely affect BNG Bank's business and results of operations*".

During the next few years, a combination of anticipated recovery in private sector demand and a reduced pace of fiscal austerity in Europe and the United States is expected to result in a return by certain central banks toward more conventional monetary policies, following the recent period that has been characterised by highly accommodative policies, which were implemented to support demand at a time of pronounced fiscal tightening and balance sheet repair. The U.S. Federal Reserve ended its QE programme in October 2014. On the contrary, the ECB announced in September 2014 its decision to further ease its monetary policy and, in March 2015, commenced a €1 trillion QE programme in which it expects to purchase government bonds worth up to €60 billion per month until September 2016. The contrast that has arisen between the United States and the Eurozone manifests itself in, among other things, a significant difference in interest rate expectations between U.S. and EU capital markets. Further market

volatility may occur as interest rates are increased in certain economies and markets await the outcome of the ECB's QE programme. The possibility of one or more central banks or governments, in particular the U.S. Federal Reserve and the ECB, starting and/or accelerating the process of tightening or unwinding historically unprecedented loose monetary policy or extraordinary measures in coming years, could lead to generally weaker than expected growth, or even contracting gross domestic product ('**GDP**'), reduced business confidence, higher levels of unemployment, adverse changes to levels of inflation, potentially higher interest rates and falling property prices, and consequently to an increase in delinquency rates and default rates among customers. The resulting uncertainty in financial markets combined with challenging economic conditions in the Netherlands create a difficult operating environment for financial institutions, including BNG Bank, as they place strain on funding needs and may continue to cause significant volatility to funding costs.

Any slowing of monetary stimulus and the actions and commercial soundness of other financial institutions have the potential to impact market liquidity. The adverse impact on the credit quality of BNG Bank's customers and counterparties, coupled with a decline in collateral values, could lead to a reduction in recoverability and value of BNG Bank's assets and higher levels of impairment allowances, which could have an adverse effect on BNG Bank's prospects, financial condition and results of operations.

BNG Bank's results of operations have been adversely impacted by these conditions over the past several years. Should volatility in the financial markets continue, or global economic recovery stagnate, BNG Bank may experience further reductions in business activity, increased and volatile 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.

A weakening of the nascent economic recovery in Europe may adversely affect BNG Bank's business and results of operations.

In Europe, with few exceptions, countries have not yet fully recovered from the effects of the global economic and financial crisis, and countries such as Greece, Italy, Ireland, Portugal and Spain ("**GIIPS**") and Cyprus have been particularly affected by macroeconomic and financial conditions since 2008. Consensus forecasts of growth in 2015 and 2016 for some of the largest European economies such as France and Italy are low. In addition, the possibility of a European sovereign default has risen due to the January 2015 election in Greece, which was won by an anti-austerity party. The outcome and impact of any negotiations with the new Greek government with respect to its outstanding debt is uncertain. The risk that the effect of any sovereign default spreads by contagion to other EU Member States, including the Netherlands, remains. The potential impact a sovereign default could 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), continues to raise concerns about the ongoing viability of the euro currency and the EMU. While the QE programme of the ECB that commenced in March 2015 is designed to improve confidence in Eurozone equities and encourage private bank lending, there remains considerable uncertainty as to whether such measures will sustain the economic recovery or avert the threat of sovereign default.

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 consequential 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;
- result in significant volatility in the value of the euro against other currencies;
- 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.

During the global economic and financial crisis credit markets worldwide experienced severe reductions in the availability of financing for prolonged periods. During the first part of 2012, credit markets were disrupted mainly due to the sovereign debt crises associated with the GIIPS, which resulted in funding being difficult to obtain and terms for certain borrowers continuing to remain less favourable than prior to the global economic and financial crisis. Interventions 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. In addition, the ECB announced in June 2014 that it would conduct a series of targeted longer-term refinancing operations aimed at improving bank lending to the non-financial private sector over a period of two years. Although credit markets have generally been accommodating since 2012, there have been periods of market volatility (including in late 2014 and early 2015) and certain European countries, in particular Greece, remained reliant on central banks as one of their principal sources of liquidity. If volatility were to return to the global credit markets, it could have a material adverse impact on the availability of funding and the cost of obtaining such funding.

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 funding, such as the wholesale lending markets, or increases in the costs of accessing such funding.

Although credit markets continued to improve during 2014, BNG Bank's total long-term funding volumes decreased in 2014 by approximately 1% compared to 2013, principally due to a decrease in client demand as a result of weak economic conditions and the changing regulatory landscape, which led to general reluctance among clients to take on new investments. BNG Bank's overall liquidity position remained the same. If any of the problems discussed above continue or recur, BNG Bank's access to the wholesale lending markets could be further restricted or available only at a higher cost.

The availability and cost of financing depend 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 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 obtaining 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 liquidity position and its financial condition and results of operations.

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. 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 income, BNG Bank's primary source of revenue. In addition, changes in interest rates may negatively affect the value of BNG Bank's assets and its ability to realise gains or avoid losses from the sale of those assets, all of which also ultimately affect BNG Bank's profitability. Changes in interest rates may also result in unrealised losses that may be required to be recognised in the income statement or in equity on the balance sheet. Furthermore, an increase in interest rates (or credit spreads) may decrease the demand for loans. Accordingly, 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.

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 2014 and 2013 due to changes in credit and liquidity spreads. Changes in interest rates also resulted in unrealised losses in 2013 which were recognised in the income statement and 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 modelling 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 BNG Bank's 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.

On 2 December 2013, Standard & Poor's lowered the long-term rating of BNG Bank from AAA to AA+. The downgrade of BNG Bank reflected a similar action on the credit rating of the State of the Netherlands on 29 November 2013. In accordance with Standard & Poor's criteria for rating government-related entities, they believe that there is an "almost certain" likelihood that BNG Bank as a government-related entity would receive timely and sufficient extraordinary support from the Dutch government in the event of financial distress. As a result, Standard & Poor's equalised BNG Bank's long-term ratings with that of the Netherlands. Standard & Poor's opinion of an "almost certain" likelihood of government support for BNG Bank reflects their view that BNG Bank plays a "critical role" for the Dutch government through its key public policy mandate and has an "integral" link with the Dutch government as Standard & Poor's considers BNG Bank as an extension of the government. In addition, on 29 May 2014, while affirming the Aaa long-term rating of BNG Bank, Moody's changed the outlook on BNG Bank's long-term rating from "stable" to "negative." This outlook change followed uncertainty on the impact for European banks of the Bank Recovery and Resolution Directive ("**BRRD**") (adopted by the European Parliament and Council in May 2014) and the Single Resolution Mechanism regulation (approved by the European Parliament in April 2014) (Regulation 806/2014, "**SRM Regulation**"). On 17 March 2015, Moody's changed the outlook on BNG Bank's long-term rating from negative to stable following Moody's final assessment of the BRRD and the SRM Regulation and the application of its new methodology for banks. On 19 May 2015, Fitch revised BNG Bank's AAA rating to AA+ and changed its outlook from negative

to stable, following Fitch's review of sovereign support for banks globally. Fitch believes legislative, regulatory and policy initiatives have substantially reduced the likelihood of sovereign support for, amongst others, European Union commercial banks. Fitch continued to factor in Dutch state support for BNG Bank.

Notwithstanding Standard & Poor's view, which is shared by Moody's, 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.

As evidenced by the rating action taken by Standard & Poor's, any rating action taken by Standard & Poor's or Moody's with respect to the State of the Netherlands can be expected to impact BNG Bank's ratings. While BNG Bank did not experience significant negative effects as a result of the rating actions by Standard & Poor's in 2013 and Moody's in 2014, and there was no noticeable effect on the cost of raising funding, any adverse rating action could adversely affect BNG Bank. In the event of a downgrade or a notice of a possible downgrade or negative outlook with respect to BNG Bank or if BNG Bank is placed on credit watch, 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 and central clearing houses, exchanges 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 duration analysis and susceptibility to interest rate fluctuation per time interval (delta) analysis, value-at-risk (VaR) models, 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 the use of observed historical market behaviour. 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 modelling 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 modelling 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 is subject to substantial regulation and oversight. Significant regulatory developments and changes in the approach of BNG Bank's regulators could have a material adverse effect on BNG Bank's operations or profitability.

BNG Bank is subject to detailed banking and other financial services laws and government regulation in the Netherlands. De Nederlandsche Bank N.V. ("**DNB**") and the AFM have broad administrative powers 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.

As of 4 November 2014, BNG Bank became subject to direct supervision by the ECB under the new system of supervision, which comprises the ECB and the national competent authorities of participating EU Member States, the Single Supervisory Mechanism ("**SSM**"). The SSM is one of the elements of the so-called EU banking union. The ECB will have far-reaching powers over the prudential aspects of BNG Bank's business.

Banking and other financial services laws, regulations and policies governing BNG Bank have been changing and are subject to further changes at any time in ways which may have an adverse effect on BNG Bank's business. It is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof.

As a relatively small organisation, 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 (the "**Basel Committee**") published its final standards on the revised capital adequacy framework known as "**Basel III**". These standards are significantly more stringent than previous requirements. In order to facilitate the implementation of the Basel III capital and liquidity standards for banks and investment firms, the legislative package to strengthen the regulation of the banking sector known as "**CRD IV**" was adopted. CRD IV consists of a directive (the "**CRD IV Directive**") and a regulation (the "**CRR**") and aims to contribute to the safety and soundness of the financial system. The CRD IV Directive governs among other things the access to deposit-taking activities, while the CRR establishes the majority of prudential requirements that institutions need to abide by.

The CRR entered into force on 1 January 2014, and is directly applicable in the Netherlands. The CRD IV Directive was implemented in Dutch law as of 1 August 2014. A number of the requirements introduced under CRD IV will be further supplemented through the Regulatory and Implementing Technical Standards produced by the European Banking Authority ("**EBA**"), and to be adopted by the European Commission, many of which are not yet finalised.

CRD IV, in implementing Basel III, introduced standards that are significantly more stringent than the requirements that previously existed. It is intended to increase the quality and quantity of capital, requires increased capital against derivative positions and introduced a capital conservation buffer, a counter-cyclical buffer, a systemic buffer, a new liquidity framework as well as a leverage ratio and a liquidity coverage ratio ("**LCR**"). The 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. The net stable funding ratio requires that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities, i.e. that long-term assets are covered with sufficient stable funding. The leverage ratio is defined as Tier-1 capital divided by a measure of non-risk weighted assets (including specific off-balance sheet items). The CRR does not contain a minimum ratio, and the EBA is due to recommend one in 2016. Moreover, the CRR states that the EBA must take account of the various business models used in the banking sector when making its recommendation. In January 2014, the Basel Committee announced a modified method for calculating leverage ratios, which will result in an increase in leverage ratios. The leverage ratio requirements are being phased in with (i) a reporting obligation to the competent supervisory authority during 2013-2018, (ii) a disclosure obligation as of 1 January 2015 and (iii) the migration to a binding harmonised requirement on 1 January 2018. 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 percentage and scope of the leverage ratio under CRD IV. With respect to this percentage, the Dutch government has announced that it wishes to implement a leverage ratio of at least 4% for significant banks. In that regard, the Dutch Minister of Finance has indicated that such percentage does not necessarily have to apply to BNG Bank, given its specific business model of lending exclusively to municipal governments and other public entities. In order to increase its Tier-1 capital, in addition to retaining profits, BNG Bank may issue other capital instruments, such as hybrid debt instruments, which may carry a higher cost of funding than its existing long-term debt. Having to increase Tier-1 capital and/or reduce lending could have an adverse effect on BNG Bank's business and/or results of operations.

In addition, the changes under CRD IV require that BNG Bank calculates its primary capital ratio as the common equity tier 1 ("**CET 1**") ratio. The CET 1 ratio compares a bank's common equity capital with the total of risk-weighted assets. In calculating its risk-weighted assets, BNG Bank applies the 'standardised approach' for credit risk. Regulatory initiatives may impact the calculation of BNG Bank's risk-weighted assets, being the denominator of its CET 1 ratio. The Basel Committee is currently consulting on revisions to the standardised approach for credit risk, with the main proposed change being

to reduce reliance on external credit ratings for the purposes of assessing the credit profile of a financial institution's assets by replacing such credit ratings with a number of risk drivers which will vary depending on the type of exposure. Although the timing for adoption, contents and impact of these proposals remain subject to considerable uncertainty, an implementation of this new risk assessment framework could impact the calculation of BNG Bank's risk-weighted assets and, consequently, its CET 1 ratio.

In addition to the capital requirements, CRD IV also deals with market access and license requirements for credit institutions. The definition of 'credit institution' is set out in the CRR, the EU regulation which will be directly applicable in the Netherlands. As a consequence thereof and as a result of the CRD IV implementation, the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, "**DFSA**") includes a definition of 'bank' that merely refers to the definition of 'credit institution' in the CRR. This 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 the EU level. DNB has confirmed that BNG Bank qualifies as a 'credit institution' as set out in the CRR. There may be a risk that once an EU level definition of credit institution is available, BNG Bank may not fall under the scope thereof.

Furthermore, the expansion and adjustments of several IFRS measures announced by the International Accounting Standards Board in 2011 could have an adverse impact on BNG Bank's reported results and financial condition. The revised IFRS 13; Fair Value Management, 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. Starting from 1 January 2013, these derivatives had to be valued based on overnight interest rates (the "**Overnight Index Swap Curve**" or "**OIS**"). The transition to OIS valuation led to a one time negative unrealised result of €27 million in 2013 and is expected to 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 2018. BNG Bank assumes implementation at the end of 2016 in order to ensure the availability of comparable figures for 2017. The change in accounting standards with respect to impairment and hedge accounting included in IFRS 9 may have a material effect on the volatility of BNG Bank's reported results and financial condition. In response to these accounting changes BNG Bank has made and will need to continue to make adjustments to its risk management processes which may require additional investment in systems and additional staff.

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) has had and may in the future have an adverse effect on its business and/or results of operations. For example, in 2012 a Dutch bank levy was introduced, which, at an amount of €30 million for 2014 (2013: €33 million and 2012: €32 million), had a significant adverse impact on BNG Bank's results of operations in recent years. Furthermore, pursuant to the BRRD that entered into force on 1 January 2015, BNG Bank may be required to make a contribution to the single resolution fund ("**SRF**") going forward, which could negatively impact 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 requirements under Basel III/CRD IV and the expansion and adjustments of IFRS. In addition, the government decision to obligate local governments to treasury banking has adversely impacted and is expected to continue to adversely impact BNG Vermogensbeheer. See "*Amendments to the regulation on Treasury Banking may adversely affect BNG Bank's financial condition and results of operations*".

Although it is difficult to predict what impact the recent regulatory changes, developments and heightened levels of scrutiny will have on BNG Bank, the enactment of legislation and regulations in the Netherlands, changes in other regulatory requirements and the transition to direct supervision by the ECB, have resulted in increased capital and liquidity requirements and/or increased operating costs and have impacted, and are expected to continue to impact, BNG Bank's business.

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. BNG Vermogensbeheer, a fully owned subsidiary of BNG Bank, provides asset management services for public sector clients, including local and regional authorities. In this respect, the developments under Dutch regulation of "treasury banking" are having 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 organisations, whereby the Dutch State Treasury Agency ("**DSTA**") is viewed as the central treasury.

On 15 December 2013, the Act on Mandatory Treasury Banking (*Wet verplicht schatkistbankieren*) entered into force. Pursuant to this Act, the Local and Regional Authorities Funding Act (*Wet financiering decentrale overheden*) was amended. This Act contains rules on mandatory treasury banking (*verplicht schatkistbankieren*), which was 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. Local and regional authorities are required to hold their surplus liquid funds in accounts held at the Netherlands Ministry of Finance (*Ministerie van Financiën*). These amendments aim to decrease the external funding needs of the State of the Netherlands, which is intended to result in a reduction of public debt. Within the Ministry of Finance, treasury banking is executed by the DSTA. The participating local and regional authorities have been required to conclude agreements under private law with the DSTA. Public sector banks such as BNG Bank have maintained their core business of financing local and regional authorities, public housing associations and healthcare institutions and the semi-public sector. However, with the introduction of mandatory treasury banking in the Netherlands at the end of 2013, BNG Bank experienced a decline in commission income in 2013 of approximately €1 million compared to 2012. As a result of the requirement for local authorities to hold their liquidity surpluses with the Dutch State Treasury, assets under management for BNG Vermogensbeheer decreased following implementation of mandatory treasury banking. This contributed to a decrease in BNG Vermogensbeheer's service fees of €3 million to €5 million in 2014 compared to €8 million in 2013 and 2012. There is no assurance that the treasury banking regime and loss of access to these funds will not continue to 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 BNG Bank's control and there is an increasing risk of cyber-attacks.

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. In this regard, BNG Bank has noted a generally increasing number of attempted electronic intrusions in the industry in recent years, some of which have resulted in severe disruptions of the IT systems of other Dutch financial institutions, particularly Dutch commercial banks. 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 favourable 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 operations 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 transaction 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

Unless the Issuer makes use of the exceptions stated in Conditions 9(m), 9(m.1) and 9(n), 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.

Payment of principal and/or interest on the Notes may be made in a currency other than the Specified Currency, in accordance with Conditions 9(m), 9(m.1) and 9(n), if:

(i) the Notes are denominated in Renminbi ("**Renminbi Notes**"): 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. See also "*Risks relating to Renminbi Notes*" below;

(ii) non-U.S. dollar Notes held through Depositary Trust Company ("**DTC**") and represented by the Restricted Global Note Certificate: Payments of principal and interest in respect of such Notes will be made in U.S. dollars unless the holder of such Notes elects to receive payments in the Specified Currency; or

(iii) the Notes are non-Euro denominated: If so specified in the applicable Final Terms, the Issuer may settle any payment due in respect of such Notes in a currency other than the Specified Currency on the due date for such payment if the Specified Currency is not available on the foreign exchange markets due to (i) the imposition of exchange controls, (ii) the Specified Currency's replacement or disuse, or (iii) other circumstances beyond the Issuer's control.

If any of the above events occurs, a prospective investor should be aware that payment of principal and/or interest may occur in a different currency than expected. As a result, investors may need to convert

payments made in such a different currency into the Specified Currency for hedging purposes or if the investor's financial activities are denominated principally in the Specified Currency.

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 AA+ 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 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 the Notes

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 behaviour 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.

Dual Currency Redemption Notes

The Issuer may issue Notes with principal 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) payment of principal may occur at a different time or in a different currency than expected; and

(ii) they may lose all or a substantial portion of its principal.

Variable Interest Rate Notes with a multiplier or other leverage factor

The Issuer may issue Notes with variable interest rates. Such Notes can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features, their market values may be even more volatile than those for Notes that do not include those features.

Reverse Floater Interest Notes

The Issuer may issue Reverse Floater Interest Notes. If "Fixed Rate Period" is specified as being "Applicable" in the applicable Final Terms, such Notes will bear interest at a fixed rate of interest as specified in the applicable Final Terms (being Rate of Interest(Fixed)(t)) during any interest period specified in the applicable Final Terms (being Interest Period(t)) falling within the Fixed Rate Interest Period. During such Fixed Rate Interest Period, any increases in market interest rates may adversely affect the value of the Notes.

The Notes will bear interest at a variable Rate of Interest during any Variable Rate Interest Period, equal to the Fix(t), as specified in the applicable Final Terms, minus the Underlying Rate(t) (multiplied by a Multiplier(t) specified in the applicable Final Terms), which will be subject to market fluctuations. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms) as the Underlying Rate(t). Reverse Floater Interest Notes are more volatile because an increase in the Underlying Rate(t) not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

As a Multiplier(t) is applied to the Underlying Rate(t), if the Multiplier(t) is higher than 100 per cent. the positive performance of the Underlying Rate(t) will be magnified, thereby reducing the interest rate of the Notes even further. If the Multiplier(t) is higher than 100 per cent. the negative performance of the

Underlying Rate(t) will also be magnified, meaning that the interest rate of the Notes will be lower than if such negative performance of the Underlying Rate(t) was multiplied by a Multiplier(t) equal to 100 per cent. If the Multiplier(t) is less than 100 per cent. any positive performance and negative performance of the Underlying Rate(t) will be scaled down. Following positive performance of the Underlying Rate(t), it is possible that investors will only receive a Rate of Interest equal to the Floor(t) (to the extent that a Floor is applicable). Finally, the Rate of Interest in respect of any Variable Rate Interest Period will be capped at the Cap(t), which is specified in the applicable Final Terms. To the extent the difference when the Underlying Rate(t) (multiplied by the Multiplier(t)) is subtracted from the Fix(t) is greater than the Cap(t), investors may not benefit from the full extent of any negative performance of the Underlying Rate(t) as the Rate of Interest will be capped.

Step-Up Interest Notes

The Issuer may issue Step-Up Interest Notes. If "Fixed Rate Period" is specified as being "Applicable" in the applicable Final Terms, such Notes will bear interest at a fixed rate of interest as specified in the applicable Final Terms (being Rate of Interest(Fixed)(t)) during any interest period specified in the applicable Final Terms (being Interest Period(t)) falling within the Fixed Rate Interest Period. During such Fixed Rate Interest Period, any increases in market interest rates may adversely affect the value of the Notes.

The Notes will pay interest at fixed rates during any Variable Rate Interest Period, which increase periodically during the life of the Notes by the Step-Up(t), as specified in the applicable Final Terms. Any investors holding these Notes will be subject to the risk that any periodic increases in the Rate of Interest for the Notes may not keep pace with any increase in market interest rates, with the consequence that the real return on the Notes (and the value of the Notes) will fall.

Step-Down Interest Notes

The Issuer may issue Step-Down Interest Notes. If "Fixed Rate Period" is specified as being "Applicable" in the applicable Final Terms, such Notes will bear interest at a fixed rate of interest as specified in the applicable Final Terms (being Rate of Interest(Fixed)(t)) during any interest period specified in the applicable Final Terms (being Interest Period(t)) falling within the Fixed Rate Interest Period. During such Fixed Rate Interest Period, any increases in market interest rates may adversely affect the value of the Notes.

The Notes will pay interest at fixed rates during any Variable Rate Interest Period, which decrease periodically during the life of the Notes by the Step-Down(t), as specified in the applicable Final Terms. Any investors holding these Notes will be subject to the risk that any periodic decreases in the Rate of Interest for the Notes may not keep pace with any decrease in market interest rates, with the consequence that the real return on the Notes (and the value of the Notes) will fall.

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. See "*Taxation*".

Notes in bearer form ("**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 notes in registered form ("**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 U.S. state securities laws, or pursuant to an effective registration statement. The Notes and the Issuing and Paying Agency Agreement (as defined in the Terms and 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. Bearer Notes may generally 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) recognising 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.

Notes in New Global Note form

The New Global Note ("**NGN**") form has been introduced to allow for the possibility of debt instruments being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However, in any particular case, such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.

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 effect retroactive to 20 January 2012. 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 (nationalisation) 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 BRRD sets out a common European recovery and resolution framework which is composed of three pillars: (i) preparation (by requiring banks to draw up recovery plans and resolution authorities to draw up resolution plans), (ii) early intervention powers and (iii) resolution powers. The BRRD entered into force on 1 January 2015. The BRRD has not yet been implemented in Dutch law. On 21 November 2014, a consultation document for the proposal for the Dutch Implementation Act for the European Framework for the Recovery and Resolution of Banks and Investment Firms was published for public consultation purposes. The Dutch legislator did not achieve implementation and entry into force of the legislation by 1 January 2015 as required by the BRRD. The legislator's actual target date for implementation is not yet known but it is expected that the implementation will occur at the end of 2015. The BRRD gives 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. As used in these risk factors, BRRD 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.

It is possible that, given the entering into force of the BRRD or other resolution or recovery rules (such as the SRM Regulation) which may be applicable to BNG Bank in the future (including, but not limited to, CRD IV), new powers may be granted by way of statute to DNB and/or any other relevant authority such as the European single resolution board ("**SRB**") (each, a "**Relevant Authority**") which could be used in such a way that could result in subordinated and/or senior debt instruments of BNG Bank, such as the Notes, absorbing losses ("**Bail-in Tool**"). The SRB acts as the competent resolution authority for significant credit institutions under the SSM instead of the national authorities. As a consequence, SRB will be the competent resolution authority for BNG Bank.

Pursuant to the BRRD, the Relevant Authority is expected to be required to exercise the Bail-in Tool in a way that results in (i) common equity tier 1 instruments being written down first in proportion to the relevant losses, (ii) thereafter, the principal amount of other capital instruments (including additional tier 1 instruments and tier 2 instruments) being written down or converted into common equity tier 1 on a permanent basis and (iii) there-after, eligible liabilities being written down or converted in accordance with a set order of priority. The Bail-in Tool will absorb losses at the point of non-viability of the issuing institution. The point of non-viability will be the point at which the Relevant Authority determines that an institution meets the condition for resolution, defined as:

a. the institution is failing or likely to fail, which means (i) the institution has incurred/is likely to incur in the near future losses depleting all or substantially all its own funds, and/or (ii) the assets are/will be in the near future less than its liabilities, and/or (iii) the institution is/will be in the near future unable to pay its debts as they fall due, and/or (iv) the institution requires extraordinary public financial support;

b. there is no reasonable prospect that a private action or supervisory action would prevent the failure; and

c. a resolution action is necessary in the public interest.

Pursuant to the exercise of any Bail-in Tool measures, the Notes could, in certain circumstances, become subject to a determination by the Relevant Authority or BNG Bank (following instructions from the Relevant Authority) 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 Bail-in Tool 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 Bail-in Tool.

Any determination that all or part of the principal amount of the Notes will be subject to the Bail-in Tool 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 the Bail-in Tool is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that Notes will become subject to the Bail-in Tool 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 Bail-in Tool measures were to be taken.

The Special Measures Financial Institutions Act and the BRRD 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 may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%.

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 Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

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*).

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks related to Renminbi Notes

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, Singapore and Taiwan have been permitted to engage in the settlement of current account trade transactions in Renminbi under certain pilot schemes.

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 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 Renminbi foreign direct investments ("**FDI**"). 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.

On 3 December 2013, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the "Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment" (商務部關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

As the PBoC FDI Measures and the MOFCOM Circular 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 schemes introduced in Hong Kong, Singapore and Taiwan 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.

While the PBoC has established Renminbi clearing and settlement mechanisms for participating banks in Hong Kong, Singapore and Taiwan through settlement agreements on the clearing of Renminbi business (the "**Settlement Agreements**") between the PBoC and the Bank of China (Hong Kong) Limited in Hong Kong, Industrial and Commercial Bank of China, Singapore Branch in Singapore and Bank of China, Taipei Branch in Taiwan (each, a "**Renminbi Clearing Bank**"), 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 31 January 2014, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately Renminbi 893,359 million. As of 31 December 2013, the total amount of Renminbi deposits held by Taiwan foreign exchange banks and offshore banking units exceeded Renminbi 180 billion.

There are restrictions imposed by the PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, 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 Terms and 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 Terms and 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 Renminbi 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, the Programme and (subject to being completed by any final terms (each the "**Final Terms**") as referred to on page 97 hereof) the Notes 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 "*Non-exempt Offers of Non-exempt 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 any amendments thereto), and includes any relevant implementing measure in the Relevant Member State.

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 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), except pursuant to an exemption from,

or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws, or pursuant to an effective registration statement. Bearer Notes are subject to United States tax law requirements. Bearer Notes may generally 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 Stabilising Manager(s) (or any person acting for the Stabilising 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 Stabilising Manager (or any agent of a Stabilising Manager) to do this. Any stabilisation 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 stabilising 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.

NON-EXEMPT OFFERS OF NON-EXEMPT OFFER NOTES IN THE EUROPEAN ECONOMIC AREA

Certain Tranches of Notes with a denomination of less than EUR 100,000 ("**Non-exempt 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 Article 3(2) of the Prospectus Directive to publish a prospectus. Any such offer is referred to in this Base Prospectus as a "**Non-exempt Offer**".

This Base Prospectus has been prepared on a basis that permits Non-exempt Offers of Non-exempt Offer Notes in Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden and the United Kingdom (together, the "**Non-exempt Offer Jurisdictions**"). Any person making or intending to make a Non-exempt Offer of Non-exempt Offer Notes in a Non-exempt 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 Non-exempt Offer of Non-exempt Offer Notes to be made in one or more Relevant Member States other than in a Non-exempt 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 Non-exempt Offer.

Save as provided above, neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any Non-exempt 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 Non-exempt Offer of Non-exempt Offer Notes in a Non-exempt Offer Jurisdiction, the Issuer accepts responsibility, in each of the Non-exempt Offer Jurisdictions, for the content of this Base Prospectus in relation to any person (an "**Investor**") who purchases any Non-exempt Offer Notes by a Dealer and 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 Non-exempt Offer.

Save as provided below, neither the Issuer nor any Dealer (other than the Swiss Dealers) has authorised the making of any Non-exempt Offer and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Non-exempt Offer of Non-exempt Offer Notes in any jurisdiction. Any Non-exempt 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 Non-exempt Offer, an Investor to whom an offer of any Non-exempt Offer Notes is made is offered Non-exempt 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 Non-exempt 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 Non-exempt Offer of Non-exempt Offer Notes in any Non-exempt Offer Jurisdiction by:

(i) the Dealer(s) specified in the relevant Final Terms;

(ii) any financial intermediary named as an Initial Authorised Offeror in the applicable Final Terms; and

(iii) 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 Non-exempt 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 Non-exempt Offer of Non-exempt Offer Notes in a Non-exempt Offer Jurisdiction by any financial intermediary which satisfies the following conditions:

(i) it is authorised to make such offers under the legislation implementing the MiFID as applicable in each relevant jurisdiction; and

(ii) it accepts such offer by publishing on its website the following statement (with the information in square brackets duly completed with the relevant information):

"*We, [insert legal name of financial intermediary], refer to the [insert title of relevant Non-exempt 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 "Non-exempt 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 Non-exempt 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 Non-exempt 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 Non-exempt 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 Non-exempt 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 Non-exempt Offer Notes under the Rules;

(e) comply with and take appropriate steps in relation to, 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 Non-exempt Offer Notes by the Investor), and will not permit any application for Non-exempt 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 and permitted, 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 Non-exempt Offer Notes or potential Investor in Non-exempt 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 Non-exempt 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 Non-exempt 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 Non-exempt Offer Notes: (i) not sell the Non-exempt 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 Non-exempt 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 Non-exempt 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 Non-exempt 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 Non-exempt 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 Non-exempt Offer as specified in the applicable Final Terms;

(m) make available to each potential Investor in the Non-exempt 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 Non-exempt Offer) in connection with the relevant Non-exempt 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 Non-exempt 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 an 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 Non-exempt 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 Non-exempt 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 Non-exempt 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 Non-exempt Offers of the relevant Tranche of Non-exempt 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 NON-EXEMPT OFFER NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR OTHER THAN THE ISSUER WILL DO SO, AND OFFERS AND SALES OF SUCH NON-EXEMPT 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 NON-EXEMPT OFFER OR SALE OF THE NON-EXEMPT 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.

Non-exempt Offers: Issue Price and Offer Price

Non-exempt Offer Notes to be offered pursuant to a Non-exempt 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 Non-exempt Offer and will depend, amongst other things, on the interest rate applicable to the Non-exempt Offer Notes and prevailing market conditions at any time. The offer price of such Non-exempt 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 Non-exempt 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 Non-exempt 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. The basic premise is that a final judgment for payment given by a court in the United States will, in principle, be recognised and given effect to by a Dutch court if (i) the jurisdiction of the U.S. court is based on a ground of jurisdiction that is generally acceptable according to international standards, (ii) the judgment by the U.S. court was rendered in legal proceedings that comply with the standards of the proper administration of justice that includes sufficient safeguards (*behoorlijke rechtspleging*), (iii) the judgment of the U.S. court is not contrary to Dutch public policy (*openbare orde*), and (iv) the judgment by the U.S. court is not incompatible with a decision rendered between the same parties by a Dutch court, or with a previous decision rendered between the same parties by a foreign court in a dispute that concerns the same subject and is based on the same cause, provided that the previous decision qualifies to be recognised and given effect to in the Netherlands. Moreover, even if a judgment by a U.S. court satisfies the above requirements, a Dutch court may still deny a claim for a judgment if such U.S. court judgment is not, not yet or no longer, formally enforceable according to the relevant U.S. State and Federal laws. Dutch courts may deny the recognition and enforcement of punitive damages or other similar awards. Moreover, a Dutch court may reduce the amount of damages granted by a U.S. court and recognise damages only to the extent that they are necessary to compensate actual losses or damages. In addition, there is doubt as to whether a Dutch court would impose civil liability on the Issuer, its officers or directors or any experts named in this Base Prospectus in an original action predicated solely upon the U.S. federal securities laws brought in a court of competent jurisdiction in the Netherlands against us or such directors or experts, respectively.

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;
- 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;
- 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;
- 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 2012, 31 December 2013 and 31 December 2014, that include the audited financial statements (including the notes) and the audit reports of Ernst & Young on the following pages:

Annual Report	Audit report	Financial Statements (including the Notes)
2012	Page 232-233	Pages 66-230
2013	Pages 278-279	Pages 85-276
2014	Pages 290-296	Pages 94-288

- 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**").

- The terms and conditions as referred to on pages 58 up to and including 86 of the base prospectus of the Issuer relating to the Programme, dated 3 July 2013 (the "**2013 Terms and Conditions**").

- The terms and conditions as referred to on pages 61 up to and including 95 of the base prospectus of the Issuer relating to the Programme, dated 19 June 2014 (the "**2014 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, or Deutsche Bank Luxembourg (phone number: +35 24 212 2639, e-mail address: 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.bngbank.nl/investors.

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 specified 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 receipts, 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 depositary 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 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**") are applicable in relation to the Notes.

Whilst any Bearer Note issued in accordance with 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 set forth in the Temporary Global Note) 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 specified 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 due on or after the Exchange Date unless, upon due certification, exchange of an interest in 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. 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 of the Terms and Conditions of the Notes 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 Terms and Conditions 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 depositary (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 depositary 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 of the Terms and Conditions of the Notes 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 Terms and Conditions of the Notes and the provisions of the applicable Final Terms which supplement, amend and/or replace the Terms and Conditions of the Notes.

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 27 May 2015 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 Terms and 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 Ltd, the Swiss securities services corporation in Olten, Switzerland ("**SIS**"), which expression shall include any other clearing institution recognised by the SIX Swiss Exchange Ltd 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 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**"), a Note in respect of which interest is determined on another basis ("**Variable Interest Rate 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 specified in the applicable Final Terms. A Note may be a Note redeemable in installments ("**Installment Note**"), a Note in respect of which principal is or may be payable in one or more currencies other than the Specified Currency in which it is denominated ("**Dual Currency Redemption Note**") depending on the Redemption/Payment Basis specified 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, a Dual Currency Redemption 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, 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, 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 relevant 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 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 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, and based on such certification, the relevant clearing

system has issued a like certification to the Issuer as Paying Agent. 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 issued in bearer form and will be represented exclusively by a Permanent Global Note, issued in compliance with the C Rules if such Notes have a term of more than 365 days (taking into account any unilateral right to extend or rollover) which shall be deposited with SIS or such other depositary as may be approved by the Regulatory Board of the SIX Swiss Exchange Ltd. 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 Depositary Trust Company ("**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 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 specified in the applicable Final Terms) the Relevant Margin (if any), all as determined by the Calculation 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 Calculation 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 no such offered quotation appears, in each case as at the time specified in the preceding paragraph, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation 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 Calculation 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 Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation 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 Calculation 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 Calculation 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 Eurozone 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 Calculation 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 Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Eurozone 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, a rate determined on the basis of the mid-market annual swap rate 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 interest rate swap transaction denominated in EUR with respect to CMS Brussels and GBP with respect to CMS London with a maturity equal to the Designated Maturity 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 Eurozone office of four major banks in the Eurozone 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 specified in the applicable Final Terms) plus or minus (as specified 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 specified 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 specified 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, Euro, 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.

Linear Interpolation

5B.(7) Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified to be applicable in the relevant Final Terms) or either, whichever is applicable, the EURIBOR Rate or the LIBOR Rate (where ISDA Determination is specified to be applicable in the relevant Final Terms), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

For the purpose of this sub-paragraph "**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

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 specified in the applicable Final Terms.

5D. **Interest on Variable Interest Rate Notes**

(i) Interest Payment Dates

Each Variable Interest Rate Note bears interest in the manner specified in the Final Terms and determined in accordance with Condition 5D.(iii) below from (and including) the Interest Commencement Date at the rate (expressed as a percentage) equal to the Rate of Interest, such interest will be payable in arrear on each Interest Payment Date specified in the applicable Final Terms. Such interest will be payable in respect of each Interest Period.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, the Interest Payment Date shall be determined in accordance with the relevant Business Day Convention in accordance with Condition 5G (*Definitions*) below.

(ii) Rate of Interest

The Rate of Interest applicable from time to time in respect of the Variable Interest Rate Notes will be determined in the manner as set out in Condition 5D.(1) (*Rate of Interest on Reverse Floater Interest Notes*), Condition 5D.(2) (*Rate of Interest on Step-Down Interest Notes*) and Condition 5D.(3) (*Rate of Interest on Step-Up Interest Notes*) respectively below and supplemented by the applicable Final Terms. The terms in Condition 5D.(1), Condition 5D.(2)

and Condition 5D.(3) each relate to a different method of calculating the Rate of Interest in respect of each Interest Payment Date (as may be specified in the applicable Final Terms).

(iii) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent or the Calculation Agent, as specified in the applicable Final Terms, will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. The Agent or the Calculation Agent, as specified in the applicable Final Terms will calculate the Interest Amount payable on the Variable Interest Rate Note in respect of each Specified Denomination (or the Calculation Amount if one is specified to be applicable in the applicable Final Terms) for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination (or the Calculation Amount if one is specified to be applicable in the applicable Final Terms), multiplying the resulting sum by the applicable Day Count Fraction (as defined in Condition 5G (*Definitions*) below) and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. If a Calculation Amount is specified to be applicable in the applicable Final Terms, the amount of interest payable in respect of a Variable Interest Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination of such Note without any further rounding. If, however, the applicable Final Terms specify that Aggregate Nominal Amount Determination is applicable, then each Interest Amount or any other amount of interest payable in respect of a Variable Interest Rate Note for any period shall be calculated by applying the Rate of Interest to the outstanding aggregate nominal amount of the relevant series of Variable Interest Rate Notes, multiplying the resulting sum by the applicable Day Count Fraction, dividing the resultant figure by the number of such Notes and rounding the resultant figure(s) down to the nearest sub-unit of the relevant Specified Currency.

5D.(1) **Rate of Interest on Reverse Floater Interest Notes**

The Rate of Interest per Note in respect of each Interest Period(t) ending on but excluding, an Interest Payment Date ("**Interest Payment Date(t)**") shall be the relevant Rate of Interest (the "Rate of Interest(t)"), calculated in accordance with the following formula:

(i) If "Fixed Rate Period" is specified as being "Applicable" in the applicable Final Terms and the related Interest Period(t) is a Fixed Rate Interest Period:

Rate of Interest(Fixed)(t)

(ii) If (a) "Fixed Rate Period" is specified as being "Not Applicable" in the applicable Final Terms or (b) "Fixed Rate Period" is specified as being "Applicable" in the applicable Final Terms and the related Interest Period(t) is a Variable Rate Interest Period:

Min[*Cap*(t);*Max*[*Floor*(t); *Fix*(t) - *Multiplier*(t) x *Underlying Rate*(t)]]

5D.(2) **Rate of Interest on Step-Down Interest Notes**

The Rate of Interest per Note in respect of each Interest Period(t) ending on but excluding, an Interest Payment Date ("**Interest Payment Date(t)**") shall be the relevant Rate of Interest (the "Rate of Interest(t)"), calculated in accordance with the following formula:

(i) if (A) t = 1 or (B) "Fixed Rate Period" is specified as being "Applicable" in the applicable Final Terms and the related Interest Period(t) is a Fixed Rate Interest Period:

Rate of Interest(Fixed)(t)

(ii) if (A) t is greater than 1 and (B)(l) "Fixed Rate Period" is specified as "Not Applicable" in the applicable Final Terms or (2) "Fixed Rate Period" is specified as "Applicable" in the applicable Final Terms and the related Interest Period(t) is a Variable Rate Interest Period:

Rate of Interest(t-1)-Step-Down(t)

5D.(3) **Rate of Interest on Step-Up Interest Notes**

The Rate of Interest per Note in respect of each Interest Period(t) ending on but excluding, an Interest Payment Date ("**Interest Payment Date(t)**") shall be the relevant Rate of Interest (the "Rate of Interest(t)"), calculated in accordance with the following formula:

(i) if (A) t = 1 or (B) "Fixed Rate Period" is specified as being "Applicable" in the applicable Final Terms and the related Interest Period(t) is a Fixed Rate Interest Period:

Rate of Interest(Fixed)(t)

(ii) if (A) t is greater than 1 and (B)(l) "Fixed Rate Period" is specified as "Not Applicable" in the applicable Final Terms or (2) "Fixed Rate Period" is specified as "Applicable" in the applicable Final Terms and the related Interest Period(t) is a Variable Rate Interest Period:

Rate of Interest(t-1)+Step-Up(t)

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

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

5E.(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.

5E.(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.

5F. **Zero Coupon Notes**

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

5G. **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:

(i) 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

(ii) 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;

"**Cap(t)**" means, in respect of any Interest Period(t) and related Interest Payment Date(t) specified under the heading "Cap Schedule" in the table in the applicable Final Terms, the percentage specified under the heading "Cap(t)" in such table adjacent to the relevant Interest Period(t) and related Interest Payment Date(t). If Cap is specified as "Not Applicable" in the applicable Final Terms Cap(t) shall be infinity;

"**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 Brussels**" or "**CMS London**" means a rate for the Designated Maturity determined in accordance with the Floating Rate Option for each relevant Reset Date, each as specified in the Final Terms and having the meanings given to them in the ISDA Definitions;

"**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 Terms and 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:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" 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_1 is greater than 29, in which case D_2 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_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" 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_2 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_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" 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_1 will be 30; and

"**D_2**" 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_2 will be 30;

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

"**Fixed Rate Interest Period**" means each Interest Period falling within the Fixed Rate Period (if any);

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

"**Fixed Rate Period**" means the period (if any) from and including the Fixed Rate Period Start Date to and including the Fixed Rate Period End Date;

"**Fixed Rate Period End Date**" means the date specified as such (if any) in the applicable Final Terms;

"**Fixed Rate Period Start Date**" means the date specified as such (if any) in the applicable Final Terms;

"**Fixing Day City**" means the city specified as such in the applicable Final Terms;

"**Fixing Days**" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Fixing Day City;

"**Fix(t)**" means, in respect of any Interest Period(t) and related Interest Payment Date(t) specified under the heading "Fix Schedule" in the table in the applicable Final Terms, the percentage specified under the heading "Fix(t)" in such table adjacent to the relevant Interest Period(t) and related Interest Payment Date(t);

"**Floor(t)**" means, in respect of any Interest Period(t) and related Interest Payment Date(t) specified under the heading "Floor Schedule" in the table in the applicable Final Terms, the percentage specified under the heading "Floor(t)" in such table adjacent to the relevant Interest Period(t) and related Interest Payment Date(t). If Floor is specified as "Not Applicable" in the applicable Final Terms Floor(t) shall be zero;

"**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 Payment Date(t-1)**" means the Interest Payment Date immediately preceding Interest Payment Date(t);

"**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;

"**Interest Period(t)**" means, in respect of an Interest Payment Date(t), the period from (and including) Interest Payment Date(t-1) (or, if Interest Payment Date(t) is the first Interest Payment Date, the Interest Commencement Date) to (but excluding) Interest Payment Date(t);

"**Issue Date**" has the meaning given in the applicable Final Terms;

"**Linear Interpolation**" means the method for determining the interest rate on Floating Rate Notes as specified in Condition 5B.(7)**;**

"**Max**" followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a semi colon inside those brackets;

"**Min**" followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a semi colon inside those brackets;

"**Multiplier(t)**" means, in respect of any Interest Period(t) and related Interest Payment Date(t) specified under the heading "Multiplier Schedule" in the table in the applicable Final Terms, the percentage specified under the heading "Multiplier(t)" in such table adjacent to the relevant Interest Period(t) and related Interest Payment Date(t). If no Multiplier is specified in the applicable Final Terms the Multiplier(t) shall be 100 per cent;

"**Number of Fixing Days**" means the number of Fixing Days specified in the applicable Final Terms;

"**Rate of Interest(Fixed)(t)**" means, in respect of any Interest Period(t) and related Interest Payment Date(t) specified under the heading "Rate of Interest(Fixed) Schedule" in the table in the applicable Final Terms, the rate specified under the heading "Rate of Interest(Fixed)(t)" in such table adjacent to the relevant Interest Period(t) and related Interest Payment Date(t);

"**Rate of Interest(t-1)**" means the Rate of Interest in respect of Interest Payment Date(t-1);

"**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;

"**Relevant Screen Page(Underlying)**" means the screen page specified as such in the applicable Final Terms;

"**Specified Currency**" has the meaning given in the applicable Final Terms;

"**Specified Period**" has the meaning given in the applicable Final Terms;

"**Step-Down(t)**" means, in respect of any Interest Period(t) and related Interest Payment Date(t) specified under the heading "Step-Down Schedule" in the table in the applicable Final Terms, the percentage specified under the heading "Step-Down(t)" in such table adjacent to the relevant Interest Period(t) and related Interest Payment Date(t);

"**Step-Up(t)**" means, in respect of any Interest Period(t) and related Interest Payment Date(t) specified under the heading "Step-Up Schedule" in the table in the applicable Final Terms, the percentage specified under the heading "Step-Up(t)" in such table adjacent to the relevant Interest Period(t) and related Interest Payment Date(t);

"**t**" is an ascending series of unique positive integers starting from and including 1 (one) up to and including T, each denoting one Interest Period (and its related Interest Payment Date) in chronological order;

"**T**" means the total number of Interest Periods (or related Interest Payment Dates);

"**Underlying ISDA Rate(t)**" means, in respect of an Interest Period(t) and related Interest Payment Date(t), a rate equal to the EURIBOR Rate or the LIBOR Rate (as specified in the applicable Final Terms). "EURIBOR Rate" means, with respect to any Underlying Rate Determination Date(t) relating to a Reverse Floater Interest Note, the rate for Euro swaps with a Designated Maturity for a specified number of years (as specified in the applicable Final Terms) which appears on Reuters relevant ISDAFIX1 Page as of 11:00 a.m., Brussels time, on the related Underlying Rate Determination Date(t). "LIBOR Rate" means, with respect to any Underlying Rate Determination Date(t) relating to a Reverse Floater Interest Rate, the rate for Designated Reference swaps with a Designated Maturity for a specified number of years (as specified in the applicable Final Terms) which appears on Reuters relevant ISDAFIX1 Page as of 11:00 a.m., London time, on the related Underlying Rate Determination Date(t);

"**Underlying Rate(t)**" means, in respect of an Interest Period(t) and related Interest Payment Date(t), the rate determined in accordance with the provisions of Underlying ISDA Rate(t) or Underlying Screen Rate(t), as specified in the applicable Final Terms;

"**Underlying Rate Determination Date(t)**" means, in respect of an Interest Period(t) and related Interest Payment Date(t), (i) if" Fixing in Advance" is specified in the applicable Final Terms, the Number of Fixing Days prior to the first day of such Interest Period(t), (ii) if "Fixing in Arrear" is specified in the applicable Final Terms, the Number of Fixing Days prior to the last day of such Interest Period(t), (iii) in any other case, as specified in the applicable Final Terms;

"**Underlying Reference Rate**" means the rate specified as such in the applicable Final Terms;

"**Underlying Screen Rate(t)**" means, in respect of an Interest Period(t) and related Interest Payment Date(t), and subject as provided below, either:

(i) the offered quotation for the Underlying Reference Rate (if there is only one quotation on the Relevant Screen Page(Underlying); 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 Underlying Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page(Underlying) 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 Underlying Rate Determination Date(t) in question all as determined by the Issuing and Paying Agent. If five or more such offered quotations are available on the Relevant Screen Page(Underlying), 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(Underlying) is not available or if in the case of (i) above, no such offered quotation appears or, in the case of (ii) 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 Underlying Reference Rate at approximately the Specified Time on the Underlying Rate Determination Date(t) in question. If two or more of the Reference Banks provide the Issuing and Paying Agent with such offered quotations, the Underlying Screen Rate(t) for such Interest Period(t)

shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations.

If on any Underlying Rate Determination Date(t) 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 Underlying Screen Rate(t) for the relevant Interest Period(t) shall:

(i) if the Underlying 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 Underlying Rate Determination Date(t), deposits in the Specified Currency for the relevant Interest Period(t) by leading banks in the London inter-bank market (if the Underlying Reference Rate is LIBOR) or the Eurozone inter-bank market (if the Underlying Reference Rate is EURIBOR or EONIA) 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(t), or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period(t), at which, at approximately the Specified Time on the relevant Underlying Rate Determination Date(t), 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 Underlying Reference Rate is LIBOR) or the Eurozone interbank market (if the Underlying Reference Rate is EURIBOR or EONIA), provided that, if the Underlying Screen Rate(t) cannot be determined in accordance with the foregoing provisions of this paragraph, the Underlying Screen Rate(t) shall be determined as at the last preceding Underlying Rate Determination Date(t); and

(ii) if the Underlying 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 Underlying Rate Determination Date(t) 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(t) 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 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 Eurozone office of four major banks in the Eurozone 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); and

"**Variable Rate Interest Period**" means each Interest Period(t) falling outside of the Fixed Rate Period.

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 organised 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) of the Notes comprising the relevant Series 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 specified in the applicable Final Terms.

(d) **Appropriate Notice**

The appropriate notice referred to in Conditions 6(b) and 6(c) of these Terms and Conditions 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, and, in the case of Bearer Notes which were issued in accordance with the D Rules and are represented by a Temporary Global Note exchangeable for interests in a Permanent Global Note or Definitive Notes, certification of non-U.S. beneficial ownership has been received as required under the D Rules.

(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 "**Amortised Face Amount**") calculated in accordance with the following formula:

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

where:

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

"AY" means the accrual yield ("**Accrual Yield**") as specified 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) **Redemption of Dual Currency Redemption Notes**

In the case of Dual Currency Redemption Notes, payments by the Issuer of principal 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 principal will be specified in the applicable Final Terms.

(i) **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.

(j) **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.

(k) **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.

(l) **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 specified 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:

(i) if default is made in the payment of any principal or interest due on the Notes or any of them and such default continues for a period of 30 days; or

(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

(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 (*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 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 (the "**EU Savings Directive**") or any other Directive amending, supplementing or replacing such Directive or any law implementing or complying with, or introduced in order to conform to, such Directives, including, but not limited to, any law or measure similar to the requirements set forth in the EU Savings Directive 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 or Coupons where such deduction or withholding is imposed pursuant to, or in connection with, FATCA (as defined below).

(c) In addition, additional amounts will not be paid with respect to any payment on or with respect to the Notes or Coupons to any Holder that is a fiduciary, a partnership, a limited liability

company or any person other than the sole beneficial owner of the Notes or Coupons to the extent such payment would be required under Dutch tax laws to be included in the income of a beneficiary or settlor with respect to such fiduciary, a member of such partnership, an interest holder in such limited liability company or a beneficial owner that would not have been entitled to such additional amounts had such beneficiary, settlor, member, interest holder or beneficial owner been the Holder of the relevant Notes or Coupons.

(d) 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.

(e) 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 (b) and (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 Terms and 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 Terms and Conditions;

(H) "**Renminbi**" 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/CNY 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/CNY 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.

Notes cleared through DTC denominated in a currency other than U.S. dollars

(m.1) This Condition 9(m.1) applies to Notes in a Specified Currency other than U.S. dollars held through DTC only. Notwithstanding any other provision of these Conditions:

(i) Notes held through, and payments made through, DTC

Payments of principal and interest in respect of Notes held through DTC and represented by a Global Note Certificate which are denominated in a Specified Currency other than U.S. dollars will be made in U.S. dollars, unless the holder of such Notes elects to receive payments in respect of all or part of its Notes in the relevant Specified Currency in accordance with the procedures set out under item (ii) below. To the extent that holders of such Notes shall not have made such election in respect of any payment of principal or interest, the aggregate amount designated for all such holders of Notes in respect of such payment (the "**Conversion Amount**") will be converted by Deutsche Bank AG, London Branch in its capacity as exchange agent (the "**Exchange Agent**") into U.S. dollars and paid by wire transfer of same-day funds to, or to the order of, the registered holder for payment through DTC's settlement system to the relevant DTC participants. All costs of any such conversion will be deducted from such payments. Any such conversion will be based on the Exchange Agent's bid quotation, at or prior to 11.00 a.m., New York City time, on the second business day preceding the relevant payment date, for the purchase by the Exchange Agent of the Conversion Amount with U.S. dollars for settlement on such payment date. If such bid quotation is not available, the Exchange Agent will obtain a bid quotation from a leading foreign exchange bank in New York City selected by the Exchange Agent in its discretion for such purpose. If no bid quotation from a leading foreign exchange bank is available, payment of the Conversion Amount will be made in the Specified Currency to the account or accounts specified by DTC to the Exchange Agent. Until such account or accounts are so specified, the funds still held by the Exchange Agent will bear interest at the rate of interest quoted by the Exchange Agent for deposits with it on an overnight basis, to the extent that the Exchange Agent is reasonably able to reinvest such funds.

(ii) Notes held through DTC, and payments made outside, DTC

Any holder of Notes held through DTC and represented by a Global Note Certificate which are denominated in a Specified Currency other than U.S. dollars may elect to receive payment of principal and interest with respect to all or part of its Notes in the Specified Currency by causing DTC, through the relevant DTC participant, to notify the Exchange Agent of (i) such Noteholder's election to receive all or a portion of such payment in the Specified Currency and (ii) wire transfer instructions to an account in the Specified Currency. Such election in respect of any payment may be made by the Noteholder at the time and in the manner required by the DTC procedures applicable from time to time and will, in accordance with such procedures, be irrevocable. DTC's notification of such election, wire transfer instructions and the amount payable in the Specified Currency pursuant to this paragraph must be received by the Exchange Agent prior to 5.00 p.m. New York City time, on the fifth New York business day prior to the relevant Interest Payment Date in the case of interest and prior to 5.00 p.m., New York City time, on the eighth New York business day prior to the Maturity Date for the payment of principal. Any such payment in the Specified Currency will be made in accordance with the Agency Agreement by wire transfer of same-day funds to accounts denominated in the Specified Currency designated to the Exchange Agent by DTC. Paragraphs (g) and (h) of this Condition 9 do not apply to payments made pursuant to this item (ii).

Alternative Currency

(n) If so specified in the relevant Final Terms, whenever the Issuer is due to make any payment in a currency other than Euro in respect of any Notes and such currency (the "**Original Currency**") is not available on the foreign exchange markets due to the imposition of exchange controls or due to the Original Currency's replacement or disuse or other circumstances beyond the Issuer's control, the Issuer will be entitled to satisfy its obligation in respect of that payment by making that payment in another currency (the "**Alternative Currency**"). The amount of the payment in the Alternative Currency and the applicable exchange rate will be determined by the Calculation Agent in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner. Any payment made by the Issuer under such circumstances in the Alternative Currency shall constitute valid payment and shall not constitute an Event of Default under Condition 7.

(o) 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 15th day (whether or not such 15th 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 the EU Savings Directive or any other Directive amending, supplementing or replacing such Directive 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 Terms and 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 Ltd under the section headed "*Official Notices*" (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 Ltd. 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 Bearer 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 (where the original Notes were or the further notes are issued under Rule 144A), 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 favour of each Noteholder to be bound by these Terms and 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 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 favour 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 1, 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.

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

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

Series No.: [●]

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 those Non-exempt Offer Jurisdictions mentioned in Paragraph 9(viii) of Part B below, provided such person is a Dealer, Manager or Authorised Offeror (as such term is defined in the Base Prospectus) and that such offer is made during the Offer Period specified for such purpose therein and that any conditions relevant to the use of the Base Prospectus are complied with; or][6]

(ii) 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.

[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.][7]

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and any amendments thereto, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions ("**Terms and Conditions**") set forth on pages 61 to 96 of the base prospectus dated 27 May 2015[, 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 offer of the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. [However, a summary of the issue of the Notes is annexed to these Final Terms.[8]] The Base Prospectus has been published on http://www.bngbank.nl/investors and is available for viewing, upon the oral or written request of any persons, at the specified offices of the Paying Agent and at the investor relation section of the website of BNG Bank, http://www.bng.nl/investors. 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. N.B. when using a post–1 July 2012 approved base prospectus to tap a previous issue under a pre–1 July 2012 approved base prospectus, the final terms in the post–1 July 2012 base prospectus will take a different form due to the more restrictive approach to final terms. The Conditions of the original issue being tapped should be reviewed to ensure that they would not require the final terms documenting the further issue to include information which is no longer permitted in final terms. Where the final terms documenting the further issue would need to include such information, it will not be possible to tap using final terms and a

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[6] *Include this legend where a non-exempt offer of Notes is anticipated.*
[7] *Include this legend where only an exempt offer of Notes is anticipated.*
[8] *Include this if a non-exempt offer of Notes is anticipated.*

drawdown prospectus (incorporating the original Conditions and final terms) will instead need to be prepared. 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 Terms and Conditions set out in full in the Base Prospectus dated 27 May 2015.]

[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 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**")] [the terms and conditions as referred to on pages 58 up to and including 86 of the base prospectus of the Issuer relating to the Programme, dated 3 July 2013 (the "**2013 Terms and Conditions**")] [the terms and conditions as referred to on pages 61 up to and including 95 of the base prospectus of the Issuer relating to the Programme, dated 19 June 2014 (the "**2014 Terms and Conditions**")] each of which have been incorporated by reference in, and form part of the base prospectus dated 27 May 2015[, 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 2003/2004/2005/2006/2007/2008/2009/2010/2011/2012/2013/2014 Terms and Conditions incorporated by reference therein. 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 these Final Terms as the Stabilising Manager (or any person acting for the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising shall be conducted in compliance with all applicable laws, regulations and rules.]

[Any stabilisation activity in connection with the Notes listed or to be listed on Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V., will be conducted (on behalf of the Stabilising Manager) by a member of Euronext Amsterdam which shall be [Coöperatieve Centrale Raiffeisen –

Boerenleenbank B.A. (Rabobank) ("**Rabobank**")][9]. Any loss or profit sustained as a consequence of any such over-allotment or stabilising shall, as against the Issuer, be for the account of the Stabilising Manager.]

[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 specified for individual paragraphs or sub-paragraphs, 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.]

[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]

[When adding any other final terms or information, consideration should be given as to whether such terms or information constitute category 'B' information as indicated in Annex XX of the Prospectus Regulation and consequently trigger the need for an individual drawdown prospectus.]

[9] *Or any member of Euronext Amsterdam.*

PART A – CONTRACTUAL TERMS

The terms of the Notes are as follows:

1.	Issuer:	N.V. Bank Nederlandse Gemeenten
2.	Series 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:	[ ]
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] [Reverse Floater Interest] [Step-Down Interest] [Step-Up Interest] (further particulars specified below)
10.	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [*include percentage*/100]

		per cent. of their nominal amount [Installment] [Dual Currency Redemption] [*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).] [(*In case of non-U.S. dollar Notes held through DTC and represented by the Restricted Global Note Certificate)*: Payments of principal and interest in respect of Notes held through DTC and represented by the Restricted Global Note Certificate will be made in U.S. dollars unless the holder of such Notes elects to receive payments in the Specified Currency in accordance with the provisions set out in Condition 9(m.1).] [*Only for non-Euro denominated Notes where the country or area of which such Specified Currency is the lawful currency, has a credit rating which is lower than the credit rating of the Notes*: The provisions of Condition 9(n) do not apply. [*If Condition 9(n) is applicable:* The Issuer may settle any payment due in respect of the Notes in a currency other than the Specified Currency on the due date for such payment in the circumstances described in Condition 9(n).] (further particulars specified below)
11.	Put/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*] *(Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs 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*] 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))*
14.	**Floating Rate Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs 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
	[CMS London/CMS Brussels only]	
	• Designated Maturity:	[ ]
	• Floating Rate Option:	[ ]
	• Reset Date(s):	[ ]
(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)	Linear Interpolation:	[Applicable][Not Applicable] [The Rate of Interest for the [long][short] [first][last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(xi)	Relevant Margin (if any):	[+/–][ ] per cent. per annum
(xii)	Minimum Rate of Interest:	[ ] per cent. per annum
(xiii)	Maximum Rate of Interest:	[ ] per cent. per annum
(xiv)	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)]
15.	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs 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)]
16.	**Dual Currency Interest Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

	(i)	Rate of Exchange:	[ ] [*Provide exchange rate(s)][drafting note: please specify applicable exchange rate on the Issue Date, for example 1 USD = 0.72 EUR*]
	(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:	[ ]
17.	**Reverse Floater Interest Note Provisions**		[Applicable]/[Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Additional Business Centre(s):	[No Additional Business Centres/*specify other*]
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iii)	Cap Schedule:	[As specified below]/[Not Applicable] **Interest Period(t) (ending on (but excluding) Interest Payment Date(t))** — **Cap(t)** [ ] *(specified Interest Period(t))* — **[ ]**
	(iv)	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)]
	(v)	Fix Schedule:	**Interest Period(t) (ending on (but excluding) Interest Payment Date(t))** — **Fix(t)** [ ] *(specified Interest*

		Period(t)) **[ ]**
(vi)	Fixed Rate Period:	[Applicable]/[Not Applicable] [*If not applicable, delete all of the Fixed Rate Period provisions which follow*]
	Fixed Rate Period Start Date:	[ ]
	Fixed Rate Period End Date:	[ ]
(vii)	Floor Schedule:	[As specified below]/[Not Applicable]

Interest Period(t) (ending on (but excluding) Interest Payment Date(t))	**Floor(t)**
[ ] *(specified Interest Period(t))*	**[ ]**

(viii)	Interest Payment Dates:	[ ]

(ix)	Multiplier Schedule:	

Interest Period(t) (ending on (but excluding) Interest Payment Date(t))	**Multiplier(t)**
[ ] *(specified Interest Period(t))*	**[ ]**

(x)	Party responsible for calculating the Rate of Interest and Interest(s) Amount:	[Calculation Agent/Agent/*if the party making the calculation is different from the Calculation Agent or Agent, specify its name and address*]
(xi)	Rate of Interest(Fixed) Schedule:	

Interest Period(t) (ending on (but excluding) Interest Payment Date(t))	**Rate of Interest(Fixed)(t)**
[ ] *(specified Interest Period(t))*	**[ ]**

(xii)	Underlying Rate(t):	[Underlying ISDA Rate(t)]/[Underlying Screen Rate(t)]
	Underlying ISDA Rate(t):	[Applicable]/[Not Applicable] [*If not applicable, delete all of the Underlying ISDA Rate(t) provisions which follow*]

	• EURIBOR Rate:	[Applicable/Not Applicable]
	• LIBOR Rate:	[Applicable/Not Applicable]
	• Designated Maturity:	[ ]
	• Designated Reference:	[ ]
	• Underlying Rate Determination Date(t):	[Fixing in Advance]/[Fixing in Arrear]
	Underlying Screen Rate(t):	[Applicable]/[Not Applicable] [*If not applicable, delete all of the Underlying Screen Rate(t) provisions which follow*]
	• Underlying Reference Rate:	[LIBOR/EURIBOR/EONIA/CMS London/CMS Brussels]
	• Underlying Rate Determination Date(s):	[Fixing in Advance]/[Fixing in Arrear]/[*specify other*]
	• Relevant Screen Page(Underlying):	[ ]
	Number of Fixing Days:	[ ]
	Fixing Day City	[ ]
(xiii)	Other terms relating to the method of calculating interest on Reverse Floater Interest Notes:	[None/Aggregate Nominal Amount Determination is applicable] (*Specify Aggregate Nominal Amount Determination if the Interest Amount is to be determined on the basis of the aggregate nominal amount of the series of Notes outstanding rather than on the basis of the Specified Denomination (or the Calculation Amount if one is specified in these Final Terms)*)
18.	**Step-Down Interest Note Provisions**	[Applicable]/[Not Applicable] [*If not applicable, delete all of the Step-Down Interest Note Provisions which follow*]
(i)	Additional Business Centre(s):	[No Additional Business Centres/*specify other*]
(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(iii)	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)]
(iv)	Fixed Rate Period:	[Applicable]/[Not Applicable] [*If not applicable, delete all of the Fixed Rate Period provisions which follow*]
	Fixed Rate Period Start Date:	[ ]
	Fixed Rate Period End Date:	[ ]
(v)	Interest Payment Dates:	[ ]
(vi)	Party responsible for calculating the Rate of Interest and Interest(s) Amount:	[Calculation Agent/Agent/*if the party making the calculation is different from the Calculation Agent or Agent, specify its name and address*]
(vii)	Rate of Interest(Fixed) Schedule:	**Interest Period(t) (ending on (but excluding) Interest Payment Date(t))** — **Rate of Interest(Fixed)(t)** [ ] *(specified Interest Period(t))* — **[ ]**
(viii)	Step-Down Schedule:	**Interest Period(t) (ending on (but excluding) Interest Payment Date(t))** — **Step-Down(t)** [ ] *(specified Interest Period(t))* — **[ ]**
(ix)	Other terms relating to the method of calculating interest on Step-Down Interest Notes:	[None/Aggregate Nominal Amount Determination is applicable] (*Specify Aggregate Nominal Amount Determination if the Interest Amount is to be determined on the basis of the aggregate nominal amount of the series of Notes outstanding rather than on the basis of the Specified Denomination (or the Calculation Amount if one is specified in these Final Terms))*
19.	**Step-Up Interest Note Provisions**	[Applicable]/[Not Applicable]

		[*If not applicable, delete all of the Step-Up Interest Note Provisions which follow*]
(i)	Additional Business Centre(s):	[No Additional Business Centres/*specify other*]
(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(iii)	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)]
(iv)	Fixed Rate Period:	[Applicable]/[Not Applicable] [*If not applicable, delete all of the Fixed Rate Period provisions which follow*]
	Fixed Rate Period Start Date:	[ ]
	Fixed Rate Period End Date:	[ ]
(v)	Interest Payment Dates:	[ ]
(vi)	Party responsible for calculating the Rate of Interest and Interest(s) Amount:	[Calculation Agent/Agent/*if the party making the calculation is different from the Calculation Agent or Agent, specify its name and address*]
(vii)	Rate of Interest(Fixed) Schedule:	**Interest Period(t) (ending on (but excluding) Interest Payment Date(t))** — **Rate of Interest(Fixed)(t)** [ ] *(specified Interest Period(t))* — **[ ]**
(viii)	Step-Up Schedule:	**Interest Period(t) (ending on (but excluding) Interest Payment Date(t))** — **Step-Up(t)**

		[ ] *(specified Interest Period(t))* [ ]
	(ix) Other terms relating to the method of calculating interest on Step-Up Interest Notes:	[None/Aggregate Nominal Amount Determination is applicable] (*Specify Aggregate Nominal Amount Determination if the Interest Amount is to be determined on the basis of the aggregate nominal amount of the series of Notes outstanding rather than on the basis of the Specified Denomination (or the Calculation Amount if one is specified in these Final Terms))*
20.	**Dual Currency Redemption Note Provisions**	[Applicable/Not Applicable] (*if applicable, include currencies other than Specified Currency in which principal is payable)*]
	(a) Principal payable in other currencies than Specified Currency:	[*Provide currencies*]
	(b) Rate(s) of Exchange:	[*Provide exchange rate(s)*][*drafting note: please specify applicable exchange rate on the Issue Date, for example 1 USD =0.72 EUR]*
PROVISIONS RELATING TO REDEMPTION		
21.	Issuer Call Option:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs 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:	[ ]
22.	Investor Put Option:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount(s) of each Note:	[ ] per Calculation Amount
	(iii) Notice Period:	[ ]
23.	Final Redemption Amount :	[ ] per Calculation Amount
24.	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	[[ ] per Calculation Amount/*for Zero Coupon as per Condition 6(g)(ii)*]

(Condition 7)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	[Bearer/Registered] Notes
26.	Temporary Global Note exchangeable for Definitive Notes[1]:	[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 as provided therein.] [*(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Temporary Bearer Global Notes exchangeable for Definitive Notes.)*]
27.	Temporary Global Note exchangeable for a Permanent Global Note[2]:	[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 interests in a permanent global note (the "**Permanent Global Note**"), upon certification as to non-U.S. beneficial ownership as provided therein.] [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.]
28.	Permanent Global Note exchangeable for Definitive Notes[3]:	[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*

[1,2] 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.

[3] Bearer Notes that have a term of more than 365 days (taking into account any unilateral right to extend or rollover) and are issued as Permanent Global Notes must be issued in accordance with the C Rules.

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

[*(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Permanent Bearer Global Notes exchangeable for Definitive Notes.)*]

[The Notes will be in bearer form and will be represented by a permanent global note (the "**Permanent Global 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 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 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 quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global Note to the extent of his claim against the Issuer, provided that for so long as the Permanent Global 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 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 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.[4]]
29.	Registered Notes:	[Not Applicable]/[Unrestricted Global Note Certificate registered in the name of [a nominee/common safekeeper] for [a common depositary 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)]
30.	New Global Note:	[Applicable/Not Applicable][5]
31.	New Safekeeping Structure:	[Applicable; but only as to Unrestricted Global Note Certificate] [Not Applicable][6]
32.	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)*
33.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Not Applicable/Applicable [*give dates*]]

[4] For Swiss Franc Notes only.

[5] Specify "Not Applicable" if the Notes being issued are Bearer Notes which are Classic Global Notes/CGNs.

[6] Specify "Applicable" if the Notes being issued are Registered Notes intended to be held under the New Safekeeping Structure

34.	Details relating to Installment Notes		[Applicable/Not Applicable]
	(i)	Installment Amount(s):	[ ]
	(ii)	Installment Date(s):	[ ]
	(i)	Rate of Exchange:	[ ]
35.	Redenomination:		[Applicable/Not Applicable]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [non-exempt offer in the Non-exempt Offer Jurisdictions] [and] [admission to trading on [Euronext Amsterdam/the Luxembourg Stock Exchange/SIX Swiss Exchange Ltd] of the Notes described herein] pursuant to the Euro 90,000,000,000 Debt Issuance Programme of the Issuer.[7]

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

By: .....
Duly authorised

[7] [Attach an issue specific summary for tranches of Notes that have a denomination of less than EUR 100,000.].

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 [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 Ltd with effect from [*date*]. Application for definitive listing on the SIX Swiss Exchange Ltd 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:][8]	[ ]
(iii)	[Duration of trading:][9]	[ ]

2. **RATINGS**

[The Notes have not been rated.]

[The Notes [have been]/[are expected to be] rated][The following ratings reflect ratings assigned to Notes of this type generally]]:

[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.)

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:*

[8] Not required for Notes with a denomination per unit of less than EUR 100,000.

[9] For Swiss Franc Notes.

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. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**[10]

(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:	[ ] *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)**[11]

[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, Dual Currency Redemption Notes and Variable Interest Rate Notes only)**[12]

[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.)]*

8. **OPERATIONAL INFORMATION**

CUSIP Number:	[Not Applicable/[ ]]
ISIN Code:	[ ]
Common Code:	[ ]

[10] May be deleted if the minimum denomination is at least EUR 100,000.

[11] Delete if the minimum denomination is at least EUR 100,000.

[12] Delete if the minimum denomination is at least EUR 100,000.

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" simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper [and registered in the name of a nominee of Euroclear or Clearstream, Luxembourg acting as common safekeeper] and does not necessarily mean that the Notes 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 Notes are capable of meeting them the Notes may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper [and registered in the name of a nominee of Euroclear or Clearstream, Luxembourg acting as common safekeeper]. Note that this does not necessarily mean that the Notes 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 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*]

9. **DISTRIBUTION**

(i) Method of distribution:	Syndicated/Non-syndicated

(ii)	If syndicated, names and addresses of Dealers:	[Not Applicable/*give names and addresses*] *(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)*
(iii)	Date of Subscription Agreement:	[Not Applicable/*give date*]
(iv)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
(v)	If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]
(vi)	Total commission and concession:	[ ] per cent. of the Aggregate Nominal Amount
(vii)	U.S. Selling Restrictions:	[*Regulation S only*: Regulation S Category 2; TEFRA [C[13]/D[14]] Rules applicable; TEFRA C Rules and D Rules not applicable[15]] [*144A only*: 144A; TEFRA C and D Rules not applicable] [*Regulation S and 144A*: Regulation S Category 2 and 144A; TEFRA C and D Rules not applicable]
(viii)	Non-exempt Offer:	[Not Applicable] [A Non-exempt Offer of the Notes may be made by the Dealers [and [*specify*, *if applicable*]] (together [with the Dealers], the "**Initial Authorised Offerors**") [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 "**Non-exempt Offer Jurisdictions**") during the period from [*specify date*] until [*specify* date] (the "**Offer Period**" [*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.]
(ix)	General Consent:	[Applicable/Not Applicable]
(x)	Other conditions to consent:	[Not Applicable/[ ]]

10. TERMS AND CONDITIONS OF THE OFFER[16]

[13] To be used for Bearer Notes that are issued as Permanent Global Notes or Definitive Notes, which may not be offered or sold in the United States or to U.S. persons.

[14] 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.

[15] To be used for offerings of Registered Notes, or Bearer Notes with a term of one year or less (including unilateral rights to roll over or extend).

[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:	[ ]
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 Non-exempt 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/*give details*]
Description of manner for refunding excess amount paid by applicants	[Not Applicable/*give details*]
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 [*date*].] [ ]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/*give details*]

[16] Delete if the minimum denomination is at least EUR 100,000.

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 Non-exempt Offer Jurisdictions to any person during the Offer Period. In other EEA countries and in all jurisdictions (including the Non-exempt 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.] [ ]
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 Non-exempt 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*]

11. [***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] [•]].

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

In accordance with Article 43 of the Listing Rules of the SIX Swiss Exchange Ltd, [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 Ltd.]

13. [***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.]

[Attach an issue specific summary for tranches of Notes that have a denomination of less than EUR 100,000.]

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 public authorities and public interest institutions. 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 planning management capacity.

As of and for the year ended 31 December 2014, BNG Bank had total assets of €153 billion, total equity of €3.5 billion and net profit of €126 million.

History and Corporate Organisation

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 Netherlands Chamber of Commerce (*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, by-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 contributes to ensuring social services can be offered to the public at low costs. 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) continues to be BNG Bank's core activity, with the local and provincial authorities, housing associations and healthcare institutions being BNG Bank's core client groups. Maintaining its substantial market shares is one of BNG Bank's goals, and BNG Bank aims to meet more than half of the total long-term demand for solvency-free lending from the local and provincial authorities, housing associations and healthcare institutions, while maintaining profitability. In 2014, BNG Bank fulfilled approximately 65% of the overall demand for long-term solvency-free lending from its core clients.

Looking forward, BNG Bank aims to enhance its role as an expert in financing public authorities. BNG Bank's strategy is aimed at responding to the changing needs of its core clients in pursuing government policy and providing tailor-made investment financing solutions. Although the global economic and financial crisis has weakened the Dutch economy and slowed lending in recent years, BNG Bank is taking account of a shift from direct lending to the government authorities to financing projects in which government authorities are involved, such as public-private partnerships, including in the areas of infrastructure and sustainable energy. BNG Bank will adapt its strategy accordingly where necessary and is investing and plans to continue to invest in knowledge and expertise to provide solutions to public-private partnerships, in turn creating new opportunities for financing such partnerships.

In 2014, BNG Bank continued to focus its lending activities exclusively on the Dutch market. Investments in public securities from EU Member States can be made if the securities are in line with BNG Bank's liquidity 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. Other competitors are commercial banks, insurance companies and pension funds.[17] Due to the small margins generally earned on public sector lending and in part due to continuing effects of the economic crisis, a number of commercial banks that competed in this market have withdrawn. On the contrary, insurance companies and pension funds have become more active in the market in 2014.

As at 31 December 2014, BNG Bank had a market share of approximately 65% 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 (48%) and healthcare entities (34%) 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 2013 and 2012 increased over prior years. In 2014, BNG Bank faced increased competition from insurance companies and pension funds in the market for longer-term loans.

Products and Services

Loans and Advances

BNG Bank's primary business is providing loans and advances to public authorities and public sector institutions. Under its Articles of Association, lending is limited to public authorities within the European Union. In 2010, BNG Bank resolved to focus new lending activities entirely on the Dutch market and, with a view to managing credit risk, to provide lending outside the Netherlands only in limited cases. Lending to clients outside the Netherlands currently accounts for less than 1% of BNG Bank's total loan portfolio. 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 public authorities and public institutions. In 2012 and 2013, many of BNG Bank's competitors reduced their long-term credit to public authorities and institutions. However, in 2014 BNG Bank experienced increased competition from institutional investors. Notwithstanding such increased competition, BNG Bank was able to continue to support its public clientele in large part because it was able to continue to finance itself at attractive rates in the financial markets.

BNG Bank's total long-term lending portfolio to clients based on principal amount decreased by €0.2 billion to €83.0 billion in 2014. The decrease of €0.2 billion was principally due to a decrease in client demand as a result of the weak economic conditions and the changing regulatory landscape, which led to general reluctance among clients to take on new investments.

New long-term lending to client groups was €9.2 billion, €11.9 billion and €11.1 billion in 2014, 2013 and 2012, respectively. Although BNG Bank held consistently high market shares across the various sectors, new long-term lending in 2014 decreased by 23% compared to 2013 principally due to a sharp decrease in client demand, particularly in the housing sector, BNG Bank's largest client group. New long-term lending to the housing sector was €3.9 billion in 2014, compared to €5.4 billion and €5.0 billion in 2013 and 2012, respectively. Amendments to the Housing Act are limiting the scope of business activities of housing associations, and in response, housing associations have been postponing and may continue to postpone new near-term investments or may sell parts of their housing portfolios. See also "- *Housing*

[17] 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 Bank.

Associations" below. In addition, competition in the housing associations sector has increased slightly as more providers have recently become active particularly in the very long-term loan segment. The demand for new long-term lending from municipal and provincial authorities in 2014 was €3.8 billion, compared to €4.8 billion and €5.0 billion in 2013 and 2012, respectively. The decline was principally a result of the decentralisation of certain tasks from the central government to the municipalities, such as youth care and long-term care, which led to lower new investments by municipal and provincial authorities. This effect was compounded by the budget cutbacks linked to decentralisation. The demand for new long-term lending to the healthcare sector in 2014 was €0.8 billion, compared to €1.1 billion and €1.3 billion in 2013 and 2012, respectively. The decrease was principally due to the lack of clarity on the financial situation of many healthcare institutions. The introduction of numerous complex regulations in this sector has also created uncertainty in respect of the accuracy of income recognition. Given the increased risks, BNG Bank was forced to approach demand from this sector, particularly with respect to transactions with solvency requirements, with caution.

Demand for lending subject to solvency requirements rose slightly across all sectors, and in the aggregate by €0.2 billion in 2014 to €1.4 billion from €1.2 billion in 2013.

The table below sets forth loans and advances made by BNG Bank in 2014 and 2013 and the total outstanding to each client group as of 31 December 2014.

					Of which subject to capital adequacy requirements	
	Total as of 31 December	Total as of 31 December	New Lending			
Long-term lending	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
			(measured at nominal value in € millions)			
Public sector (municipalities, provincial authorities and municipal joint ventures)	28,745	28,119	3,824	4,771	180	51
Housing associations	41,925	42,383	3,874	5,415	196	183
Energy, water and telecom	1,301	1,464	330	195	329	188
Healthcare sector	7,324	7,391	805	1,086	344	552
Transport, logistics and environment	1,378	1,451	251	292	218	155
Education	839	828	109	94	104	76
Design, build, finance and maintenance	1,148	1,130	-	-	-	-
Miscellaneous	297	420	13	13	-	5
Total	**82,957**	**83,186**	**9,206**	**11,866**	**1,371**	**1,210**
Growth in new long-term lending	n.a.	n.a.	-22%	7%	13%	14%
of which solvency-free	n.a.	n.a.	85%	90%		

Public sector (Local authorities)

One of BNG Bank's most significant client bases is comprised of local and regional 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 (AA+ by Standard & Poor's). 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 WSW.[18] Standard & Poor's and Moody's have assigned WSW rating of AA+ (stable outlook) and Aaa (negative outlook), respectively.

According to Aedes, a Dutch national association promoting the interests of social housing organisations, as of 2013, housing associations owned 2.4 million dwellings, which was approximately 30% of the total stock of houses 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. 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. For example, housing associations are required to confine their activities to their core business: activities in the social rented housing sector, or services of general economic interest ("**SGEI**"). However, the effect of this was mitigated slightly in 2013, when the Dutch government concluded an agreement allowing housing associations, under certain conditions, to continue to develop non-SGEI activities. On 1 July 2015, the new Housing Act (*herziene Woningwet*), which sets out permissible non-SGEI activities and their preconditions is intended to enter into force. In the long term, however, from an accounting and legal standpoint, SGEI activities must be separated from non-SGEI activities. Only SGEI activities may be performed with state aid. Guarantees issued by WSW are the principal form of state aid and many non-SGEI activities are currently financed under a WSW guarantee. Pursuant to the new act, existing non-SGEI activities will have to be refinanced in due course without this guarantee. At present, 6.5% of housing associations' assets can be classified as non-SGEI. As the act offers housing associations the option of designating more property as non-SGEI, the non-guaranteed demand for credit could rise considerably in the future. BNG Bank will continue to grant credit facilities to housing associations where possible and within the new eligibility criteria.

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.[19] As a result, loans covered by WfZ guarantees are zero-percent risk weighted by DNB. Standard & Poor's assigned WfZ a rating of AA+ (stable outlook).

Educational institutions

BNG Bank also provides limited financing solutions to educational institutions following changes in Dutch law applicable to educational institutions that require such educational institutions to be responsible for funding the maintenance and construction of their own buildings. The majority of BNG Bank's loans to educational 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 educational and repaid through income generated from tuitions and government funding. In August 2014, Moody's confirmed its Aa1 rating and stable outlook of

[18] This information is based on public information provided by WSW through www.wsw.nl.

[19] This information is based on public information provided by WfZ through www.wfz.nl.

Stichting Waarborgfonds Bve. Loans which are guaranteed by Stichting Waarborgfonds Bve are 20% 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 that the control of these government parties is not impaired, thereby safeguarding the interests of the municipalities and society. At the end of 2014, BNG Gebiedsontwikkeling was participating in 19 partnership structures. Two projects were wound down in 2014. There were no projects completed in 2014.

Consultancy

BNG Advies carries out consultancy assignments for various parties including municipalities, provinces, housing associations and healthcare institutions. BNG Advies supports clients in finding innovative solutions in areas including financing, treasury, risk management and public-private partnerships. For a range of target groups, including administrators and directors, BNG Advies organises periodic training programmes and master classes covering financial topics and other subjects.

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 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 organisations.

As at 31 December 2014, assets under management by BNG Vermogensbeheer B.V. amounted to €5.0 billion compared to €5.1 billion as at 31 December 2013 and €6.4 billion as at 31 December 2012. BNG Vermogensbeheer B.V. invests primarily in investment grade bonds within Europe for both individually tailored investment profiles and investment funds. The decrease in assets under management in 2013 compared to 2012 was principally a result of the mandatory outflow of investments by local authorities under the mandatory treasury banking regime. In 2014, the outflow arising from mandatory treasury banking was largely offset by organic growth.

Payment Services and E-Banking

BNG Bank provides products and services that enable clients to organise and manage their payments and liquidity efficiently. The "Mijn BNG Bank" (*My BNG Bank*) web portal plays a pivotal role in providing these services. An important component of this portal is the electronic banking module "BNG Betalingsverkeer" ("**BNG Payment Services**") which enables BNG Bank's clients to process their payments quickly and securely via the internet. The "BNG Treasury" module provides cash and treasury management support to clients. In early 2014, the development of the European payment market, the Single Euro Payments Area ("**SEPA**"), was successfully completed and clients began using new SEPA products before the 1 August 2014 deadline. For treasury banking purposes, BNG Bank assists local authorities by automatically transferring excess liquidity to the treasury, on request. BNG Bank has been able to retain its strong position in payment services in 2014. BNG Bank also smoothly processed flows of funds between the central government and local authorities, the so-called *Rijksverrekening* (State settlement) in 2014.

Ratings

The senior outstanding public long-term debt of BNG Bank is rated "AA+" by Standard & Poor's, "AAA" by Fitch and "Aaa" by Moody's.

BNG Bank is considered one of the world's most creditworthy banks. Standard & Poor's confirmed BNG Bank's "AA+" rating in November 2014. At the end of 2013, Standard & Poor's had lowered its rating for the State of the Netherlands, and by extension, that of BNG Bank from "AAA" to "AA+". 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. This rating action had no noticeable effect on BNG Bank's cost of raising funding.

On 19 May 2015, Fitch revised BNG Bank's AAA rating to AA+ and changed its outlook from negative to stable, following Fitch's review of sovereign support for banks globally. Fitch believes legislative, regulatory and policy initiatives have substantially reduced the likelihood of sovereign support for, amongst others, European Union commercial banks. Fitch continued to factor in Dutch state support for BNG Bank.

On 29 May 2014, while affirming the Aaa long-term rating of BNG Bank, Moody's changed the outlook on BNG Bank's long-term rating from "stable" to "negative." This outlook change followed uncertainty on the impact for European banks of the Bank Recovery and BRRD (adopted by the European Parliament and Council in May 2014) and the SRM Regulation (approved by the European Parliament in April 2014). On 17 March 2015, Moody's changed the outlook on BNG Bank's long-term rating from negative to stable following Moody's final assessment of the BRRD and the SRM Regulation and the application of its new methodology for banks.

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 did not experience any significant negative effects as a result of the rating actions by Standard & Poor's in 2013 and Moody's in May 2014, any adverse rating action may adversely affect BNG Bank.

Employees

Including its subsidiaries, BNG Bank employed on a full-time equivalent basis, 278 employees as at 31 December 2014, all of whom were employed in the Netherlands. Substantially all of BNG Bank's employees are subject to collective labour 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 decided not to offer this product and accept new clients since 2013.

Risk Management

General

BNG Bank's risk management strategy is aimed at ensuring a reasonable return on investment for its public shareholders while maintaining excellent creditworthiness.

Management of Risk

Risk management is concentrated within the Risk Control department. This department qualifies, quantifies and monitors risks, and reports to the responsible committees. These risks consist of credit risk, market risk, liquidity risk, operational risk and other risks. The Risk Control department facilitates the management of strategic risk by managing the risk policies and risk appetite framework. In addition, the Credit Risk Assessment department draws up policy proposals with respect to credit risk, while as part of the lending process it also provides independent assessments and advice on risks relating to credit and review proposals for clients and financial counterparties. The Credit Risk Assessment department is represented in BNG Bank's Credit Committee, the Financial Counterparties Committee and the Investment Committee. This department is also responsible for BNG Bank's credit watch activities, namely the supervision, management and processing of problematic financing arrangements.

The Internal Audit Department ("**IAD**") periodically conducts operational audits in order to evaluate the structure and performance of BNG Bank's risk management systems and to assess compliance with the applicable legislation. The IAD functions as an independent entity within BNG Bank and reports to the Executive Board. BNG Bank also has an independent Compliance Officer charged with monitoring compliance with all relevant legislation. The duties, position and authorities of this compliance function are recorded in the BNG Compliance Regulations. The Legal, Tax and Compliance department is involved if necessary in the supervision of employee conduct. The Executive Board periodically discusses the structure and performance of BNG Bank's internal risk management and control systems with the Supervisory Board and the Audit & Risk 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 a "risk appetite" statement each year. The "risk appetite" statement sets out the aggregated level and types of risk BNG Bank is willing to assume in order to achieve its strategic objectives and business plan. 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 risk capacity is the maximum level of risk that the organisation can assume given its current level of resources before breaching constraints determined by regulatory capital and liquidity needs, the operational environment (e.g. technical infrastructure, risk management capabilities, expertise) and obligations, also from a conduct perspective, to depositors, policyholders, shareholders, fixed income investors, as well as other customers and stakeholders. The risk appetite statement is evaluated every year and adjusted where necessary, before being adopted by the Supervisory Board. The risk appetite statement serves as a risk tolerance guideline for the various risk types and the associated control frameworks and limits. 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 2014, BNG Bank remained within its risk appetite limits, except in respect of return-on-equity.

Risk management uses a set of reports aimed at both internal risk management and accountability for that risk management towards external stakeholders. BNG Bank applies the 'standardised approach' in reporting credit risk to the ECB and the 'basic indicator approach' in reporting operational risk. In addition, BNG Bank ensures that the reports meet increasingly strict requirements on aspects such as capital and liquidity.

Internal credit risk assessment models

BNG Bank determines creditworthiness using internally developed rating models that allow BNG Bank to conduct credit assessments partly on the basis of objectively observable criteria. Given the 'low default'

character of the credit portfolio, expert models are utilised. Models have been developed for the following sectors:

- public housing;
- healthcare and education;
- DBFMO (Design Build Finance Maintain Operate, project financing);
- area development;
- financial institutions; and
- energy, water, telecom, transport, logistics and the environment.

For further information on BNG Bank's risk management policies please refer to Note 30 '*Risk section*' in the annual report for 2014 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 ten 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

Name	Born	Appointed	Position
C. van Eykelenburg	1952	2005	Chairman
O.J. Labe	1969	2015	Member
J.C. Reichardt	1958	2008	Member

Supervisory Board

Name	Born	Appointed	Position
H.O.C.R. Ruding	1939	2004	Chairman
Mrs. S.M. Dekker	1942	2007	Vice-Chairman and Secretary
C.J. Beuving	1951	2014	Member
L.M.M. Bolsius	1958	2014	Member
T.J.F.M. Bovens	1959	2012	Member
W.M. van den Goorbergh	1948	2003	Member
Mrs. J. Kriens	1954	2014	Member
Mrs. P.H.M. Hofsté	1961	2013	Member
J.J. Nooitgedagt	1953	2012	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

Mr. Van Eykelenburg was appointed as an Executive Board member on 1 January 2005. He became Chairman on 15 October 2008 and was reappointed as Chairman on 15 October 2012 for a four-year term of office. This period may be extended. In connection with his position at BNG Bank, Mr. Van Eykelenburg is a Board member and Treasurer of the Dutch Banking Association (NVB) and Chairman of the Supervisory Board of BNG Gebiedsontwikkeling B.V., a BNG Bank subsidiary. He also is a Board member of Stichting Pensioenfonds ABP, a member of the Internal Supervisory Committee of Shell Pension Fund and Chairman of the W.F. Hermans Institute.

O.J. Labe, Member

Mr. Labe was appointed as an Executive Board member on 1 May 2015 for a four-year term of office. This period may be extended. In connection with his position at BNG Bank, Mr. Labe is Director of BNG Bank's subsidiary Hypotheekfonds voor Overheidspersoneel B.V.

J.C. Reichardt, Member

Mr. Reichardt was appointed as an Executive Board member on 15 October 2008 and reappointed on 15 October 2012 for a four-year term of office. This period may be extended. In connection with his position at BNG Bank, Mr. Reichardt is Chairman of the Supervisory Board of Data B. Mailservice BV, a Supervisory Board member of BOEI BV, a member of the Supervisory Affairs Committee of the Dutch Banking Association (NVB) and a Supervisory Board member of the BNG Bank subsidiaries Hypotheekfonds voor Overheidspersoneel BV, BNG Gebiedsontwikkeling BV and BNG Vermogensbeheer BV. He is also a Supervisory Board member and Chairman of the Audit Committee of RDW and a member of the National Renovation Platform.

Supervisory Board

H.O.C.R. Ruding, Chairman

Former Vice-Chairman of the Citicorp/Citibank Executive Board, New York, and former Minister of Finance. Appointed on 12 May 2004, reappointed on 28 April 2008 and reappointed a second time on 23 April 2012. He is due to retire from the Supervisory Board in 2016.

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

Former Minister of Housing, Spatial Planning and the Environment. Appointed on 24 May 2007, reappointed on 26 April 2011 and is eligible for reappointment in 2015. In addition to being a BNG Bank Supervisory Board member, she is a Supervisory Board member of Royal Haskoning-DHV Nederland B.V.

C.J. Beuving

Former Chairman of the Management Board of the Friesland Bank Holding NV. Appointed on 24 April 2014 and is eligible for reappointment in 2018. In addition to being a BNG Bank Supervisory Board member, he is Chairman of the Supervisory Board of BPF BouwInvest B.V.

L.M.M. Bolsius

Acting Mayor of the Municipality of Amersfoort. Appointed on 24 April 2014 and is eligible for reappointment in 2018.

T.J.F.M. Bovens

King's Commissioner for the Province of Limburg. Appointed on 23 April 2012 and is eligible for reappointment in 2016.

W.M. van den Goorbergh

Former Chairman of the Rabobank Nederland Executive Board. Appointed on 15 May 2003, reappointed on 24 May 2007, reappointed a second time on 26 April 2011 and is due to retire in 2015. In addition to being a member of the BNG Bank Supervisory Board, he is Chairman of the Supervisory Boards of NIBC Bank N.V. and DELA.

Mrs. P.H.M. Hofsté

Former Executive Board member and Chief Financial and Risk Officer of APG Groep N.V. Appointed on 22 April 2013 and is eligible for reappointment in 2017. In addition to being a member of the BNG Bank Supervisory Board, Mrs. Hofsté is member of the Supervisory Boards of KAS Bank N.V. and Achmea B.V.

Mrs. J. Kriens

Chairwoman of the Executive Board of Association of Dutch Municipalities (VNG). Appointed on 24 April 2014 and is eligible for reappointment in 2018.

J.J. Nooitgedagt

Former Chief Financial Officer and an Executive Board member of AEGON NV. Appointed on 23 April 2012 and is eligible for reappointment in 2016. In addition to being a BNG Bank Supervisory Board member, he is Chairman of the SNS Reaal N.V. Supervisory Board, Vice-Chairman of the Supervisory Board of TMG N.V. and a Supervisory Board member of Robeco Groep N.V.

Mrs. M. Sint

Former Chairman of the Executive Board of Isala clinics in Zwolle. Appointed on 20 August 2012 and is eligible for reappointment in 2017. In addition to being a member of the BNG Bank Supervisory Board, she is the Chairman of the NL Healthcare Supervisory Board, Vice-Chairman of the Supervisory Board of BPF Bouwinvest BV and a member of the Supervisory Board of De Friesland Zorgverzekeringen.

Managing Directors

Mrs. P.J.E. Bieringa, Managing Director, Public Finance
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 capitalisation as at 31 December 2014, see "*Capitalisation*".

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 of BNG Bank is set out in Note 39 of the 2014 Financial Statements incorporated by reference herein. 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 €32 million for 2014, compared to €71 million for 2013 and €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 mayor areas, *i.e.* banking, capital markets and asset management.

Capital Requirements Directive

In December 2010 the Basel Committee published its final standards on the revised capital adequacy framework known as Basel III. Basel III is being implemented in the EU through the CRD IV Directive and the CRR. The CRR aims to contribute to the safeness and soundness of the financial system. The CRD IV Directive governs amongst other things the access to deposit-taking activities while the CRR establishes the majority of prudential requirements for institutions.

The CRR entered into force on 1 January 2014, and has direct effect in the Netherlands. The CRD IV Directive was implemented in the Netherlands as of 1 August 2014. A number of the requirements introduced under CRD IV will be further supplemented through the Regulatory and Implementing Technical Standards (RTSs/ITSs) produced by the EBA, and to be adopted by the European Commission, many of which are not yet finalised.

CRD IV, in implementing Basel III, is intended 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 systemic risk buffer, a new liquidity framework (LCR) and a net stable funding ratio ("**NSFR**") as well as a leverage ratio. The LCR addresses the sufficiency of high quality liquid assets to meet short-term liquidity needs under a specified acute stress scenario and may not fall below 100% of estimated net cash outflows for the following 30 days. The NSFR requires that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities, i.e., that long-term assets are covered with sufficient stable funding. The leverage ratio is defined as Tier-1 capital divided by a measure of non-risk weighed assets (including specific off-balance sheet assets). Under Basel III, 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. With respect to the percentage, the Dutch government is currently lobbying to implement a leverage ratio of at least 4% for significant Dutch banks. In that regard, the Dutch Minister of Finance has indicated that such percentage will not apply to BNG Bank, given its specific business model of lending exclusively to municipal governments and other public entities. Recital 95 of CRR also leaves room for a specific leverage ratio for entities with a low risk business model (also see below). 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 leverage ratio requirements are being phased in with (i) a reporting period to the competent supervisory authority during 2013-2018, (ii) a disclosure obligation as of 1 January 2015 and (iii) the migration to a binding harmonised requirement on 1 January 2018.

In addition, the changes under CRD IV require that BNG Bank calculates its primary capital ratio as the CET 1 ratio. The CET 1 ratio compares a bank's common equity capital with the total of risk-weighted assets. In calculating its risk-weighted assets, BNG Bank applies the 'standardised approach' for credit risk. Regulatory initiatives may impact the calculation of BNG Bank's risk-weighted assets, being the denominator of its CET 1 ratio. The Basel Committee is currently consulting on revisions to the standardised approach for credit risk, with the main proposed change being to reduce reliance on external credit ratings for the purposes of assessing the credit profile of a financial institution's assets by replacing such credit ratings with a number of risk drivers which will vary depending on the type of exposure. Although the timing for adoption, contents and impact of these proposals remain subject to considerable uncertainty, an implementation of this new risk assessment framework could impact the calculation of BNG Bank's risk-weighted assets could increase BNG Bank's total risk-weighted assets and, consequently, its CET 1 ratio.

In addition to the capital requirements, CRD IV also deals with the market access and license requirements for credit institutions. The definition of 'credit institution' is laid down in the CRR, which has direct effect in the Netherlands. As a consequence thereof, as a result of the CRD IV implementation, the DFSA includes a definition of 'bank' that merely refers to the definition of 'credit institution' in the CRR. This means that the notion of a bank and the question whether an entity falls within the scope of the banking license requirement shall ultimately be decided at EU level. DNB has confirmed that BNG Bank qualifies as a 'credit institution' as set out in the CRR. There may be a risk that once an EU level definition of credit institution is applicable, BNG Bank may not fall under the scope thereof.

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. The Executive Board has expressly objected to applying the 3% leverage ratio and has advocated a suitable capital requirement for public sector banks. The authorities have taken cognisance of the objections raised by BNG Bank to the leverage ratio (see also the remarks of the Dutch Minister of Finance set out above). Recital 95 of the CRR states 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. The CRR does not contain a minimum leverage ratio, and the EBA is due to recommend one in 2016. Moreover, the CRR states that the EBA must take account of the various business models used in the banking sector when making its recommendation. BNG Bank has decided to view the minimum 3% leverage ratio announced under Basel III as an objective in its capital planning until the final leverage ratio is determined. As this ratio includes 100% of all loans and advances, irrespective of their creditworthiness, the ratio will have a relatively profound impact on BNG Bank because its lending largely consists of exposures granted to or guaranteed by Dutch authorities at national, provincial and municipal levels with a risk weighting of 0%. In 2013, BNG Bank updated its plan for meeting the minimum leverage ratio and submitted the plan to the Dutch Central Bank.

Deposit Guarantee Scheme

On 2 July 2014, a new Directive 2014/49/EU ("**DGS Directive**") on deposit guarantee schemes entered into force. The DGS Directive amends Directive 94/19/EC and regulates amongst others the harmonisation of the *ex-ante* financing of the deposit guarantee schemes, the harmonisation of the maximum payment of €100,000 under a deposit guarantee scheme, the cross-border cooperation of (foreign) deposit guarantee schemes, more transparency for depositors, the verification of claims by the deposit guarantee schemes and the reimbursement in the event of a bank failure. The DGS Directive should, for the most part, be implemented and become effective before 3 July 2015. The other part of the DGS Directive shall be implemented and become effective before 31 May 2016.

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 for investment services with respect to financial instruments 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 has been amended by a directive (Directive 2014/65/EU, "**MiFID II**") and a regulation (Regulation 600/2014, "**MiFIR**"). MiFID II entered into force on 2 July 2014, and has to be implemented into national legislation before 3 July 2016. The implementation legislation should enter into force before 3 January 2017. MiFIR will largely be effective as of the same date. MiFID II changes amongst others 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.

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 24 July 2013, the European Commission published a proposal for PSD2. PSD2 broadens the scope of the existing PSD and captures a wider range of payment transactions. In addition, PSD introduces new responsibility and liability provisions. PSD2 and its accompanying regulation are currently under negotiation among the European

Parliament, European Commission and Council of the European Union. It is not yet known when PSD2 will come into force.

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 IV**"), 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). On 23 July 2014, Directive 2014/91/EU ("**UCITS V**") came into force. UCITS V includes information on, amongst others, requirements with respect to the depositary, its role, remuneration and enforcement.

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 2011 and was implemented in the Netherlands effective as of 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. On 5 February 2013, the European Commission published a proposal for the fourth Anti-Money Laundering Directive. The European Parliament and the Council of Ministers reached political consensus on this directive in December 2014, and the anti-money laundering rules under this directive are expected to be finalised in 2015. The fourth Anti-Money Laundering Directive implements the recommendations of the Financial Action Task Force that were published in February 2012. In addition, on 5 February 2013, the European Commission published a proposal for a regulation on information accompanying transfers of funds to secure 'due traceability' of these transfers.

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 took effect on 12 February 2014. The mandatory central clearing of OTC-derivatives is not expected to take effect before the second or third quarter of 2015.

Single Supervisory Mechanism

The SSM is one of the elements of the EU banking union. The SSM creates a new system of financial supervision comprising the ECB and the national competent authorities of participating EU Member States. Among these EU Member States are those whose currency is the Euro and those whose currency is not the Euro but who have decided to enter into close cooperation with the SSM. Under the new system of supervision, the ECB directly supervises significant credit institutions as of 4 November 2014. Specific tasks relating to the prudential supervision of credit institutions have been conferred on the ECB by a regulation (Regulation 1024/2013, "**SSM Regulation**"). The SSM Regulation entered into force on 4 November 2014.

BNG Bank is considered a "significant credit institution" under the SSM and is therefore subject to direct supervision by the ECB. The ECB is the competent authority responsible for supervising significant credit institutions' compliance with the prudential requirements including (among other things) (i) own funds requirements, the liquidity coverage ratio, the net stable fund ratio, the leverage ratio and the reporting and public disclosure of information on these matters, as set out in CRR and (ii) the requirements to have in place robust governance arrangements, including fit and proper requirements for the persons responsible for the management of the bank, remuneration policies and practices and effective internal capital adequacy assessment. In this connection, the ECB will apply the rules and requirements of the CRR and the Dutch implementation of CRD IV in the DFSA to the Dutch significant credit institutions. DNB will remain the supervisory authority in respect of tasks not conferred to the ECB. This includes, amongst other things, payment systems and with respect to preventing money laundering and terrorist financing pursuant to the Act on the Prevention of Money Laundering and Terrorist Financing (*Wet ter voorkoming van witwassen en financieren van terrorisme*, "**Wwft**").

Single Resolution Mechanism

The Single Resolution Mechanism (the "**SRM**") is another mechanism of the EU banking union. The SRM provides for a single resolution framework for banks. SRM consist of the SRM Regulation. The application of the SRM will be phased in and has started on 1 January 2015 with provisions on the preparation of resolution planning, the collection of information and cooperation with national resolution authorities. The parts with respect to bail-in and resolution powers are expected to enter into force in January 2016.

Pursuant to the SRM Regulation, the SRB acts as the resolution authority for significant credit institutions under SSM instead of the national resolution authorities. In short, upon notification by the ECB (as supervisor) that a bank is failing or likely to fail, or on its own initiative after having previously informed the ECB, the SRB adopts a resolution scheme, placing the failing bank into resolution. It will determine the application of resolution tools and the use of the SRF, to which BNG Bank may be required to make a contribution going forward. The SRB addresses the resolution decisions to the relevant national resolution authorities for execution at the national level in accordance with the SRM Regulation and the BRRD (see below). As a consequence of the above, BNG Bank will be subject to the SRM and will have the SRB as resolution authority.

Dutch Supervision and Regulation

The Dutch regulation for financial supervision is laid down in and based on the provisions of the 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 (and, as of November 2014, the ECB). 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 prudential rules of the DFSA, DNB or the ECB (depending on whether supervision in respect of a particular requirement has been conferred to the ECB or not) may, *inter alia*, issue directions, impose fines and publish information on any imposed sanctions and the context. The rules on prudential supervision are further described below. The exercise of supervision by the ECB pursuant to the SSM is further described above.

Special Measures Financial Institutions Act and BRRD

The Dutch Act on special measures regarding financial undertakings entered into force on 13 June 2012. The Special Measures Financial Institutions Act has retroactive effect as of 20 January 2012. 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 (nationalisation) 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. 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 or prevent BNG Bank from performing its payment and other obligations and enforcement thereof under the Terms and Conditions of any series of Notes, as well as prevent the enforcement thereof.

The BRRD sets out a common European recovery and resolution framework which is composed of three pillars: (i) preparation (by requiring banks to draw up recovery plans and resolution authorities to draw up resolution plans), (ii) early intervention powers and (iii) resolution powers. The BRRD contains similar provisions to the rules outlined in the SRM (see above). The BRRD entered into force on 1 January 2015. However, the BRRD has not yet been implemented in Dutch law. On 21 November 2014 a consultation document for the proposal for the Dutch Implementation act for the European Framework for the Recovery and Resolution of Banks and Investment Firms was published for public consultation purposes. The Dutch legislator did not achieve implementation and entry into force of the legislation by 1 January 2015 as required by the BRRD. The legislator's actual target date for implementation is not yet known but it is expected that the implementation will occur at the end of 2015.

The BRRD gives regulators resolution powers, inter alia, to 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, the Bail-in Tool. In addition to the Bail-in Tool, the BRRD will provide the resolution authorities with broader powers to implement other resolution measures with respect to banks which reach non-viability, which may include (without limitation) the sale of a bank's business, the separation of assets, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments and discontinuing the listing and admission to trading of financial instruments.

Pursuant to the BRRD, banks are required at all times to meet a minimum amount of own funds and eligible liabilities ("**MREL**") expressed as a percentage of the total liabilities and own funds. The resolution authority will set a level of minimum MREL on a bank-by-bank basis based on assessment criteria to be set out in technical regulatory standards. The Financial Stability Board ("**FSB**") has also developed proposals to enhance the total loss-absorbing capacity ("**TLAC**") of global systemically important banks in resolution. The FSB proposes minimum TLAC requirements to be set as a percentage of the loss-absorbing capital and debt against the balance sheet (both weighted and unweighted). It is unclear whether TLAC will become law and, if so, in what form and when.

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' have had and may continue to 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 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. Due to the decrease in assets under management, the contribution to commission income by its subsidiary BNG Vermogensbeheer B.V. fell to approximately €5 million in 2014 (2013: €8 million and 2012: €8 million). Although BNG Bank's consolidated total commission income increased to €35 million in 2014 (2013: €30 million and 2012: €31 million), there is no assurance that the treasury banking regime and loss of access to these funds will not continue to 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 2014, 2013 and 2012, the tax owed was €30 million, €33 million and €32 million, respectively. Based on the methodology and assumptions laid down in the Banking Tax Act, the tax payment for 2015 is expected to be around €36 million.

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").

The current liquidity rules will be replaced by the liquidity requirements under CRR (see above) after the LCR enters into force, which shall occur on 1 October 2015. The Liquidity Regulation will likely be discontinued on 1 January 2016.

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 the ECB. 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, see 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. These declarations of no objection are to be issued by DNB.

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 directly supervision by the ECB 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.

Banker's oath / Disciplinary scheme

In 2013, the bankers' oath, an ethics statement for the financial industry, was introduced in the DFSA (pursuant to the Bankers' Oath Regulation (*Regeling eed of belofte financiële sector*)) for a financial institution's day-to-day policy makers and supervisory board members. As of 1 April 2015 the scope of people required to take the oath or solemn affirmation has been broadened to include any person that works under the responsibility of a bank in the Netherlands and has an employment contract with a bank or otherwise contributes to the substantial business of the bank.

The Dutch Banking Association (*Nederlandse Vereniging van Banken*, "**NVB**") has established a Disciplinary Regulation (*tuchtregelement*) that lays down the consequences of breaching certain conduct rules and procedure for filing an complaint against individual employees. Employees of a bank must adhere to this disciplinary scheme and the conduct rules, by signing a disciplinary scheme declaration pursuant to the DFSA starting 1 April 2015.

Banking Code

The NVB has revised the Dutch Banking Code 2010. The new Dutch Banking Code 2014 ("**Banking Code**") entered into force on 1 January 2015 and is designed to make a contribution to public trust in banks and their role in the community. 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.

CAPITALISATION

	As of 31 December[1]
	2014
	(€ millions)
Share Capital	139
Share Premium Reserve	6
Revaluation Reserve	234
Cash Flow Hedge Reserve	375
Other Reserves	2,702
Net Profit	126
Total Equity	**3,582**
Subordinated Loans	32
Funds Entrusted	12,334
Debt Securities[2]	106,069
Total Capitalisation	**122,017**

[1] *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 capitalisation since 31 December 2014.*

[2] *As of 31 December 2014, €34,408 million had a maturity of less than one year.*

SELECTED FINANCIAL DATA 2014-2010

	2014	2013	2012	2011	2010
	(€ millions, except percentages, per share and employee data)				
Total Assets	153,505	131,183	142,228	136,460	118,533
Loans and Advances	90,732	92,074	90,725	90,775	86,851
of which granted to or guaranteed by public authorities	81,036	81,701	79,666	78,548	75,247
of which reclassified from the financial assets available-for-sale item	1,779	2,259	2,603	3,219	3,724
Equity excluding Unrealised Revaluation[1]	2,974	2,918	2,718	2,450	2,321
Unrealised Revaluations[2]	608	512	34	(553)	(62)
Equity per share (in Euros)[1]	53.38	52.41	48.81	44.00	41.68
Leverage ratio[3]	2.0%[4]	2.3%	2.0%	1.8%	2.0%
CET 1 ratio[3]	24%	24%	22%	20%	20%
Total capital ratio[3]	24%	24%	22%	21%	20%
Profit before tax	179	397	460	339	337
Net Profit	126	283	332	256	257
Profit per Share (in Euros)	2.26	5.08	5.96	4.60	4.61
Dividend (in Cash)	32	71	83	64	128
Dividend as a % of Consolidated Net Profit	25%	25%	25%	25%	50%
Dividend per Share (in Euros)	0.57	1.27	1.49	1.15	2.30
Employees (in FTEs) at Year-End	278	272	279	278	276
– of which Subsidiaries	27	28	36	41	45

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[1] *Excluding the revaluation reserve and the cash flow hedge reserve .*

[2] *This concerns unrealised revaluations within the equity, being the revaluation reserve and the cash flow hedge reserve. For further details, please refer to the report of the Executive Board - Financial review, section Balance sheet - and Notes 14 and 32 to the 2014 Financial Statements.*

[3] *The solvency ratios, leverage ratio, BIS Tier 1 ratio and BIS capital ratio for 2010-2013 were calculated and presented in accordance with the applicable Basel II regulations. The CRD IV/CRR regulations applied from 1 January 2014 and the 2014 solvency ratios, leverage ratio, BIS Tier 1 ratio and BIS capital ratio have therefore been calculated and presented on the basis of these regulations. The comparative figures for 2010-2013 have not been adjusted in line with the new regulations.*

[4] *Excluding revaluation reserve and 2014 net profit. If the revaluation reserve and the 2014 net profit were included in full, the leverage ratio as at 31 December 2014 would have been 2.3%.*

OPERATING AND FINANCIAL REVIEW

The following operating and financial review is based on the information contained in BNG Bank's annual reports of 2014, 2013 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 2014–2010" 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 "2014", "2013" and "2012" refer to the years ended 31 December 2014, 2013 and 2012, respectively.

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.

Principal Factors Affecting Results of Operations

General economic conditions

According to the latest forecasts of the International Monetary Fund, the world economy will grow by 3.9% in 2015, approximately 0.3% higher than 2014. Although the global economic and financial crisis has abated, the consequences of the crisis are still being felt in many western countries. Factors affecting growth and stability stem mainly from continued imbalances in Europe and elsewhere, low growth levels in foreign markets and conflicts in Ukraine and the Middle East. Furthermore, uncertainty about how economies will respond to lower oil prices and the ECB's monetary policy measures, including the QE programme that commenced in March 2015 affect growth and stability. Conditions in Europe depend heavily upon countries such as the GIIPS, which have been particularly affected by the macroeconomic and financial instability since 2008. Consensus forecasts of growth in 2015 and 2016 for some of the largest European economies such as France and Italy are low. In addition, the possibility of a European sovereign default has risen due to the election in Greece in January 2015, which was won by an anti-austerity party. The outcome and impact of any negotiations with the new Greek government with respect to its outstanding debt is uncertain. The risk that the effect of any sovereign default spreads by contagion to other EU Member States, including the Netherlands, remains. The potential impact of a sovereign default on the Eurozone countries, including the potential that some countries (albeit those with a relatively small GDP) could leave the Eurozone (either voluntarily or involuntarily), continues to raise concerns about the ongoing viability of the euro currency and the European Monetary Union ("**EMU**"). While the ECB announced in September 2014 that it would further ease its monetary policy and in March 2015 commenced monetary operations under its QE programme designed to improve confidence in Eurozone equities and encourage private bank lending, there remains considerable uncertainty as to whether such measures will sustain the economic recovery or avert the threat of sovereign default.

According to the winter 2015 European economic forecast of the Directorate-General for Economic and Financial Affairs, growth in 2015 is forecast to rise to 1.7% for the EU as a whole and to 1.3% for the euro area. In 2016, economic activity is forecast to grow by 2.1% and 1.9%, respectively. The Eurozone's GDP increased by 0.9% in 2014 compared to 2013, following a 0.4% contraction in 2013 compared to

2012.[1] The government deficit in the Eurozone decreased from 2.9% of GDP in 2013 to 2.6% of GDP in 2014, thus remaining above the reference value of 2%.[1] After two successive years of decline, consumption in the Eurozone rose in 2014. This was partly attributable to fewer cutbacks by national governments. However, even though the number of jobs rose slightly, unemployment remained high. In addition, the stagnation of bank lending hampered investments by the business sector and households, while exports benefited moderately from the depreciation of the Euro. In the Eurozone as a whole, inflation at the end of 2014 was 0.4% (2013: 1.4% and 2012: 2.5%)[2], mainly as a result of falling energy prices. There is a risk that Europe may suffer from deflation, causing consumers and businesses to cut back on spending. The majority of reforms and cuts in government spending in recent years occurred in the economically weaker European countries. Business rationalisation and unemployment resulted in decreased domestic demand in those countries. However, rationalisation contributed to improving the competitive commercial position of businesses in certain sectors, spurring the recovery of exports in several European countries during 2014. The economies in Ireland and, to a lesser extent, in Spain rebounded in 2014. However, the conflict between Ukraine and Russia had repercussions for the German economy, which consequently grew less strongly than anticipated earlier in the year. Economic activity in France remained relatively flat due to the country's unfavourable competitive position and its failure to implement reforms.

The Dutch economy emerged from recession in the last quarter of 2013 and saw signs of recovery in 2014. Since 2013, the government's budget deficit has remained under the ceiling of 3%, and Dutch EMU debt rose less strongly. In March 2015, the Netherlands Bureau for Economic Policy Analysis (CPB) expected a deficit of 1.8% in 2015 and 1.2% in 2016. In 2014, GDP in the Netherlands increased by 0.8% compared with a decrease of 0.7% in 2013, and is expected to remain modest at 1.7% in 2015.[2] The export of goods and services increased by 4.0% in 2014 compared to 2.0% growth in 2013, and projections suggest it is set to further increase by 4.6% in 2015.[2] Consumption rose in 2014 for the first time since 2011. Investments in tangible fixed assets were 5.1% higher in January 2015 than in January 2014, mainly driven by higher investments in road transportation and residential property.[3] In 2014, the average number of people unemployed in the Netherlands was 9.0% of the working population (including seasonal adjustments), which increased from 8.9% in 2013 (2012: 6.4%)[3], and projections suggest it is set to remain at a similar level in 2015.[2] Inflation in the Netherlands dropped to approximately 1.0% in 2014 (2013: 2.5%; 2012: 2.5%)[3]. The sharp decrease in monetary inflation was mainly attributable to the elimination of the upward price effect of the general VAT rate increase in 2013 and to falling energy prices.

As evidenced by the statistics above, the weak economic conditions in Europe and, in particular, the Netherlands following the global economic and financial crisis, have resulted in higher unemployment rates, weak property markets, below-target inflation and pressure on disposable incomes, which has slowed investment and consumer spending during the periods under review. This in turn has had an adverse effect on the financing requirements of BNG Bank's public sector clients, and together with volatility in the capital and credit markets during recent years, has had a material impact on BNG Bank's core activities of lending and funding. BNG Bank expects that an addition to its debt provisions or an impairment may be required in 2015 in light of the possibility that a few debtors will default on their payment obligations as a result of the continuing weak economic conditions as was the case in prior years. In particular, an impairment will be recognised in the income statement for the six-month period ending 30 June 2015 on a senior unsecured bond with a face value of €125 million. This bond was issued by the former Hypo Alpe-Adria-Bank and guaranteed by the federal state of Carinthia, Austria. This bond is classified under financial assets available-for-sale. As a result, in accordance with the accounting policies, any write-down will approximately equal the difference between the bond's face value and its market price at the time the impairment is recognised. At year-end 2014 this price equaled approximately 70% of the face value, compared with around 50% in the first week of March 2015. See *Note 38 Events after the balance sheet date* to the 2014 Financial Statements for further detail.

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 loan portfolio in the future largely depends on the prospect of economic and market recovery within the Netherlands, which in turn relies on recovery in Western

[1] Source: Eurostat.

[2] Source: CPB Netherlands Bureau for Economic Policy Analysis (*Centraal Planbureau*).

[3] Source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*).

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.*"

Lending

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. A number of factors resulted in subdued lending to local and regional authorities, housing associations and other parts of the public sector during recent years. These factors include weak demand generally, budgetary constraints affecting local and regional authorities, a lower level of investment in housing as a result of the amendment to the Housing Act, the decentralisation of certain tasks from the central government to the municipalities, and, to a lesser extent, increased competition.

In 2013, the demand for credit for new investments by local and regional authorities was extremely low due to the continuing unfavorable economic developments and the budgetary challenges facing the public sector due to budgetary constraints and spending cutbacks which transferred additional responsibilities to local and regional authorities. In the public housing sector, demand for the refinancing of credit risk-free loans and advances was high. New long-term lending to this sector totaled €5.4 billion, which lagged behind BNG Bank's forecast, particularly in the very long-term loan segment. New lending to the healthcare sector fell slightly in 2013 compared to 2012. The higher concentration risk in the portfolio arising from the relatively high turnover in prior years led BNG Bank to be more selective in meeting funding demand from the healthcare sector for loans subject to credit risk. Total lending of loans not free of credit risk nevertheless increased overall by €0.1 billion to €1.2 billion in 2013 compared to 2012. As regulations for non-social (non-SGEI) housing were implemented in 2013, cautious demand for non-credit-free loans increased from housing associations. The demand for non- credit-free lending from local and regional authorities remained low in 2013, partly due to the weak economy.

Although credit markets improved during 2014, BNG Bank's total long-term funding volumes decreased in 2014 by approximately 1% compared to 2013 principally related to a decrease in client demand as a result of the weak economic conditions and the changing regulatory landscape, which led to general reluctance among clients to take on new investments. The decline in client demand in 2014 was particularly strong in the housing association sector, BNG Bank's largest client group. New long-term lending to the housing association sector was €3.9 billion in 2014, compared to €5.4 billion and €5.0 billion in 2013 and 2012, respectively. The amendments to the Housing Act, which are intended to enter into force on 1 July 2015, limit the scope of business activities of housing associations. In response to the amendment, housing associations have been postponing and are expected to continue to postpone in the near-term new investments. They may also sell parts of their housing portfolio. In addition, competition in housing association lending has increased slightly in 2014 particularly in the very long-term loan segment. The demand for new long-term lending from municipal and provincial authorities in 2014 was €3.8 billion, compared to €4.8 billion and €5.0 billion in 2013 and 2012, respectively. The decline was principally a result of the decentralisation of tasks from the central government to the municipalities, such as youth care and long-term care, which made municipal and provincial authorities cautious about making new investments. This effect was compounded by the budget cutbacks linked to decentralisation and pursuant to the Dutch Sustainability of Public Finances Act (*Wet houdbare overheidsfinanciën*), which took effect in December 2013. The Dutch Sustainability of Public Finances Act depressed financing requirements of the Dutch public sector as it imposed budgetary rules for local and regional authorities that fit in the broader policy of lowering EMU debt. This act places a macro-level cap on the local and regional authorities' EMU deficit, thereby limiting their scope for investments and thus reducing financing needs. Under current agreements, local and regional authorities must reduce their EMU deficit of 0.5% of GDP to 0.2% of GDP over the next few years. In addition, local and regional authorities' obligation to engage in treasury banking with the Dutch central government effective as of January 1, 2014 under the Treasury Banking Act (*Wet schatkistbankieren*) resulted in excess cash on deposit being lent between municipalities and/or provinces, which reduced the need for long-term loans in this sector. The demand for new long-term lending to the healthcare sector in 2014 was €805 million, compared to €1.1 billion and €1.3 billion in 2013 and 2012, respectively. The decrease was principally due to the lack of clarity on the financial situation of many healthcare institutions. The introduction of numerous new and often complex regulations in this sector has created uncertainty in respect of the accuracy of income recognition in particular. In addition, the higher concentration risk in the portfolio arising from the relatively high turnover in recent years has led BNG Bank to be more selective in

meeting funding demand from the healthcare sector for loans subject to solvency requirements in 2014 and 2013.

The foregoing factors may continue to reduce demand for long-term loans in the public sector in 2015. BNG Bank expects that the total amount of new long-term lending may be slightly lower in 2015 than in 2014. As investment levels of BNG Bank's public sector clients remain under pressure, new lending is expected to primarily relate to the refinancing of maturing loans. However, if housing associations sell part of their residential real estate portfolios in response to the amendment to the Housing Act, the refinancing of maturing loans will be less pronounced in the housing association sector going forward.

Funding

During the global economic and financial crisis, credit markets worldwide, including interbank markets, experienced severe reductions in the availability of financing for prolonged periods. In Europe during the first half of 2012, credit markets were disrupted mainly due to the sovereign debt crises associated with the GIIPS, which resulted in funding being difficult to obtain and terms for certain borrowers continuing to remain less favourable than prior to the global economic and financial crisis. Credit spreads increased significantly in 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. Only the intervention of the ECB and its long-term refinancing operations made available in 2011 and 2012 reduced this liquidity problem that was adversely affecting banks across Europe and also had shut many European banks out of the wholesale public markets.

Although capital and credit markets around the world have been reasonably stable since 2012, financial markets experienced higher volatility in the last quarter of 2014 and periods of volatility continued in the first quarter of 2015. The lingering risk of a sovereign default continues to pose a threat to financial markets. In addition, volatility in financial markets could continue as central banks, in particular, the U.S. Federal Reserve, start and/or accelerate the process of tightening or unwinding historically unprecedented loose monetary policy or extraordinary measures. On the other hand, in March 2015 the ECB commenced a €1 trillion QE programme in which it expects to purchase government bonds worth up to €60 billion per month until September 2016. Further market volatility may occur as interest rates are increased in certain economies and markets respond to the ECB's QE programme.

During the past three years, credit markets have generally been accommodating and such markets have remained accommodating in the early part of 2015 (in part as a result of the measures taken by central banks around the world, including the ECB). However, certain European countries, in particular, Greece, remained reliant on central banks as one of their principal sources of liquidity. In 2012, the credit and liquidity risk spreads BNG Bank had to pay for funding with long maturities were high. 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 European Commercial Paper ("**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, resulting in very favourable short-term funding rates. In 2013, increased confidence in the European capital markets led to an increase in the availability of long-term funds at attractive interest rates, which allowed BNG Bank to strengthen its liquidity profile. Although average short-term rates rose as a result for BNG Bank in 2013, short-term interest rates remained low, primarily due to the policy of several central banks. In 2014, the further increase in confidence in the European capital markets generated a broad supply of long-term funds, which was reflected in a marked improvement in credit and liquidity spreads that BNG Bank paid to raise long-term funds in 2014. However, as risk aversion declined in the Eurozone, there was a contraction in the excessive supply of flight capital to low risk securities, and BNG Bank was required to pay higher spreads to attract short-term funding during 2014. BNG Bank was able to fulfil its short-term liquidity requirements at attractive rates in 2014, but not as attractive as previously.

At the end of 2014 the Dutch Central Bank confirmed BNG Bank's status as a 'promotional lender' within the framework of the liquidity coverage requirements under the CRR. This means that debt securities issued by BNG Bank qualify as level 1 assets for the calculation of the LCR. In 2014, many banks already considered BNG Bank's debt instruments to be securities with the highest liquidity standard, which caused the interest on the part of bank treasuries in BNG Banks' debt securities to rise, which in

turn contributed to the favourable long-term funding rates BNG Bank was able to achieve in 2014. In April 2015, the ECB added BNG Bank to the list of institutions whose securities are eligible for the public sector purchase program, which is part of the ECB's QE programme.

For both refinancing and lending purposes, BNG Bank raised €14.9 billion in long-term funding in 2014 compared to €15.0 billion in 2013 (2012: €15.2 billion). BNG Bank expects its long-term funding requirement for 2015 to remain at a similar level as in 2014 (approximately €15.0 billion).

Interest rates

Interest rates have remained at historically low levels for the past several years. Interest rates for the Euro Over Night Index Average have fluctuated throughout the last few years, from an average of 0.23% at year-end 2012 to 0.09% at year-end 2013 and negative 0.08% at year-end 2014. The ECB benchmark interest rate has been falling since 2012. In July 2012, the ECB lowered its benchmark interest rate to 0.75%. A further cut followed in May 2013, when the refinancing rate was reduced to a historic low of 0.50% followed by a further reduction to 0.25% in November 2013. In June 2014, the ECB cut its rate to 0.15%, and made a further reduction in September 2014 to 0.05% and introduced new stimulus measures. The current ECB rate remains at 0.05%. The unprecedented interest rate reduction by the ECB in June 2014 to a negative deposit rate, placed strong downward pressure on margins in BNG Bank's short-term portfolio.

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 – Liquidity and funding risk – Maturity analysis of financial assets and liabilities on the basis of the remaining contractual period* to the 2014 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, the very low 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 minimise the risks related to interest rate fluctuations. However, in 2014, result on financial transactions was a net loss of €187 million in 2014, compared to a net loss of €5 million in 2013, a decrease of €182 million, which reflected negative unrealised market value movements. BNG Bank expects the unrealised market value movements to be eliminated in the future, either because of a recovery of market conditions or because of the contractually agreed repayments on the transactions. In 2013, the increase in interest rates, particularly towards the end of the year, caused a decrease in the result of financial transactions from unrealised market value adjustments on transactions involved in a hedge accounting relationship of €68 million compared to 2012. The volatility in the income statement caused by changing interest rates increased in 2013 due to the one-off changeover to OIS curve for the valuation of derivatives with daily exchange of collateral. This change to OIS valuation led to a non-recurring negative unrealised result of €27 million in 2013.

Hedging

BNG Bank applies economic hedging in order to minimise foreign exchange risks, due to the variability of foreign currency cash flows caused by the fluctuations of exchange rates and to 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 by using 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. For accounting purposes, BNG Bank processes this hedging relationship under IFRS through micro and portfolio fair value hedging as well as cash flow hedging.

BNG Bank values the derivatives, for which collateral is exchanged daily, that BNG Bank uses for hedging currency and interest rate risks, using the OIS curve which is compiled on the basis of daily interest rates. The OIS curve is also used to determine the interest fee for the collateral exchanged daily with financial counterparties with which the derivatives are entered into.

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 a large part of the financial obligations listed under the debt securities and funds entrusted items, as well as to large portions of the highly liquid assets in the financial assets available for sale item. In the case of micro hedging, there is a demonstrable one-to-one relationship between the hedged item and the hedging instrument. The interest rate risks are hedged by means of derivatives, mainly 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.

BNG Bank applies cash flow hedge accounting ("**CFH**") to virtually all long-term financial obligations in foreign currencies included in MH by using mainly cross currency interest rate swaps 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 recognise the change in the instrument's fair value in its accounts. Under IFRS, the effects of this accounting mismatch must be recognised in the income statement as value adjustments to derivatives. With the use of cash flow hedge accounting, the effective part of the cash flow hedge, arising from changes in the cross currency basis spread, is recognised 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 same period in the income statement. At year-end 2014, BNG Bank recognised an increase of €375 million (2013: an increase of €332 million) as effective value adjustment of hedging instruments in equity by virtue of cash flow hedging.

In portfolio fair value hedging ("**PH**"), the interest rate risks of a group of transactions is hedged by means of a group of several types of derivatives. The hedging relationship is constructed and controlled at an aggregate level, thus precluding relationships with individual transactions. PH is applied to a large part of the loans and advances as well as to large portions of the highly liquid assets in the Financial assets available for sale item. Within BNG Bank, the effectiveness of portfolio hedging, like that of micro hedging, has been almost perfect in recent years. To prevent additional complexity as well as additional hedging costs, BNG Bank decided, in accordance with its policies, not to involve cash flows with a maturity of less than one year in portfolio hedging. The results arising from this policy are recognised in the income statement. Any ineffectiveness that occurs is also recognised in the income statement. The revaluation of hedged PH items is accounted for in the balance sheet under Other financial assets. 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.

Regulatory changes and operating expenses

Increased regulatory burdens, stricter requirements imposed by supervisory authorities, the shift towards prudential supervision by the ECB under the SSM, the implementation of the European market infrastructure regulation, the transition to the single European payments area and more complex accounting rules make considerable demands on relatively small financial institutions like BNG Bank. Most implications for BNG Bank are due to additions and amendments to IFRS regulations, the new Basel III regulations and the steps taken by the European Commission to create the EU banking union. In addition, the SSM has a significant impact on BNG Bank. The large volumes of data requested within increasingly shorter time frames require adjustments to be made to BNG Bank's processes and systems. Furthermore, the increased regulatory burden requires additional workforce. Although total operating expenses during the years under review have remained relatively stable, BNG Bank expects that its total operating expenses may rise in the coming years as a result of the foregoing factors.

In 2014, BNG Bank's staff costs and other administrative expenses increased by €3 million to nearly €65 million (2013: €62 million). The increase was primarily attributable to the significant increase in compliance activities within BNG Bank due to the continuous flow of new laws and regulations. In particular, the 'comprehensive assessment' conducted by the ECB in 2014, which included an asset quality review investigating the quality and value of assets both on on-balance sheet and off-balance sheet credit exposures ("**AQR**") and a stress test based in part on the AQR, put substantial pressure on BNG

Bank. Mainly due to the increased regulatory burden, BNG Bank increased its permanent workforce (from 272 FTEs in 2013 to 278 FTEs in 2014) and hired more external advisers in 2014, which contributed to a rise in direct staff costs and an increase in the costs of hiring external staff. In addition to the normal operating expenses, over €3 million was recorded in one-off expenses arising from the activities preparing the transition to ECB supervision, such as consultancy fees and regulatory costs passed on by the ECB and the Dutch Central Bank. The costs of ECB supervision may increase BNG Bank's operating expenses going forward. These costs will be payable for the first time in 2015. It is not yet clear how these costs will be passed on to the institutions that are subject to supervision.

The lump sum bank levy paid during the periods under review (2014: €30 million, 2013: €33 million and 2012: €32 million) will also apply in 2015. BNG Bank's payable bank levy in 2015, which is determined based on the balance sheet as of 31 December 2014, will amount to €36 million and will be charged to the income statement in October 2015. In addition, from 2015, a contribution to the SFR (pursuant to the BRRD that entered into force on 1 January 2015) may increase BNG Bank's operating expenses going forward. The final apportionment key for the contribution from banks is not yet known. BNG Bank has taken into account a minimum contribution of approximately €15 million in 2015.

Additions and amendment to IFRS regulations that impacted BNG Bank in recent years primarily relate to the revised IFRS 13; Fair Value Measurement, which took effect on 1 January 2013. The revised IFRS 13 has resulted in an adjustment to the valuation of certain derivatives (derivatives with daily exchange of collateral) that BNG Bank uses for hedging currency and interest rate risks and that it generally holds to maturity. Starting from 1 January 2013, these derivatives had to be valued based on OIS. BNG Bank adapted its systems, including hedge accounting, accordingly.The transition to OIS valuation led to a one time negative unrealised result of €27 million in 2013 and is expected to increase the volatility of BNG Bank's annual results and to have a limited effect on hedge accounting going forward. Under the revised IFRS 13, a value adjustment must be stated for the potential credit risk associated with derivatives involving no or a limited exchange of daily collateral obligations. The volatility of the result in 2014 has increased slightly but structurally as a result of the value movements. Going forward, accounting changes concerning the classification and valuation of financial instruments may affect BNG Bank's reported results and financial condition. 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 2018. BNG Bank assumes implementation at the end of 2016 in order to ensure the availability of comparable figures for 2017. Based on the final regulations, BNG Bank expects to be able to continue to value the majority of its assets at amortised cost under IFRS 9, thus avoiding volatility in the income statement. The impairment proposal under IFRS 9 could potentially have a substantial impact on BNG Bank results going forward as incurred loss provisions are expected to turn out considerably higher. This is because loans on which no actual losses have been incurred to date, but which do pose a considerably higher risk, will count more heavily in the incurred loss provision. Moreover, under IFRS 9, contrary to the current regulations, financial assets available-for-sale without an individual impairment must be included in the calculation of the provision.

BNG Bank has been assessing and will continue to assess the impact of these accounting changes on its own funds, results of operations and disclosure requirements. In response to these accounting changes, BNG Bank has made and will continue to make adjustments to its risk management and accounting processes, which may require additional investments in systems and additional staff.

Results of Operations

The table below sets forth BNG Bank's results of operations for the years ended 31 December 2014, 31 December 2013 and 31 December 2012:

	Year ended 31 December		
	2014	2013	2012
		(€ millions)	
Interest income	1,258	1,514	2,115
Interest expenses	814	984	1,642
Interest result	444	530	473
Results from associates and joint ventures	1	(1)	(2)
Commission income	35	30	31
Commission expenses	6	5	6

	Year ended 31 December		
	2014	2013	2012
		(€ millions)	
Commission result	29	25	25
Result on financial transactions[1]	(187)	(5)	88
Other results[2]	4	3	4
Total income	291	552	588
Staff costs	38	36	38
Other administrative expenses	27	26	25
Staff costs and other administrative expenses	65	62	63
Depreciation	2	2	1
Total expenses	67	64	64
Impairments[2]	15	58	32
Bank levy	30	33	32
Profit before tax	179	397	460
Taxes	(53)	(114)	(128)
Net Profit	**126**	**283**	**332**

1 Starting in 2012, the foreign exchange results are included in this item.

2 Impairments are not presented as part of the income, but as a separate item. Impairment with respect to Investments in associates and joint ventures is recognised in Impairments. "Addition to the incurred loss provision" is also part of the "Impairments" item.

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 to hedge its interest rate exposure. 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 assets and liabilities to hedge its interest rate exposure and in case of foreign currency exposures, to also hedge the cross currency basis risk using CFH. 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, payment services and fiduciary activities.

Result on financial transactions

Result on financial transactions relates to realised and unrealised 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 market value movements due to counterparty credit risk (Credit Valuation Adjustment, or CVA) and adjustments for own credit risk (Debt Value Adjustment, or DVA) for all derivative transactions with clients and financial counterparties without a daily or with limited exchange of collateral.

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 recognises 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 recognised in the income statement if the carrying amount of a financial or non-financial asset or the cash flow generating unit to which the financial or non-financial asset pertains exceeds the estimated realisable value. If the financial or 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 financial or non-financial assets generate cash flows after having been written down, these cash flows are recognised directly in the income statement.

In the case of outstanding loans and receivables to banks and loans and advances carried at amortised 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 realisable value, that is, if the fair value is for more than nine months significantly lower (over 25%) 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 recognised earlier, is first deducted from equity (revaluation reserve for Financial assets available-for-sale) and recognised 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 recognised 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*) entered into force on 1 October 2012. Expenses relating to the bank levy are not deductible for corporate tax purposes. As a result, the effective tax burden exceeds the nominal tax burden. 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 2014 compared to 2013

Interest result

Interest result decreased from €530 million in 2013 to €444 million in 2014, a decrease of €86 million, or 16.2%. The decrease was primarily due to a decrease in interest income of €256 million, which mainly resulted from the continuing decline in market interest rates in 2014.

Interest income

The table below sets forth interest income for the years 2014 and 2013.

	Year ended 31 December	
	2014	**2013**
	(€ millions)	
Financial assets at fair value through the income statement	60	62
Derivatives not involved in a hedge accounting relationship	123	260
Derivatives involved in a fair value hedge accounting relationship	(2,202)	(2,181)
Financial assets available-for-sale not involved in a hedge accounting relationship	6	7
Financial assets involved in a fair value hedge accounting relationship	3,070	3,201
Financial assets at amortised cost	163	164
Other interest income	38	1
Total interest income	**1,258**	**1,514**

Interest income decreased from €1,514 million in 2013 to €1,258 million in 2014, a decrease of €256 million, or 16.9%. The decrease was primarily the result of the continuing decline in market interest rates in 2014. Furthermore, the unprecedented interest rate reduction by the ECB in June 2014 to a negative deposit rate, placed strong downward pressure on margins in BNG Bank's short-term portfolio. In addition, the decrease in interest income reflected a €13 million lower result on client and investor-initiated long-term loan buy-offs and buy-backs, as well as relatively shorter maturities of long-term lending.

The interest income attributable to derivatives not involved in a hedge accounting relationship decreased by €137 million to €123 million in 2014, compared to €260 million in 2013. This decrease was due to an increased proportion of derivatives being involved in a hedge accounting relationship in 2014 compared to 2013, as well as the low interest rate environment.

Interest income on derivatives involved in a fair value hedge accounting relationship was negative €2,202 million in 2014, compared to negative €2,181 million in 2013. BNG Bank uses PH and MH 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. In 2014 the effectiveness of BNG Bank's portfolio hedging was further improved by the decision to involve cash flows with a maturity of less than one year, which can be allocated in a hedge accounting relationship, in portfolio hedging. The fixed (longer) rate payable in the PH swaps was higher than the floating rate received in the PH swaps in 2014. This contributed to the negative interest income on the swaps involving PH of €2,202 million in 2014.

Interest income on financial assets involved in a fair value hedge accounting relationship was €3,070 million in 2014, compared to €3,201 million in 2013, or a decrease of €131 million. This decrease was mainly the result of the continuing decline in market interest rates in 2014. The interest income on financial assets at amortised cost remained relatively stable in 2014 at €163 million (2013: €164 million).

Interest expenses

The table below sets forth interest expenses for the years 2014 and 2013.

	Year ended 31 December	
	2014	2013
	(€ millions)	
Financial liabilities at fair value through the income statement	71	81
Derivatives not involved in a hedge accounting relationship	80	177
Derivatives involved in a micro fair value hedge accounting relationship	(1,810)	(1,995)
Financial liabilities involved in a micro fair value hedge accounting relationship	2,223	2,368
Financial liabilities at amortised cost	245	353
Other interest expenses	5	0
Total interest expenses	**814**	**984**

Total interest expenses decreased from €984 million in 2013 to €814 million in 2014, a decrease of €170 million, or 17.3%. This decrease was mainly due to the return of confidence in the international money markets, which generated a broader supply of long-term funds at attractive prices in 2014. This was reflected in a marked improvement in credit and liquidity spreads that BNG Bank paid to raise long-term funds in 2014. On the other hand, the return of confidence in the internal money markets normalised spreads on short-term funding in 2014, as it put an end to the large purchasing benefits which BNG Bank, as a safe haven, managed to realise in prior years when attracting funding, in particular short-term funding.

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 decreased by €185 million. The difference between the payable floating short-term interest rates and the receivable fixed long-term interest rates declined in 2014 compared to 2013. BNG Bank pays the floating rate and receives the fixed rate. In 2014, the fixed (longer) rates receivable declined more than the floating (short) rates paid in the MH swaps.

A decrease in interest expenses on financial liabilities involved in a MH accounting relationship of €145 million in 2014 compared to 2013 was due to the consistent decline in market interest rates in 2014.

The decrease in interest expense attributable to derivatives not involved in a hedge accounting relationship of €97 million from €177 million in 2013 to €80 million in 2014 was due to an increased proportion of derivatives being involved in a hedge accounting relationship in 2014 compared to 2013, as well as the low interest rate environment.

Commission result

Commission result was €29 million in 2014 and €25 million in 2013. Commission result increased by €4 million mainly due to higher contribution of fees received for loans and facilities subject to solvency requirements where loan fees are higher. The fees for the services of BNG Vermogensbeheer fell by €3 million to €5 million on account of the implementation of mandatory treasury banking at the end of 2013, which requires that the municipal and provincial authorities hold their liquidity surpluses with the Dutch Treasury rather than with BNG Bank.

Commission income was €35 million in 2014, compared to €30 million in 2013. Commission income from the lending business increased by €7 million (€19 million in 2014, compared to €12 million in 2013). Commission income from payment services increased by €1 million (€11 million in 2014, compared to €10 million in 2013). Commission income from fiduciary activities decreased by €3 million (€5 million in 2014, compared to €8 million in 2013).

Commission expense was €6 million in 2014 and €5 million in 2013.

Result on financial transactions

The table below sets out the fair value movements of various financial transactions recorded on the income statement as financial transactions for 2014 and 2013.

	Year ended 31 December	
	2014	2013
	(€ millions)	
Financial assets at fair value through the income statement		
Market value adjustment as a result of changes in credit and liquidity spreads, of which:		
interest bearing securities	(112)	(12)
interest rate derivatives without daily exchange of collateral (CVA/DVA)	(51)	3
structured loans	3	19
	(160)	10
Result from hedge accounting		
Financial assets involved in a fair value hedge accounting relationship	9,785	(4,147)
Financial liabilities involved in a micro fair value hedge accounting relationship	(6,683)	6,164
Derivatives involved in a hedge accounting relationship	(3,065)	(2,058)
	37	(41)
Result of the changeover to OIS valuation of derivatives with daily exchange of collateral	-	(27)
Results from sales of financial assets available-for-sale	12	26
Other market value adjustments	(76)	27
Total	**(187)**	**(5)**

Result on financial transactions was a net loss of €187 million in 2014, compared to a net loss of €5 million in 2013, an increase in net losses €182 million. The net loss of €187 million mainly reflected negative unrealised market value movements. BNG Bank expects the unrealised market value movements to be eliminated in the future, either because of a recovery of market conditions or because of the contractually agreed repayments on the transactions.

Result on financial transactions was negatively affected by unrealised results, primarily arising from the amended valuation of a limited number of interest-bearing securities in the financial assets at fair value through the income statement item mainly related to increased credit and liquidity risk spreads. These long-term interest-bearing securities were purchased just before the global economic and financial crisis and had a total nominal principal amount of approximately €670 million as of 31 December, 2014. These securities were issued by public or semi-public companies and in many cases guaranteed in some form by the British government. Despite these parties' stable investment-grade ratings, the liquidity risk spreads rose considerably in 2014. Together with the associated derivatives used for purposes of hedging the interest rate, currency and inflation risks, the amended valuation of these securities in 2014 had an unrealised negative aggregate impact in the amount of €189 million on the result on financial transactions. The result relating to the liquidity spread increase accounted for more than half of this amount. Since these securities are held, in principle, to maturity, BNG Bank does not expect these negative market value movements to be permanent. In addition, unrealised results reflected the adjustment BNG Bank made to bring its calculations of credit risk relating to derivative transactions in line with changed market practice as well as to give effect, from 2014, to include both the CVA and DVA in determining the fair value of all derivative transactions. This, together with the lower market interest rates, resulted in an unrealised negative market value movement of €51 million (2013: €3 million positive) recorded under interest rate derivatives without daily exchange of collateral. Furthermore, unrealised results reflected the use of more conservative parameters in the model-based valuation of structured interest-bearing securities in response to the results of the ECB's AQR. Market value adjustments as a result of changes in credit and liquidity spreads for interest-bearing securities (investments) and structured loans taken together amounted to €109 million negative in 2014 (€7 million positive in 2013). Revaluations of derivatives also contributed to the unrealised results. The negative effect of unrealised results was only marginally offset by the positive effect of unrealised market value movements for hedge accounting transactions of €37 million primarily attributable to the sharp decline in long-term interest rates.

Result on financial transactions was positively affected by realised results, which amounted to €13 million, relating almost entirely to the gain on the sale of interest-bearing securities (recorded under. results from sales of financial assets available-for-sale) of €12 million (2013: €26 million).

The other market value adjustments consist of financial assets which was a loss of €76 million in 2014, compared with a gain of €27 million in 2013, which was mainly caused by the unrealised revaluation of derivatives that are not involved in hedge accounting.

The bulk of the interest rate risk to which BNG 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. BNG Bank only uses derivatives as a hedging instrument and these are stated at fair value in the balance sheet. Although BNG Bank's hedge accounting is believed to be highly effective, market conditions in recent years have created levels of volatility in BNG Bank's results that are unusually high. Positive and negative results from hedge accounting should generally cancel each other out in the longer term.

Other results

Other results were income from consultancy services of €4 million in 2014 and €3 million in 2013.

Staff costs and other administrative expenses

Staff costs and other administrative expenses were €65 million in 2014, compared to €62 million in 2013. The €3 million increase was due to an increase of €2 million in staff costs and an increase of €1 million in other administrative expenses.

The increase was primarily attributable to the significant increase in compliance activities within BNG Bank due to the continuous flow of new laws and regulations. A necessary staff increase brought about a rise in direct staff costs and the costs of hiring external staff. In addition to the normal operating expenses, over €3 million was recorded in one-off expenses arising from the activities preparing the transition to ECB supervision, such as consultancy fees and regulatory costs passed on by the ECB and the Dutch Central Bank.

The table below sets out staff costs for 2014 and 2013.

	Year ended 31 December	
	2014	**2013**
	(€ millions)	
Wages and salaries	26	25
Pension costs	4	4
Social security costs	2	2
Addition to provisions	0	0
Other staff costs	6	5
Total	**38**	**36**

Staff costs increased by €2 million to €38 million in 2014 from €36 million in 2013. This increase was due to an increase in wages and salaries reflecting the necessary staff increase.

Other administrative expenses increased from €26 million in 2013 to €27 million in 2014, an increase of €1 million. Other administrative expenses in 2014 reflected one-off expenses of over €3 million arising from the activities preparing the transition to ECB supervision, such as consultancy fees and regulatory costs passed on by the ECB and the Dutch Central Bank, as well as higher costs incurred in hiring external personnel, partly offset by lower other legal and advisory costs.

Impairments

Impairments of €15 million and €58 million were recognised in 2014 and 2013, respectively. Impairments of €5 million relating to associates and joint ventures were recognised in 2014 and €26 million in 2013. The impairments relating to associates and joint ventures recognised in 2014 related to negative developments in respect of a number of participating interests of BNG Gebiedsonwikkeling B.V.

The impairments of €26 million relating to associates and joint ventures recognised in 2013 consisted of a €20 million write-off of goodwill of the associate TBCH due to TBCH's obligation to purchase the remaining shares in Connexxion Holding N.V. from the Dutch State at a price above the prevailing market price and €6 million impairment due to the full write-down in the equity of the joint ventures of BNG Gebiedsontwikkeling B.V. Furthermore, an impairment of financial assets available-for-sale of €13 million was recorded in 2013 in relation to a securitisation involving Spanish mortgage-backed securities as a result of lowered and withdrawn credit ratings for the securities, and an additional impairment of €8 million was recognised on TBCH as an equity instrument was recognised due to a fair value lower than the book value.

In 2014, in view of the development of a number of non-performing and/or defaulted individual loans and advances, BNG Bank's incurred loss provision increased by €10 million in 2014 (in 2013, the increase over the previous year was €11 million) to €53 million at the end of 2014 (2013: €43 million). The end balance of 2013 included an additional €7 million which was deducted from the incurred loss provision due to the settlement of two outstanding debts in the loan portfolio. No such deductions were made in 2014.

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 2014 amounted to a non-budgeted and non-deductible amount of €30 million (2013: €33 million). Based on the methodology and assumptions laid down in the Act, the bank levy owed for 2015 is expected to be around €36 million.

Profit before tax

Profit before tax decreased from €397 million in 2013 to €179 million in 2014, a decrease of €218 million. The decrease was due to the factors described above. BNG Bank's cost to income ratio (total operating expenses as a percentage of total income) increased from 12% in 2013 to 23% in 2014.

Taxes

Tax expenses decreased from €114 million in 2013 to €53 million in 2014, a decrease of €61 million, or 54%. The decrease was primarily the result of the decrease in profit before tax. In 2014, the tax paid at the effective tax rate of 29.6% was greater than the nominal tax rate of 25%.

Net profit

As a result of the foregoing, net profit decreased from €283 million in 2013 to €126 million in 2014, a decrease of €157 million, or 55%.

Results of operations for 2013 compared to 2012

Interest result

Interest result increased from €473 million in 2012 to €530 million in 2013, an increase of €57 million, or 12%. The increase was primarily due to an increased volume of, and improved interest rate margin on, BNG Bank's long-term lending portfolio due to low credit spreads, and from an incidental positive result of €19 million due to buy-offs and buy-backs of long-term loans by investors and clients.

While interest income and interest expenses both declined in 2013 because of lower overall interest rates on floating rate assets and liabilities compared to 2012, interest expenses declined 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

The table below sets forth interest income for the years 2013 and 2012.

	Year ended 31 December	
	2013	2012
	(€ millions)	
Financial assets at fair value through the income statement	62	70
Derivatives not involved in a hedge accounting relationship	260	171
Derivatives involved in a portfolio fair value hedge accounting relationship	(2,181)	(1,722)
Financial assets available-for-sale not involved in a hedge accounting relationship	7	21
Financial assets involved in a fair value hedge accounting relationship	3,201	3,303
Financial assets at amortised cost	164	281
Other interest income	1	(9)
Total interest income	**1,514**	**2,115**

Interest income decreased from €2,115 million in 2012 to €1,514 million in 2013, a decrease of €601 million, or 28%. The decrease was primarily the result of the continuing low interest rate environment in 2013, particularly in the long-term portfolio as well as limited new long-term lending, resulting in only modest growth in the long-term lending portfolio.

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 €2,181 million in 2013 compared to €1,722 million in 2012.

Interest income on financial assets involved in a fair value hedge accounting relationship was €3,201 million in 2013 compared to €3,303 million in 2012, or a decrease of €102 million. This decrease was mainly the result of the decrease in the loan portfolio. The interest income on financial assets at amortised cost declined in 2013 by €117 million compared to 2012, due to the decrease in short-term lending and in interest bearing securities. This decrease was partly offset by the increase in interest income attributable to derivatives not involved in a hedge accounting relationship, which increased by €89 million to €260 million in 2013 compared to €171 million in 2012. This increase was due to the increase of the number of derivatives not in hedge accounting relationships.

Interest expenses

The table below sets forth interest expenses for the years 2013 and 2012.

	Year ended 31 December	
	2013	2012
	(€ millions)	
Financial liabilities at fair value through the income statement	81	52
Derivatives not involved in a hedge accounting relationship	177	(34)
Derivatives involved in a micro fair value hedge accounting relationship	(1,995)	(1,714)
Financial liabilities involved in a micro fair value hedge accounting relationship	2,368	2,638
Financial liabilities at amortised cost	353	681
Other interest expenses	0	19
Total interest expenses	**984**	**1,642**

Total interest expenses decreased from €1,642 million in 2012 to €984 million in 2013, a decrease of €658 million, or 40%. This decrease was mainly due to an increase of €281 million in the net interest income of derivatives involved in a micro fair value hedge accounting relationship and a decrease in interest expenses from financial liabilities involved in a micro fair value hedge accounting relationship and financial liabilities at amortised cost of €270 million and €328 million, respectively, in 2013 compared to 2012. This decrease was partly offset by the €211 million increase in interest expense from derivatives not involved in a hedge accounting relationship.

Interest expenses (amounts received) on derivatives involved in a MH accounting relationship declined by €281 million, because of maturity of swaps with high coupons. The difference between the payable float short-term interest rates and the receivable fixed long-term interest rates decreased in 2013, compared to 2012. BNG Bank pays the floating rate and receives the fixed rate. In 2013, the fixed (longer) rates receivable declined more than the floating (short) rates paid in the MH swaps.

A decrease in interest expenses on financial liabilities involved in a MH accounting relationship of €270 million in 2013 compared to 2012, was due to the low interest rate environment as well as the impact of BNG Bank's use of derivatives to hedge its interest rate exposure of liabilities, offset in part by the rise in short-term interest rates. The decrease in interest expense on financial liabilities at amortised cost of €328 million was due to the decrease in the interest rates BNG Bank paid on its floating-rate borrowings and its decreased liabilities. This decrease in interest expenses was partly offset by the increase in interest expenses attributable to derivatives not involved in a hedge accounting relationship, which increased by €211 million to €177 million in 2013, compared to a negative value of €34 million in 2012. This increase was due to the separation in 2013 of derivatives embedded in debt issues.

Commission result

Commission result was €25 million in each of 2013 and 2012. Commission result declined by €1 million mainly due to the implementation of mandatory treasury banking for the local and regional authorities at the end of 2013.

Commission income was €30 million in 2013, compared to €31 million in 2012. Commission income from the lending business decreased by €2 million (€12 million in 2013 compared to €14 million in 2012). Income from payment services increased by €1 million (€10 million in 2013 compared with €9 million in 2012) and commission income from fiduciary activities was unchanged between 2013 and 2012.

Commission expense was €5 million in 2013 and €6 million in 2012.

Result on financial transactions

The table below sets out the fair value movements of various financial transactions recorded on the income statement as financial transactions for 2013 and 2012.

	Year ended 31 December	
	2013	**2012**
	(€ millions)	
Financial assets at fair value through the income statement		
Market value adjustment as a result of changes in credit and liquidity spreads of which:		
interest bearing securities	(12)	31
interest rate derivatives without daily exchange of collateral	3	(11)
structured loans	19	9
	10	29
Result from hedge accounting		
Financial assets involved in a fair value hedge accounting relationship	(4,147)	3,731
Financial liabilities involved in a micro fair value hedge accounting relationship	6,164	(1,139)
Derivatives involved in a hedge accounting relationship	(2,058)	(2,565)
	(41)	27
Result of the changeover to OIS valuation of derivatives with daily exchange of collateral	(27)	—
Results from sales of financial assets available-for-sale	26	11
Other market value adjustments[1]	27	21
Total	**(5)**	**88**

[1] The foreign exchange results (2013: €8 million; 2012: €7 million), not related to hedge accounting relationship, are included in this item.

Result on financial transactions was a net loss of €5 million in 2013 compared to a net gain of €88 million in 2012, a decrease of €93 million. This result was mainly due to an unrealised value adjustment on transactions involved in a hedge accounting relationship of a negative €41 million in 2013 compared to a positive result of €27 million in 2012, caused by a sharp rise in long-term interest rates in the last month of 2013. In addition, the valuation of derivatives used to hedge currency and interest rate risks on the OIS swap curve resulted in a non-recurring negative unrealised result of €27 million.

Result on financial transactions were positively affected by the net positive unrealised revaluation on interest-bearing securities (investments) and structured loans for which the changes in value were recognised in the income statement. As investor confidence in the European capital markets increased, credit and liquidity spreads decreased considerably, resulting in the positive unrealised revaluations. As a result, market value adjustments for interest-bearing securities (investments) and structured loans taken together amounted to €7 million in 2013 (€40 million in 2012). The credit risk arising from derivative transactions without daily exchange of collateral decreased in 2013, resulting in an unrealised positive result of €3 million (2012: €11 million negative).

The other market value adjustments consist of financial assets which was a gain of €27 million in 2013, compared with a gain of €21 million in 2012, which was mainly caused by the unrealised revaluation of derivatives that are not involved in hedge accounting. Gains from the sale of financial assets available-for-sale increased to €26 million from €11 million in 2012, mainly due to the realised results on the sale of interest-bearing securities.

Other results

Other results were income from consultancy services of €3 million in 2013 and €4 million in 2012.

Staff costs and other administrative expenses

Staff costs and other administrative expenses were €62 million in 2013, compared to €63 million in 2012. The €1 million decrease was due to a €2 million decrease in staff costs compared to 2012, as higher staff costs in 2012 were caused by the reorganisation of the joint venture BNG Gebiedsontwikkeling B.V. The decrease in staff costs was partially offset by a €1 million increase in administrative expenses.

The table below sets out staff costs for 2013 and 2012.

	Year ended 31 December	
	2013	**2012**
	(€ millions)	
Wages and salaries	25	25
Pension costs	4	4
Social security costs	2	2
Addition to provisions	0	1
Other staff costs	5	6
Total	**36**	**38**

Staff costs were €36 million in 2013 and €38 million in 2012. This decline in 2013 was due mainly to the €2 million non-recurring increase in provisions and other staff costs incurred in 2012 in connection with the necessary reorganisation at BNG Gebiedsontwikkeling B.V. and the higher payments for social security contributions and pensions.

Other administrative expenses increased from €25 million in 2012 to €26 million in 2013, an increase of €1 million due to the higher cost incurred in hiring external personnel to support information technology and other projects.

Impairments

Impairments of €58 million and €32 million were recognised in 2013 and 2012, respectively. Impairments of €26 million relating to associates and joint ventures were recognised in 2013 (consisting of a €20 million write-off of goodwill of the associate TBCH and a €6 million impairment due to the full write-down in the equity of the joint ventures of BNG Gebiedsontwikkeling B.V.) and €24 million in 2012. Furthermore, an impairment of €13 million was recorded in relation to a securitisation involving Spanish

mortgage-backed securities and an additional impairment of €8 million was recognised on TBCH. In view of the development of a number of non-performing and/or defaulted individual loans, BNG Bank's incurred loss provision increased by €11 million to €43 million at the end of 2013. The end balance included an additional €7 million which was deducted from the incurred loss provision due to the settlement of two outstanding debts in the loan portfolio.

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 2013 amounted to a non-budgeted and non-deductible amount of €33 million (2012: €32 million).

Profit before tax

Profit before tax decreased from €460 million in 2012 to €397 million in 2013, a decrease of €63 million. The decrease was due to the factors described above. BNG Bank's cost to income ratio (total operating expenses as a percentage of total income) increased from 11% in 2012 to 12 % in 2013.

Taxes

Tax expenses decreased from €128 million in 2012 to €114 million in 2013, a decrease of €14 million, or 12%. The decrease was primarily the result of the decrease in profit before tax. In 2013, the tax paid at the effective tax rate of 28.8% was greater than the nominal tax rate of 25%.

Net profit

As a result of the foregoing, net profit decreased from €332 million in 2012 to €283 million in 2013, a decrease of €49 million, or 15%.

Selected Balance Sheet Items for 2014, 2013 and 2012

The table below summarises selected balance sheet items of BNG Bank as of 31 December 2014, 31 December 2013 and 31 December 2012:

	As of 31 December		
	2014	2013	2012
		(€ millions)	
Assets			
Cash and balances with the central banks	2,241	1,467	2,834
Amounts due from banks	11,046	8,509	10,171
Financial assets at fair value through the income statement	4,247	3,530	3,476
Other financial assets	31,322	15,874	25,824
Financial assets available-for-sale	13,693	9,607	9,018
Loans and advances	90,732	92,074	90,725
Total assets	153,505	131,183	142,228
Liabilities			
Amounts due to banks	2,544	3,939	6,223
Financial liabilities at fair value through the income statement	3,327	3,553	2,730
Other financial liabilities	25,357	15,086	18,692
Debt securities	106,069	94,828	99,424
Funds entrusted	12,334	10,033	12,139
Total liabilities	149,923	127,753	139,476

General

The significant increase in total assets and liabilities on the balance sheet in 2014 is due to the relatively sharp decline in market interest rates during 2014 and the weakening of the Euro, especially against the U.S. dollar. The effects thereof on the balance sheet are primarily reflected in other financial assets and other financial liabilities (owing to the increase in the value of derivative transactions for hedging currency and interest rate risks on the liability side), the increase in amounts due from banks on the assets

side (due to an increase in collateral pledged in connection with derivative contracts), and the increase in debt securities and funds entrusted on the liabilities side (due to increased balance sheet values primarily as a result of the depreciation of the Euro against the U.S. dollar and the decline in market interest rates).

See also "*Principal Factors Affecting Results of Operations – Lending"* and "*Principal Factors Affecting Results of Operations – Funding".*

Assets

In 2014, BNG Bank's total assets increased by €22.3 billion to €153.5 billion compared to €131.2 billion in 2013. The loans and advances item decreased by €1.3 billion to €90.7 billion in 2014 compared to €92.1 million in 2013 mainly due to a decrease in the short-term lending portfolio as well as an overall lower level of demand for long-term and short-term lending in 2014 compared to 2013. The financial assets available-for-sale item increased by €4.1 billion to €13.7 billion, mainly as a result of the continued expansion of the liquidity portfolio. Other financial assets increased from €15.9 billion in 2013 to €31.3 billion in 2014 primarily as a result of the increase in the value of derivative transactions for hedging currency and interest rate risk.

Cash and balances with the central banks, amounts due from banks and loans and advances

Cash and balances with the central banks comprises all legal tender as well as cash balances and deposits held with the Dutch Central Bank and the ECB. Amounts due from banks and loans and advances items comprises all receivables (including reverse repurchase transactions) held for purposes other than trading, from both banks and clients, which are carried at amortised cost. In addition, interest-bearing securities (medium-term notes and bonds) are partly included in these items, insofar as they are not traded on an active market. The amounts due from banks and loans and advances are recognised net of the incurred loss provision.

2014 compared to 2013

Cash and balances with the central banks increased by €774 million to €2.2 billion in 2014 from €1.5 billion in 2013. Amounts due from banks increased by €2.5 billion to €11.0 billion in 2014, compared to €8.5 billion in 2013, primarily due to declining interest rates, which caused the fair value of collateral pledged to secure obligations under derivative contracts owed to BNG Bank to rise.

Loans and advances decreased by €1.3 billion to €90.7 billion in 2014, compared to €92.1 billion in 2013. This decrease was mainly due to a decrease in the short-term lending portfolio as well as an overall lower level of demand for long-term lending and short-term lending in 2014 compared to 2013.

New long-term lending to client groups decreased in 2014 by €2.7 billion to €9.2 billion. The total long-term lending portfolio to clients based on principal amounts declined by €0.2 billion to €83.0 billion in 2014 partly due to falling client demand. The average volume of short-term lending to clients decreased by €0.6 billion to €4.6 billion in 2014. This decrease was mainly attributable to the consolidation of short-term funding in the public housing and healthcare sectors due, in part, to the historically low interest rates.

Total lending subject to solvency requirements increased overall by €0.2 billion to €1.4 billion with demand for such lending cautiously increasing across all sectors. BNG Bank expects this trend to continue in the longer term, if the economic prospects of its clients improve and all uncertainty regarding the new legislative frameworks can be eliminated.

2013 compared to 2012

Cash and balances with the central bank decreased by €1.3 billion to €1.5 billion in 2013 from €2.8 billion in 2012 and amounts due from banks decreased by €1.7 billion to €8.5 billion in 2013, compared with €10.2 billion in 2012. These decreases were primarily due to more active balance sheet management, as a decreased balance sheet reduces the bank levy and improves the leverage ratio.

Loans and advances increased by €1.4 billion to €92.1 billion in 2013, compared with €90.7 billion in 2012. This increase was mainly due to the increase in the long-term lending portfolio.

New lending to client groups increased in 2013 by €0.8 billion to €11.9 billion. The total long-term lending portfolio to clients based on notional amounts outstanding rose by €2.1 billion to €83.2 billion in

2013. Although the demand for new financing decreased, this rise was largely due to the high demand for refinancing by local and regional authorities as well as BNG Bank's high market share in providing solvency-free funding to its core clients and funding in 2013 of loans contracted in previous years.

Despite the higher level of demand for long-term funding, an increase in demand for short-term funding and a decline in cash collateral caused by the reduced balance sheet in 2013 compared to 2012 led to a decrease in the size of the portfolio. Short-term lending to clients increased by €0.2 billion to €5.2 billion in 2013 compared with 2012, as low short-term interest rates made it particularly attractive for local and regional authorities to obtain short-term funding.

Total lending of loans subject to solvency requirements increased overall by €0.1 billion to €1.2 billion compared to 2012. As regulations for non-social (non-SGEI) housing were implemented, demand for loans subject to solvency requirements from housing associations slightly increased in 2013 compared to 2012. Demand for the refinancing of loans subject to solvency requirements and advances was high in this sector in 2013. The demand for lending subject to solvency requirements from local and regional authorities remained low in 2013, partly due of the weak economy.

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 for which there is an active market at the trade date and equity instruments (insofar as these are not included in the financial assets at fair value through the income statement).

2014 compared to 2013

Financial assets available-for-sale increased by €4.1 billion to €13.7 billion in 2014, compared to €9.6 billion in 2013 primarily as a result of continued expansion of the liquidity portfolio through new investments.

2013 compared to 2012

Financial assets available-for-sale increased by €0.6 billion to €9.6 billion in 2013, compared to €9.0 billion in 2012 primarily as a result of continued expansion of the liquidity portfolio through new investments.

Financial assets at fair value through the income statement

This item includes assets specifically designated as at fair value with changes in fair value recognised in the income statement, and derivatives not involved in a hedge accounting relationship.

2014 compared to 2013

The fair value of derivatives not involved in a hedge accounting relationship, which are used to hedge interest rate risk, increased by €449 million to €1,522 million in 2014 from €1,073 million in 2013, mainly due to the continuing decline in market interest rates in 2014. Loans and advances at fair value increased by €31 million to €946 million in 2014 from €915 million in 2013, and securities at fair value increased by €237 million in 2014 to €1,779 million from €1,542 million in 2013. The increase in fair value of these items was primarily attributable to the sharp decline in market interest rates. The total redemption value of the loans and advances and securities at year-end 2014 is €1,956 million (2013: €2,007 million).

2013 compared to 2012

The fair value of derivatives not involved in a hedge accounting relationship, increased by €200 million to €1,073 million in 2013 from €873 million in 2012, due to the increase in the ECP portfolio. Loans and advances at fair value decreased by €58 million to €915 million in 2013 from €973 million in 2012, and securities at fair value decreased by €88 million in 2013 to €1,542 million from €1,630 million in 2012 as a result of the decrease in the loan portfolio. The total redemption value of the loans and advances and securities at year-end 2013 is €2,007 million (2012: €2,161 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.

2014 compared to 2013

Other financial assets increased by €15.4 billion to €31.3 billion in 2014, compared to €15.9 billion in 2013, primarily as a result of the increase in the value of derivative transactions for hedging currency and interest rate risks due to the sharp decline in market interest rates and the depreciation of the Euro against the U.S. dollar.

2013 compared to 2012

Other financial assets decreased by €10.0 billion to €15.9 billion in 2013, compared to €25.8 billion in 2012, primarily as a result of the sharp decline in long-term interest rates in the last month of 2013 and the appreciation of the Euro against the U.S. dollar.

Liabilities

In 2014 total liabilities increased by €22.2 billion to €149.9 billion compared to €127.8 billion in 2013 and €139.5 billion in 2012. The increase was largely due to an increase in debt securities and funds entrusted due to increased balance sheet values primarily as a result of the depreciation of the Euro against the U.S. dollar and the decline in market interest rates, and an increase in other financial liabilities. The increase in other financial liabilities was primarily due to the increase in the value of derivative transactions for hedging currency and interest rate risks.

Amounts due to Banks

2014 compared to 2013

Debts to Banks decreased by €1.4 billion to €2.5 billion in 2014, compared with €3.9 billion in 2013. The decrease was primarily due to reductions in repurchase transactions.

2013 compared to 2012

Debts to Banks decreased by €2.3 billion to €3.9 billion in 2013, compared with €6.2 billion in 2012. The decrease was primarily due to decreased deposits from banks and other deposits as well as lower levels of cash collateral received.

Funds entrusted

2014 compared to 2013

The funds entrusted item increased by €2.3 billion to €12.3 billion in 2014, compared with €10.0 billion in 2013 as a result of the depreciation of the Euro against the U.S. dollar and the decline in market interest rates.

2013 compared to 2012

The funds entrusted item decreased by €2.1 billion to €10.0 billion in 2013, compared with €12.1 billion in 2012 as a result of more active balance sheet management.

Debt securities

Debt securities includes debenture loans and other issued negotiable debt instruments, including certificates of deposit.

2014 compared to 2013

Debt securities increased by €11.2 billion to €106.1 billion in 2014, compared with €94.8 billion in 2013. Debenture loans and Euro notes increased to €90.9 billion in 2014 from €81.7 billion in 2013. This

increase was primarily due to the depreciation of the Euro against the U.S. dollar and the decline in market interest rates. Commercial paper increased to €15.2 billion in 2014, compared to €13.1 billion in 2013. BNG Bank uses its ECP programme (maximum of €20 billion) and its US Commercial Paper programme (established in 2013 with a maximum of USD 10 billion, which was increased to a maximum of USD 15 billion in 2015) to raise short-term funding. The increase in commercial paper in 2014 was primarily to improve BNG Bank's capacity to manage collateral obligations on short notice.

2013 compared to 2012

Debt securities decreased by €4.6 billion to €94.8 billion in 2013, compared with €99.4 billion in 2012. Debenture loans and Euro notes decreased to €81.7 billion in 2013 from €89.3 billion in 2012. This decrease was primarily due to the appreciation of the Euro against the U.S. dollar and the rise in long-term interest rates at the end of 2013. European commercial paper increased to €13.1 billion in 2013, compared to €10.1 billion in 2012. The increase was due to an increased use of BNG Bank's ECP programme at the end of 2013 to raise short-term funding at favorable pricing.

Financial liabilities at fair value through the income statement

This item includes liabilities specifically designated at fair value with changes in fair value recognised in the income statement, and derivatives not involved in a hedge accounting relationship.

2014 compared to 2013

The fair value of derivatives not involved in a hedge accounting relationship decreased by €351 million to €1.3 billion in 2014 from €1.6 billion in 2013. The decrease in the fair value of derivatives was primarily the result of the sharp decline in market interest rates in 2014. Debt securities remained almost flat at €1.5 billion in 2014 compared to €1.4 billion in 2013. The total redemption value of the debt securities and funds entrusted at year-end 2014 was €1.7 billion (€1.7 billion in 2013).

2013 compared to 2012

The fair value of derivatives not involved in a hedge accounting relationship increased by €179 million to €1.6 billion in 2013 from €1.4 billion in 2012. Debt securities increased by €134 million to €1.4 billion in 2013 from €1.3 billion in 2012. The increases were the result of the rise in long-term interest rates in 2013. The total redemption value of the debt securities and funds entrusted at year-end 2013 was €1.7 billion (€1.1 billion in 2012).

Other financial liabilities

2014 compared to 2013

Other financial liabilities includes the fair value of derivatives involved in a hedge accounting relationship. Other financial liabilities increased by €10.3 billion to €25.4 billion in 2014, compared to €15.1 billion in 2013, primarily as a result of the increase in the value of derivative transactions for hedging currency and interest rate risks due to the sharp decline in market interest rates and the depreciation of the Euro against the U.S. dollar.

2013 compared to 2012

Other financial liabilities decreased by €3.6 billion to €15.1 billion in 2013, compared to €18.7 billion in 2012 primarily as a result of the appreciation of the Euro against the U.S. dollar and the increase in long-term interest rates at the end of 2013.

Information on financial assets

The tables below provide information on amounts due from banks and loans and advances as at 31 December 2014, 2013 and 2012.

	As at 31 December		
	2014	**2013**	**2012**
		(€ millions)	
Banks	11,046	8,509	10,171

	As at 31 December		
	2014	2013	2012
		(€ millions)	
Loans and advances	90,732	92,074	90,725
	101,778	**100,583**	**100,896**
Of which an incurred loss provision is included in the loans and advances item	(53)	(43)	(39)

The table below sets forth the analysis of amounts due from banks and loans and advances by remaining contractual term to maturity as at the dates indicated.

	As at 31 December		
	2014	2013	2012
		(€ millions)	
Amounts due from banks and loans and advances by remaining contractual term to maturity			
Up to three months	17,707	14,341	15,659
Longer than three months but not longer than one year	9,985	11,725	11,550
Longer than one year but not longer than five years	36,650	37,598	38,496
Longer than five years	37,436	36,919	35,191
	101,778	**100,583**	**100,896**

The table below sets forth the movement in the incurred loss provision as at the dates indicated.

	As at 31 December		
	2014	2013	2012
		(€ millions)	
The movement in the incurred loss provision			
Opening balance	(43)	(39)	(32)
Additions during the financial year	(16)	(13)	(8)
Release during the financial year	6	2	-
Withdrawals during the financial year	0	7	1
Closing balance	**(53)**	**(43)**	**(39)**

The tables below break down the financial assets carried on the balance sheet, including by market segment.

	As at 31 December		
	2014	2013	2012
	Balance sheet value	Balance sheet value	Balance sheet value
		(€ millions)	
Amounts due from banks and loans and advances	101,778	100,583	100,896
Financial assets at fair value through the income statement	4,247	3,530	3,476
Financial assets available-for-sale	13,693	9,607	9,018
Other financial assets	31,322	15,874	25,824
	151,040	**129,594**	**139,214**
Of which derivatives and market value adjustments hedge accounting	(32,844)	(16,947)	(26,697)
Total	**118,196**	**112,647**	**112,517**

	As at 31 December					
	2014		2013		2012	
	Balance sheet value	Of which not solvency free	Balance sheet value	Of which not solvency free	Balance sheet value	Of which not solvency free
	(€ millions)					
Public sector	40,220	393	37,934	449	35,872	522
Public housing	42,966	693	43,441	841	42,812	1,023
Healthcare	7,698	2,519	8,030	2,580	7,956	2,319
Energy, Water and Telecom	1,712	1,670	1,912	1,866	2,054	2,010
Transport, Logistics and the Environment	2,100	873	2,186	940	1,921	880
Education	1,071	948	1,064	933	1,152	1,022
Credit institutions	12,664	1,144	9,686	2,696	11,310	3,876
Other financial institutions	6,183	5,132	5,102	4,058	6,165	4,982
Miscellaneous	3,582	1,706	3,292	1,707	3,275	1,713
Total	**118,196**	**15,078**	**112,647**	**16,070**	**112,517**	**18,347**

Interest-bearing securities portfolio

BNG Bank's total interest-bearing securities portfolio can be subdivided into a liquidity portfolio and an asset and liability management ("**ALM**") portfolio. The tables below provide an overview of the remaining notional amounts of BNG Bank's liquidity portfolio and ALM portfolio as at 31 December 2014 and 2013 analysed by credit ratings. The liquidity portfolio consists exclusively of highly negotiable securities and is subdivided according to the various LCR classes. The ALM portfolio is subdivided according to type of security. The ratings presented in the tables are based on a maximum of four credit ratings by recognised rating agencies (Standard & Poor's, Moody's, Fitch and/or DBRS). In the case of more than one rating for a security, the ratings are ordered from highest to lowest credit rating and the second rating is taken.

	As at 31 December 2014					
	(€ millions)					
	AAA	AA	A	BBB	Non-investment grade	TOTAL
Liquidity portfolio						
Level I – Government / Supranational	5,745	2,415	1	251	46	8,458
Level II A – Covered Bonds	499	75				574
Level II A – Government / Supranational		64		17		81
Level II B – Corporates			196			196
Level II B – RMBS	88	14	38			140
	6,332	**2,568**	**235**	**268**	**46**	**9,449**
ALM portfolio						
RMBS/CMBS	136	97	488	120	231	1,072
Covered bonds			474	565	95	1,134
ABS	121	18	65	161	64	429
NHG	853	625	354			1,832
Other	355	19	302	167	274	1,117
	1,465	**759**	**1,683**	**1,013**	**664**	**5,584**
Total	**7,797**	**3,327**	**1,918**	**1,281**	**710**	**15,033**

	As at 31 December 2013 (€ millions)					
	AAA	AA	A	BBB	Non-investment grade	TOTAL
Liquidity portfolio						
Level I – Government / Supranational	4,738	2,166	3	247	46	7,200
Level II A – Covered Bonds	420		75			495
Level II A – Government / Supranational		60	22	21		103
Level II B – Corporates			235			235
Level II B – RMBS	347	45				392
	5,505	**2,271**	**335**	**268**	**46**	**8,425**
ALM portfolio						
RMBS/CMBS	179	123	215	489	204	1,210
Covered bonds			397	687	50	1,134
ABS	127	29		185	65	406
NHG	50	133	313			496
Other		320	412	167	216	1,115
	356	**605**	**1,337**	**1,528**	**535**	**4,361**
Total	**5,861**	**2,876**	**1,672**	**1,796**	**581**	**12,786**

As at 31 December 2014, over 86% of the securities portfolio had ratings of A or better (over 81% in 2013) with over 51% of the securities portfolio carrying ratings of AAA (over 46% in 2013) and 22% carrying ratings of AA (22% in 2013).

Long-term foreign exposure

BNG Bank's loan portfolio is strongly focused on the Netherlands. Improving geographic diversifaction is a reason for BNG Bank to consciously seek to include foreign securities in its liquidity portfolio. With respect to interest-bearing securities and the lending of credits, BNG exclusively deals with countries within the EU and has set an overall limit on long-term exposures in foreign countries of 15% of its balance sheet total. BNG Bank also applies limits for individual countries, which are partly determined on the basis of country credit ratings. In many cases, such foreign credit lending is directly or indirectly guaranteed by the relevant governments. BNG Bank is gradually reducing its exposure in Eurozone countries with deteriorating creditworthiness. This is mainly done by ensuring that existing exposures are not replaced by new ones once they have expired. At the end of 2014, BNG Bank's foreign exposure (expressed in balance sheet value) totalled €22.7 billion, of which €13.8 billion consisted of long-term credits (2013: €16.3 million and €11.2 billion respectively). This represents 9.0% of the balance sheet total (2013: 8.5%). The growth of BNG Bank's foreign exposure was caused by investments in long-term interest-bearing securities for the liquidity portfolio and an increase in short-term collateral liabilities in connection with derivative transactions.

The following tables provide an overview of foreign long-term exposures in BNG Bank's liquidity portfolio as at 31 December 2014 and 2013 analysed by credit ratings. Derivative transactions and short-term transactions (including in particular cash collateral with banks) have not been included.

The ratings presented in the tables are based on a maximum of four credit ratings by recognised rating agencies (Standard & Poor's, Moody's, Fitch and/or DBRS). In the case of more than one rating for a security, the ratings are ordered from highest to lowest credit rating and the second rating is taken.

	As at 31 December 2014 (€ millions)					
	AAA	AA	A	BBB	Non-investment grade	TOTAL
Supranational institutions (EU)	270	830				1,100
Multilateral development banks	753					753

	As at 31 December 2014 (€ millions)					
	AAA	AA	A	BBB	Non-investment grade	TOTAL
Austria	804	18			125	947
Belgium	40	598	133	126		897
Germany	1,423	40				1,463
Spain		83	858	894	356	2,191
Finland	770					770
France		1,046	43	50	78	1,217
United Kingdom	478		323	196	81	1,078
Italy		14	100	229	86	429
Portugal			51	87	272	410
Total	**4,538**	**2,629**	**1,508**	**1,582**	**998**	**11,255**

	As at 31 December 2013 (€ millions)					
	AAA	AA	A	BBB	Non-investment grade	TOTAL
Supranational institutions (EU)	175	700				875
Multilateral development banks	722					722
Austria	706		125			831
Belgium	42	609	140	144		935
Germany	935	40				975
Spain		111	495	1,184	373	2,163
Finland	500					500
France		918	40	50	78	1,086
United Kingdom	55	325	293	185	84	942
Ireland				269	7	276
Italy		45	100	220	91	456
Portugal			39	54	257	350
Sweden					13	13
United States			55			55
Total	**3,135**	**2,748**	**1,287**	**2,106**	**903**	**10,179**

Liquidity and Capital Resources

Cash flow analysis for BNG Bank for 2014, 2013 and 2012

The following table sets out selected cash flow information for the years ended 31 December 2014, 2013 and 2012.

	Year ended 31 December		
	2014	2013	2012
		(€ millions)	
Total cash flow from operating activities	(988)	(774)	(670)
Total cash flow from investing activities	(1,968)	17	(139)
Total cash flow from financing activities	3,727	(607)	(1,380)
Net movement in cash and cash equivalents	**771**	**(1,364)**	**(2,189)**

Cash flow from operating activities

BNG Bank's total cash flow from operating activities was a cash outflow of €988 million in 2014, compared with a cash outflow of €774 million in 2013 and €670 million in 2012.

The change in 2014 was primarily due to an increase in cash outflows from movement in amounts due from and due to banks (outflows of €4,150 million in 2014, compared to outflows of €464 million in 2013) and a decrease in net cash inflows from loans and advances (inflows of €780 million in 2014, compared to inflows of €1,328 million 2013). The overall effect of these movements was offset in part by increased levels of funds entrusted (inflows of €1,196 million in 2014, compared to outflows of €1,255 million in 2013) and an increase in cash inflow from the movement in derivatives (inflows of €927 million in 2014, compared to outflows of €124 million in 2013).

The change in 2013 was primarily due to a decrease in net cash inflows from loans and advances (€1,328 million of inflows in 2013, compared to €2,668 million of inflows in 2012), decreased levels of funds entrusted (outflows of €1,255 million in 2013, compared to inflows of €619 million in 2012) and a decreased cash outflow from the movement in derivatives (outflows of €124 million in 2013, compared to outflows of €990 million in 2012). The overall effect of these movements was offset in part by reduced levels of cash outflows from movement in amounts due from and due to banks (outflows of €464 million in 2013, compared to outflows of €2,791 million in 2012).

Cash flow from investing activities

Cash flows from investing activities were outflows of €1,968 million in 2014, compared with inflows of €17 million in 2013 and outflows of €139 million in 2012. Cash flows from investing activities principally reflect the cash outflows related to investments in and acquisitions of financial assets at fair value through the income statement and financial assets available-for-sale as compared to cash inflows related to the disposals, repayments and redemptions of financial assets at fair value through the income statement and financial assets available-for-sale. Cash flows from investing activities in 2014 mainly reflected a decrease in cash inflows related to disposals, repayment and redemptions of financial assets available-for-sale (inflows of €2,086 million in 2014, compared to inflows of €3,995 million in 2013).

Cash flow from financing activities

Cash flows from financing activities were inflows of €3,727 million in 2014, outflows of €607 million in 2013 and outflows of €1,380 million in 2012. Net borrowings in 2014 reflected cash inflows of €3,921 million (receipts of debt securities exceeding repayments of debt securities). Net borrowings in 2013 reflected cash outflows of €135 million and net borrowings in 2012 reflected cash outflows of €1,195 million.

BNG Bank paid dividends of €71 million, €83 million and €64 million in 2014, 2013 and 2012 respectively.

External sources of funding, financing and indebtedness

Capital and credit markets around the world have been relatively stable since 2012, although financial markets experienced high volatility in the last quarter of 2014, which continued into 2015. In 2014, interest rates declined to historically low levels and the spreads for credit and liquidity risk that had to be paid when raising long-term funds decreased. The lingering risk of a sovereign default continues to pose a threat to financial markets. In particular, the recently elected Greek government is seeking to re-negotiate the terms of its bail-out with the EU. Although an extension of the bail-out by four months (from the end of February 2015) has been agreed, the risk remains that the failure to ultimately reach an agreement could result in a sovereign default by Greece. During periods of volatility, BNG Bank has benefited from its low risk profile and has always been able to access the capital markets. In 2014, capital market funding resulted in lower credit spreads on long-term funding compared to the prior two years. See also "*Principal Factors Affecting Results of Operations – Funding*".

BNG Bank obtained long-term funding for its lending and refinancing purposes in 2014 of €14.9 billion (2013: €15.0 billion; 2012: €15.2 billion) by means of 78 issues (2013: 90 issues; 2012: 187 issues). The amount of long-term funding in 2014 exceeded the forecast due to the favourable long-term funding rates BNG Bank was able to achieve in 2014. In addition, BNG Bank focused on attracting long-term funding and reducing the use of its (short term) ECP programme for obtaining funding for its lending and refinancing purposes. In line with the relatively short maturities of new long-term lending, the weighted average maturity of the issues decreased by 1.1 years to 5.5 years in 2014 from 6.6 years in 2013 (2012: 6.5 years). In 2014, BNG Bank issued in 10 different currencies and in 2013 and 2012 BNG Bank issued in 9 and 13 different currencies, respectively.

BNG Bank's long-term funding is almost entirely carried out through the issuance of bonds under this Program with €90 billion (or the equivalent in other currencies) available to be issued under this Program. At 31 December 2014, the equivalent of €82.5 billion had been issued under this Program. BNG Bank's funding policy is designed to provide it with flexibility to respond to investor demand. This approach seeks to strengthen relations with investors and enable BNG Bank to attract funding on competitive terms. BNG Bank raises funding in several currencies, with the terms and conditions tailored to the needs of both institutional and private investors. In addition to this Program, BNG Bank has a Kangaroo Medium Term Note Program for issuing up to AUD 5 billion denominated in Australian and New Zealand dollars and a Samurai shelf registration and an Uridashi shelf registration specifically designed for Japanese investors. At 31 December 2014, AUD 3.3 billion had been issued under this Kangaroo Medium Term Note Programme and JPY 65 billion had been issued under the Samurai shelf registration. The currency and interest risks of bonds are fully hedged.

In 2014 BNG Bank issued its first 'Socially Responsible Investment' bond, the proceeds of which are used solely for the balance-sheet financing of the Dutch municipalities that have achieved the best scores in their category for sustainability and social policy. The loan enabled BNG Bank to raise €500 million in the capital markets. In view of the interest shown by international investors for this form of financing, BNG Bank expects to issue further sustainable bonds in 2015.

The following table sets out certain details of BNG Bank's funding for each of the last three years.

	2014	2013	2012
Volume (€ billions)	14.9	15.0	15.2
Average duration (years)	5.4	6.50	6.49
Number of trades	7.8	90	187
Percentage of volume by currency			
EUR	37.4%	45.0%	43.2%
USD	43.9%	45.8%	34.1%
GBP	8.2%	1.7%	4.2%
JPY	0.1%	0.3%	0.0%
CHF	2.1%	0.7%	0.7%
Kangaroo AUD	5.3%	3.2%	1.8%
Other AUD	0.4%	1.2%	1.8%
Kauri NZD	0.0%	0.0%	0.0%
Other NZD	0.9%	0.9%	0.6%
Maple CAD	0.0%	0.0%	0.0%
Other CAD	1.2%	0.0%	0.9%
HKD	0.0%	0.0%	0.0%
Nordic fx	0.4%	0.9%	4.1%
Emerging fx	0.0%	0.4%	8.5%
Other	0.1%	0.0%	0.0%
Number of currencies	10	9	13
Plain Vanilla	86.5%	75.3%	83.7%
Structured	2.9%	3.9%	16.3%
Public	97.5%	95%	95.6%
Private	2.5%	5%	4.4%
New issues	85.8%	88.9%	78.1%
Taps	14.2%	11.1%	21.9%
Benchmarks	65.9%	59.0%	66.0%
Other	34.1%	41.0%	34.0%

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 2014, BNG Bank issued eight benchmark loans in Euros and U.S. dollars with amounts ranging from 1.0 to 1.5 billion. In 2013, BNG Bank issued eight benchmark loans in Euros and U.S. dollars with amounts ranging from 1.0 to 1.75 billion. In 2012, BNG Bank issued five benchmark loans in Euros and U.S. dollars with amounts ranging between 1.0 to 2.5 billion. The Euro equivalent of the total amount of issued benchmark loans (including taps of benchmark loans) in 2014 was €9.2 billion (2013: €8.9 billion; 2012: €8.9 billion). Bonds were principally denominated in U.S. dollars (43%) in 2014 (45.8% in 2013 and 34.1% in 2012) due to the

liquidity premium for the U.S. dollar against the Euro. The share of Euro-denominated issues amounted to 38% in 2014 (45.0% in 2013 and 43.2% in 2012).

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.

	As at 31 December		
	2014	2013	2012
		(€ billions)	
Euros	44.5	43.3	44.4
U.S. dollars	29.3	23.5	23.1
British pounds	5.6	4.1	6.0
Australian and New Zealand dollars	4.5	4.1	5.3
Swiss francs	5.4	5.6	5.7
Japanese yen	1.7	2.0	2.6
Other	4.2	4.7	6.2
Total (in Euros)	**95.2**	**87.3**	**93.3**

BNG Bank also obtained funding through borrowings from banks and funds entrusted. In 2014 borrowings from banks decreased by €1.4 billion to €2.5 billion as a result of reductions in repurchase transactions and in 2013 borrowings from banks decreased by €2.3 billion to €3.9 billion as a result of reductions in deposits and cash collateral received from collateral obligations related to derivative contracts. In addition, during 2014 the funds entrusted item increased to €12.3 billion from €10.0 billion in 2013, which had previously decreased from €12.1 billion in 2012. The increase in funds entrusted in 2014 was primarily due to increased balance sheet value caused by the lower Euro value and the decline in market interest rates, while the decrease in 2013 was due to more active balance sheet management.

Analysis of financial liabilities according to remaining contractual terms to maturity

The amounts shown in the table below represent all BNG Bank's non-discounted future cash flows of financial liabilities as at 31 December 2014.

	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)		
Amounts due to banks	2,353	192	–	–	2,545
Financial liabilities at fair value through the income statement (excluding derivatives)	8	15	481	2,766	3,270
Debt securities	11,863	21,915	48,804	30,571	113,153
Funds entrusted	2,996	1,161	2,448	11,146	17,751
Subordinated debts	1	2	6	45	54
Other liabilities	34	–	–	–	34
Total liabilities (excluding derivatives)	**17,255**	**23,285**	**51,739**	**44,528**	**136,807**

Irrevocable facilities and encumbered assets

Irrevocable commitments include all irrevocable commitments that may lead to the granting of loans and advances. The following table sets forth BNG Bank's irrevocable facilities as at 31 December 2014 and 2013.

	As at 31 December	
	2014	2013
	(€ millions)	
Irrevocable facilities		
Master agreements concerning the unused part of credit facilities	4,228	3,997

	As at 31 December	
	2014	2013
	(€ millions)	
Contracted loans and advances to be distributed in the future	1,098	1,928
Total	**5,326**	**5,925**

The contracted loans and advances to be distributed in the future are granted in accordance with the contracts, as set forth in the table below.

	As at 31 December	
	2014	2013
	(€ millions)	
Contracted loans and advances to be distributed in the future		
Up to three months	611	905
Longer than three months but not longer than one year	367	762
Longer than one year but not longer than five years	120	261
Total	**1,098**	**1,928**

A part of BNG Bank's financial assets is encumbered because these assets act as collateral for money market transactions and lending transactions. The following table shows the nominal values of collateral (extended debenture loans and subordinated loans) pledged to DNB for funds withdrawn, as well as securities pledged to other financial institutions. See for further detail *Note 36, Irrevocable facilities – Encumbered financial assets and liabilities* to the 2014 Financial Statements incorporated by reference herein.

	As at 31 December	
	2014	2013
	(€ millions)	
Encumbered assets		
Collateral pledged to the central banks	13,715	12,796
Security pledged to other financial institutions	15	15
Total	**13,730**	**12,811**

Solvency and Capital

In December 2010, the Basel Committee published its final standards on the revised capital adequacy framework known as "Basel III". Basel III has been implemented in the EU through CRD IV consisting of the CRD IV Directive and the CRR which include a number of transitional provisions.

The CRR entered into force on 1 January 2014, and has direct effect in the Netherlands. The CRD IV Directive was implemented in Dutch law as per 1 August 2014. A number of the requirements introduced under CRD IV will be further supplemented through the Regulatory and Implementing Technical Standards produced by the EBA, and to be adopted by the European Commission, many of which are not yet finalised. In addition, the rules under the CRD IV Directive will be implemented in phases, allowing their effects on the economy generally and the banking sector in particular to be monitored and the rules to be adjusted if necessary by raising or lowering the relevant requirements.

One of the most significant elements of the new regulations relates to higher capital requirements for both risk-weighted assets and non-risk-weighted assets, partly through introducing a CET 1 ratio, total capital ratio (these ratios compare a 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) and a leverage ratio. Since 1 January 2014, the CRR contains an additional capital requirement, the CVA capital charge, which involves a capital charge for the risk arising from a change in the creditworthiness of counterparties with which BNG Bank has derivatives positions. This capital requirement complements the capital charge for the risk of counterparties remaining in default.

In order to maintain its good credit ratings, BNG Bank has for many years applied a self-imposed CET 1 ratio of 18% within its capitalisation and dividend policy, which is in excess of the CRD IV minimum requirement. Given its desire to maintain a high CET 1 ratio relative to the other banks, BNG Bank is aiming for a CET 1 ratio that is greater than 18% for 2015 and beyond. To achieve this objective, BNG Bank's total CET 1 capital may include non-common equity capital elements, such as hybrid debt instruments. While at year-end 2014, BNG Bank's entire CET 1 capital consisted of paid-up capital and retained earnings, this may change in the future as a result of the new leverage ratio requirements. BNG Bank currently complies with capital ratio requirements. As of 31 December 2014, BNG Bank's total capital was €2,770 million and its CET 1 ratio was 24%. BNG Bank applies the 'standardised approach' in reporting credit risk to the ECB.

As of November 2014, BNG Bank is subject to direct supervision by the ECB under the SSM. Prior to assuming its supervisory role, the ECB subjected BNG Bank (and 119 other European banks) to a 'comprehensive assessment', which comprised the AQR and a forward-looking stress test based in part on the AQR. The AQR and stress test scores of BNG Bank were consistent with the high-quality risk profile pursued by BNG Bank. Even in the most stringent stress scenario, BNG Bank's ratios were well in excess of the minimum requirements applied by the ECB. Compliance with the leverage ratio is more challenging. BNG Bank's leverage ratio as at 31 December 2014 was 2.0% (calculated based on CRD IV/CRR principles and excluding the 2014 net profit) compared to a leverage ratio of 2.3% as at 31 December 2013 (calculated based on Basel II regulations). The effects of the historically low market interest rates in 2014 were the main reason for the fall in the leverage ratio. The leverage ratio is defined as Tier-1 capital divided by a measure of non-risk-weighted assets (including specific off-balance sheet items). The CRR does not contain a minimum level for this ratio, and such level is not expected to be formally determined until 2017. This decision will be based on a recommendation by the EBA to be issued in 2016 at the latest. The CRR states that the EBA must take account of the various business models used in the banking sector when making its recommendation. Recital 95 of the CRR leaves room for an alternative leverage ratio that would apply to specified entities with a low risk business model. In January 2014, the Basel Committee announced a modified method for calculating leverage ratios, which will result in a permanent increase in leverage ratios and will apply to banks with effect from 1 January 2018. 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 percentage and scope of the leverage ratio under CRD IV. BNG Bank has decided to view this percentage as an objective in its capital planning until the final leverage ratio is determined. As this ratio includes 100% of all loans and advances, irrespective of their creditworthiness, the ratio will have a relatively profound impact on BNG Bank because its lending largely consists of exposures granted to or guaranteed by Dutch authorities at national, regional and local levels with a risk weighting of 0%. The EU rules deviate from the Basel III rules in certain aspects (e.g. in imposing an additional systemic risk buffer) and, in respect of some provisions, provide national flexibility to apply more stringent prudential requirements than set in the EU (or Basel) framework. With respect to the leverage ratio, the Dutch government is not allowed to set a lower ratio, but is authorised to increase it. The four systematically important banks in the Netherlands will have to comply with a 4% ratio with effect from 2018. BNG Bank is not one of these. The Dutch Minister of Finance has indicated that such percentage will not apply to BNG Bank, given its specific business model of lending exclusively to local governments and other public entities.

BNG Bank has developed a Basel III migration plan which describes how BNG Bank intends to comply with a leverage ratio of 3%. In this context, BNG Bank has reduced the dividend pay-out percentage from 50% to 25% since 2011. BNG Bank has determined that the growth of equity derived from retained earnings will not be entirely sufficient to ensure that it meets the leverage ratio objective of 3%. The possibility of issuing hybrid capital that qualifies as additional CET 1 capital is also part of the migration plan, and preparations for a possible issue are well advanced. By taking these measures, BNG Bank intends to mitigate any threat to client lending due to constrictive capital ratios.

The solvency ratios presented in the table below as at 31 December 2014 are calculated and presented in accordance with CRD IV/CRR principles that apply from 1 January 2014. The calculation of these solvency ratios does not include the 2014 net profit. The solvency ratios as at 31 December 2013 and 2012 are calculated and presented in accordance with the applicable Basel II regulations up to and including 2013. The standards under Basel II set by DNB for the principal capital ratios (the total capital ratio and CET 1 ratio) were based on the Capital Adequacy Directives of the European Union and the Basel Committee and applied to banks through year-end 2013. The minimum requirements as at 31 December 2014 set forth in the table below represent the situation to be achieved under CRD IV/CRR principles as of 1 January 2018.

	As at 31 December					
	2014		2013		2012	
	Minimum requirement	Present	Minimum requirement	Present	Minimum requirement	Present
Regulatory capital (€ millions).....	934	2,770	923	2,810	938	2,576
Total capital ratio (%).....	8	24	8	24	8	22
CET 1 capital (€ millions).....	529	2,770	461	2,806	469	2,576
CET 1 ratio (%).....	4.5	24	4	24	4	22
Risk-weighted assets (€ millions).....	N/A	11,681	N/A	11,530	N/A	11,729
Leverage ratio (%).....	3	2.0[1]	N/A	2.3	N/A	2.0

1 Excluding revaluation reserve and 2014 net profit. If the revaluation reserve and the 2014 net profit were included in full, the leverage ratio as at 31 December 2014 would have been 2.3%

The solvency ratios presented in the table below are based on the CRD IV/CRR principles as expected to apply from 2018 when fully phased-in, which means that the revaluation reserve has been included in full in the calculation of the ratios. Until 2018, the revaluation reserve is being phased into the capital ratio calculations. The minimum requirements as at 31 December 2014 set forth in the table below represent the situation to be achieved under CRD IV/CRR principles as of 1 January 2018.

	As at 31 December			
	2014		2013	
	Minimum requirement	Present	Minimum requirement	Present
Regulatory capital (€ millions).....	934	3,019	934	2,946
Total capital ratio (%).....	8	26	8	25
CET 1 capital (€ millions).....	529	3,019	525	2,946
CET 1 ratio (%).....	4.5	26	4.5	25
Risk-weighted assets (€ millions).....	N/A	11,681	N/A	11,669
Leverage ratio (%).....	3	2.2	N/A	2.4

Liquidity

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) were introduced under the CRD IV regulations. The 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. The NSFR requires that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities over a one-year period, i.e. that long-term assets are covered with sufficient stable funding. This ratio is calculated by dividing available stable funding by required stable funding. Both the LCR and the NSFR should be at least 100%.

Basel III has divided assets into two categories, namely level I assets (liquid assets of extreme high quality) and level II assets (other high quality liquid assets). Level II assets may account for a maximum of 40% of the value of the liquidity portfolio. Of the total LCR value of BNG Bank's portfolio, 90% (2013: 79%) were Level I assets and 10% (2013: 21%) were Level II assets. The LCR at year-end 2014 amounted to 168% and, as such, met the minimum standard.

At year-end 2014, the LCR value of the liquidity portfolio amounted to €9.1 billion (2013: €4.6 billion). The increase of €4.5 billion in 2014 mainly reflected encumbered securities received and the expansion of the liquidity portfolio.

Hedging risks with derivatives

BNG Bank applies economic hedging in order to mitigate foreign exchange risks due to the variability of foreign currency cash flows caused by the fluctuations of the exchange rates, 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 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. For accounting purposes, BNG Bank processes this hedging relationship under IFRS through micro and portfolio fair value hedging, as well as

cash flow hedging. The paragraph on accounting principles in the 2014 Financial Statements incorporated by reference herein describes the conditions 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 that are not involved in a hedge accounting relationship, in almost all cases there is an economic hedged item, which is also recognised 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 accounting treatment under IFRS. Derivatives are always recognised 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.

BNG Bank applies cash flow hedge accounting to virtually all long-term funding 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 recognise the change in the instrument's fair value in its accounts and the effects of this accounting mismatch must be recognised in the income statement as value adjustments to derivatives. With the use of cash flow hedge accounting, the effective part of the cash flow hedge, arising from changes in the cross currency basis spread, is recognised 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 2014, BNG Bank recognised €375 million positive (2013: €332 million positive) as effective value adjustment of hedging instruments in equity by virtue of cash flow hedging.

See also *Note 31 Hedging of risk with derivatives* to the 2014 Financial Statements.

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 BNG Bank has issued guarantees on behalf of a third party. To a limited extent, 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 BNG Bank has issued on behalf of clients in the utility sector. BNG Bank records contingent liabilities at the underlying principal amount that would need to be paid in the event of the borrower defaulting. BNG Bank's contingent liabilities as at 31 December 2014 were €172 million (2013: €188 million; 2012: €289 million).

Critical Accounting Policies and Estimates

The preparation of BNG Bank's consolidated financial statements requires BNG Bank 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 2014 financial statements included in BNG Bank's 2014 annual report which is incorporated by reference in this Base Prospectus.

CONSOLIDATED BALANCE SHEET **As at 31 December**

(€ millions)

	2014	2013	2012
Assets			
Cash and balances with the central banks	2,241	1,467	2,834
Amounts due from banks	11,046	8,509	10,171
Financial assets at fair value through the income statement	4,247	3,530	3,476
Other financial assets	31,322	15,874	25,824
Financial assets available-for-sale	13,693	9,607	9,018
Loans and advances	90,732	92,074	90,725
Investments in associates and joint ventures	54	53	89
Property and equipment	16	17	18
Other assets	154	52	73
Total assets	**153,505**	**131,183**	**142,228**
Liabilities			
Amounts due to banks	2,544	3,939	6,223
Financial liabilities at fair value through the income statement	3,327	3,553	2,730
Other financial liabilities	25,357	15,086	18,692
Debt securities	106,069	94,828	99,424
Funds entrusted	12,334	10,033	12,139
Subordinated debts	32	32	33
Other liabilities	260	282	235
Total liabilities	**149,923**	**127,753**	**139,476**
Equity	**3,582**	3,430	2,752
Total liabilities and equity	**153,505**	**131,183**	**142,228**

CONSOLIDATED INCOME STATEMENT
(€ millions)

	Year ended 31 December		
	2014	**2013**	**2012**
Interest income	1,258	1,514	2,115
Interest expenses	814	984	1,642
Interest result	444	530	473
Results from associates and joint ventures	1	(1)	(2)
Commission income	35	30	31
Commission expenses	6	5	6
Commission result	29	25	25
Result on financial transactions	(187)	(5)	88
Other results	4	3	4
Total income	**291**	**552**	**588**
Staff costs	38	36	38
Other administrative expenses	27	26	25
Staff costs and other administrative expenses	65	62	63
Depreciation	2	2	1
Total operating expenses	**67**	**64**	**64**
Impairments	15	58	32
Bank levy	30	33	32
Profit before tax	**179**	**397**	**460**
Taxes	(53)	(114)	(128)
Net profit	**126**	**283**	**332**

CONSOLIDATED CASH FLOW STATEMENT
(€ millions)

	Year ended 31 December		
	2014	**2013**	**2012**
Cash flow from operating activities			
Profit before tax	179	397	460
Adjustments for:			
Depreciation	2	2	1
Impairment	15	58	32
Unrealised results through the income statement	198	32	(75)
Additions to provisions	–	–	–
	215	92	(42)
Cash flow generated from operations	394	489	418
Movement in amounts due from and due to banks (not due on demand)	(4,150)	(464)	(2,791)
Movement in loans and advances	780	1,328	2,688
Movement in funds entrusted	1,196	(1,255)	619
Movement in derivatives	927	(124)	(990)
Corporate income tax paid	(128)	(216)	(28)
Bank levy	(30)	(33)	(32)
Other movements in cash flow from operating activities	23	(499)	(534)
	(1,382)	(1,263)	(1,088)
Total cash flow from operating activities	**(988)**	**(774)**	**(670)**
Cash flow from investing activities			
Investments and acquisitions			
Financial assets at fair value through the income statement and financial assets available-for-sale	(4,052)	(3,974)	(2,142)
Investments in associates and joint ventures	(1)	(4)	(2)
Property and equipment	(1)	–	–
	(4,054)	(3,978)	(2,144)
Disposals, repayments and redemptions			
Financial assets at fair value through the income statement and financial assets available-for-sale	2,086	3,995	2,005
	2,086	3,995	2,005
Total cash flow from investing activities	**(1,968)**	**17**	**(139)**
Cash flow from financing activities			
Amounts received on account of:			
Debt securities	49,604	54,270	25,359
Financial liabilities at fair value through the income statement	22	21	–
Amounts paid on account of:			
Debt securities	(45,683)	(54,405)	(26,554)
Financial liabilities at fair value through the income statement	(142)	(408)	(56)
Subordinated debts	(3)	(2)	(65)
Dividend	(71)	(83)	(64)
Total cash flow from financing activities	**3,727**	**(607)**	**(1,380)**
Net change in cash and cash equivalents	**771**	**(1,364)**	**(2,189)**
Cash and cash equivalents as of January 1	1,469	2,833	5,022
Cash and cash equivalents as of December 31	**2,240**	**1,469**	**2,833**

CONSOLIDATED CASH FLOW STATEMENT (€ millions)	Year ended 31 December		
	2014	2013	2012
Cash and cash equivalents as of December 31 comprise:			
Cash and cash equivalents	2,241	1,467	2,834
Cash equivalents in the Amounts due from banks item	2	2	2
Cash equivalents in the Amounts due to banks item	(3)	–	(3)
	2,240	**1,469**	**2,833**

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 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 of Notes 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, whereby the Netherlands means the part of the Kingdom of the Netherlands located in Europe, 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 may arise 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, in whole or in part, not subject to or 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 20% with respect to taxable profits up to €200,000 and 25% with respect to profits in excess of that amount.

If a holder of the Notes is an individual, resident or deemed to be resident of the Netherlands for Netherlands income tax purposes, 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 (*medegerechtigd tot het vermogen*) 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 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. Actual income, gains or losses in respect of the Notes are 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;

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 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 (i) any payment in consideration for the issue of the Notes or (ii) to the payment of interest or principal by the Issuer under the Notes.

Other taxes and duties

No Netherlands registration tax, stamp duty or any other similar documentary tax or duty will be payable by the holders of the Notes in respect of (i) the issue of the Notes or (ii) the payment of interest or principal by the Issuer under the Notes.

EU Savings Directive

Under 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 may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. 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 Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

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

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. persons. Unless an exemption applies, a U.S. Holder of a Bearer Note or Coupon generally will be subject to penalties. This discussion only applies to Notes that are purchased by a U.S. Holder described below who purchases Notes in their initial offering at the "issue price," which generally will equal the first price to the public (not including bond houses, brokers or similar persons or organisations 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 U.S. Internal Revenue Code of 1986, as amended (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, Dual Currency Redemption Notes, certain Notes with maturities over 30 years, Step-Up Interest Notes, Step-Down 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

Stated 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, without duplication, any additional amounts paid with respect thereto pursuant to the terms of 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 Note that is a Variable Rate Debt Instrument (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" (as described below) 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, a Note that is a Variable Rate Debt Instrument 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 Debt Instrument**" 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 Note that is a Variable Rate Debt Instrument 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. A "qualified inverse floating rate" is an objective rate that is equal to a fixed rate minus a qualified floating rate if variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate (disregarding for those purposes any cap, floor, governor or similar restriction). If a Note that is a Variable Rate Debt Instrument 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 Note that is a Variable Rate Debt Instrument provides for a single variable interest rate and is issued at a "true" discount (i.e., at a price below the Note's stated principal amount), and the discount is equal to or in excess of the specified *de minimis* amount described below, such discount must be allocated to a U.S. Holder's accrual periods using the constant- yield method described below by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Note.

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 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 utilising 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 previously includible in gross income and decreased by the amount of any payment previously made on the Note other than payment of qualified stated interest.

Prior Accrued Interest on Additional Notes

Under the terms of the Notes, if the Issuer issues additional Notes with the same CUSIP, ISIN, Common Code or other identifying number of outstanding Notes ("**Additional Notes**"), the Additional Notes and outstanding Notes must be fungible for U.S. federal income tax purposes. U.S. Holders that purchase Additional Notes from the Issuer upon their issuance may elect to exclude from income the portion of the interest paid on the first interest date on Additional Notes that relates to the period from the preceding interest payment date on the outstanding Notes to the issue date of the additional Notes ("prior accrued interest"). Prior accrued interest not included in income will not form part of any amortisable bond premium (as described below under "*Amortisable Bond Premium*"). A U.S. Holder's tax basis in an Additional Note will generally equal the cost of such Note to the U.S. Holder, reduced by any prior accrued interest excluded from income.

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 taxed as interest as described under "*—Payments of Interest*" above to the extent not previously included in income. 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, and in the case of Additional Notes further decreased by any prior accrued interest that the U.S. Holder elected to exclude from income.

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, 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. Alternatively, 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. 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.

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.

Taxation in Luxembourg

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding tax

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to certain Luxembourg resident 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 Luxembourg resident individual Noteholders and to certain entities, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

Luxembourg residents.

In accordance with the law of 23 December 2005 (the "**Relibi Law**"), as amended by the laws of 17 July 2008 and of 25 November 2014, on the introduction of a withholding tax on certain interest payments on savings income, interest payments made by Luxembourg paying agents (same definition as in the EU Savings Directive) to Luxembourg individual residents or to certain residual entities (same definition as in the EU Savings Directive) that receive or secure interest payments for the benefit of such individuals (unless such entities have opted either to be treated as UCITS recognised 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. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

The Proposed Financial Transaction Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's 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 Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, 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, and at least one party is established in a Participating Member State. A financial institution may be, or 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 dealings is issued in a Participating Member State.

Joint statements issued by Participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

BENEFIT PLAN INVESTOR CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and Section 4975 of 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 (the foregoing, collectively, "**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 (the foregoing, collectively, "**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 deposition 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 27 May 2015 (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.

If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several (or several, in the case of 144A Notes) and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

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 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 BNG Bank's securities, including potentially the Notes of any Series. Any such short positions could adversely affect future trading prices of the Notes of such Series. 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 their clients that they acquire, long and/or short positions in such securities and instruments, which may include the Notes of any Series.

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), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. 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 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.

Bearer Notes with a term of more than 365 days (taking into account any unilateral extension or rollover rights) 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;

(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; and

(e) with respect to any person other than its affiliate with whom a Dealer enters into a written contract, as defined in U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(4) or any successor provision for purposes of Section 4701 of the Code, for the offer and sale of Notes during the restricted period, such Dealer has undertaken, and each further Dealer appointed under the Program will be required to undertake that it will obtain from such person for the benefit of the Issuer the representations, warranties and undertakings contained in paragraphs (a), (b), (c) and (d) above.

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.

NON-EXEMPT 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 "**Non-exempt 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 Non-exempt 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 Non-exempt 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 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 (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

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 Financial Markets and Services Act 2000 as amended (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 any 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 "**DFSA**") 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 "*Non-exempt Offer Selling Restriction Under the Prospectus Directive*".

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that 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 and, accordingly each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, save as set out below, 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.

Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent 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", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended ("**Decree No. 58**") and as defined in Article 34-ter, paragraph 1, let. b) 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 offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

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 non-exempt 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 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 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, non-exempt 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 Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). 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, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations 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 ("**SFO**") 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 (Winding Up and Miscellaneous Provisions) 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 SFO 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 an offer referred to in 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 applicable 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 acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(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,

the shares, debentures and unit of shares and debentures 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 any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

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) 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; and

(iv) 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) 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, (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 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 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 RESALES 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 RESALES 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

1. The establishment of the Programme was authorised by the Executive Board of the Issuer on 29 November 1993, pursuant to the authorisation of the Supervisory Board of the Issuer of 12 November 1993. Increases of the size of the Programme were, pursuant to authorisation of the Supervisory Board, duly authorised by resolutions by the Executive Board dated 19 July 1995, 25 March 1996, 7 July 1997, 10 February 1998, 7 September 1998, 21 December 1998, 2 December 2002, 1 December 2003, 11 March 2008 and 18 October 2011. On 28 June 2010, the Executive Board, pursuant to the authorisation 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, 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 Securities Act. On 28 April 2015, the Executive Board, pursuant to the authorisation of the Supervisory Board of 23 April 2015, resolved to update the Programme and to issue Notes under the Programme.

2. 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.

3. There has been no material adverse change in the prospects of the Issuer since 31 December 2014, nor has there been any significant change in the financial position of the Issuer or its subsidiaries, taken as a whole, which has occurred since 31 December 2014.

4. Application may be made to list Notes 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.

5. Application may be made to list Notes on Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V. and on the SIX Swiss Exchange Ltd.

6. 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 2014, 31 December 2013 and 31 December 2012 (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/investors 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 will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions. The issue price will be disclosed in the relevant Final Terms.

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The Toronto-Dominion Bank
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International Cash and Securities Services
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NON-U.S. REGISTRAR, PAYING AGENT AND TRANSFER AGENT

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